

1.1 A bill for an act
 1.2 relating to natural and cultural resources; proposing an amendment to the
 1.3 Minnesota Constitution, article XI; increasing the sales tax rate by three-eighths
 1.4 of one percent and dedicating the receipts for natural and cultural resource
 1.5 purposes; creating an arts, humanities, museum, and public broadcasting fund;
 1.6 creating a heritage enhancement fund; creating a parks and trails fund; creating
 1.7 a clean water fund; establishing a Heritage Enhancement Council; establishing
 1.8 a Clean Water Council; amending Minnesota Statutes 2004, sections 297A.62,
 1.9 subdivision 1; 297A.94; 297B.02, subdivision 1; Minnesota Statutes 2005
 1.10 Supplement, section 10A.01, subdivision 35; proposing coding for new law in
 1.11 Minnesota Statutes, chapters 85; 97A; 103F; 129D.

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

1.13 Section 1. CONSTITUTIONAL AMENDMENT.

1.14 An amendment to the Minnesota Constitution is proposed to the people. If the
amendment is adopted, a section will be added to article XI, to read:

1.16 Sec. 15. Beginning July 1, 2007, until June 30, 2032, the sales and use tax rate shall
 1.17 be increased by three-eighths of one percent on sales and uses taxable under the general
 1.18 state sales and use tax law. Receipts from the increase, plus penalties and interest and
 1.19 reduced by any refunds, are dedicated as follows: 34 percent of the receipts shall be
 1.20 deposited in the heritage enhancement fund and may be spent only to improve, enhance,
 1.21 or protect the state's fish, wildlife, habitat, and fish and wildlife tourism; 22 percent of the
 1.22 receipts shall be deposited in the parks and trails fund and may be spent only on parks,
 1.23 trails, and zoos in the state; 22 percent of the receipts shall be deposited in the clean water
 1.24 fund and may be spent only on protection and restoration of the state's lakes, rivers,
 1.25 streams, wetlands, and groundwater; and 22 percent of the receipts shall be deposited in
 1.26 the arts, humanities, museum, and public broadcasting fund and may be spent only on arts,
 1.27 humanities, history, museums, and public broadcasting. An arts, humanities, museum,

2.1 and public broadcasting fund; a heritage enhancement fund; a parks and trails fund; and a
 2.2 clean water fund are created in the state treasury. The money dedicated under this section
 2.3 shall be appropriated by law. The money dedicated under this section for fish, wildlife,
 2.4 habitat, fish and wildlife tourism, parks, trails, zoos, protection and restoration of waters, *arts,*
 2.5 and history shall not be used as a substitute for traditional funding sources for the purposes
 2.6 specified, but the dedicated money shall supplement traditional sources of funding for
 2.7 those purposes. Land acquired by fee with money deposited in the heritage enhancement
 2.8 fund under this section must be open to public taking of fish and game during the open
 2.9 season unless otherwise provided by law.

2.10 **Sec. 2. SUBMISSION TO VOTERS.**

2.11 The proposed amendment shall be submitted to the people at the 2006 general
 2.12 election. The question submitted shall be:

2.13 "Shall the Minnesota Constitution be amended to provide funding beginning July 1,
 2.14 2007, to improve, enhance, or protect the state's fish, wildlife, habitat, and fish and wildlife
 2.15 tourism; its parks, trails, and zoos; its lakes, rivers, streams, wetlands, and groundwater;
 2.16 and its arts, humanities, history, museums, and public broadcasting by increasing the sales
 2.17 and use tax rate by three-eighths of one percent on taxable sales until the year 2032?"

2.18 Yes

2.19 No"

2.20 **Sec. 3. Minnesota Statutes 2005 Supplement, section 10A.01, subdivision 35, is**
 2.21 **amended to read:**

2.22 **Subd. 35. Public official.** "Public official" means any:

2.23 (1) member of the legislature;

2.24 (2) individual employed by the legislature as secretary of the senate, legislative
 2.25 auditor, chief clerk of the house, revisor of statutes, or researcher, legislative analyst, or
 2.26 attorney in the Office of Senate Counsel and Research or House Research;

2.27 (3) constitutional officer in the executive branch and the officer's chief administrative
 2.28 deputy;

2.29 (4) solicitor general or deputy, assistant, or special assistant attorney general;

2.30 (5) commissioner, deputy commissioner, or assistant commissioner of any state
 2.31 department or agency as listed in section 15.01 or 15.06, or the state chief information
 2.32 officer;

3.1 (6) member, chief administrative officer, or deputy chief administrative officer of a
3.2 state board or commission that has either the power to adopt, amend, or repeal rules under
3.3 chapter 14, or the power to adjudicate contested cases or appeals under chapter 14;

3.4 (7) individual employed in the executive branch who is authorized to adopt, amend,
3.5 or repeal rules under chapter 14 or adjudicate contested cases under chapter 14;

3.6 (8) executive director of the State Board of Investment;

3.7 (9) deputy of any official listed in clauses (7) and (8);

3.8 (10) judge of the Workers' Compensation Court of Appeals;

3.9 (11) administrative law judge or compensation judge in the State Office of
3.10 Administrative Hearings or referee in the Department of Employment and Economic
3.11 Development;

3.12 (12) member, regional administrator, division director, general counsel, or operations
3.13 manager of the Metropolitan Council;

(13) member or chief administrator of a metropolitan agency;

3.15 (14) director of the Division of Alcohol and Gambling Enforcement in the
3.16 Department of Public Safety;

3.17 (15) member or executive director of the Higher Education Facilities Authority;

3.18 (16) member of the board of directors or president of Minnesota Technology, Inc.; or

3.19 (17) member of the board of directors or executive director of the Minnesota State
3.20 High School League; or

3.21 (18) member of the Heritage Enhancement Council.

