



A SUMMARY OF THE FISCAL ACTIONS OF THE 2021 LEGISLATURE

Money Matters 21.02
August 2021

This document is a summary of 2021 regular session and first special session legislation with fiscal implications. Part One describes the overall budget picture while Part Two gives detailed analysis organized by conference committee jurisdictions. Contact information for the Fiscal Analyst who wrote the summary can be found at the end of each section.

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The Overall Budget Picture

Leading into the 2021 legislative session the state General Fund budget had been on a roller coaster. The February 2020 budget forecast, released at the end of February 2020, had projected a General Fund budget balance of \$2.3 billion by the end of the FY 2022-23 biennium. Then the end of 2020 session fund statement released at the end of July 2020, and based on the May 2020 interim budget projection and 2020 legislative actions through July 2020, projected a negative \$6.6 billion balance at the end of the FY 2022-23 biennium. (The May interim budget projection was not a complete budget forecast but rather a re-estimate of major revenue sources and a few major health and human services expenditures based the projected economic impacts of the COVID-19 pandemic.)

By the time of the November 2021 state budget forecast the national economy had improved considerably and the projected budget balance for the General Fund at the end of FY 2022-23 was a negative \$638,000. For the February 2022 state budget forecast the economic situation had improved significantly again and the projected end of FY 2022-3 General Fund budget balance was \$1.672 billion.

These changes in the projected end of FY 2022-23 General Fund balances over a 15 month period are illustrated in Table 1.

Table 1				
Changes in Forecasted General Fund Revenue and Projected Balance				
for FY 2022-23 During COVID-19 Pandemic Period				
Dollars in Thousands				
	<u>Projected General</u> <u>Fund Revenue</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Ending</u> <u>Balance</u>
November 2019 Forecast	51,476,874			1,919
February 2020 Forecast	51,501,241	24,367	0.0%	2,337
May/July 2020 Interim Budget Projection*	46,647,025	-4,854,216	-9.4%	-6,630
November 2020 Forecast**	49,493,934	2,846,909	6.1%	-638
February 2021 Forecast	50,936,737	1,442,803	2.9%	1,672
<p>* The May 2020 Interim Budget Projection did not include FY 2022-23 projections but FY 2022-23 revenue projections based on the information used for those May projections were included in the July 31 End of Sessions Fund Balance released by MMB.</p> <p>** \$90 million of tax revenue reductions were enacted in an October 2020 Special Session. That change was included in the November 2020 forecast.</p> <p>In the five months of February - July 2021 general fund revenues have exceeded the amounts projected in the February 2021 forecast by \$2.781 billion.</p>				

The February 2021 General Fund budget forecast projected positive balance for each of the three biennia in the forecast period - \$1.021 billion for FY 2020-21, \$1.672 billion for FY 2022-23 and \$2.379 billion for FY 2024-25. The balance for FY 2022-23 and FY 2024-25 include balances from the previous biennium carrying forward. The projections for FY 2022-23 and 2024-25 were based on the current law level of revenues and expenditures.

For the FY 2022-23 biennium the February 2021 projected General Fund revenue of \$50.937 billion and spending of \$50.657 billion. The forecast also assumed that \$491 million would be cancelled from the budget reserve back to the General Fund as a result of legislation enacted in 2019 to keep the FY 2022-23 budget balanced. The stadium reserve account balance is projected to increase during the FY 2022-23 biennium by \$120 million.

For FY 2024-25, the February 2021 forecast projected that revenues would be \$54.307 billion and spending would be \$53.441 billion. The cumulative balance (which includes the \$1.672 billion balance from FY 2022-23) on June 30, 2023, would be \$2.379 billion.

Table 2 illustrates the General Fund budget situation as outlined in the February 2019 state budget forecast.

