



## League of Women Voters of Minnesota Records

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THE LEAGUE  
OF WOMEN VOTERS

MINNESOTA

550 RICE STREET ST. PAUL, MN 55103 PHONE (612) 224-5445

April 23, 1999

Honorable Member of the House  
Minnesota House of Representatives  
St. Paul MN 55155

Dear Member:

The League of Women Voters of Minnesota spent considerable study and discussion time in the 1990's on the subjects of financing state government and state government spending. A very strong thread throughout our subsequent position statements is our support of long-term financial management and maintenance of a strong budget reserve. We believe that long-term vision as well as immediate concerns should guide state spending decisions.

With these positions as our foundation we view with alarm tax cuts which do not seem to fully consider long terms demographics and projections of need. We believe that any permanent tax relief should give lower income taxpayers their fair share of relief and we oppose depletion of the ongoing surplus by more than half.

Concurrently, we support allocations to increase affordable housing subsidies, basic sliding fee child care subsidies and support of equitable K-12 education and reduction of class size.

We urge the restoration of cuts to non-profit organizations and state government agencies which seem to have been made simply for the sake of cutting. Programs which give assistance to self-sufficiency and families of greatest need deserve deliberation if we are to apply long-term vision to the future.

Sincerely,

Judy Duffy  
President

Carol Frisch  
Vice Pres., Action



# THE LEAGUE OF WOMEN VOTERS

MINNESOTA

550 RICE STREET ST. PAUL, MN 55103 PHONE (612) 224-5445

*also News Release*

February 5, 1998

## POLICY STATEMENT OF THE LEAGUE OF WOMEN VOTERS OF MINNESOTA RE: THE BUDGET SURPLUS

The League of Women Voters of Minnesota watches with concern as the Governor and members of the legislature compete to allocate the projected revenue surplus.

Our members have spent four years examining state government revenue and spending issues. During this time (1993-1997), there were steady, convincing and well-researched reports urging long-range caution for the economic future of Minnesota..

We rejoice in the current economic situation which, accompanied by careful budgeting, has led to seemingly overflowing state coffers. It is reassuring that spending has been in check and Minnesota businesss and employment are healthy.

Yet we stand by the strong assertion which we endorsed in 1995:

- \*long-term projections of revenue and expenditures should be considered when making budget decisions.

- \*an adequate budget reserve should be established during good economic times to be used in recession years to sustain expenditures for necessary services.

We believe that the current optimism should be tempered by the long-range demographic assumptions for the approaching decades showing that the percentage of the population in their wage-earning years, ages 20 to 64, are projected to decline over the next 25 years while the number of Minnesotans over age 65 will increase. For that reason, we would place considerable weight on growing future needs of an increasing number of dependent populations (the old and the young) and decreasing numbers of wage earners contributing to state revenues.

A very significant portion of any surplus should be placed in reserve. The League firmly opposes direct rebates. We favor revenue neutral tax reform which is directed toward relieving the burden on lower incomes. We believe that the income tax ought to eventually become the mainstay for funding education. These goals seem truly attainable in the present positive climate. If not now, when?

Our priorities for spending place high-quality K-12 education opportunities; providing a basic level of health and human services and protecting the state's natural environment at

the top of the list. The projected surplus offers a rare opportunity to expand or improve early childhood education programs and services which could save the state far more than is spent now in funding social programs to address these children's needs in future decades.

We place high value on other concerns as well and will continue to promote a fair budget share for projects that encourage economic self-sufficiency, provide for the public safety; promote high-quality post-secondary educational opportunities for Minnesotans; preserve the state's open spaces; maintain and improve our transportation system; to name the most prominent.

We urge the Governor and the legislature not to yield to the temptation to offer taxpayers an immediate reward in the form of a tax rebate but instead offer the long-term rewards guaranteed by prudent saving for and investing in the future.