3.22 **EFFECTIVE DATE.** This section is effective November 15, 2006, if the
3.23 constitutional amendment proposed in section 1 is adopted by the voters.

3.24 **Sec. 4. [85.0195] PARKS AND TRAILS FUND; EXPENDITURES.**

3.25 **Subdivision 1. Fund.** The parks and trails fund is established in the Minnesota
3.26 Constitution, article XI, section 15. All money earned by the parks and trails fund must
3.27 be credited to the fund.

3.28 **Subd. 2. Expenditures.** Money in the parks and trails fund may be spent only on
3.29 state and regional parks, trails, and zoos. Subject to the appropriation by law, receipts to
3.30 the fund must be allocated in separate accounts as follows:

3.31 (1) 38 percent of the receipts may be spent only for state park and recreation area
3.32 purposes;

3.33 (2) 11 percent of the receipts may be spent only for state trail purposes;

3.34 (3) 36 percent of the receipts may be spent only for metropolitan area, as defined in
3.35 section 473.121, regional park and trail grants;

4.1 (4) 12 percent of the receipts may be spent only for nonmetropolitan regional parks
4.2 and trails, outdoor recreation grants, natural and scenic area grants, trail connection grants,
4.3 regional trail grants, and grant-in-aid trails; and

4.4 (5) three percent of the receipts may be spent only for the Minnesota Zoological
4.5 Garden, the Como Park Zoo and Conservatory, and the Duluth Zoo.

4.6 EFFECTIVE DATE. This section is effective July 1, 2007, if the constitutional
4.7 amendment proposed in section 1 is adopted by the voters.

4.8 **Sec. 5. [97A.056] HERITAGE ENHANCEMENT FUND; HERITAGE**
4.9 **ENHANCEMENT COUNCIL.**

4.10 Subdivision 1. Heritage enhancement fund. The heritage enhancement fund is
4.11 established in the Minnesota Constitution, article XI, section 15. All money earned by
4.12 the heritage enhancement fund must be credited to the fund. At least 97 percent of the
4.13 money appropriated from the fund must be spent on specific fish, wildlife, habitat, and
4.14 fish and wildlife tourism projects.

4.15 Subd. 2. Heritage Enhancement Council. (a) A Heritage Enhancement Council of
4.16 11 members is created, on November 15, 2006, consisting of:

4.17 (1) two members of the senate appointed by the senate Subcommittee on Committees
4.18 of the Committee on Rules and Administration;

4.19 (2) two members of the house of representatives appointed by the speaker of the
4.20 house;

4.21 (3) two public members representing hunting, fishing, and wildlife interests
4.22 appointed by the senate Subcommittee on Committees of the Committee on Rules and
4.23 Administration;

4.24 (4) two public members representing hunting, fishing, and wildlife interests
4.25 appointed by the speaker of the house; and

4.26 (5) three public members representing hunting, fishing, and wildlife interests
4.27 appointed by the governor.

4.28 (b) One member from the senate and one member from the house of representatives
4.29 must be from the minority caucus. Legislative members are entitled to reimbursement
4.30 for per diem expenses plus travel expenses incurred in the services of the council. The
4.31 removal and, beginning July 1, 2007, the compensation of public members are as provided
4.32 in section 15.0575.

4.33 (c) Members shall elect a chair, vice chair, secretary, and other officers as determined
4.34 by the council. The chair may convene meetings as necessary to conduct the duties
4.35 prescribed by this section.

5.1 (d) Membership terms are two years, except that members shall serve on the council
5.2 until their successors are appointed.

5.3 (e) Vacancies occurring on the council do not affect the authority of the remaining
5.4 members of the council to carry out their duties. Vacancies shall be filled in the same
5.5 manner as under paragraph (a).

5.6 Subd. 3. Duties of council. (a) The council, in consultation with statewide and local
5.7 fishing, forestry, hunting, and wildlife groups, shall develop a biennial budget plan for
5.8 expenditures from the heritage enhancement fund. The biennial budget plan may include
5.9 grants to statewide and local fishing, forestry, hunting, and wildlife groups to improve,
5.10 enhance, or protect fish and wildlife resources.

5.11 (b) In the biennial budget submitted to the legislature, the governor shall submit
5.12 separate budget detail for planned expenditures from the heritage enhancement fund
5.13 as recommended by the council.

5.14 (c) As a condition of acceptance of an appropriation from the heritage enhancement
5.15 fund, an agency or entity receiving an appropriation shall submit a work program and
5.16 quarterly progress reports for appropriations from the heritage enhancement fund to the
5.17 members of the Heritage Enhancement Council in the form determined by the council.

5.18 Subd. 4. Council administration. (a) The council may employ personnel and
5.19 contract with consultants as necessary to carry out functions and duties of the council.
5.20 Permanent employees shall be in the unclassified service. The council may request staff
5.21 assistance, legal opinion, and data from agencies of state government as needed for the
5.22 execution of the responsibilities of the council.

5.23 (b) Beginning July 1, 2007, the administrative expenses of the council shall be
5.24 paid from the heritage enhancement fund.

5.25 (c) A council member or an employee of the council may not participate in or vote
5.26 on a decision of the council relating to an organization in which the member or employee
5.27 has either a direct or indirect personal financial interest. While serving on or employed by
5.28 the council, a person shall avoid any potential conflict of interest.

5.29 Subd. 5. Council meetings. Meetings of the council and other groups the council
5.30 may establish must be conducted in accordance with chapter 13D. Except where prohibited
5.31 by law, the council shall establish additional processes to broaden public involvement
5.32 in all aspects of its deliberations.

5.33 EFFECTIVE DATE. This section is effective November 15, 2006, if the
5.34 constitutional amendment proposed in section 1 is adopted by the voters.

