

# Fiscal Analysis Department

## Minnesota House of Representatives

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### ISSUE BRIEF

## 2008 Constitutional Amendment Authorized – Sales Tax Increase Proposed for Natural Resource and Cultural Heritage Purposes

### Overview:

[Minnesota Laws 2008, Chapter 151](#) is an act that proposes a Constitutional Amendment be submitted to voters in the 2008 general election. The question that will be on the ballot is if a new 3/8 of one percent sales tax for a 25 year period should be dedicated to the following four purposes;

33.00%	• To restore, protect and enhance wetlands, prairies, forest and habitat for fish, game and wildlife.
33.00%	• To protect, enhance, restore water quality in lakes, rivers, and streams with at least 5 percent of the fund to be spend to protect drinking water sources.
14.25%	• To support parks and trails
19.75%	• For arts and cultural heritage
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<b>100.00%</b>	

The November 2008 voter ballot will include this question for voters:

“Shall the Minnesota Constitution be amended to dedicate funding to protect our drinking water sources; to protect, enhance and restore our wetlands, prairies, forest, and fish, game and wildlife habitat; to preserve our arts and cultural heritage; to support our parks and trails; and to protect, enhance, and restore our lakes, rivers, streams, and groundwater by increasing the sales and use tax rate beginning July 1, 2009, by three-eighths of one percent on taxable sales until the year 2034.”

**Revenue:**

The current sales tax rate is 6.5 percent and revenues received from this tax are deposited into the general fund. If this constitutional amendment is approved by voters, the sales tax rate will increase by 3/8ths of one percent (.375%) to 6.875 percent. Such a rate increase is estimated to raise an additional \$240.5 million in FY 2010.

The proposed constitutional amendment stipulates that the additional revenue attributed to this rate increase is to be deposited into the four dedicated funds as specified in the table below.

**How the Revenue is to be deposited:<sup>1</sup>**

<b>Funds</b>	<b>Dedication</b>	<b>FY 2010</b>	<b>FY 2011</b>
Outdoor Heritage Fund	33%	\$79,388,657	\$90,343,806
Clean Water Fund (Sustainable Drinking Water Account)	33%	\$79,388,657	\$90,343,806
Parks and Trails Fund	14.25%	\$34,281,466	\$39,012,098
Arts and Cultural Heritage	19.75%	\$47,512,908	\$54,069,399
<b>Total</b>	<b>100%</b>	<b>\$240,571,689</b>	<b>\$273,769,108</b>

**Expenditures:**

The language in the proposed constitutional amendment has specific requirements that will govern the expenditure of the revenues received by the state under the amendment. Important specific directions in the amendment include:

- All receipts as deposited into the newly created funds are dedicated and to be used only for the purposes as indicated in the amendment language.
- All revenues raised and deposited into the newly created funds must be appropriated by law.
- The money dedicated by the amendment and appropriated by law must supplement the traditional funding and may not be a substitute for that funding.

A new law passed in the 2008 session ([Chapter 368](#)) governs the expenditure of the portion of the revenues that are deposited into the outdoor heritage fund.

Chapter 368 creates the Lessard Outdoor Heritage Council in the legislative branch. The council will consist of 12 members, eight appointed by specified legislative direction, and four members that will be appointed by the governor.

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<sup>1</sup> Source: DOR Revenue Estimate for HF 2285 adjusted for the DOF 2008 February Financial Forecast. The amounts in the FY 2010 columns were adjusted to account for 11 months of impact in the first fiscal year.

The newly created council is directed to make recommendations to the legislature on the appropriation of money deposited to the outdoor heritage fund. All recommendations must be consistent with the uses prescribed in the constitutional amendment. The council is also directed to work with the Clean Water Council and the Legislative-Citizen Commission on Minnesota Resources.

Money deposited in the clean water fund may be spent only to protect, enhance, and restore water quality in lakes, rivers, and streams and to protect groundwater from degradation, and at least five percent of the clean water fund must be spent only to protect drinking water sources.

Money deposited in the parks and trails fund may be spent only to support parks and trails of regional or statewide significance

Money deposited in the arts and cultural heritage fund may be spent only for arts, arts education, and arts access and to preserve Minnesota's history and cultural heritage.

The budget process for any revenue deposited in the clean water fund, the parks and trails fund and the arts and cultural heritage fund would likely be the same as for other funds. The Governor will make recommendations for their expenditure as part of the Governor's budget recommendations, and the Legislature will consider those recommendations along with other bills and make appropriations.

If the proposed constitutional amendment is adopted by the voters on November 4, the following language will be added to Article XI of the Minnesota Constitution.

“Sec. 15. Beginning July 1, 2009, until June 30, 2034, the sales and use tax rate shall be increased by three-eighths of one percent on sales and uses taxable under the general state sales and use tax law. Receipts from the increase, plus penalties and interest and reduced by any refunds, are dedicated, for the benefit of Minnesotans, to the following funds: 33 percent of the receipts shall be deposited in the outdoor heritage fund and may be spent only to restore, protect, and enhance wetlands, prairies, forests, and habitat for fish, game, and wildlife; 33 percent of the receipts shall be deposited in the clean water fund and may be spent only to protect, enhance, and restore water quality in lakes, rivers, and streams and to protect groundwater from degradation, and at least five percent of the clean water fund must be spent only to protect drinking water sources; 14.25 percent of the receipts shall be deposited in the parks and trails fund and may be spent only to support parks and trails of regional or statewide significance; and 19.75 percent shall be deposited in the arts and cultural heritage fund and may be spent only for arts, arts education, and arts access and to preserve Minnesota's history and cultural heritage. An outdoor heritage fund; a parks and trails fund; a clean water fund and a sustainable drinking water account; and an arts and cultural heritage fund are created in the state treasury. The money dedicated under this section shall be appropriated by law. The

dedicated money under this section must supplement traditional sources of funding for these purposes and may not be used as a substitute. Land acquired by fee with money deposited in the outdoor heritage fund under this section must be open to the public taking of fish and game during the open season unless otherwise provided by law. If the base of the sales and use tax is changed, the sales and use tax rate in this section may be proportionally adjusted by law to within one-thousandth of one percent in order to provide as close to the same amount of revenue as practicable for each fund as existed before the change to the sales and use tax.”

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