



February 11, 2025

Chair Davids and Members of the Taxes Committee,

Thank you for the opportunity to provide testimony in support of House File 4. This bill represents a critical step toward ensuring Minnesota's fiscal responsibility and economic sustainability. As we consider this legislation, I respectfully submit recommendations to enhance its framework by integrating principles of structural balance and responsible budgeting.

We applaud the return of surplus money to taxpayers. We believe that individuals are the best stewards of their own money and should be able to put it to use however suits them best. In 2023, Minnesotans were saddled with historic tax hikes across the board, and many never saw their share of the surplus returned to their wallets. Legislators must now deal with a looming deficit, and as discussions grapple with how to balance the budget, we would like to remind lawmakers that taxpayers are not unlimited ATMs.

HF 4 opens up the dialogue to discuss Minnesota's notoriously high tax rates. As we have seen over the years, we are overtaxed – so much so that we have seen surpluses that amount to more than double the entire state budget of Nebraska! While we are supportive of money going back into the pockets of hardworking Minnesotans, what if they never had to lose that money in the first place?

We propose considering a trigger, so that when there are revenue surpluses, tax rate reductions or even bracket consolidations that cut rates occur, achieving meaningful tax cuts, rather than occasional and temporary refunds. Furthermore, we propose an overhaul of the way the state budgets, in a way that removes the volatility and puts the state on a more reliable track that doesn't offer temptations to blow up the budget and expand state government by 40%.

It is essential to incorporate mechanisms that not only address current requirements but also safeguard the state's financial health for future generations. Let's move the Overton Window away from the traditional budgeting mindset that is saturated with volatility, to a more reliable business model that projects a more stable outlook.

Structural Balance

We recommend a provision that promotes stable and predictable fiscal policies:

“No money shall be paid out of the treasury of this state except in pursuance of an appropriation by law. The legislature by law may promote stable and predictable policies with rules to balance spending and revenue on a structural basis. Three-fifths of both houses of the Legislature may approve emergency appropriations.”

This would provide a framework for sustainable fiscal policy, ensuring that future legislatures prioritize long-term stability over short-term expediency.



STABLE Act

Introduce a State Tax, Appropriations, and Budget Legislative Excellence (STABLE) Act to establish rules linking spending and revenue growth to Minnesota's economic performance. Key provisions include:

a. Spending and Revenue Growth Limits

Limit spending to trend revenue growth along with Minnesota's economic performance, with a "deficit brake" to keep spending and revenue aligned.

The deficit brake increases or decreases incrementally based on whether spending exceeds or falls short of revenue, promoting budgetary discipline and stability.

b. Emergency Appropriations

Allow for appropriations exceeding the established limits, subject to a three-fifths vote in both legislative chambers. Emergency expenditures must be offset by proportional reductions in future appropriations over a six-year period.

Establish mechanisms to adjust fiscal policies in response to significant economic changes or unforeseen circumstances, ensuring that Minnesota remains responsive yet prudent in its budgeting.

c. Reserve Fund Management

Budget surpluses should be deposited into a reserve fund until it reaches a percentage of current appropriations. Surpluses exceeding the reserve limit should be directed toward debt reduction or other state liabilities, fostering fiscal responsibility (less interest paid on debts), and if additional funds remain and all other responsibilities are met, returned to taxpayers and/or triggering a tax rate reduction.

Incorporating these recommendations as you discuss state spending, taxes, and how to responsibly budget will not only enhance the impact but also provide a blueprint for sustainable governance. By linking spending and revenue to economic performance, establishing clear rules for emergencies and appropriations above the designated percentages, and maintaining robust reserve funds, we can ensure that Minnesota's fiscal policies reflect the priorities and values of our residents.

You may recognize that these budgetary recommendations echo Colorado's TABOR (Taxpayer's Bill of Rights) mechanism. However, we offer these as lessons learned from TABOR and how to fix loopholes (ex: if something is not labeled a tax increase, it does not trigger their supermajority vote...for example a Retail Delivery Fee, making Minnesota only the second state to have such a burden). Given that some legislators used Colorado's retail delivery fee model to look for ways to increase revenue here, we would expect that same consideration be given to how Colorado also returns its surpluses in the form of rebates, and to perhaps improve upon that by triggering meaningful tax cuts for Minnesotans.

This is of course a complex matter with many ideas and solutions, and one person or organization does not have all the right answers to solve these issues overnight. AFP is on the ground every day talking to Minnesotans and the number one thing we hear at the door is how unaffordable everyday



life has become. We are grateful that you are here discussing solutions like HF 4 and doing the people's work in a public forum, where we can engage in the marketplace of idea-sharing to compile a bill that works for our state.

We thank you for hearing HF 4 and considering our recommendations as part of a larger model of responsible and forward-thinking budgeting.

Respectfully submitted,

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Attachment

[Balancing the budget over the business cycle is a smart strategy](#)