**FINANCING STATE GOVERNMENT POSITION**  
**Approved by the LWVMN Board of Directors**  
**April 7, 1995**

**I. The LWVMN supports a balanced and diversified revenue system which relies on a combination of broad-based taxes and user fees.**

The LWVMN supports the following criteria for evaluating individual revenue sources and the overall revenue system:

**Competitiveness**

Allows Minnesota to compete with other states and nations as a location of economic activity, recognizing that the revenue system is only one of many factors involved in location choice and that the level and effectiveness of public services affects competitiveness.

**Efficiency**

Maintains a reasonable relationship between administration and compliance costs and the amount of revenue generated.

**Equity**

Imposes a similar revenue burden on taxpayers in like circumstances.

**Progressivity**

Requires that those with greater ability pay a larger percentage of their income in taxes.

**Reliability**

Provides a stable source of revenue.

**Responsiveness**

Adjusts to changes in economic conditions and reflects long term growth.

**Simplicity**

Is understandable to the taxpayer.

**II. Individual Income Tax**

The LWVMN supports a progressive income tax with a graduated rate schedule.

**III. Retail Sales Tax**

The LWVMN supports a broad-based sales tax with exemptions for essential items to reduce the impact on low-income persons.

**IV. Property Tax**

The LWVMN supports the use of an equitable property tax as the primary source of financing for services provided by local governments and a partial source of financing education. (See the Financing Education position.)

**V. Corporation Franchise (Income) Tax**

The LWVMN supports a corporation franchise tax which is competitive with other states providing a comparable level of public services.

The LWVMN supports a corporation franchise tax which equitably taxes all corporations earning profits from their business activities within the state.

*Note: replaces "IV. Financing State Government," PROGRAM FOR ACTION 1993-95, pps 15 & 16*

#### **VI. Other Sources of Revenue**

The LWVMN supports the use of other sources of revenue, such as user fees and special assessments, for funding specific activities and projects. These charges should be assessed with a sensitivity to the criteria established to judge the overall revenue system.

#### **VII. Deductions, Exemptions and Credits**

The LWVMN generally supports achieving social policy goals through open and visible expenditures rather than by granting deductions, exclusions and credits. IF deductions, exclusions and credits are granted, they should be:

1. Evaluated on the basis of their compliance with the criteria established to judge the overall revenue system;
2. Determined to be the most cost-effective means of achieving the intended purpose;
3. Reviewed periodically to justify continuance.

#### **VIII. State- Local Fiscal Relationship**

The LWVMN supports the distribution of state-collected revenues to local governments based upon the following principles:

1. It is appropriate for state and local governments to share in the cost of services provided by local governments that benefit all Minnesotans.
2. If necessary, state funding may be used to assure that local community services are available on an equitable basis.
3. The state should not impose statutory limits on local governments' ability to raise and spend revenue for local community services.
4. Programs which distribute state-collected revenues to local governments should enhance the equity, progressivity and efficiency of the overall revenue system.
5. Once enacted, promised distributions of state-collected revenues to local governments should be a reliable source of revenue to local government units.

The LWVMN supports the principle that state legislation mandating local governments to provide specific services should identify adequate and appropriate revenue sources.

#### **IX. Budgeting and Expenditures**

1. The LWVMN supports long-term financial management of all state government funds.
2. Long-term projections of revenue and expenditures should be considered when making budget decisions.
3. An adequate budget reserve should be established during good economic times to be used in recession years to sustain expenditures for necessary services.

## FINANCING STATE GOVERNMENT Consensus Report

The Financing State Government Committee met on 3/20/95 to analyze the consensus reports from the local leagues. Present at the meeting: Cushing, Emery, Erickson, Loomis, Marcus, Olsen.

