MINNESOTA BUDGET PROJECT
An initiative of the Minnesota Council of Nonprofits

Constitutional Amendment (House File 1612/Senate File 1364) Would Undermine Minnesota's Economic Recovery

The Threat

A constitutional amendment proposed in the Minnesota legislature would severely restrict how much the state could spend from year to year. Introduced as House File 1612 and Senate File 1364, it would limit the flexibility of policymakers to respond to changing circumstances, hurting our state's ability to provide necessities like education, health care, public safety and transportation.

The key element of the amendment would restrict all spending for the biennium to the amount of all revenues received in the previous two-year budget period. For example, in the FY 2012-13 biennium, the state is projected to bring in $3.2 billion more in revenue than it did in the FY 2010-11 biennium. Under the amendment, the state would be prohibited from using that additional revenue to meet everyday needs. The only allowable uses would be to repay one-time payment shifts (like the shift in education payments) or to "provide for the public peace, safety, or health as a result of a declared national security or peacetime emergency."

If this constitutional amendment is approved by a majority in both houses of the legislature in the 2012 Legislative Session, it would be placed on the ballot in the 2012 general election. It would then take effect if approved by a majority of voters.

The Amendment Would Undermine Minnesota's Economic Growth

It locks in recession-level revenues when communities and businesses need public investments. In the recession and its aftermath, state revenues dropped sharply just as public needs were rising. Through experience, we know that means cuts in areas that are important to building prosperity, like higher education, job training, work supports and other vital services that jump-start economic growth. The amendment means that when the state is recovering and revenues are rising, they can't be used to fill the backlog of needs. For example, had the amendment been effect for the FY 2006-07 biennium – another period where we faced a deficit in the midst of a recovery – it would have prevented the state from using as much as $5.8 billion in revenues, significantly impeding the state's ability to maintain basic levels of services in our communities.

It would slow Minnesota's recovery, giving other states a competitive advantage. As the state emerges from the recession and revenues begin to grow, the amendment would prevent policymakers from reinvesting in services that would further spur economic recovery. No other state has such a complete prohibition on taking advantage of economic growth as the state comes out of a recession. Forced to keep spending at levels depressed by an economic crisis, we would watch our neighbors get a head start on rebuilding their economy, while our state had to spend two more years with recession-level resources.

It prevents Minnesota from responding to changing circumstances. Although the amendment allows the state to spend above the restricted level of revenues to respond to a declared national security or peacetime emergency, it does not recognize other serious circumstances that might call for additional investments. There are many situations in the past where Minnesota took action to increase state spending in response to a common desire to address challenges facing the state. In 1971, the Minnesota Miracle dramatically changed the state's tax system to ensure education was funded more equitably, but such a fundamental reform effort would be virtually impossible with this constitutional amendment. In the future, advances in technology, new research findings, changing demographics and a shifting world economy could all lead to a public desire for additional investments to help Minnesota stay competitive. This constitutional amendment would tie the hands of all future legislatures.

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The Amendment is Fundamentally Flawed in its Design

There is no mechanism for overriding the overly strict limits. Colorado is the only other state to have added a highly restrictive spending limit to its constitution. But it at least provided a mechanism for a public vote to override the restrictions. And, after more than a decade of significant decline in the state's public services, a broad-based, bipartisan effort led to a suspension of their constitutional limit in 2005. The amendment proposed in Minnesota does not include any override mechanism. Minnesotans would be deprived of any opportunity to make the choice to invest those additional revenues in the state.

The restrictions will encourage the use of budget-balancing gimmicks. Just as water forges a new path when it encounters an obstacle, so elected officials will try to find ways to meet the needs of their constituents. But the danger here is that they will turn to less transparent methods to avoid spending cuts they fear would fundamentally damage Minnesota's economy. For example, the amendment does allow additional revenues to be used to repay payment shifts, which could lead policymakers to construct elaborate payment delays in order to take advantage of future revenue growth. Lawmakers would also be likely to push more spending to the local level – and increase property taxes – to get around limits on using state revenues.

We Need Leadership, Not Constitutional Amendments

Proponents of this constitutional amendment suggest we need this amendment to control growth in spending. However, Minnesotans elect individuals to represent them in the legislature and to use tax dollars appropriately, in an open, accountable process. We can speak up during budget deliberations; we can replace legislators we feel didn't do the job. This proposed amendment would bring Minnesota less democracy, not more. We don't need a constitutional amendment to interfere with a representative process that works – what we need is leadership. **Legislators should reject this proposal and focus on the much more important issue of coming up with a plan to balance the budget in ways that invest in future prosperity and help create jobs.**