

May 12, 2015

Senator Rod Skoe

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Capitol Room 235
St. Paul, MN 55155

Senator Ann Rest

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Senator Kari Dziedzic

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Senator Lyle Koenen

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Senator Paul Gazelka

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Representative Greg Davids

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Representative Steve Drazkowski

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Representative Bob Barrett

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Representative Chris Swedzinski

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Representative Ann Lenczewski

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Dear Members of the Omnibus Tax Conference Committee:

We the undersigned wish to again raise concerns over language in the House Tax Bill that would require the use of constitutionally dedicated funds for payments in lieu of property taxes.

In 2008, Minnesota voters overwhelmingly approved the Clean Water, Land & Legacy Amendment. The constitutional language specifies that the Outdoor Heritage Fund created by the Amendment “may be spent only to restore, protect, and enhance wetlands, prairies, forests, and habitat for fish, game, and wildlife” (Minn. Constitution, Art. XI, Sec. 15). Similarly, the Environmental Trust Fund, which receives a portion of lottery proceeds, is constitutionally dedicated to the “protection, conservation, preservation, and enhancement of the state's air, water, land, fish, wildlife, and other natural resources” (Minn. Constitution, Art. XI, Sec. 14).

HF 848, Article 10, Sections 1-7 would require Outdoor Heritage Funds and Environmental Trust Funds be used to pay an amount equivalent to future property taxes on certain state lands.

The state currently makes “payments in lieu of taxes” (PILT) to local governments for state owned natural resource lands including parks and trails, forest lands, and wildlife management areas within their jurisdictions (Minn. Stat. 477A). The primary purpose of these payments is to offset the loss of property tax revenue associated with state ownership of land. The funds are largely unrestricted and are used for general operating support of local governments, including roads, bridges, libraries, and emergency services. PILT is one of a number of sources of local government aid in Minnesota.

While some PILT dollars may be applied to land management, there is no requirement that PILT payments be used to enhance or even maintain state natural resource land. The provisions in HF848 would use Outdoor Heritage and Environmental Trust Funds for these local aid payments clearly violates the constitutional requirements that these funds be used only to enhance, protect, or restore the state’s natural resources.

The Minnesota Constitution also requires that Outdoor Heritage Funds “must supplement traditional sources of funding for these purposes and may not be used as a substitute” (Minn. Constitution, Art. XI, Sec. 15). Payments in lieu of taxes have traditionally been funded by the state’s General Fund. HF 848 specifically states that the payments from dedicated funds are intended to replace the traditional PILT payments required in Minn. Statute 477A. This is a clear attempt to impermissibly substitute dedicated funds for a local aid payment traditionally funded by the General Fund.

Minnesota’s conservation community has long supported PILT payments to local governments. PILT is an important tax policy that supports local communities and represents a significant source of revenue to some counties with large amounts of public land. In 2011, many of the organizations listed below authored a letter to the Legislature opposing proposed reductions in PILT support for local governments. The proposed cuts were not enacted, and in 2013, the Legislature actually increased PILT payments to counties and townships.

While we strongly support continued funding of PILT through the General Fund, including possible adjustments necessary to ensure fairness and equity to local governments, we do not support the use of dedicated funds for the payment of property taxes or local government aid.

The Clean Water, Land & Legacy Amendment was driven by a need to increase funding for Minnesota’s natural heritage after years of budget reductions. Prior to 2001, 2% of state General Funds had been allocated for our Great Outdoors; by 2006, this number had been cut in half to only 1%. The purpose of the Clean Water, Land & Legacy Amendment was to increase funding and provide significant new investment in Minnesota’s lakes, rivers, forests, prairies and wetlands. The current attempt to use dedicated funds to pay for property tax support and local aid rather than enhancing and restoring natural resources is directly contrary to the purpose of the Amendment.

We also ask you to review the attached April 7, 2009 letter from the Office of Attorney General Lori Swanson to William H. Becker, of the Lessard-Sams Outdoor Heritage Council, indicating that in their opinion the courts would likely rule the use of the Outdoor Heritage Fund to pay local aids (PILT) to be unconstitutional.

We urge you to support the Senate position and continue the payment of local government aid from the state general fund.

Sincerely,

Alliance for Sustainability	Minnesota Environmental Partnership
Anglers for Habitat	Minnesota Food Association
Audubon Minnesota	Minnesota Land Trust
Audubon Society of St. Paul	Minnesota Ornithologists' Union
Climate Generation	Minnesota Outdoor Heritage Alliance
Conservation Minnesota	(MOHA)
CURE (Clean Up the River Environment)	Minnesota Project
Ducks Unlimited	Minnesota Renewable Energy Society
Environment Minnesota	Minnesota Waterfowl Association
Fish & Wildlife Legislative Alliance	MN350
Friends of the Boundary Waters Wilderness	Pheasants Forever
Friends of the Cloquet Valley State Forest	Ramsey County
Friends of the Mississippi River	Renewing the Countryside
Friends of the Parks & Trails of St. Paul &	Sierra Club - North Star Chapter
Izaak Walton League - Minnesota Division	St. Croix River Association
Izaak Walton League of America - Midwest Office	The Conservation Fund
League of Women Voters Minnesota	The Nature Conservancy
Lower Phalen Creek Project	Transit for Livable Communities
Mankato Area Environmentalists	Trust for Public Land
Minnesota Center for Environmental Advocacy	Urban Roots
Minnesota Conservation Federation	Voyageurs National Park Association
Minnesota Deer Hunters Association	WaterLegacy