

**DEBATE WATCH 2006**  
**Minnesota Public Radio**  
November 5, 2006  
St. Paul, MN

## Hatch Rhetoric v. Hatch Reality

"With his declaration tonight that he would have raised taxes to address the 2003 budget, Mike Hatch again demonstrates that he is a committed tax and spend liberal who would kill jobs and harm our economy if elected governor.

By denying that he has ever criticized Minnesota Care and defending what is widely considered to be the most over the top attack ad of the year, Hatch shows he is willing to say anything to get elected, regardless of the facts."

- Mark Drake, Republican Party of Minnesota Spokesman

### I. Health Care

#### Hatch Rhetoric

"I believe it's trying to retain some semblance of a middle class. ...That means attacking health care costs."

#### Hatch Reality

**Hatch Accused Of "Giant Conflict Of Interest" By DFLer David Lillehaug For Representing HMO.** "Minnesota Attorney General candidate David Lillehaug on Tuesday accused rival Mike Hatch of having a 'giant conflict of interest' for collecting legal fees from a health maintenance organization while campaigning on promises to help individuals in fights against HMOs. ... Hatch, a lawyer in private practice, represents Aetna U.S. Healthcare, a Pennsylvania-based for-profit insurance company, in a federal lawsuit against HealthPartners, a non-profit Minnesota HMO."

(Patrick Sweeney, "Lillehaug, Hatch Trade Barbs Over HMO Issue," *Pioneer Press*, September 2, 1998)

**Lillehaug Said Hatch Had Been Operating In "Cynical Manner."** "Lillehaug said it was wrong for Hatch to portray himself in the campaign as a defender of patients against the abuses of HMOs when he is receiving fees from Aetna. 'He's been operating in a cynical manner, where his law practice has been disengaged from the public-policy aspects of his campaign,' Lillehaug said."

(Patrick Sweeney, "Lillehaug, Hatch Trade Barbs Over HMO Issue," *Pioneer Press*, September 2, 1998)

**Lillehaug Mocked Hatch For Representing HMO.** “When Mr. Hatch said he would ‘take on’ the HMOs, I didn’t think we suspected he would take them on as clients. ... At the same time, when he says he’s standing up to the HMOs, he’s apparently standing up with his hand out,’ [Lillehaug said]” (Bill McAllister, “Lillehaug Says Hatch Has A Conflict Of Interest on HMOs,” *Legal Ledger*, September 2, 1998)

**Minnesota Chamber Of Commerce Estimated Hatch Bill Would Have Increased Premiums By Up To 40% A Year.** “The Legislature passed a bill, originated by the Chamber, allowing insurance companies with less than a three percent market share to offer small employers health care insurance without costly state mandates. The Chamber also successfully defeated attempts by Attorney General Mike Hatch to increase litigation in the health care system, which would have increased health care premiums by up to 40% a year.” (Minnesota Chamber Of Commerce Press Release, “Minnesota Chamber Applauds Tax Cuts, Health Care Reforms But Warns About Unchecked Spending,” May 19, 1999)

**In Spite Of Hatch Numerous Lawsuits, Health Care Costs Continue To “Skyrocket.”** “Since Minnesota Attorney General Mike Hatch began his march through the financial books of the state’s largest nonprofit health care insurers and providers five years ago, much has changed. ... But then again, much has stayed the same. Health care costs continue to skyrocket and care issues remain a top priority with the public.” (David Phelps, “The Trials Of Mike Hatch; Is The Attorney General Reforming Minnesota Health Care, Or Is He Grandstanding?” *Star Tribune*, February 20, 2005)

**Pioneer Press: Hatch’s “Legal Actions Have Done Little To Hold Down Soaring Health-Care Costs.”** “As attorney general, he has earned a reputation as an aggressive -- some say confrontational -- watchdog of the state’s health-care insurers and providers. But his legal actions have done little to hold down soaring health-care costs. ‘Lawsuits aren’t going to change the system,’ he said.” (Bill Salisbury, “Attorney General Campaigns For Health-Care Fixes,” *Pioneer Press*, March 20, 2005)

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## **II. College Tuition**

### **Hatch Rhetoric**

“With regards to college, I want college tuition reduced.”

