



May 11, 2006

Dear Conference Committee Members:

A House floor amendment added a provision to SF 2734 that would put a freeze on any new or increased fees or taxes for a period of seven years. From the floor debate, it is clear that the author of the amendment intended for this freeze to apply to the entire budget.

The Minnesota Budget Project, which is an initiative of the Minnesota Council of Nonprofits, strongly opposes this provision for several reasons.

We believe that this floor amendment to the House bill has two significant technical flaws.

1. The floor amendment added this seven year freeze to the language that would be added to Minnesota's constitution, but the amendment did not change the question that would be submitted to the voters. Citizens would not be made aware of the sweeping revenue freeze that they would be voting to place in our constitution.
2. It is not really clear how this amendment works, or even whether it works as the author intended. What does seem clear is that if this language is added to the constitution, it would really be left to the courts to interpret how to apply this provision. So, the state could once again find itself in the precarious situation of waiting for a court decision to find out whether or not legislators have the revenues they thought they had agreed to. This provision creates a situation of speculative budgeting that is not in the best interests of the state.

However, even if the conference committee resolved these technical issues, there are more fundamental reasons why the Minnesota Budget Project opposes this provision.

3. If this amendment functions as the author intends, it goes far beyond the original scope of this bill, which provides additional funding for various environmental and arts and cultural purposes. This provision, however, would impose a tax and fee freeze on the entire budget, which could dramatically impact every area, including higher education, public safety, health and human services, K-12 education, transportation, and the list goes on.
4. A seven year freeze on all new or increased taxes and fees dramatically ties the hands of the legislature, leaving no flexibility to respond to the expectations of the public or changing needs of the state. Many, including the Minnesota Budget Project, would argue that our current levels of funding are already inadequate to meet the needs in many areas of the state budget, which is why this constitutional amendment is before you in the first place.

And there are wide variety of new circumstances that could prompt a need for additional resources in the next seven years, including a natural disaster, terrorist incident, public health emergency, declining funding from the federal government, economic downturn, or demands from your constituents to address critical needs in the state. The provision in this bill is absolute – no new or increased taxes or fees for those seven years.

5. Most importantly, we believe that it is inappropriate to use the constitution to set this kind of broad and sweeping fiscal policy. The real issue here is not whether we should or should not raise taxes, but how should that decision be made? What is the appropriate process?

We would argue that the legislature should make budget choices after an informed and public debate which considers public expectations for things such as a quality educational system, healthy environment, uncongested roads, and safe communities and weighs those expectations against concerns about the level of taxation.

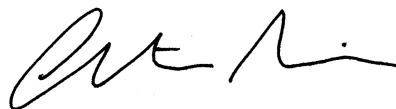
The ability to raise revenues is a fundamental element of responsible governing and that decision should never be predetermined by some rigid and sweeping provision enshrined in our constitution.

The Minnesota Budget Project does not have a position on the bill as a whole, but we hope that you will recognize both the technical and underlying flaws of the provision to freeze taxes and fees and exclude it from any final version of the bill.

Thank you for your consideration.



Nan Madden
Project Director
nan@mncn.org
651-642-1904 x230



Christina Macklin
Policy Analyst
cmacklin@mncn.org
651-642-1904 x233

The Minnesota Budget Project, which is an initiative of the Minnesota Council of Nonprofits, provides independent research, analysis, and advocacy on budget and tax policy issues, emphasizing their impact on low- and moderate-income persons and the organizations that serve them.