6.1 Sec. 6. [103F.765] CLEAN WATER FUND; CLEAN WATER COUNCIL;
6.2 EXPENDITURES.

6.3 Subdivision 1. Fund. The clean water fund is established in the Minnesota
6.4 Constitution, article XI, section 15. All money earned by the clean water fund must be
6.5 credited to the fund.

6.6 Subd. 2. Expenditures. Subject to appropriation, money in the clean water fund
6.7 may be spent only on:

6.8 (1) monitoring, investigations, and analysis of the quality of Minnesota's water
6.9 resources;

6.10 (2) state and local activities to protect, preserve, and improve the quality of
6.11 Minnesota's water resources; and

6.12 (3) assistance to individuals and organizations for water quality improvement
6.13 projects.

6.14 Subd. 3. Clean Water Council; membership; appointment. A Clean Water
6.15 Council of 21 members is created. The members of the council shall elect a chair from the
6.16 nonagency members of the council. The commissioners of natural resources, agriculture,
6.17 and the Pollution Control Agency, and the executive director of the Board of Water and
6.18 Soil Resources, shall appoint one person from their respective agency to serve as a
6.19 member of the council. Seventeen additional nonagency members of the council shall
6.20 be appointed as follows:

6.21 (1) two members representing statewide farm organizations, appointed by the
6.22 governor;

6.23 (2) one member representing business organizations, appointed by the governor;

6.24 (3) one member representing environmental organizations, appointed by the
6.25 governor;

6.26 (4) one member representing soil and water conservation districts, appointed by
6.27 the governor;

6.28 (5) one member representing watershed districts, appointed by the governor;

6.29 (6) one member representing organizations focused on improvement of Minnesota
6.30 lakes or streams, appointed by the governor;

6.31 (7) two members representing an organization of county governments, one member
6.32 representing the interests of rural counties, and one member representing the interests of
6.33 counties in the seven-county metropolitan area, appointed by the governor;

6.34 (8) two members representing organizations of city governments, appointed by
6.35 the governor;

- 7.1 (9) one member representing the Metropolitan Council established under section
7.2 473.123, appointed by the governor;
- 7.3 (10) one township officer, appointed by the governor;
- 7.4 (11) one member of the house of representatives, appointed by the speaker;
- 7.5 (12) one member of the senate, appointed by the majority leader;
- 7.6 (13) one member representing the University of Minnesota or a Minnesota state
7.7 university, appointed by the governor; and
- 7.8 (14) one member representing the interests of tribal governments, appointed by
7.9 the governor.

7.10 The members of the council appointed by the governor are subject to the advice
7.11 and consent of the senate. At least six of the members appointed by the governor must
7.12 reside in the seven-county metropolitan area. In making appointments, the governor must
7.13 attempt to provide for geographic balance.

7.14 Subd. 4. Terms; compensation; removal. The terms of members representing the
7.15 state agencies and the Metropolitan Council are four years and are coterminous with the
7.16 governor. The terms of other members of the council shall be as provided in section
7.17 15.059, subdivision 2. Members may serve until their successors are appointed and
7.18 qualify. Compensation and removal of council members is as provided in section 15.059,
7.19 subdivisions 3 and 4. A vacancy on the council may be filled by the appointing authorities,
7.20 as provided in subdivision 3, for the remainder of the unexpired term.

7.21 Subd. 5. Recommendations on appropriation of funds. The Clean Water Council
7.22 shall recommend to the governor the manner in which money from the clean water fund
7.23 should be appropriated for the purposes identified in subdivision 2.

7.24 Subd. 6. Biennial report to legislature. By December 1 of each even-numbered
7.25 year, the council shall submit a report to the legislature on the activities for which money
7.26 from the clean water fund has been or will be spent for the current biennium, and the
7.27 activities for which money from the account is recommended to be spent in the next
7.28 biennium.

7.29 Subd. 7. Council meetings. Meetings of the council and other groups the council
7.30 may establish must be conducted in accordance with chapter 13D. Except where prohibited
7.31 by law, the council shall establish additional processes to broaden public involvement
7.32 in all aspects of its deliberations.

7.33 EFFECTIVE DATE. This section is effective July 1, 2007, if the constitutional
7.34 amendment proposed in section 1 is adopted by the voters.

8.1 Sec. 7. [129D.17] ARTS, HUMANITIES, MUSEUM, AND PUBLIC
8.2 BROADCASTING FUND; EXPENDITURES.

8.3 Subdivision 1. Fund. The arts, humanities, museum, and public broadcasting fund
8.4 is established in the Minnesota Constitution, article XI, section 15. All money earned
8.5 by the fund must be credited to the fund.

8.6 Subd. 2. Expenditures. Subject to appropriation, receipts in the fund must be
8.7 allocated by the commissioner of finance as follows:

- 8.8 (1) 43 percent to the Minnesota State Arts Board;
8.9 (2) 23 percent to the Minnesota Historical Society;
8.10 (3) 23 percent to public broadcasting;
8.11 (4) four percent to the Science Museum of Minnesota;
8.12 (5) 3.5 percent to the Humanities Commission;
8.13 (6) 2.5 percent to the Minnesota Film Board; and
8.14 (7) one percent to the Minnesota Children's Museum and the Duluth Children's
8.15 Museum.

8.16 Money allocated to the Minnesota State Arts Board may not be used for
8.17 administrative purposes. If one of the above entities ceases to exist, then the appropriated
8.18 money must be allocated proportionally among the remaining entities.

8.19 EFFECTIVE DATE. This section is effective July 1, 2007, if the constitutional
8.20 amendment proposed in section 1 is adopted by the voters.

8.21 Sec. 8. Minnesota Statutes 2004, section 297A.62, subdivision 1, is amended to read:

8.22 Subdivision 1. **Generally.** (a) Except as otherwise provided in subdivision 2 or 3
8.23 or in this chapter, a sales tax of 6.5 percent is imposed on the gross receipts from retail
8.24 sales as defined in section 297A.61, subdivision 4, made in this state or to a destination
8.25 in this state by a person who is required to have or voluntarily obtains a permit under
8.26 section 297A.83, subdivision 1.