	<u>FY 2020-21</u>	<u>FY 2022-23</u>	<u>FY 2024-25</u>
Beginning Balance	1,491,551	1,021,446	1,672,366
Revenue/Other Resources	47,644,405	50,936,737	54,306,938
Total Resources Available	49,135,956	51,958,183	55,979,304
Expenditures	47,786,261	50,657,224	53,441,890
Change in Reserves	328,249	-371,407	158,703
Balance	1,021,446	1,672,366	2,378,711

FY 2020-21 Changes

Most budget changes enacted in the 2021 regular and special session were for the FY 2022-23 biennium, but some changes affected FY 2021 (the current biennium during the 2021 session).

Table 3 shows that General Fund spending decreased by a net \$30.415 million in FY 2021 and revenue increased by \$59.726 million for that year as a result of changes enacted in the 2021 sessions. The FY 2021 spending changes were, in general, either cancellations of previously appropriated amounts or appropriations for deficiencies. The revenue change was mostly a cancellation of FY 2020 appropriations (a closed fiscal year) that resulted in prior year adjustments which are treated as revenue in the fund balance statement.

Table 3			
Budget Comparisons - FY 2020-21 Biennium,			
February Forecast versus Enacted Budget			
Dollars in Thousands			
General Fund FY 2020-21	Feb. 2021 <u>Forecast</u>	End of 2021 <u>Session Enacted</u>	Percent <u>Change</u>
Balance Forward from FY 2019	1,491,551	1,491,551	
Forecasted Revenue	47,644,405	47,644,405	
Revenue Change	0	59,726	
Net Resources	47,644,405	47,704,131	0.1%
Forecasted Spending	47,786,261	47,786,261	
Spending Changes	0	-30,415	
Net Spending	47,786,261	47,755,846	-0.1%
Change in Reserves	328,249	328,249	
Balance	1,021,446	1,111,587	

Table 4 shows the FY 2021 changes by committee area and separates spending and revenue changes. Total changes made to FY 2021 resulted in an increased budget balance projected for that year of \$90.141 million.

Table 4	
FY 2021 General Fund Changes	
Dollars in Thousands	
	<u>FY 2021</u>
Revenue Changes	
Tax	0
Non-Tax	179
Prior Year Adjustments	59,547
Total Revenue Change	59,726
Spending Changes	
Education	-3,252
Higher Education	-5,340
Health & Human Services	29,793
Environment & Natural Resources	-1,803
Agriculture	-1,330
Public Safety & Judiciary	9,077
Transportation	-261
Workforce & Jobs	-45,945
Commerce & Energy	-948
State Government & Veterans	-10,406
Total Spending Change	-30,415
Net Effect of FY 2021 Changes - Balance Change	90,141

FY 2022-23 Budget

For FY 2022-23, bills enacted during the 2021 legislative session and the 2021 first special session increased General Fund spending \$1.706 billion or 3.4 percent above the projected base for that biennium and decreased General Fund revenue \$29 million or 0.1 percent below the projected base revenue.

Of the \$1.706 billion in spending changes, \$558 million is in Education, \$106 million is in Higher Education, \$254 million is in Health and Human Services, \$227 million is in Transportation and \$163 million is in the State Government and Veterans area..

While total revenue decreased \$29 million, tax revenue are down \$746 million mostly in conforming with federal law in exempting Paycheck Protection Program (PPP) and unemployment insurance payments from personal income and corporate taxes. American Recovery Plan State Fiscal Recovery program funds of \$663 million are transferred into the general fund as revenue replacement.

Table 5 shows the changes in the General Fund budget for FY 2022-23 made during the 2021 legislative sessions as compared to the budget situation in the February 2021 state budget forecast. Columns in the table show spending for FY 2020-21 and FY 2022-23 as enacted in the 2021 sessions.