### **Hatch Reality**

**Hatch Has Endorsed Ventura’s 2002 Budget Proposal.** “I think in 2003, first of all, I think we should have adopted the Ventura budget in 2002, I think had that been done, and if you recall, uh, the Governor talks about a four and half billion dollar deficit, it was a deficit caused by his own actions. Ventura did come up with a proposal that was a compromise, it had some pretty good cuts, had some revenue, uh, but it did balance the budget.” (Mike Hatch, Press Conference, August 25, 2006)

### **Ventura Budget Cut Higher Ed:**

**Higher education Base reduction for University of Minnesota FY 02/03: (\$33.242 million)**

FY 04/05: (\$66.484 million)

Higher education Base reduction for MnSCU FY 02/03: (\$31.999 million)

FY 04/05: (\$63.998 million) (Ventura Budget Proposal, 2003)

### III. Property Taxes

#### Hatch Rhetoric

“The state has to step up and go back to its formal role to provide uniform quality education in the state.”

#### Hatch Reality

**Hatch Won't Support Cap on Property Taxes.** Eichten: “Will you cap - support a cap on property taxes -on property tax increases is what I'm trying to say?” Hatch: “What I would support is the concept of limited market value, that's going away, that's getting phased out. ... I think the state actually ought to - those local government aids are directly the cause of the increased property taxes, and I believe that property taxes are the most regressive form of taxation.” (MPR's “Midday,” October 11, 2006)

**Star Tribune: “While Hatch Wouldn't Comment On A Property-Tax Rebate, He Expressed His Opposition To A Property-Tax Cap.”** (Kara McGuire, “Hatch And GOP Spar Over Property Taxes,” *Star Tribune*, October 16, 2006)

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### IV. 2003 Budget

#### Hatch Rhetoric

Q: “Would you have raised taxes?”

A: “I probably, inevitably, somewhere along the line, we would have had some change in revenue.”

#### Hatch Reality

**Hatch Also Endorsed Ventura's 2002 Proposed Tax Hikes.** “I think in 2003, first of all, I think we should have adopted the Ventura budget in 2002, I think had that been done, and if you recall, uh, the Governor talks about a four and half billion dollar deficit, it was a deficit caused by his own actions. Ventura did come up with a proposal that was a compromise, it had some pretty good cuts, had some revenue, uh, but it did balance the budget.” (Mike Hatch, Press Conference, August 25, 2006)

**Star Tribune: “Hatch Acknowledged That As Governor He Would Have Approved [Ventura's] Tax Increases.”** “Hatch acknowledged that as governor he would have approved tax increases. ‘In 2002, we should have come to a long-term solution,’ Hatch said. ‘If that demanded a revenue adjustment, then so be it.’” (Dane Smith, “Ventura's Voice Rumbles Again,” *Star Tribune*, September 16, 2006)

- **Ventura's Tax Increase Would Have Hiked Taxes By Nearly \$400 Million.** "Most Minnesotans would notice the pinch of at least some of Ventura's proposed tax increases. Defending a plan that would cut spending by \$700 million over the next 18 months and raise taxes by nearly \$400 million in the same period, he put it this way: 'Better that everyone get a mild headache than a few get an impacted wisdom tooth. I think we'll be successful if everyone complains.'" (Patricia Lopez, "Strong Budget Medicine: Ventura Prescribes Cuts Of \$700 Million, Tax Increases Of \$397 Million," *Star Tribune*, January 11, 2002)
- **Associated Press: Ventura's "Plan Included Some Spending Cuts But Also Called For, Among Other Things, A Higher Gas Tax, New Sales Taxes On Auto Repairs And Legal Services."** "Pawlenty's ad makes no specific mention of Ventura. But it keys off a proposal Ventura put forward in 2002 to erase a projected budget shortfall. The plan included some spending cuts but also called for, among other things, a higher gas tax, new sales taxes on auto repairs and legal services..." (Brian Bakst, "He's Back! In Cameos, At Least, Ventura Appears In Gov Campaign," *The Associated Press*, September 15, 2006)

**Hatch Supports New Tax For "Mass Transit District."** Mike Hatch: "When it comes to mass transit, I do believe that we should set up a mass transit district." Mary Lahammer: "Does that mean a metro sales tax perhaps?" Hatch: "What other municipalities have done, Denver, Atlanta, is they've set up a transit district. They do have the financing issue that has to be confronted. It can be by a tax, fees, you name it. But basically the people who use the system within the metropolitan area would participate in the payment for it." (TPT's "Envision Minnesota," October 1, 2006)