8.27 (b) The increased rate required under the Minnesota Constitution, article XI, section
8.28 15, shall be added to the rate imposed under paragraph (a).

8.29 EFFECTIVE DATE. This section is effective July 1, 2007, if the constitutional
8.30 amendment proposed in section 1 is adopted by the voters.

8.31 Sec. 9. Minnesota Statutes 2004, section 297A.94, is amended to read:

8.32 **297A.94 DEPOSIT OF REVENUES.**

9.1 (a) Except as provided in this section and the Minnesota Constitution, article XI,
9.2 section 15, the commissioner shall deposit the revenues, including interest and penalties,
9.3 derived from the taxes imposed by this chapter in the state treasury and credit them to the
9.4 general fund.

9.5 (b) The commissioner shall deposit taxes in the Minnesota agricultural and economic
9.6 account in the special revenue fund if:

9.7 (1) the taxes are derived from sales and use of property and services purchased for
9.8 the construction and operation of an agricultural resource project; and

9.9 (2) the purchase was made on or after the date on which a conditional commitment
9.10 was made for a loan guaranty for the project under section 41A.04, subdivision 3.

9.11 The commissioner of finance shall certify to the commissioner the date on which the
9.12 project received the conditional commitment. The amount deposited in the loan guaranty
9.13 account must be reduced by any refunds and by the costs incurred by the Department of
9.14 Revenue to administer and enforce the assessment and collection of the taxes.

9.15 (c) The commissioner shall deposit the revenues, including interest and penalties,
9.16 derived from the taxes imposed on sales and purchases included in section 297A.61,
9.17 subdivision 3, paragraph (g), clauses (1) and (4), in the state treasury, and credit them
9.18 as follows:

9.19 (1) first to the general obligation special tax bond debt service account in each fiscal
9.20 year the amount required by section 16A.661, subdivision 3, paragraph (b); and

9.21 (2) after the requirements of clause (1) have been met, the balance to the general
9.22 fund.

9.23 (d) The commissioner shall deposit the revenues, including interest and penalties,
9.24 collected under section 297A.64, subdivision 5, in the state treasury and credit them to the
9.25 general fund. By July 15 of each year the commissioner shall transfer to the highway user
9.26 tax distribution fund an amount equal to the excess fees collected under section 297A.64,
9.27 subdivision 5, for the previous calendar year.

9.28 (e) For fiscal year 2001, 97 percent; for fiscal years 2002 and 2003, 87 percent; and
9.29 for fiscal year 2004 and thereafter, 72.43 percent of the revenues, including interest and
9.30 penalties, transmitted to the commissioner under section 297A.65, must be deposited by
9.31 the commissioner in the state treasury as follows:

9.32 (1) 50 percent of the receipts must be deposited in the heritage enhancement account
9.33 in the game and fish fund, and may be spent only on activities that improve, enhance, or
9.34 protect fish and wildlife resources, including conservation, restoration, and enhancement
9.35 of land, water, and other natural resources of the state;

10.1 (2) 22.5 percent of the receipts must be deposited in the natural resources fund, and
10.2 may be spent only for state parks and trails;

10.3 (3) 22.5 percent of the receipts must be deposited in the natural resources fund, and
10.4 may be spent only on metropolitan park and trail grants;

10.5 (4) three percent of the receipts must be deposited in the natural resources fund, and
10.6 may be spent only on local trail grants; and

10.7 (5) two percent of the receipts must be deposited in the natural resources fund,
10.8 and may be spent only for the Minnesota Zoological Garden, the Como Park Zoo and
10.9 Conservatory, and the Duluth Zoo.

10.10 (f) The revenue dedicated under paragraph (e) may not be used as a substitute
10.11 for traditional sources of funding for the purposes specified, but the dedicated revenue
10.12 shall supplement traditional sources of funding for those purposes. Land acquired with
10.13 money deposited in the game and fish fund under paragraph (e) must be open to public
10.14 hunting and fishing during the open season, except that in aquatic management areas or
10.15 on lands where angling easements have been acquired, fishing may be prohibited during
10.16 certain times of the year and hunting may be prohibited. At least 87 percent of the money
10.17 deposited in the game and fish fund for improvement, enhancement, or protection of fish
10.18 and wildlife resources under paragraph (e) must be allocated for field operations.

10.19 **EFFECTIVE DATE.** This section is effective July 1, 2007, if the constitutional
10.20 amendment proposed in section 1 is adopted by the voters.

10.21 Sec. 10. Minnesota Statutes 2004, section 297B.02, subdivision 1, is amended to read:

10.22 Subdivision 1. **Rate.** There is imposed an excise tax at the rate provided in ~~chapter~~
10.23 ~~297A~~ section 297A.62, subdivision 1, paragraph (a), on the purchase price of any motor
10.24 vehicle purchased or acquired, either in or outside of the state of Minnesota, which is
10.25 required to be registered under the laws of this state.

10.26 The excise tax is also imposed on the purchase price of motor vehicles purchased
10.27 or acquired on Indian reservations when the tribal council has entered into a sales tax on
10.28 motor vehicles refund agreement with the state of Minnesota.

10.29 **EFFECTIVE DATE.** This section is effective July 1, 2007, if the constitutional
10.30 amendment proposed in section 1 is adopted by the voters.