Table 5			
Budget Comparisons - FY 2022-23 Biennium, February Forecast versus Enacted Budget			
Dollars in Thousands			
General Fund	Feb. 2021	End of 2021	
FY 2022-23	Forecast	Session Enacted	Percent
	<u>FY 2022-23</u>	<u>FY 2022-23</u>	<u>Change</u>
Balance Forward from FY 2021	1,021,446	1,111,587	
Forecasted Revenue	50,936,737	50,936,737	
Revenue Change	0	-29,324	
Total Revenue	50,936,737	50,907,413	-0.1%
Net Resources	51,958,183	52,019,000	
Forecasted Spending	50,657,224	50,657,224	
Spending Changes	0	1,705,892	
Net Spending	50,657,224	52,363,116	3.4%
Change in Reserves	-371,407	-471,407	
Balance	1,672,366	127,291	

For the next biennium, FY 2024-25, the February forecast projected that revenue would exceed spending by \$865 million. In the end of 2021 session projections, FY 2024-25 revenue exceeds spending by \$91 million. Another \$100 million is moved from the budget reserve back to the General Fund.

For FY 2024-25, 2021 session actions increased revenue by \$492 million over the amount projected in the February 2021 forecast. Projected spending for FY 2024-25 increased by \$1.266 billion over the February 2021 estimate.

Table 6 illustrates the revenue and spending information for FY 2024-25 in the February 2021 forecast and in the end of 2021 session information and show changes in revenue and spending.

Table 6			
Budget Comparison - FY 2024-25 Biennium			
End of Session Compared to February 2021 Forecast Projections			
Dollars in Thousands			
General Fund FY 2024-25	Feb. 2021 Forecast <u>FY 2024-25</u>	End of 2021 Session Enacted <u>FY 2024-25</u>	Percent <u>Change</u>
Balance Forward from FY 2023	1,672,366	127,291	
Forecasted Revenue	54,306,938	54,306,938	
Revenue Change	0	491,659	
Total Revenue	54,306,938	54,798,597	0.9%
Net Resources	55,979,304	54,925,888	
Forecasted Spending	53,441,890	53,441,890	
Spending Changes	0	1,265,720	
Net Spending	53,441,890	54,707,610	2.4%
Change in Reserves	158,703	158,703	
Balance	2,378,711	59,575	

For FY 2022-23, General Fund revenue is now projected to be \$50.907 billion, a 6.7 percent increase over General Fund revenue in FY 2020-21. This is a \$29 million decrease from the revenue amount projected in the February 2021 forecast for FY 2022-23. General Fund spending in FY 2022-23 is now projected to be \$52.363 billion, a 9.6 percent increase over spending in FY 2020-21. This is a \$1.706 billion increase over the FY 2022-23 spending projected in the February 2021 forecast.

For FY 2024-25, General Fund revenue is projected to be \$504.799 billion, a 7.6 percent increase over revenue in FY 2022-23. This is a \$492 million increase over the revenue amount projected in the February 2021 forecast for FY 2024-25. General Fund spending in FY 2024-25 is now projected to be \$54.707 billion, a 4.5 percent increase over spending in FY 2022-23. This is a \$1.266 billion increase over the FY 2024-25 spending projected in the February 2021 forecast.

Table 7 shows the changes in revenue and spending from biennium to biennium after the 2021 legislative changes. As shown on the chart, General Fund revenue in the FY 2020-21 biennium was increased by \$59.7 million and General Fund spending was decreased by \$30.4 million.

	<u>FY 2020-21</u>	<u>FY 2022-23</u>	<u>Percent Change</u>	<u>FY 2024-25</u>	<u>Percent Change</u>
Balance Forward	1,491,551	1,111,587		127,291	
Revenue - Base	47,644,405	50,936,737	6.9%	54,306,938	6.6%
Revenue - Change	59,726	-29,324		491,659	
Total Current Resources	47,704,131	50,907,413	6.7%	54,798,597	7.6%
Total Available Resources	49,195,682	52,019,000		54,925,888	
Expenditures - Base	47,786,261	50,657,224	6.0%	53,441,890	5.5%
Expenditures - Change	-30,415	1,705,892		1,265,720	
Total Expenditures	47,755,846	52,363,116	9.6%	54,707,610	4.5%
Balance Before Reserve Changes	1,439,836	-344,116		218,278	
Change in Reserves	328,249	-471,407		158,703	
Balance After Reserves	1,111,587	127,291		59,575	

General Fund Revenue for FY 2022-23 is \$214 Million Higher than Forecasted Revenue

As shown in Table 7, General Fund revenue for the FY 2022-23 biennium is projected to be \$50.907 billion, \$29 million less than the amount projected in the February 2021 budget forecast. The change is the sum of all the changes in revenue enacted in the 2021 legislative sessions.