**Hatch Supports Increased Statewide Sales Tax.** Mike Hatch: "On the 3/16ths, I do believe it should be additional money, not, not taken out of the existing budget." Mary Lahammer: "So raise the sales tax?" Hatch: "Well, if, if that's what the legislature's gonna pass, I would support it." (TPT's "Envision Minnesota," October 1, 2006)

### **Taxes On Minnesota's Businesses**

**Hatch Admits He'd Raise Taxes On Minnesota's Businesses.** "Business groups view Hatch's proposal as a tax increase that would hinder job growth. Hatch acknowledges that his plan would increase corporate tax collections... 'Sure, it's a business tax. It's a loophole,' Hatch said." (Laura McCallum, "Candidates For Governor Make Tax And Spending Promises," Minnesota Public Radio Website, September 26, 2006)

- "Pawlenty and business officials have contended that the 'loophole' closing to which Hatch is referring represents a tax increase. It would be imposed on Minnesota corporations, and could be passed down to consumers. Hatch counters that the larger point is that he is not proposing any direct taxes on Minnesota's households..." (Dane Smith, "Governor Candidates Spar Over 5 Little Letters: T A X E S," *Star Tribune*, October 5, 2006)

**Hatch Ad Claimed Closing So-Called Tax Loophole Would Bring In \$300 Million.** "As Governor, I'll close a \$300 million dollar tax loop hole that allows corporations to hide profits overseas, and I'll use every dollar to roll back college tuition. It can be done, and we will do it." ("Minnesota; This Is What You Call An Ad Blitz," *The Hotline*, September 20, 2006)

- **Hatch Now Says Closing The So-Called Loophole Will Bring In \$100 Million.** "There's a lot of issues there. ... What I'm talking about in terms of the tax on foreign investments, is on passive

investments... the number isn't \$300 million, it's probably about \$100 million." (MPR's "Midday," October 11, 2006)

## V. Minnesota Care

### **Hatch Rhetoric**

"I've never been a critic of the Minnesota Care insurance program."

### **Hatch Reality**

"Mike Hatch is concerned about the direction of Minnesota Care and believes that dramatic change must be made by the next governor: ... Second: the 'Minnesota Care' policy is based on the presumption that 'Bigger is Better.' The state's plan has led to rapid and economically illogical mergers with hospitals purchasing clinics and HMOs merging with hospitals. ... Third, the 'Minnesota Care' legislation attempts to control costs by regulating a freeze on the premiums charged by an ISN." (Mike Hatch For Governor, "Position Paper: Minnesota Care," 1994)

"Finally, the 'Minnesota Care' legislation and the Carlson Administration's regulation blindly ignore the rationing of health care. Health care is rationed in this country." (Mike Hatch For Governor, "Position Paper: Minnesota Care," 1994)

"In short, the 'Minnesota Care' system has many deficiencies: 1. It will result in bloated, inefficient corporate delivery systems. 2. The state will not be able to control the premium increases. (If it were able to control it, we would not see the current articles where senior citizens protested the 'rubber stamp' premium increase by HMOs. Why should the Department of Health be any better at regulating an ISN than an HMO?) 3. The system will allow corporations to engage in rationing and determine the treatment based upon financial needs of the corporation as opposed to the medical needs of the patient. We have already had this experience with the State Health Plan. 4. There is no effective forum in which disputes over the rationing of health care can be resolved." (Mike Hatch For Governor, "Position Paper: Minnesota Care," 1994)

"Mike Hatch believes that the mistakes surrounding 'Minnesota Care' was due to the fact that the public did not have sufficient input into the process. Rather a cabal of HMO executives and hospital executives got together and effectively crafted a proposal which was naively embraced by policymakers." (Mike Hatch For Governor, "Position Paper: Minnesota Care," 1994)

## VI. Negative Campaigning

### **Hatch Rhetoric**

"The issue with regard to Concordia Nursing Home... Yes, I think the administration should have taken prompt action on it."

