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HOUSE FILE No. 2285

FIRST COMMITTEE ENGROSSMENT

March 21, 2007

Authored by Sertich, Wollschlager, Wagenius, Hansen, Brown and others
The bill was read for the first time and referred to the Committee on Environment and Natural Resources

May 8, 2007

Committee Recommendation and Adoption of Report:
To Pass and re-referred to the Committee on Rules and Legislative Administration

May 9, 2007

Committee Recommendation and Adoption of Report:
To Pass and re-referred to the Committee on Finance

Referred by Chair to Minnesota Heritage Finance Division.

May 9, 2007

Returned to the Committee on Finance as Amended.

A bill for an act

relating to constitutional amendments; proposing an amendment to the Minnesota Constitution, article XI; increasing the sales tax rate by three-eighths of one percent and dedicating the receipts for natural resource and cultural heritage purposes; creating a natural heritage fund; creating a parks and trails fund; creating a clean water fund; creating a sustainable drinking water fund; creating an arts and cultural heritage fund; amending Minnesota Statutes 2006, sections 114D.20, subdivision 6; 114D.30, subdivision 6; 114D.45; 297A.62, subdivision 1; 297A.94; 297B.02, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 85; 97A; 103H; 129D.

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

Section 1. **CONSTITUTIONAL AMENDMENT.**

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:

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 to the following funds: at least 25 percent of the receipts shall be deposited in the natural heritage fund and may be spent only to restore, preserve, and enhance fish and wildlife habitat and other natural resources; at least 25 percent of the receipts shall be deposited in the clean water fund and may be spent only to protect and restore the state's lakes, rivers, streams, wetlands, and groundwater; at least 15 percent of the receipts shall be deposited in the parks and trails fund and may be spent only to support the state's parks and trails; at least 15 percent of the receipts shall be deposited in the sustainable drinking water fund and may be spent only to protect the state's drinking water sources; and at least ten percent shall be deposited in the arts and cultural heritage

2.1 fund and may be spent only for arts and cultural heritage purposes. Up to ten percent of
2.2 the remaining funds shall be divided by law among the funds created in this section. A
2.3 natural heritage fund; a parks and trails fund; a clean water fund; a sustainable drinking
2.4 water fund; and an arts and cultural heritage fund are created in the state treasury. The
2.5 money dedicated under this section shall be appropriated by law. The dedicated money
2.6 under this section must supplement traditional sources of funding for these purposes and
2.7 may not be used as a substitute. Land acquired by fee with money deposited in the natural
2.8 heritage fund under this section must be open to public taking of fish and game during the
2.9 open season unless otherwise provided by law.

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

2.11 The proposed amendment must be submitted to the people in the 2008 general
2.12 election. The question submitted shall be:

2.13 "Shall the Minnesota Constitution be amended to provide funding beginning July
2.14 1, 2009, to restore, preserve, and enhance the state's fish and wildlife habitat and other
2.15 natural resources; to protect the state's drinking water sources; to protect and restore the
2.16 state's lakes, rivers, streams, wetlands and groundwater; to support the state's parks and
2.17 trails; and to support the arts and cultural heritage of the state by increasing the sales and
2.18 use tax rate by three-eighths of one percent on taxable sales until the year 2034?

2.19 Yes
2.20 No"

2.21 **Sec. 3. [85.0195] PARKS AND TRAILS FUNDS; EXPENDITURES.**

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

2.25 Subd. 2. **Expenditures.** Money in the parks and trails fund may be spent only on
2.26 state and regional parks and trails subject to appropriation by law.

2.27 Subd. 3. **Audit.** The legislative auditor shall audit parks and trails fund expenditures
2.28 to ensure that the money is spent for the purposes for which the money was appropriated.

2.29 **EFFECTIVE DATE.** This section is effective July 1, 2009, if the constitutional
2.30 amendment proposed in section 1 is adopted by the voters.

2.31 **Sec. 4. [97A.056] NATURAL HERITAGE FUND.**

2.32 (a) The natural heritage fund is established in the Minnesota Constitution, article XI,
2.33 section 15. All money earned by the heritage fund must be credited to the fund. At least

3.1 97 percent of the money appropriated from the fund must be spent to restore, preserve,
3.2 and enhance the state's fish and wildlife habitat and other natural resources.

3.3 (b) Lands acquired in fee by appropriations from this fund are subject to the payment
3.4 in lieu of tax as provided in section 477A.12, subdivision 1, paragraph (a), clause (1).

3.5 (c) The legislative auditor shall audit natural heritage fund expenditures to ensure
3.6 that the money is spent for the purposes for which the money was appropriated.