Table 8 shows the major General Fund revenue sources and shows the dollar amounts and percentages of General Fund total revenue from each of those revenue sources.

Individual income tax at 52.5 percent and sales tax at 25.1 percent are projected to make up 77.6 percent of total General Fund revenue for the FY 2022-23 biennium.

<u>Revenue Type</u>	<u>Total Dollars</u>	<u>Percent of Total</u>	<u>Change from Forecast</u>
Individual Income Tax	26,741.7	52.5%	-490.8
Corporate Tax	3,081.0	6.1%	-222.0
Sales Tax	12,789.8	25.1%	-22.9
Statewide Property Tax	1,530.7	3.0%	-10.7
Estate Tax	344.5	0.7%	0.0
Liquor, Wine & Beer Taxes	204.5	0.4%	0.0
Cigarette & Tobacco Products Taxes	1,163.6	2.3%	0.0
Taconite Occupation Tax	27.4	0.1%	0.0
Mortgage Registry Tax	362.5	0.7%	0.0
Deed Transfer Tax	322.6	0.6%	0.0
Insurance Gross Earnings & Fire Marshall	939.3	1.8%	0.0
Lawful Gambling Taxes	239.1	0.5%	0.0
Medical Assistance Surcharges	627.5	1.2%	0.0
Investment Income	44.0	0.1%	0.0
Lottery Revenue	123.9	0.2%	0.0
Tobacco Settlement	327.7	0.6%	0.0
Fees - Department Earnings	424.0	0.8%	4.3
DHS State Operated Service Collections	217.2	0.4%	18.1
Fines & Surcharges	147.5	0.3%	-1.3
Other Revenue Including Refunds	183.9	0.4%	4.2
Transfers Into the General Fund	931.6	1.8%	633.2
Prior Year Adjustments	133.4	0.3%	58.6
Total	50,907.4	100.0%	-29.3

Table 9 shows the General Fund revenue changes enacted in the 2021 sessions by committee area. This chart shows tax changes, fee changes and also includes transfers from other funds. Most of the revenue changes in the Tax area are related to the tax status of Paycheck Protection Program loans and unemployment insurance payments. Transfers from the State Fiscal Recovery portion of the federal American Rescue Plan Act are included as revenue to the General Fund in both the FY 2022-23 and 2024-25 biennia.

	<u>FY 2020-21</u>	<u>FY 2022-23</u>	<u>FY 2024-25</u>
Agriculture	0	-14	-14
Commerce & Energy	0	2,279	2,180
Health & Human Services	59,547	20,376	88,577
Jobs, Economic Development & Labor	0	595	0
Public Safety & Judiciary	0	1,003	-480
State Government	179	1,007	2,542
Transportation	0	31	-42
Taxes	0	-746,334	-151,104
Coronavirus Relief Fund Refinancing	0	58,633	0
Revenue Replacement-Federal State Fiscal Recovery	0	633,100	550,000
Totals	59,726	-29,324	491,659

Some changes were made in fees and other charges in the 2021 sessions. Those General Fund changes are incorporated into the amounts listed in Table 9. A list of all 2021 session fee and other changes (General Fund as well as other funds) is included in Appendix 1. Appendix 1 shows estimated change information for each of the four years in the FY 2022-23 and FY 2024-25 biennia. The FY 2022-23 changes total \$84.4 million. Within that amount, General Fund revenue from fees and other charges increased \$18.7 million. The largest changes were a continuation of the petroleum tank licensing fee that otherwise would have expired at \$28.4 million in FY 2023 and a restructuring of the license plate fee structure at \$15.8 million for the biennium.