## Hatch Reality

**Star Tribune: “The Ad Distorts The Facts Surrounding Problems In One Minneapolis Nursing Home In 2004, And Is Perhaps The Most Questionable Among Various Misrepresentations On The Crime Issue...”** (Dane Smith, “Is That A Fact?: DFL Ad Is The Latest Distortion,” *Star Tribune*, October 17, 2006)

**DFL Could Offer No Proof Linking Pawlenty To Offenses Cited In Ad.** “Troubling as the stories are, DFL officials produced no documentation linking Pawlenty budget cuts to the sexual misbehavior committed at the home, as implied in the ad. Although he offered no proof, DFL chair Brian Melendez insisted that ‘they put them there because it was cheaper than a correctional facility.’” (Dane Smith, “Is That A Fact?: DFL Ad Is The Latest Distortion,” *Star Tribune*, October 17, 2006)

**Two Of The Three Offenders The DFL Cited Were Not Sent By Pawlenty Administration.** “More problematic is that four of five sex offenders who were listed in a 2004 lawsuit brought against the home by Hatch as attorney general, including two of the three cited in the DFL backup, were not sent to the home by the Pawlenty administration at all. Two were referred by the state before Pawlenty was elected and two others were sent by county authorities.” (Dane Smith, “Is That A Fact?: DFL Ad Is The Latest Distortion,” *Star Tribune*, October 17, 2006)

**KSTP Website: “DFL Sex Offender In Nursing Home Ad Falls Flat On TRUTH TEST.”** (KSTP Website, “New Ads Put To TRUTH TEST,” October 16, 2006)

**KSTP’s Tom Hauser Gives DFL Attack Ad C- On His Truth Test.** (KSTP Website, “New Ads Put To TRUTH TEST,” October 16, 2006)

**Watch the KSTP “TRUTH TEST”:**

<http://kstp.com/article/stories/S19411.html?cat=1>

## **VII. Gas Tax Increase**

### Hatch Rhetoric

“I oppose a gas tax increase.”

### Hatch Reality

**Hatch Flip-Flops On Gas Tax Increase:**

**Hatch Said He Won’t Raise Taxes.** “I’m not going to raise taxes, but I’m not going to take any pledges,” Hatch said.” (Brad Swenson, “Hatch Brings Campaign For Governor To Bemidji,” *Bemidji Pioneer*, December 11, 2005)

**Star Tribune: Hatch “Differed From” His DFL Rivals In Opposing Gas Tax Increase.** “In his first campaign faceoff with the other leading DFL candidates for governor, Attorney General Mike Hatch differed from his rivals Tuesday on whether Minnesota’s gasoline tax should be raised and whether the state should continue to borrow money for transportation projects. ‘The public does not support a higher gas tax,’ Hatch said on Minnesota Public Radio’s ‘Midday’ show. ‘The governor has to sell this issue.’” (Conrad deFiebre, “DFLers Spare Each Other, Saving Barbs For Pawlenty,” *Star Tribune*, March 8, 2006)

**Hatch Said He Opposed Raising The Gas Tax.** “Kelley and Lourey, who voted for a 10 cents-per-gallon gasoline tax increase last year, said they would support such a boost again to pay for transportation, while Hatch and Savior opposed any gas tax increase.” (Bill Salisbury, “Hatch Says He’s Still In Governor’s Race,” *Pioneer Press*, May 27, 2006)

**Hatch “Wouldn’t Stand In The Way” Of \$300 Million Gas Tax Increase.** “While he says he’s not in favor of a higher gas tax, he would sign off on it if the Legislature passed it again. ‘If that’s the voice of representative democracy, I wouldn’t stand in the way,’ he said.” (“Issue Transportation: Where The Candidates Stand,” *Star Tribune*, October 26, 2006)

**Hatch Gas Tax Increase Would Cost Minnesotans An Additional \$300 Million A Year.** “Raise the gasoline tax[:]. The Legislature tried to do this last year, only to be vetoed by Pawlenty. The measure would have increased the pump levy to 30 cents a gallon from the current 20 cents, adding more than \$300 million a year to highway budgets.” (“Issue Transportation: Different Approaches,” *Star Tribune*, October 26, 2006)

## **VIII. Alternative Energy**

### **Hatch Rhetoric**

“We have to go to alternative energy.”