3.7 **EFFECTIVE DATE.** This section is effective November 15, 2008, if the
3.8 constitutional amendment proposed in section 1 is adopted by the voters.

3.9 **Sec. 5. [103H.285] SUSTAINABLE DRINKING WATER FUND.**

3.10 A sustainable drinking water fund is established in the Minnesota Constitution,
3.11 article XI, section 15. All money earned by the sustainable drinking water fund must be
3.12 credited to the fund. At least 97 percent of the money appropriated from the fund must
3.13 be spent to protect the state's drinking water sources including, but not limited to, well
3.14 monitoring and cleanup, wellhead and source protection, the state match for available
3.15 federal dollars, and groundwater protection according to law. The legislative auditor shall
3.16 audit sustainable drinking water fund expenditures to ensure that the money is spent for
3.17 the purposes for which the money was appropriated.

3.18 Sec. 6. Minnesota Statutes 2006, section 114D.20, subdivision 6, is amended to read:

3.19 Subd. 6. **Priorities for restoration of impaired waters.** In implementing
3.20 restoration of impaired waters, in addition to the priority considerations in subdivision 5,
3.21 the Clean Water Council ~~shall~~ must give priority in its recommendations for restoration
3.22 funding from the clean water ~~legacy account~~ fund to restoration projects that:

3.23 (1) coordinate with and ~~utilize~~ use existing local authorities and infrastructure for
3.24 implementation;

3.25 (2) can be implemented in whole or in part by providing support for existing or
3.26 ongoing restoration efforts;

3.27 (3) most effectively leverage other sources of restoration funding, including federal,
3.28 state, local, and private sources of funds;

3.29 (4) show a high potential for early restoration and delisting based upon scientific
3.30 data developed through public agency or citizen monitoring or other means; and

3.31 (5) show a high potential for long-term water quality and related conservation
3.32 benefits.

4.1 **EFFECTIVE DATE.** This section is effective July 1, 2009, if the constitutional
4.2 amendment proposed in section 1 is adopted by the voters.

4.3 Sec. 7. Minnesota Statutes 2006, section 114D.30, subdivision 6, is amended to read:

4.4 Subd. 6. **Recommendations on appropriation of funds.** The Clean Water Council
4.5 ~~shall~~ must recommend to the governor the manner in which money from the clean water
4.6 ~~legacy account fund~~ fund should be appropriated for the purposes identified in section 114D.45,
4.7 subdivision 3. The council's recommendations must be consistent with the purposes,
4.8 policies, goals, and priorities in sections 114D.05 to 114D.35, and ~~shall~~ must allocate
4.9 adequate support and resources to identify impaired waters, develop TMDL's, implement
4.10 restoration of impaired waters, and provide assistance and incentives to prevent waters
4.11 from becoming impaired and improve the quality of waters which are listed as impaired
4.12 but have no approved TMDL. The council must recommend methods of ensuring that
4.13 awards of grants, loans, or other funds from the clean water ~~legacy account fund~~ fund specify
4.14 the outcomes to be achieved as a result of the funding and specify standards to hold the
4.15 recipient accountable for achieving the desired outcomes. Expenditures from the account
4.16 must be appropriated by law.

4.17 **EFFECTIVE DATE.** This section is effective July 1, 2009, if the constitutional
4.18 amendment proposed in section 1 is adopted by the voters.

4.19 Sec. 8. Minnesota Statutes 2006, section 114D.45, is amended to read:

4.20 **114D.45 CLEAN WATER LEGACY ACCOUNT FUND.**

4.21 Subdivision 1. **Creation.** The clean water ~~legacy account fund~~ is created as an
4.22 ~~account in the environmental fund~~ established in the Minnesota Constitution, article XI,
4.23 section 15. Money in the ~~account fund~~ must be made available for the implementation
4.24 of this chapter and sections 446A.073, 446A.074, and 446A.075, without supplanting or
4.25 taking the place of any other funds which are currently available or may become available
4.26 from any other source, whether federal, state, local, or private, for implementation of
4.27 those sections.

4.28 Subd. 2. **Sources of revenue.** The following revenues must be deposited in the
4.29 clean water ~~legacy account fund~~ :

4.30 (1) money deposited in the fund as provided in the Minnesota Constitution, article
4.31 XI, section 15;

4.32 ~~(1)~~ (2) money transferred to the ~~account fund~~ ; and

4.33 ~~(2)~~ (3) interest accrued on the ~~account fund~~ .