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S.F. No. 2734 - 2nd Engrossment, Sales Tax Receipts Dedication for Natural and Cultural Resource Purposes

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Section 1 [Constitutional Amendment] provides the language for a constitutional amendment increasing the sales and use tax rate by $\frac{3}{8}$ of one percent on taxable sales for 25 years beginning on July 1, 2007. The money will be appropriated by law and is dedicated as follows:

- (1) 34 percent in the Heritage Enhancement Fund for improvement, enhancement, and protection of the state's fish, wildlife, habitat, and fish and wildlife tourism;
- (2) 22 percent in the Parks and Trails Fund for parks, trails, and zoos;
- (3) 22 percent in the Clean Water Fund for protection and restoration of lakes, rivers, streams, wetlands, and groundwater; and
- (4) 22 percent in the Arts, Humanities, Museum, and Public Broadcasting Fund.

The constitutional language also creates the four funds receiving allocations; provides that the money dedicated under this section for fish and wildlife, parks and trails, zoos, clean water, and history cannot supplant traditional funding for these purposes; and specifies that any land acquired in

fee title from money in the Heritage Enhancement Fund must be open to the public taking of fish and game during the open season unless otherwise provided by law.

Section 2 [Submission to the Voters] provides the language of the question to be placed on the ballot at the 2006 general election to adopt the constitutional amendment in section 1.

Section 3 [Public Official Definition] adds members of the Heritage Enhancement Council to the definition of a "public official." This makes the members of the council subject to the economic interest reporting and the gift ban prohibitions.

[Effective Date: November 15, 2006, if the constitutional amendment is approved by the voters.]

Section 4 [Parks and Trails Fund; Expenditures]

Subdivision 1 [Fund] provides that the Parks and Trails Fund is established in the Minnesota Constitution and the fund must be credited with money earned by the fund

Subdivision 2 [Expenditures] provides that the money in the fund may be spent only on parks, trails, and zoos. This section also provides for the receipts to the fund to be allocated into separate accounts. The allocations are:

- State park and recreation purposes, 38 percent;
- State trail purposes, 11 percent;
- Metropolitan regional park and trail grants, 36 percent;
- Nonmetropolitan regional parks and trails, outdoor recreation grants, natural and scenic area grants, trail connection grants, regional trail grants, and grant-in-aid trails, 12 percent; and
- The Minnesota Zoo, the Como Park Zoo and Conservatory, and the Duluth Zoo, three percent.

[Effective Date: July 1, 2007, if the constitutional amendment is approved by the voters.]

Section 5 [Heritage Enhancement Fund; Heritage Enhancement Council]

Subdivision 1 [Heritage Enhancement Fund] provides that the Heritage Enhancement Fund is established in the Minnesota Constitution and the fund must be credited with money earned by the fund. This subdivision also provides that at least 97 percent of the money appropriated from the Fund must be spent on specific fish, wildlife, habitat, and fish and wildlife tourism projects.

Subdivision 2 [Heritage Enhancement Council] establishes an 11 member Heritage Enhancement Council on November 15, 2006, that consists of:

- (1) Two members of the Senate;
- (2) Two members of the House of Representatives;
- (3) Two public members representing hunting, fishing, and wildlife interests appointed by the Senate Subcommittee on Committees;
- (4) Two public members representing hunting, fishing, and wildlife interests appointed by the Speaker of the House; and
- (5) Three public members representing hunting, fishing, and wildlife interests appointed by the Governor.

This subdivision also specifies that one Senate member and one House of Representatives member must be from the minority caucus; that members will receive per diem plus travel expenses beginning July 1, 2007, for services to the Council; and that the terms are for two years.

Subdivision 3 [Duties of the Council] provides the duties of the Council. The Council, after consultation with statewide and local fishing, forestry, hunting, and wildlife groups, must submit a biennial budget plan for expenditures from the Heritage Enhancement Fund. The Governor must submit separate budget detail for planned expenditures from the Fund as recommended by the Council. An agency or entity receiving an appropriation from the Heritage Enhancement Fund must submit a work program and quarterly progress reports to the Council.

Subdivision 4 [Council Administration] allows the Council to employ personnel and contract with consultants as necessary to carry out its functions and duties; provides for the payment of administrative expenses from the Heritage Enhancement Fund beginning July 1, 2007; and prohibits participation of a Council member or staff where they have a potential conflict of interest.

Subdivision 5 [Council Meetings] provides that the Heritage Enhancement Council meetings must be conducted as provided in the Open Meeting Law.

[Effective Date: November 15, 2006, if the constitutional amendment is approved by the voters.]

Section 6 [Clean Water Fund]

Subdivision 1 [Fund] provides that the Clean Water Fund is established in the Minnesota Constitution and the fund must be credited with money earned by the fund

Subdivision 2 [Expenditures] provides that the money in the fund may be spent only on:

- monitoring, investigations, and analysis of water quality;
- state and local activities to protect, preserve, and improve water resources; and
- assistance to individuals and organizations for water quality improvement projects.

Subdivision 3 [Clean Water Council; Membership; Appointment] establishes a Clean Water Council of 21 members. Four of the members shall represent state agencies and are appointed by the heads of the agencies. The agencies are: the Department of Natural Resources; Department of Agriculture; Pollution Control Agency; and Board of Water and Soil Resources. The Commissioner of the Pollution Control Agency, after consultation with the other state agencies represented on the Council, shall appoint 17 public members to the Council. The members appointed shall represent:

- statewide farm organizations, two members;
- business organizations, one member;
- environmental organizations, one member;
- soil and water conservation districts, one member;
- watershed districts, one member;
- organizations focused on improving lakes and streams, one member;
- organizations of county governments, two members;
- organizations of city governments, two members;
- The Metropolitan Council, one member;
- township officers, one member;
- the house of representatives, one member;
- the senate, one member;
- the University of Minnesota, one member; and

- tribal governments, one member.

Subdivision 4 [Terms, Compensation, and Removal] provides that the terms, compensation, removal, and filling of vacancies for Clean Waters Council members is as provided under general law for advisory councils.

Subdivision 5 [Appropriation Recommendations] directs the Clean Waters Council to recommend to the Governor appropriations from the Clean Water Fund.