General Fund Spending for FY 2022-23 is \$1.7 Billion Higher than Forecasted Spending

Total enacted FY 2022-23 General Fund spending is \$52.363 billion, \$1.706 billion or 3.4 percent higher than the base budget for FY 2022-23 as projected in the February 2021 state budget forecast. Table 10 shows General Fund spending in the enacted budget for the FY 2022-23 biennium by committee area. Table 10 also compares FY 2022-23 enacted spending to spending in the FY 2020-21 biennium. The FY 2022-23 enacted spending of \$52.363 billion is a \$4.607 billion or 9.6 percent increase over the spending in the FY 2020-21 biennium.

The largest dollar increase in spending compared to the forecasted amount is in Education, at \$558 million or 2.7 percent. Education spending is \$1.248 billion or 5.8 percent higher than General Fund spending for Education in FY 2020-21.

Table 10 shows the percentage change amounts for each spending program area and compares enacted FY 2022-23 spending to the base for FY 2022-23 and to spending for FY 2020-21.

Spending amounts in Table 10 include the amounts for the omnibus finance bill for each committee area plus any other bills that affected agencies or programs in the area. Those bills and the committee areas in which they are included are listed in Tables 12 and 13 at the end of this section of the summary.

The detailed summaries for each committee area in the sections that follow this overview provide more specific information on the fiscal actions of the 2021 sessions in those areas. A note on the charts that show numbers by committee. The committee area summary charts list the fiscal implications of the bills being summarized. In some cases a bill made an appropriation to an agency in a different committee. The committee summary would include that appropriation. The charts used in this overview part of the summary use numbers from MMB's End of Session Fund Balance Statement issued August 6, 2021. In that fund balance statement MMB has moved appropriations to the agencies that are administering those appropriations. That may result in differences in the numbers between the different charts.

	EOS 2021	Base	EOS 2021	\$ Change	% Change	\$ Change	% Change
	<u>FY 2020-21</u>	<u>FY 2022-23</u>	<u>FY 2022-23</u>	<u>vs. 2020-21</u>	<u>vs. 2020-21</u>	<u>2022-23 Base</u>	<u>2022-23 Base</u>
Education	19,838,705	20,429,204	20,986,960	1,148,255	5.8%	557,756	2.7%
Higher Education	3,401,789	3,406,128	3,511,868	110,079	3.2%	105,740	3.1%
Tax Aids & Credits	3,973,123	4,164,181	4,204,411	231,288	5.8%	40,230	1.0%
Health & Human Services	13,748,103	16,249,747	16,503,557	2,755,454	20.0%	253,810	1.6%
Environment	343,016	331,988	369,754	26,738	7.8%	37,766	11.4%
Agriculture	129,833	127,246	138,562	8,729	6.7%	11,316	8.9%
Housing	120,596	115,596	125,596	5,000	4.1%	10,000	8.7%
Public Safety & Judiciary	2,565,259	2,538,147	2,637,936	72,677	2.8%	99,789	3.9%
Transportation	358,409	249,552	476,352	117,943	32.9%	226,800	90.9%
Commerce & Energy	66,913	68,070	87,298	20,385	30.5%	19,228	28.2%
Workforce, Jobs & Labor	315,410	247,266	424,356	108,946	34.5%	177,090	71.6%
State Government & Vets	1,545,208	1,169,849	1,333,128	-212,080	-13.7%	163,279	14.0%
Debt Service	1,055,625	1,263,777	1,242,865	187,240	17.7%	-20,912	-1.7%
Capital Projects	308,857	316,473	340,473	31,616	10.2%	24,000	7.6%
Cancellations & Other	-15,000	-20,000	-20,000	-5,000	33.3%	0	0.0%
Total	47,755,846	50,657,224	52,363,116	4,607,270	9.6%	1,705,892	3.4%

Federal America Rescue Plan Act Funds Affect the General Fund Budget

The federal government enacted Public Law 117-2, the America Rescue Plan Act (ARPA), in early March, 2021. The ARPA included a State Fiscal Recovery Fund that provided \$2.833 billion to Minnesota for various COVID-19 related purposes including replacing state revenue that was lost due to the pandemic.

