

A Chronology of Recent Legislation to Dedicate Funding for Natural Resources Purposes

For several years, bills have been introduced in the Minnesota Legislature to dedicate a portion of sales tax revenues to fund natural resources needs. These bills have never become law, but the issue is still being discussed. This information brief provides a brief chronology of this legislation.

Overview

Although some bills were introduced in the 1990s supporting a new form of dedicated funding for natural resources purposes, it wasn't until 2000 that bills started to be heard and began passing in committee. The bills primarily were first directed to fund game, fish, and wildlife habitat needs, but gradually expanded to fund state parks and trails, metropolitan and other regional parks, and efforts to assess water quality impairments throughout the state.

Minnesota already has some dedicated funding for natural resources. There was an almost 40-year dedication of two cents per pack of cigarettes (initially one cent) to the Legislative Commission on Minnesota Resources for "natural resources acceleration." This provided \$360 million during that time, until the dedication was removed and placed in the general fund because of a major budget deficit in 2002.

Since 1990, 40 percent of the net lottery proceeds have been placed in the Environment and Natural Resources Trust Fund to supplement the traditional sources that fund environment and natural resources activities. Currently, the state constitution allows up to 5.5 percent of the corpus of the fund (now \$415 million) to be recommended for expenditure annually. Over the 15 years of trust fund appropriations, \$212 million has been spent on projects.

Most wildlife and sportsmen groups in the state argue that state funding, primarily through the game and fish fund, has not been keeping up with identified habitat and project needs. They claim that hunting, fishing, and wildlife activities in Minnesota generate substantially more revenue for the state than the state invests in wildlife programs. There is an estimated \$3 billion annually spent in the state on hunting, fishing, camping, and wildlife-watching activities.

A state budget deficit also affected the amount of money going to natural resources. Since 2002, \$45 million has been cut from the Department of Natural Resources (DNR) general fund budget, which is almost 25 percent of its total general fund budget since 2002. In addition, almost \$50 million in DNR natural resources projects were vetoed by the governor in the 2002 bonding bill ([Laws 2002, ch. 373](#)).

Chronology

The following summarizes the history of the dedicated funding bills since 2000.

- 2000** [House File 3426](#) and [Senate File 3173](#) both proposed to amend the Minnesota Constitution and dedicate 3/16 of 1 percent of existing taxable sales revenue for natural resources purposes. They became known as “the 3/16 bills,” and each passed policy committees and at least one funding committee before being laid over in final committees at the end of session. Forty-five percent of the dedication (about \$55 million a year) was slated to go to a conservation heritage enhancement fund for funding fish and wildlife habitat projects.
- 2001** [H.F. 1671](#) and [S.F. 1589](#) followed up on the 2000 bills by also proposing a 3/16 of 1 percent sales tax dedication for natural resources. However, these bills limited the dedication to a 20-year period, ending in 2026. Fifty-one percent of the dedication was earmarked for funding fish and wildlife enhancement, including forests, lakes, rivers, and wetlands. Both bills started receiving serious consideration late in the 2002 session when gubernatorial candidates at the time expressed support for the concept. Each passed three or more committees, but neither reached their respective floors.
- 2003** [H.F. 1166](#) and [S.F. 401](#) took different approaches to the dedicated funding issue. The House bill dropped the dedication amount to 1/8 of 1 percent sales tax for an unlimited time period, while the Senate bill raised the amount to 3/8 of 1 percent sales tax for a 25-year period. All the money in the House bill was to be spent on fish and wildlife habitat and public access programs, and the Senate bill was to give 34 percent of the total annually to a heritage enhancement fund for fish and wildlife projects, while the remaining amount was split three ways: 22 percent each to parks and trails, to clean

water projects, and to arts and humanities. The bills started receiving hearings in 2004, each passed three or more committees, but languished without final votes at the end.

2005 In special session, [H.F. 77](#) and [H.F. 116](#) were introduced for dedicated natural resources funding, but neither received a hearing.

2006 The dedicated funding debate continued with [H.F. 1909](#) and [S.F. 2734](#). As introduced in 2005, [H.F. 1909](#) dedicated 1/4 of 1 percent sales tax to be split evenly for fish and wildlife enhancement projects and for impaired waters cleanup. The [Senate bill, 2734](#), passed the Senate and was substituted for the House bill midway through the session. [S.F. 2734](#) was a 3/8-of-1-percent sales tax increase dedicated and split the same way as the 2003-2004 Senate bill above ([S.F. 401](#)). As the House bill moved through the process, it became a 1/8-of-1-percent existing sales tax dedication and eventually passed the House as 3/16 of 1 percent. Sixty percent was earmarked for game and fish and public access purposes, 30 percent to clean up impaired waters, and 5 percent each to parks and trails, and to arts and humanities. [S.F. 2734](#) was for a 25-year period starting in 2007 in the Senate version, and in the House, it was to begin in 2009 without an end date.

For the participants in this dedicated funding debate, it was a historic moment: funding bills passed both legislative bodies to be debated in conference committee. The main issue though was that the Senate bill would raise the percent sales tax of 3/8 of 1 percent, resulting in a total of \$276 million annually for the bill's purposes. The House version, dedicating 3/16 of 1 percent of the existing sales tax, amounted to \$138 million annually for its purposes.

During conference committee meetings, the House raised its sales tax dedication to 1/4 of 1 percent, 1/8 existing money and 1/8 new sales tax dollars, or \$184 million annually. They also proposed two separate questions to the voters for the constitutional amendment. The Senate had a counteroffer, but the parties couldn't agree at the end on the various differences, so the bill did not become law.

The debate on dedicated natural resources funding continues, and several bills already have been introduced in the Senate and House in the 2007 session.

For more information see the following House Research publications, "[The 3/16 Bill](#)," October 2002, "[State Environmental Trust Funds](#)," December 2005, and "[Balancing the Game and Fish Fund](#)," January 1994.