634 leaguers from 38 local leagues participated:

Bemidji	Minneapolis	Rochester
Bloomington	Minnetonka/Eden	Roseville/Maplewood/Falcon
Brooklyn Center	Prairie/Hopkins	Heights
Buffalo/Monticello	Monticello	St. Cloud
Cannon Falls	Mahtomedi	St. Croix Valley
Crystal/New Hope	Moorehead	St. Louis Park
Detroit Lakes	New Brighton	St. Paul
Duluth	New Ulm	St. Peter
Eastern Carver County	Northern Dakota County	South Tonka
Freeborn County	Northfield	Wayzata/Plymouth
Fridley	Owatonna	White Bear/North Oaks
Golden Valley	Red Wing	Woodbury/Cottage Grove
Grand Rapids	Richfield	
Hibbing	Robbinsdale	

The committee agreed on the following:

- Participation was sufficient for statewide consensus
- Geographic participation was sufficient for statewide consensus
- Although numerous suggestions were made for wording changes, consensus requires that a statement be accepted or rejected – not altered

The FSG worksheets were tallied by the committee. The worksheets were divided into two categories: metro area and greater Minnesota. This was done so the committee could determine if there was a regional variance in responses.

The results were overwhelmingly in favor of accepting the entire position statement. Even the most controversial questions had only 10% disagreement. Attached is a local league summary tally sheet for your review.

The Financing State Government Committee recommends that the Board approve the attached position.

## **FINANCING STATE GOVERNMENT**

### **Action Position**

I. The LWVMN supports a balanced and diversified revenue system which relies on a combination of broad-based taxes and user fees.

The LWVMN supports the following criteria for evaluating individual revenue sources and the overall revenue system:

#### **Competitiveness**

Allows Minnesota to compete with other states and nations as a location of economic activity, recognizing that the revenue system is only one of many factors involved in location choice and that the level and effectiveness of public services affects competitiveness.

#### **Efficiency**

Maintains a reasonable relationship between administration and compliance costs and the amount of revenue generated.

#### **Equity**

Imposes a similar revenue burden on taxpayers in like circumstances.

#### **Progressivity**

Requires that those with greater ability pay a larger percentage of their income in taxes.

#### **Reliability**

Provides a stable source of revenue.

#### **Responsiveness**

Adjusts to changes in economic conditions and reflects long term growth.

#### **Simplicity**

Is understandable to the taxpayer.

### **II. Individual Income Tax**

The LWVMN supports a progressive income tax with a graduated rate schedule.

### **III. Retail Sales Tax**

The LWVMN supports a broad-based sales tax with exemptions for essential items to reduce the impact on low-income persons.

### **IV. Property Tax**

The LWVMN supports the use of an equitable property tax as the primary source of financing for services provided by local governments and a partial source of financing education (see the Financing Education position.)

### **V. Corporation Franchise (Income) Tax**

The LWVMN supports a corporation franchise tax which is competitive with other states providing a comparable level of public services.

The LWVMN supports a corporation franchise tax which equitably taxes all corporations earning profits from their business activities within the state.



The LWVMN supports the use of other sources of revenue, such as user fees and special assessments, for funding specific activities and projects. These charges should be assessed with a sensitivity to the criteria established to judge the overall revenue system.

#### **VII. Deductions, Exemptions and Credits**

The LWVMN generally supports achieving social policy goals through open and visible expenditures rather than by granting deductions, exclusions and credits. *If* deductions, exclusions and credits are granted, they should be:

1. Evaluated on the basis of their compliance with the criteria established to judge the overall revenue system
2. Determined to be the most cost-effective means of achieving the intended purpose
3. Reviewed periodically to justify continuance

#### **VII. State-Local Fiscal Relationship**

The LWVMN supports the distribution of state-collected revenues to local governments based upon the following principles:

1. It is appropriate for state and local governments to share in the cost of services provided by local governments that benefit all Minnesotans.
2. It is appropriate for local governments to fund local community services.
3. If necessary, state funding may be used to assure that local community services are available on an equitable basis.
4. The state should not impose statutory limits on local governments' ability to raise and spend revenue for local community services.
5. Programs which distribute state-collected revenues to local governments should enhance the equity, progressivity, and efficiency of the overall revenue system.
6. Once enacted, promised distributions of state-collected revenues to local governments should be a reliable source of revenue to local governments units.