Article 5 of the State Government Finance Bill, Chapter 12 of First Special Session Laws, addressed the State Fiscal Recovery Fund. For revenue replacement purposes \$633.1 million in FY 2022-23 and another \$550 million in FY 2024-25 are transferred to the general fund. \$500 million was set aside for spending recommendations by the Governor with review by a

legislative commission. Of that \$500 million \$75 million was allocated for summer education programs and the remaining \$425 million was placed in a COVID Flexible Response Account. The remaining \$1.15 billion is reserved for spending by direct appropriation before June 5, 2022 (presumably in the 2022 legislative session). Any amounts not appropriated by June 15, 2022 would be available for appropriation under Minnesota Statutes, Section 4.07, Subdivision 3 (as proposed by the Governor with legislative review).

Table 11 illustrates the allocation of State Fiscal Recovery Funds (SFRF) and also shows spending of funds remaining in the federal Coronavirus Relief Fund (CRF). The projected balance in the CRF is \$1179 million. While all CRF funds were initially spent in calendar year 2020 some of the CRF spending has been offset by insurance payments and federal FEMA funds. The ARPA extended the availability of CRF funds past December 30, 2020.

Dollars in thousands									
	Fund	FY 2021	FY 2022	FY 2023	FY 2022-23	FY 2024	FY 2025	FY 2024-25	5 Year Change
General Fund									
Spending Change									
Coronavirus Relief Fund to Refinance Previous General Fund Spending (1)	GF	0	-58,633	0	-58,633	0	0	0	-58,633
Revenue Change									
Revenue Replacement	GF	0	0	633,100	633,100	550,000		550,000	1,183,100
Net General Fund (GF) Spending	GF	0	-58,633	-633,100	-691,733	-550,000	0	-550,000	-1,241,733
Directly Appropriated Federal Funds									
CRF Balance to Refinance Previous General Fund Spending	CRF	0	58,633	0	58,633	0	0	0	58,633
COVID Flexible Response Account	SFRF	425,000	0	0	0	0	0	0	425,000
Revenue Replacement	SFRF	0	0	633,100	633,100	550,000	0	550,000	1,183,100
Statutorily Appropriated and Unallocated Federal Funds (3)									
Summer Program Expenses (2)	SFRF	75,000	0	0	0	0	0	0	75,000
Unallocated SFRF Funds (3)	SFRF	1,150,000	0	0	0	0	0	0	1,150,000
Net Federal Funds		1,650,000	58,633	633,100	691,733	550,000	0	550,000	2,891,733
Net Coronavirus Relief Fund (CRF)	CRF	0	58,633	0	58,633	0	0	0	58,633
Net State Fiscal Recovery Fund (SFRF)	SFRF	1,650,000	0	633,100	633,100	550,000	0	550,000	2,833,100
<p>(1) Total CRF refinancing is forecasted to be \$117.883 million but \$59.25 million of that refinancing was done in the Health and Human Services bill</p> <p>(2) The Governor used authority under M.S. sections 3.3005 and 4.07 to approve spending of \$75 million from the SFRF in FY 21 for summer programs. That \$75 million is in addition to the \$425 million in the COVID Flexible Response Account.</p> <p>(3) Section 4, suspends statutory appropriation and Legislative Advisory Commission review authority under MS. 3.3005 and 4.07 for \$1.150 billion of the State Fiscal Recovery Fund. These funds must be directly appropriated. This limitation remains in effect until the funds are appropriated or June 15, 2022.</p>									

Table 12
Fiscal Bills - 2021 Regular Session and 2021 First Special Session
 Major Finance and Revenue Bills