5.1 Subd. 3. **Purposes.** Subject to appropriation by the legislature, the clean water
5.2 ~~legacy account~~ fund may be spent for the following purposes:

5.3 (1) to provide grants, loans, and technical assistance to public agencies and others
5.4 who are participating in the process of identifying impaired waters, developing TMDL's,
5.5 implementing restoration plans for impaired waters, and monitoring the effectiveness
5.6 of restoration;

5.7 (2) to support measures to prevent waters from becoming impaired and to improve
5.8 the quality of waters that are listed as impaired but do not have an approved TMDL
5.9 addressing the impairment;

5.10 (3) to provide grants and loans for wastewater and storm water treatment projects
5.11 through the Public Facilities Authority;

5.12 (4) to support the efforts of public agencies associated with individual sewage
5.13 treatment systems and financial assistance for upgrading and replacing the systems; and

5.14 (5) to provide funds to state agencies to carry out their responsibilities under this
5.15 chapter.

5.16 Subd. 4. **Audit.** The legislative auditor shall audit clean water fund expenditures to
5.17 ensure that the money is spent for the purposes for which the money was appropriated.

5.18 **EFFECTIVE DATE.** This section is effective July 1, 2009, if the constitutional
5.19 amendment proposed in section 1 is adopted by the voters.

5.20 **Sec. 9. [129D.17] ARTS AND CULTURAL HERITAGE FUND;**
5.21 **EXPENDITURES.**

5.22 Subdivision 1. **Fund.** The arts and cultural heritage fund is established in the
5.23 Minnesota Constitution, article XI, section 15. All money earned by the fund must
5.24 be credited to the fund.

5.25 Subd. 2. **Expenditures.** Subject to appropriation, receipts in the fund must be spent
5.26 for arts activities and to support the cultural heritage of the state according to law.

5.27 Subd. 3. **Audit.** The legislative auditor shall audit arts and cultural heritage fund
5.28 expenditures to ensure that the money is spent for the purposes for which the money
5.29 was appropriated.

5.30 **Sec. 10.** Minnesota Statutes 2006, section 297A.62, subdivision 1, is amended to read:

5.31 **Subdivision 1. **Generally.** (a)** Except as otherwise provided in subdivision 2 or 3
5.32 or in this chapter, a sales tax of 6.5 percent is imposed on the gross receipts from retail
5.33 sales as defined in section 297A.61, subdivision 4, made in this state or to a destination

6.1 in this state by a person who is required to have or voluntarily obtains a permit under
6.2 section 297A.83, subdivision 1.

6.3 (b) The increased rate required under the Minnesota Constitution, article XI, section
6.4 15, shall be added to the rate imposed under paragraph (a).

6.5 **EFFECTIVE DATE.** This section is effective July 1, 2009, if the constitutional
6.6 amendment proposed in section 1 is adopted by the voters.

6.7 Sec. 11. Minnesota Statutes 2006, section 297A.94, is amended to read:

6.8 **297A.94 DEPOSIT OF REVENUES.**

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

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

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

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

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

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

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

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

6.31 (d) The commissioner shall deposit the revenues, including interest and penalties,
6.32 collected under section 297A.64, subdivision 5, in the state treasury and credit them to the
6.33 general fund. By July 15 of each year the commissioner shall transfer to the highway user

7.1 tax distribution fund an amount equal to the excess fees collected under section 297A.64,
7.2 subdivision 5, for the previous calendar year.

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

7.7 (1) 50 percent of the receipts must be deposited in the heritage enhancement account
7.8 in the game and fish fund, and may be spent only on activities that improve, enhance, or
7.9 protect fish and wildlife resources, including conservation, restoration, and enhancement
7.10 of land, water, and other natural resources of the state;

7.11 (2) 22.5 percent of the receipts must be deposited in the natural resources fund, and
7.12 may be spent only for state parks and trails;

7.13 (3) 22.5 percent of the receipts must be deposited in the natural resources fund, and
7.14 may be spent only on metropolitan park and trail grants;

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

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

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

7.29 **EFFECTIVE DATE.** This section is effective July 1, 2009, if the constitutional
7.30 amendment proposed in section 1 is adopted by the voters.

7.31 Sec. 12. Minnesota Statutes 2006, section 297B.02, subdivision 1, is amended to read:

7.32 Subdivision 1. **Rate.** There is imposed an excise tax at the rate provided in ~~chapter~~
7.33 ~~297A~~ section 297A.62, subdivision 1, paragraph (a), on the purchase price of any motor
7.34 vehicle purchased or acquired, either in or outside of the state of Minnesota, which is
7.35 required to be registered under the laws of this state.

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

8.4 **EFFECTIVE DATE.** This section is effective July 1, 2009, if the constitutional
8.5 amendment proposed in section 1 is adopted by the voters.