Subdivision 6 [Biennial Report] requires a biennial report, by December 1, of each even-numbered year, to the Legislature from the Clean Waters Council on past expenditures and recommendations for future expenditures.

Subdivision 7 [Council Meetings] provides that meetings of the Clean Waters Council must be conducted as provided in the Open Meeting Law.

[Effective Date: July 1, 2007, if the constitutional amendment is approved by the voters.]

Section 7 [Arts, Humanities, Museum, and Public Broadcasting Fund; Expenditures]

Subdivision 1 [Fund] provides that the arts, humanities, museum, and public broadcasting fund is created in the Minnesota Constitution and the fund must be credited with money earned by the fund.

Subdivision 2 [Expenditures] allocates the proceeds in the fund as follows:

- 43 percent to the Minnesota State Arts Board;
- 23 percent to the Minnesota Historical Society;
- 23 percent to public broadcasting;
- 4 percent to the Science Museum of Minnesota;
- 3.5 percent to the Humanities Commission;
- 2.5 percent to the Minnesota Film Board; and
- 1 percent to the Minnesota Children's Museum and the Duluth Children's Museum.

[Effective Date: July 1, 2007, if the constitutional amendment is approved by the voters.]

Section 8 [Sales Tax Addition; Technical] adds the constitutional tax rate to the existing sales tax rate.

[Effective Date: July 1, 2007, if the constitutional amendment is approved by the voters.]

Section 9 [Technical] is a technical change related to the constitutional amendment.

[Effective Date: July 1, 2007, if the constitutional amendment is approved by the voters.]

Section 10 [Motor Vehicle Excise Tax Rate; Technical] specifies that the motor vehicle excise tax rate does not include the increased rate from the constitutional amendment.

[Effective Date: July 1, 2007, if the constitutional amendment is approved by the voters.]

Attached is a spreadsheet from Dan Mueller, Senate Fiscal Analyst, showing the estimated revenue from the tax and the distribution of the revenue.

GK:dv

**SF2734-Sams. 2nd Engrossment
Estimated Revenue Allocations
(in 000's)**

		<u>FY08</u>		<u>FY09</u>
<u>Sales Tax Revenue</u>				
SF2734-Sams: 3/8 percent		245,450		276,900
 <u>Allocation</u>				
Heritage Enhancement Fund - Fish & Wildlife	34%	83,450		94,140
 Parks and Trails Fund				
State Parks		20,520	38%	23,150
State Trails		5,940	11%	6,701
Metro Parks & Trails		19,440	36%	21,931
Non-metro Parks & Trails		6,480	12%	7,310
Zoos		1,620	3%	1,828
	subtotal:	22%		60,920
		54,000		60,920
Clean Water Fund	22%	54,000		60,920
 Arts, Humanities, Museums, and Public Broadcasting Fund				
State Arts Board		23,220	43.0%	26,196
MN Historical Society		12,420	23.0%	14,012
Public Broadcasting		12,420	23.0%	14,012
MN Science Museum		2,160	4.0%	2,437
MN Humanities Commission		1,890	3.5%	2,132
MN Film Board		1,350	2.5%	1,523
MN Children's & Duluth Museum		540	1.0%	609
	subtotal:	22%		60,920
		54,000		60,920
TOTAL ALLOCATIONS:	100%	245,450		276,900

Revenue Estimates based on February 2006 Forecast

MINNESOTA - REVENUE

SALES AND USE TAX Constitutional Amendment for 0.375% Rate Increase and Dedication of Additional Revenue

March 24, 2006

Department of Revenue
Analysis of S.F. 2734 (Sams), 2nd Engrossment

	Yes	No
DOR Administrative Costs/Savings		X

Fund Impact

	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
			(000's)	
Heritage Enhancement Fund	\$0	\$0	\$83,450	\$94,140
Parks and Trails Fund	\$0	\$0	\$54,000	\$60,920
Clean Water Fund	\$0	\$0	\$54,000	\$60,920
Arts, Humanities, Museum, and Public Broadcasting Fund	<u>\$0</u>	<u>\$0</u>	<u>\$54,000</u>	<u>\$60,920</u>
Total - All Funds	\$0	\$0	\$245,450	\$276,900

Effective July 1, 2007, upon approval of a constitutional amendment at the 2006 general election

EXPLANATION OF THE BILL

The bill proposes a constitutional amendment to be submitted to the voters at the 2006 general election. The amendment would increase the state sales and use tax rate by three-eighths of one percentage point to 6.875%. The rate increase would be in effect for 25 years until 2032.

Revenue from the increased tax rate would be deposited into the funds as follows:

Heritage Enhancement Fund	34%
Parks and Trails Fund	22%
Clean Water Fund	22%
Arts, Humanities, Museum, and Public Broadcasting Fund	22%

The money would be used to improve, enhance, or protect fish, wildlife and related tourism; parks, trails, and zoos; for protection and restoration of lakes, rivers, streams, wetlands, and groundwater; and to enhance the arts, humanities, history, museums, and public broadcasting.

