

Issue: MN Fiscal Mismanagement

## Minnesota's Pickpockets

### Republicans Seek to Raid Dedicated Funds for Everyday Use

For several legislative sessions, particularly the rancorous 2018 gathering, the Republican majority has been practicing a fiscal sleight-of-hand. They are doing this even though Minnesota is expected to enjoy a \$329 million budget surplus.<sup>[1]</sup> Having that 1 percent surplus hasn't kept Republicans from trying to use special state funds set aside for a particular purpose to pay instead for basic needs.

It works like this. Suppose there is consensus that the state needs new veterans' homes or expanded wastewater treatment facilities. Money to build the homes would ordinarily come from state-issued bonds. Wastewater treatment facilities would be a capital expense covered by overall bonding bills.

But handling these expenses as usual would have clipped the wings of Republicans who want to boast about lowering general costs or holding the bonding bill under \$1 billion. Instead they found other pockets of state money, often funded by receipts from state-approved gambling, and claimed that the needs of the moment trumped the original purpose of the funds.

Take the raid on the conservation fund. In 1988, citizens voted to create the Environmental and Natural Resources Trust fund to "preserve and enhance" Minnesota's air and water. The state lottery and investment income are its main sources of revenue. The Legislative-Citizen Commission on Minnesota Resources<sup>[2]</sup> is the designated arbiter of which projects the fund supports. But the commission's careful process for approving projects was bypassed in 2018 to allow \$98 million to pay for bonds for wastewater treatment plants in small communities.<sup>[3]</sup> Environmental groups called on Gov. Dayton to veto the measure, because the trust was never intended to cover big capital projects.<sup>[4]</sup>

Steve Morse of the Minnesota Environmental Partnership said, "When voters created the lottery" to support the fund, "it was not as a replacement for funding of basic state services like sewers and landfills." Gibson added, "this move confirms that all of our constitutionally dedicated funds are at risk."<sup>4</sup>

The governor signed the \$1.5 billion bill because of its larger purpose of funding other needed projects, but said approving projects without the Legislative-Citizens Commission's approval set an "unfortunate precedent."<sup>[5]</sup> Nancy Gibson, an environmentalist and member of that commission, wrote that this ploy, approved late in the session without citizen input, "is a gimmick that will open the floodgates to the use of dedicated funds for projects clearly suited for funding through bonding, a well-established tradition."<sup>[6]</sup>

That was only one raid. There were others, as Republicans sought to use earmarked funds as they wished, regardless of the conditions established when the funds were created. Sarah Anderson, the long-serving delegate representing District 44A and who chairs the State Government Finance committee, got attention by arguing that the government should raid one such established fund so the state could use the money for something unrelated -- three sorely needed new veterans' homes.

She pushed to take \$26 million from a rainy-day fund established in case revenues for the state's share of the debt on U.S. Bank Stadium ever came up short because the economy went south.<sup>[7]</sup> The fund guaranteeing the fiscal health of the Minnesota Vikings' stadium has been thriving recently thanks to gains from a form of gambling called "pull tabs." But her late-session action was unsuccessful; the legislature voted to put \$32 million into the bonding bill for the construction of the three homes.<sup>[8]</sup>

In 2018, the general budget bill, which Governor Dayton vetoed, would have transferred \$50 million from the state budget reserve fund to pay for school safety programs. <sup>[9]</sup> Like the attempt to pick the pocket of the Vikings' stadium fund, the practice purloins money set aside to insure against financial setbacks. As one critic noted, "this 'rainy day' fund is where the state sets dollars aside so that in the next economic downturn, Minnesotans can still count on essential services." <sup>[10]</sup>

The bottom line: various state funds established for specific purposes are seen by Republicans as a quick and easy – and duplicitous -- way to use set-aside accounts to pay for the basic costs of government. Then they can brag about keeping taxes low – even if the way they accomplish this is to break faith with the people who voted to create these special funds.

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[1] <http://www.minnesotabudgetbites.org/2018/07/11/2018-legislative-session-what-was-accomplished-and-whats-left-for-next-year/>

[2] <https://www.lccmr.leg.mn/>

[3] <http://www.startribune.com/republicans-at-the-legislature-look-for-new-ways-to-borrow-big-for-public-works/482391911/>

[4] [https://www.seattletimes.com/nation-world/groups-urge-vetoes-over-environmental-trust-fund-raid/?utm\\_source=email&utm\\_medium=email&utm\\_campaign=article\\_left\\_1.1](https://www.seattletimes.com/nation-world/groups-urge-vetoes-over-environmental-trust-fund-raid/?utm_source=email&utm_medium=email&utm_campaign=article_left_1.1)

[4A] <http://www.startribune.com/minnesota-s-republican-leaders-have-outdoors-fund-headed-in-wrong-direction/483404131/>

[5] <https://mn.gov/governor/newsroom/?id=1055-341066>

[6] <http://www.startribune.com/legislative-gimmick-runs-counter-to-voters-intent-on-environmental-trust-fund/484225561/>

[7] <https://www.minnpost.com/politics-policy/2018/05/how-vikings-stadium-financing-became-thing-again-legislature>

[8] <http://www.bemidjipioneer.com/news/4449427-finish-line-bonding-bill-includes-bemidji-area-projects-awaits-governors-pen>

[9] <https://www.leg.state.mn.us/docs/2018/other/180772.pdf>

[10] <http://www.minnesotabudgetbites.org/2018/05/22/legislatures-final-tax-bill-contains-same-harmful-provisions-as-previously-vetoed-bill/>