The LWV supports the principle that state legislation mandating local governments to provide specific services should identify adequate and appropriate revenue sources.

#### **IX. Budgeting and Expenditures**

1. The LWVMN supports long-term financial management of all state government funds.
2. Long-term projections of revenue and expenditures should be considered when making budget decisions.
3. An adequate budget reserve should be established during good economic times to be used in recession years to sustain expenditures for necessary services.

LWV Minnesota, 550 Rice St., St. Paul MN 55103

612-224-6445

LWV of \_\_\_\_\_

Deadline to return to State Office: March 15

Date approved by Board \_\_\_\_\_

### Financing State Government Concurrence Reporting Form

[Please indicate the number who agree or disagree with each statement. If you wish, you may explain or comment further on the back of the page.]

 Metro/  
Agree/Disagree

- I. The LWVMN supports a balanced and diversified revenue system which relies on a combination of broad-based taxes and user fees.

Agree Disagree

625 7/2

The LWVMN supports the following criteria [in alphabetical order] for evaluating individual revenue sources and the overall revenue system:

#### 1. Competitiveness

Allows Minnesota to compete with other states and nations as a location of economic activity, recognizing that the revenue system is only one of many factors involved in location choice and that the level and effectiveness of public services affects competitiveness.

614 12/8

#### 2. Efficiency

Maintains a reasonable relationship between administration and compliance costs and the amount of revenue generated.

632 1/1

#### 3. Equity

Imposes a similar revenue burden on taxpayers in like circumstances.

629 3/2

#### 4. Progressivity

Requires that those with greater ability pay a larger percentage of their income in taxes.

601 25/8

#### 5. Reliability

Provides a stable source of revenue.

626 6/2

#### 6. Responsiveness

Adjusts to changes in economic conditions and reflects long term growth.

631 1/2

#### 7. Simplicity

Is understandable to the taxpayer.

594 37/3

LWV Minnesota, 550 Rice St., St. Paul MN 55103

612-224-5445

Agree Disagree

**II. Individual Income Tax**The LWVMN supports a progressive income tax with a graduated rate 621 6/7 schedule.**III. Retail Sales Tax**The LWVMN supports a broad-based sales tax with exemptions for essential items to reduce the impact on low-income persons. 613 16/5**IV. Property Tax**The LWVMN supports the use of an equitable property tax as the primary source of financing for services provided by local governments and a partial source of financing for education (see the Financing Education position.) 571 39/24**V. Corporation Franchise (Income) Tax**The LWVMN supports a corporation franchise tax which is competitive with other states providing a comparable level of public services. 615 17/2The LWVMN supports a corporation franchise tax which equitably taxes all corporations earning profits from their business activities within the state. 604 24/6**VI. Other Sources of Revenue**The LWVMN supports the use of other sources of revenue, such as user fees and special assessments, for funding specific activities and projects. These charges should be assessed with a sensitivity to the criteria established to judge the overall revenue system. 627 5/2**VII. Deductions, Exclusions and Credits**The LWVMN generally supports achieving social policy goals through open and visible expenditures rather than by granting deductions, exclusions and credits. IF deductions, exclusions and credits are granted, they should be: 594 25/151. Evaluated on the basis of their compliance with the criteria established to judge the overall revenue system; 633 1/02. Determined to be the most cost-effective means of achieving the intended purpose; and 633 1/03. Reviewed periodically to justify continuance. 634 0/0

LWV Minnesota, 550 Rice St., St. Paul MN 55103

612-224-5445

Agree Disagree

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626 6/2

619 3/12

612 20/2

581 4/12

623 4/7

632 0/2

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611 19/4

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634 0/0

634 0/0

615 17/2

Name of person preparing report \_\_\_\_\_ Phone # \_\_\_\_\_