REVENUE ANALYSIS DETAIL

- The estimates were based on the February 2006 state revenue forecast and Department of Revenue data.
- The analysis subtracted from the sales tax forecast for fiscal years 2008 and 2009 the 6.2% motor vehicle rental tax, the 2.5% liquor gross receipts tax, and the general fund portions of the lottery in-lieu sales tax and the solid waste management tax. Amounts from these sources are included in the sales tax forecasts.
- Estimated additional revenue from the rate increase was computed and assigned to the four funds.
- ~~The estimates for fiscal year 2008 were adjusted for the effective date of July 1, 2007, to account for 11 months of impact in the first year.~~

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

Consolidated Fiscal Note – 2005-06 Session

Bill #: S2734-2E **Complete Date:** 03/21/06

Chief Author: SAMS, DALLAS

Title: SALES TAX INCR; NATL & CULTURAL RES

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings		X
Tax Revenue	X	

Agencies: Revenue Dept (03/21/06)

Secretary Of State (03/20/06)

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Net Expenditures					
General Fund			2		
Secretary Of State			2		
Revenues					
Heritage Enhancement Fund				83,450	94,140
Revenue Dept				83,450	94,140
Arts, Humanities, Public Brdcstg Fund				54,000	60,920
Revenue Dept				54,000	60,920
Parks and Trails Fund				54,000	60,920
Revenue Dept				54,000	60,920
Clean Water Fund				54,000	60,920
Revenue Dept				54,000	60,920
Net Cost <Savings>					
General Fund			2		
Secretary Of State			2		
Heritage Enhancement Fund				(83,450)	(94,140)
Revenue Dept				(83,450)	(94,140)
Arts, Humanities, Public Brdcstg Fund				(54,000)	(60,920)
Revenue Dept				(54,000)	(60,920)
Parks and Trails Fund				(54,000)	(60,920)
Revenue Dept				(54,000)	(60,920)
Clean Water Fund				(54,000)	(60,920)
Revenue Dept				(54,000)	(60,920)
Total Cost <Savings> to the State			2	(245,450)	(276,900)

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Consolidated EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: ALEXANDRA BROAT

Date: 03/21/06 Phone: 296-1700

Fiscal Note – 2005-06 Session

Bill #: S2734-2E **Complete Date:** 03/21/06

Chief Author: SAMS, DALLAS

Title: SALES TAX INCR; NATL & CULTURAL RES

Fiscal Impact	Yes	No
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue	X	

Agency Name: Revenue Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
-- No Impact --					
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
-- No Impact --					
Revenues					
Heritage Enhancement Fund				83,450	94,140
Arts, Humanities, Public Brdcstg Fund				54,000	60,920
Parks and Trails Fund				54,000	60,920
Clean Water Fund				54,000	60,920
Net Cost <Savings>					
Heritage Enhancement Fund				(83,450)	(94,140)
Arts, Humanities, Public Brdcstg Fund				(54,000)	(60,920)
Parks and Trails Fund				(54,000)	(60,920)
Clean Water Fund				(54,000)	(60,920)
Total Cost <Savings> to the State				(245,450)	(276,900)

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalent					
-- No Impact --					
Total FTE					

Bill Description— The bill proposes a constitutional amendment to be submitted to the voters at the 2006 general election. The amendment increases the state sales and use tax rate by three-eighths of one percentage point to 6.875%. The rate increase would be in effect for 25 years until 2032.

There will be a positive revenue impact to the Heritage Enhancement, Parks & Trails, Clean Water, and the Art, Humanities, Museum, and Public Broadcasting Funds if the proposed bill passes.

There will not be a fiscal impact to the Department of Revenue if the proposed bill passes.

Revenue Analysis Assumptions

- The estimates were based on the February 2006 state revenue forecast and Department of Revenue data.
- The analysis subtracted from the sales tax forecast for fiscal years 2008 and 2009 the 6.2% motor vehicle rental tax, the 2.5% liquor gross receipts tax, and the general fund portions of the lottery in-lieu sales tax and the solid waste management tax. Amounts from these sources are included in the sales tax forecasts.
- Estimated additional revenue from the rate increase was computed and assigned to the four funds.
- The estimates for fiscal year 2008 were adjusted for the effective date of July 1, 2007, to account for 11 months of impact in the first year.
- Effective July 1, 2007, upon approval of a constitutional amendment at the 2006 general election

Revenue from the increase in the tax rate would be deposited into the funds as follows:

Heritage Enhancement Fund	34%
Parks and Trails Fund	22%
Clean Water Fund	22%
Arts, Humanities, Museum, and Public Broadcasting Fund	22%

The money would be used to improve, enhance, or protect fish, wildlife and related tourism; parks, trails, and zoos; lakes, rivers, streams, wetlands, and groundwater; and to enhance the arts, humanities, history, museums, and public broadcasting.

Fiscal Impact Assumptions

- There will not be a fiscal impact to the Department of Revenue if the proposed bill passes.

Revenue Analysis Formula

	<u>Fund Impact</u>			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
			(000's)	
Heritage Enhancement Fund	\$0	\$0	\$83,450	\$94,140
Parks and Trails Fund	\$0	\$0	\$54,000	\$60,920
Clean Water Fund	\$0	\$0	\$54,000	\$60,920
Arts, Humanities, Museum, and Public Broadcasting Fund	<u>\$0</u>	<u>\$0</u>	<u>\$54,000</u>	<u>\$60,920</u>
Total – All Funds	\$0	\$0	\$245,450	\$276,900

Effective July 1, 2007, upon approval of a constitutional amendment at the 2006 general election

Long-Term Fiscal Considerations

None

Local Government Costs

None

References/Sources

FN Coord Signature: JOHN POWERS
Date: 03/21/06 Phone: 556-4054

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: ALEXANDRA BROAT
Date: 03/21/06 Phone: 296-1700

Fiscal Note – 2005-06 Session

Bill #: S2734-2E **Complete Date:** 03/20/06

Chief Author: SAMS, DALLAS

Title: SALES TAX INCR; NATL & CULTURAL RES

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Secretary Of State

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
General Fund			2		
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
General Fund			2		
Revenues					
-- No Impact --					
Net Cost <Savings>					
General Fund			2		
Total Cost <Savings> to the State			2		

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalent					
-- No Impact --					
Total FTE					

Bill Description

SF2734-2E proposes a constitutional amendment for the 2006 general election increasing the sales tax proceeds of taxable sales for natural & cultural resources purposes.