### **Hatch Reality**

**Hatch Investigated E-85 Producers.** “A run-up in the price of ethanol-based fuel that closely paralleled rising gasoline prices in Minnesota resulted from market forces, not illegal price-gouging or collusion, Attorney General Mike Hatch said Wednesday. Hatch’s staff last fall began investigating prices charged for E-85 fuel -- a mixture of 85 percent corn-based ethanol alcohol and 15 percent gasoline -- after consumers and some farmers complained that the fuel’s price was soaring while corn prices stayed relatively low. In a news conference Wednesday, Hatch released an investigative report. It said prices for E-85 did, indeed, increase far out of proportion to the price of corn, and that in some cases Minnesota motorists paid as much, or nearly as much, for E-85 as for gasoline -- even though the mostly ethanol fuel gives 20 percent to 30 percent poorer mileage. But Hatch said market forces across the country, including a dramatically expanded demand for ethanol to replace another gasoline additive, drove up the ethanol price. ‘I don’t believe there is any price-fixing,’ he said. ‘We did not find any evidence of that... You get a big demand and a limited supply, and it’s chased the price up.’” (Patrick Sweeney, “Attorney General: No Price Fixing On E85,” *Pioneer Press*, May 24, 2006)

"In Austin on Thursday, Dutcher said she does know about ethanol and E85, but was tired from campaigning and 'just had one of those moments where my brain didn't kick into gear'." (Warren Wolfe and Dane Smith, GOP jumps on Dutcher's E85 misstep, *Star Tribune*, Nov. 3, 2006)

"Later in the day, she joined Hatch in Austin and chalked up her remark to a long day on the trail." "It's one of those times when your brain doesn't kick it into gear," she said. "I'm sorry it's become a political issue now." (Brian Bakst, Ethanol gaffe overwhelms Hatch's day, *Pioneer Press*, November 3, 2006)

"In a phone interview with the Independent on Thursday, Hatch defended Dutcher, saying she was tired after a long day of campaigning and 'knows E-85'." (Dana Yost, Dutcher comes up empty on E-85, *Marshall Independent*, November 3, 2006)

## **IX. Audit**

### **Hatch Rhetoric**

"If you hire the auditors and engage them, you pick up a billion and a half."

### **Hatch Reality**

"A legislative auditor's report found an estimated \$1.5 billion a year in unreported and uncollected taxes. But it's not that simple. 'We're never going to collect all of it,' said Revenue Commissioner Dan Salomone. "Not at least in this world.'" (Laura McCallum, "Candidates For Governor Make Tax And Spending Promises," *Minnesota Public Radio*, September 26, 2006)

"Half a billion dollars in the legislative auditor's report is tax debt from people with no assets, or other circumstances that make it difficult for the state to collect the money. And an estimated half a billion dollars is unreported sales and use tax. Economist Bill Fox, director of the Center for Business and Economic Research at the University of Tennessee, said that category includes taxes on Internet purchases. 'Much of that is probably by individuals, and the ability to collect that is very, very limited,' Fox said. "No state is very effective at that." (Laura McCallum, "Candidates For Governor Make Tax And Spending Promises," *Minnesota Public Radio*, September 26, 2006)

"Hatch relies on two funding streams. He argues the state should wipe away exemptions that make it easier for corporations with foreign outposts to shield income from tax collectors a proposal that has been a flashpoint in the tax debate for years. Newer to the conversation is a government report suggesting there is as much as \$1.5 billion annually in unreported or uncollected taxes in Minnesota, which Hatch has seized on." (Brian Bakst, "Governor '06: Have They Got A Deal For You," *Associated Press*, September 21, 2006)

"An author of the report, auditor Deborah Junod, said it's clear that there's money to be had. But, she said, 'It's probably neither desirable nor feasible to get all of it.' Junod said it would take a more intrusive level of reporting and a core team of skilled auditors the Revenue Department now has trouble keeping on staff." (Brian Bakst, "Governor '06: Have They Got A Deal For You," *Associated Press*, September 21, 2006)

"Jonathan Feinstein, a Yale University professor who does tax compliance studies for the IRS, said estimating the tax gap is one thing and correcting it is another. The report's projection that

Minnesota has a compliance rate of 89 percent for the income tax is higher than the national rate, Feinstein said. The report estimates a return of as much as \$7 for every dollar put into audits in part because they uncover additional tax liability and also because the extra vigilance leads to more voluntary compliance from people who fear an audit.” (Brian Bakst, “Governor '06: Have They Got A Deal For You,” *Associated Press*, September 21, 2006)

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