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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **1199**

February 19, 2007

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The bill was read for the first time and referred to the Committee on Finance

1.1 A bill for an act
1.2 relating to economic development; providing for state involvement in trade
1.3 policies; requiring a report.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. **LEGISLATIVE FINDINGS.**

1.6 The legislature finds that:

1.7 (1) states have traditionally enjoyed a large degree of autonomy to set their own
1.8 procurement policies under the United States system of federalism;

1.9 (2) recent international trade agreements threaten to erode this traditional state
1.10 autonomy by requiring state governments to accord foreign suppliers of goods and
1.11 services treatment no less favorable than that afforded to in-state suppliers. In addition,
1.12 the agreements stipulate that state contract specifications must not burden trade any
1.13 more than necessary and limit supplier qualifications to those that are essential to the
1.14 performance of the contract;

1.15 (3) the governor, not the state legislature, chose to bind this state to the terms
1.16 of various international trade agreements upon the request of the United States trade
1.17 representative;

1.18 (4) state legislators have an important role to play in preserving state authority over
1.19 procurement policy. These critical decisions should be made only with the involvement
1.20 of the state legislature, and only after the public has been adequately informed and has
1.21 openly debated the issues involved; and

1.22 (5) it is critical for citizens, state agencies, the state legislature, and other elected
1.23 officials in the state to have access to information about how trade impacts state legislative

2.1 authority, the state's economy, and existing state laws in order to participate in an informed
2.2 debate about international trade issues.

2.3 **Sec. 2. ROLE OF STATE LEGISLATURE IN TRADE POLICY.**

2.4 (a) It shall be the policy of the state that approval for the state to be bound by any
2.5 trade agreement requires the consent of the state legislature.

2.6 (b) Four state legislative contacts must be informed by the governor when any trade
2.7 agreement arrives in the governor's office. The four contacts are the majority and minority
2.8 leader of the state senate or their designated legislators and the speaker and minority
2.9 leader in the state house of representatives or their designated legislators. The legislature
2.10 declares that the purposes of the state contacts are to:

2.11 (1) serve as the state's official legislative liaisons with the governor and the state
2.12 legislature on trade-related matters;

2.13 (2) serve as the legislature's designated recipients from the governor of federal
2.14 requests for consent to consultation regarding investment, procurement, services, or other
2.15 provisions of international trade agreements, which impinge on state law or regulatory
2.16 authority reserved to the states;

2.17 (3) transmit information regarding federal requests from the governor to all
2.18 appropriate legislative committees;

2.19 (4) issue a formal request to the Department of Administration and all appropriate
2.20 state agencies to provide analysis of all proposed trade agreements' impact on state
2.21 legislative authority and the economy of the state;

2.22 (5) inform all members of the legislature on a regular basis about ongoing trade
2.23 negotiations and dispute settlement proceedings with implications for the state more
2.24 generally;

2.25 (6) communicate the concerns of the legislature to the governor and United States
2.26 trade representative regarding ongoing and proposed trade negotiations; and

2.27 (7) notify the governor and the United States trade representative of the outcome
2.28 of any legislative action.

2.29 (c) The following actions are required before the state shall consent to the terms of
2.30 a trade agreement:

2.31 (1) when a federal trade request has been received, the governor must submit the
2.32 request to the legislative contacts on a day both houses are in session. The request must
2.33 contain a copy of the final legal text of the agreement together with:

2.34 (i) a report by the Department of Administration in consultation with, at a minimum,
2.35 the following agencies: Department of Employment and Economic Development,

3.1 Department of Labor and Industry, Department of Agriculture, Department of Natural
 3.2 Resources, and the Minnesota Pollution Control Agency. The report shall include an
 3.3 analysis of how the agreement of the state to the specific provisions of the agreement
 3.4 will change or affect existing state law;

3.5 (ii) a statement of any administrative action proposed to implement these trade
 3.6 agreement provisions in the state; and

3.7 (iii) a draft of legislation authorizing the state to sign on to the specific listed
 3.8 provisions of the agreement in question;

3.9 (2) at least one public hearing, with adequate public notice, shall occur before the
 3.10 legislature votes on the bill; and

3.11 (3) the bill authorizing the state to sign on to specific listed provisions of an
 3.12 agreement is enacted into law.

3.13 (d) It is the sense of this legislature that Congress should pass legislation instructing
 3.14 the United States trade representative to fully and formally consult individual state
 3.15 legislatures regarding procurement, services, investment, or any other trade agreement
 3.16 rules that impact state laws or authority before negotiations begin and as they develop,
 3.17 and to seek consent from state legislatures in addition to governors prior to binding
 3.18 states to conform their laws to the terms of international commercial agreements. Such
 3.19 legislation is necessary to ensure the prior informed consent of the state with regard to
 3.20 future international trade and investment agreements.

3.21 (e) The state attorney general shall notify the United States trade representative of
 3.22 the policies in paragraph (d) in writing no later than 30 days after its effective date, and
 3.23 shall provide copies of the notice to the president of the senate, speaker of the house of
 3.24 representatives, the governor, and the state's congressional delegation.

3.25 **Sec. 3. REPORT TO LEGISLATURE REQUIRED.**

3.26 (a) The Department of Administration must file with the governor, the speaker of
 3.27 the house, and the majority leader of the senate an annual report, in addition to specific
 3.28 reports required in section 2, paragraph (c), clause (1)(i), analyzing the following impacts
 3.29 of trade policy on the state:

3.30 (1) an audit of the amount of public contract work being performed overseas;

3.31 (2) an audit of government goods being procured from overseas;

3.32 (3) a study of the trade's impacts on state and local employment levels, tax revenues,
 3.33 and retraining and adjustment costs;

4.1 (4) an analysis of the constraints trade rules place on state regulatory authority,
4.2 including, but not limited to, the state's ability to preserve the environment, protect public
4.3 health and safety, and provide high-quality public services; and

4.4 (5) findings and recommendations of specific actions the state should take in
4.5 response to the impacts of trade on the state identified in clauses (1) to (4). These actions
4.6 may include, but shall not be limited to:

4.7 (i) revocation of the state's consent to be bound by the procurement rules of
4.8 international trade agreements;

4.9 (ii) prohibition of offshore performance of state contract work and preferences
4.10 for domestic content in state purchasing;

4.11 (iii) state support for cases brought under federal trade laws by residents of the state;

4.12 (iv) state advocacy for reform of trade agreements and trade laws at the federal
4.13 level; and

4.14 (v) implementation of a high-road growth strategy formulated with business, labor,
4.15 and community participation. The strategy may include, but not be limited to:

4.16 (A) more effective early warning and layoff aversion measures;

4.17 (B) increased assistance and adjustment programs for displaced workers and
4.18 trade-impacted communities;

4.19 (C) stronger standards and accountability for recipients of state subsidies and
4.20 incentives;

4.21 (D) investments in workforce training and development;

4.22 (E) investments in technology and infrastructure; and

4.23 (F) increased access to capital for local producers.

4.24 (b) Within 30 days of receipt of the annual trade impact report:

4.25 (1) the governor shall review the report and issue a public statement explaining
4.26 which of the report's recommendations for specific action under paragraph (a), clause (5),
4.27 the governor must act upon in the next 30 days, whether through executive action or
4.28 proposed legislation; and

4.29 (2) the legislature shall review the report, hold public hearings on the report's
4.30 recommendations for specific action under paragraph (a), clause (5), and introduce
4.31 legislation to enact those recommendations accepted by the legislature.