Assumptions & Expenditures for FY07

Estimated Secretary of State programming costs for reporting votes cast for proposed amendment, canvassing results, and preparing example ballot: \$2,000

Total Estimated State Costs:
\$2,000

Local Government Costs

Estimated cost to county auditors for printing paper pink ballots	\$10,000
Estimated cost to county auditors of adding one proposed constitutional amendment to optical scan ballot cards	\$69,000
Estimated cost to county auditors for programming and counting votes cast on proposed constitutional amendment	\$25,000
Estimated cost to county auditors for printing and publishing	\$8,000
Total Estimated County Cost:	<u>\$112,000</u>
Estimated cost to municipalities for counting pink paper ballot	\$8,000
Total Estimated Municipal Cost:	<u>\$8,000</u>
Total estimated cost of placing one proposed constitutional amendment on the state general election ballot in 2006:	<u>\$122,000</u>

Long-Term Fiscal Considerations

None

References/Sources

Agency Contact Name: Jim Hansen 201-1323

Agency Contact Name: Alberto Quintela 651-201-1321
FN Coord Signature: KATHY HJELM

Date: 03/17/06 Phone: 201-1361

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: PEGGY LEXAU

Date: 03/20/06 Phone: 296-6237



MRCC

Minnesota Rural Counties Caucus

5077 144th Street West
St. Paul, MN 55124-6967

952-423-7218 / 952-423-9217 fax

March 27, 2006

Members of the Senate Tax Committee:

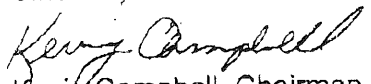
The Minnesota Rural Counties Caucus appreciates the funding strategy change incorporated into the sales tax dedication to natural and cultural resource purposes expressed in SF2734, and supports the bill.

The deep and painful budget-balancing cuts to programs over the last several years have left local governments across the state with added burdens and fewer resources.

While we have no position on what components should be included in the final ballot question, we believe there is an inherent gravitational pull on the level of support Minnesotans will have on the question of the sales tax increase, and that this tension is in direct proportion to the number of issues included on the ballot that are unrelated to natural resource protection and enhancement.

We appreciate the efforts of Senator Sams, Senator Saxhaug and those leaders who support the change in funding strategy for this program, and ask for your support.

Sincerely


Kevin Campbell, Chairman
MN Rural Counties Caucus

Aitkin / Beltrami / Clay / Clearwater / Cook / Crow Wing / Itasca / Kiltson / Koochiching / Lake
Lake of the Woods / Mahnommen / Marshall / McLeod / Mille Lacs / Norman / Otter Tail
Pennington / Polk / Red Lake / Roseau / Stevens / Traverse / Wadena

ROLL CALL VOTE

Date: 3/27/04

Senator Tomassoni requested a Roll Call Vote on:

1. adoption of _____ amendment
2. passage of S. F. No. 2734, as amended
3. adoption of _____ motion _____

SENATOR	YES	NO	PASS	ABSENT
Pogemiller	✓			
Bakk		✓	✗	
Belanger	✓			
Betzold	✓			
Johnson	✓			
Limmer		✓		
Marty	✓			
McGinn		✓		
Moua				✓
Ortman		✓		
Skoe	✓			
Tomassoni	✓			
TOTALS	7	4		1

There being 7 Yes votes and 4 No votes the Motion:

Prevailed

Did Not Prevail

COMMITTEE REPORT - WITH AMENDMENTS

Committee on Taxes

S .F. No. 2734

 Resolution

Re-referred (from another committee)

Amendments:

On page 2, line 4, after "waters," insert
" arts, "

Committee recommendation:

 And when so amended the bill do pass.

 And when so amended the bill do pass and be placed on the Consent Calendar.

And when so amended the bill do pass and be re-referred to the Committee on

Rules

No recommendation: And when so amended the bill be
 (re-referred to the Committee on _____)

OR (reported to the Senate).

3/27/06

(date of committee recommendation)

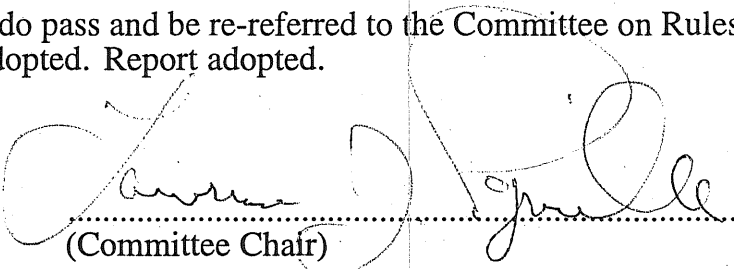
1.1 **Senator Pogemiller from the Committee on Taxes, to which was re-referred**

1.2 **S.F. No. 2734:** A bill for an act relating to natural and cultural resources; proposing
1.3 an amendment to the Minnesota Constitution, article XI; increasing the sales tax rate by
1.5 three-eighths of one percent and dedicating the receipts for natural and cultural resource
1.6 purposes; creating an arts, humanities, museum, and public broadcasting fund; creating
1.7 a heritage enhancement fund; creating a parks and trails fund; creating a clean water
1.8 fund; establishing a Heritage Enhancement Council; establishing a Clean Water Council;
1.9 amending Minnesota Statutes 2004, sections 297A.62, subdivision 1; 297A.94; 297B.02,
1.10 subdivision 1; Minnesota Statutes 2005 Supplement, section 10A.01, subdivision 35;
proposing coding for new law in Minnesota Statutes, chapters 85; 97A; 103F; 129D.

1.11 Reports the same back with the recommendation that the bill be amended as follows:

1.12 Page 2, line 4, after "waters," insert "arts,"

1.13 And when so amended the bill do pass and be re-referred to the Committee on Rules
1.14 and Administration. Amendments adopted. Report adopted.

1.15 
1.16 (Committee Chair)

1.17 March 27, 2006 3/27/06
1.18 (Date of Committee recommendation)