<u>Chapter Number</u>	<u>Description</u>	<u>Committee</u>
1SS Chapter 1	Legacy	Legacy
1SS Chapter 2	Higher Education	Higher Education
1SS Chapter 3	Agriculture	Agriculture
1SS Chapter 4	Commerce & Energy	Commerce/Climate & Energy
1SS Chapter 5	Transportation	Transportation
1SS Chapter 6	Environment	Environment & Natural Resources
1SS Chapter 7	Health & Human Services	Health/Human Services/Early Childhood
1SS Chapter 8	Housing	Housing
1SS Chapter 9	Capital Investment	Capital Investment
1SS Chapter 10	Workforce, Jobs and Labor	Workforce/Labor & Veterans
1SS Chapter 11	Judiciary & Public Safety	Judiciary/Public Safety
1SS Chapter 12	State Government & Veterans	State Government/Labor & Veterans
1SS Chapter 13	Education	Education/Early Childhood
1SS Chapter 4	Taxes	Taxes

Table 13
Fiscal Bills - 2021 Regular Session and 2021 First Special Session
 Other Fiscal Bills (other than the major finance bills)

<u>Chapter Number</u>	<u>Description</u>	<u>Committee</u>
Chapter 5	Dry Cleaner Environmental Response	Environment
Chapter 13	Public Safety Civil Unrest Costs	Transportation/Public Safety
Chapter 26	Claims	Public Safety/State Government
Chapter 28	Agriculture Policy/Some Fiscal Provisions	Agriculture
Chapter 30	Health & Human Services Policy/Some Fiscal Provisions	Health/Human Services

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Agriculture and Rural Development Finance

Minnesota Laws 2021, First Special Session, Chapter 3, as enacted in 2021, appropriates money for the agricultural and rural development activities of the state. Agencies and programs funded include the Minnesota Department of Agriculture, Board of Animal Health, Agricultural Utilization and Research Institute, and the Department of Employment and Economic Development's Office of Broadband Development. Laws 2021, First Special Session, Chapter 3 enacts total General Fund appropriations of \$139.262 million for the 2022-23 biennium; it also includes a \$14,000 decrease in General Fund revenue and a \$1.330 million reduction in FY 2021 spending, which needs to be included in establishing the total General Fund impact. The total net General Fund impact is \$137.946 million for the 2022-23 biennium. The amount appropriated, including lost revenue, is \$11.316 million over base level funding. The following chart and agency narrative provides details on the appropriations.

Department of Agriculture

The Department of Agriculture received \$117.915 million over the biennium in direct General Fund appropriations in Chapter 3. The total biennial appropriation from all funds is \$244.547 million.

Protection Services:

The biennial total direct appropriation from the General Fund for the Protection Services Division is \$38.994 million, with the total direct appropriations from all funds being \$39.792 million. There were a number of changes in the General Fund and other funds (non-General Fund) that contributed to the total appropriation. General Fund changes included:

- A biennial appropriation of \$824,000 for the Department of Agriculture to maintain the same level of service capacity.
- A one-time appropriation of \$50,000 to expand the industrial hemp development program.
- A biennial appropriation of \$450,000 for new administration and staffing to address the statewide impact of noxious weeds.
- A biennial appropriation of \$220,000 to hire and train more meat inspectors. Currently, a shortage of meat inspectors has caused increased waiting periods for meat processors and producers. This money will be matched by a \$220,000 grant from the United States Department of Agriculture for the same purpose.
- A biennial appropriation of \$1.650 million to upgrade and replace lab equipment that has become outdated. This represents a \$1.2 million increase above the appropriation base.
- A permanent biennial General Fund revenue loss of \$14,000 due to changes in food license exemptions for custom meat producers.

Non-General Fund Changes included:

- A biennial total of \$2,000 in fee revenue increases to the Agricultural Fund as a result of changes to the cottage food producer laws.

Promotion and Marketing:

The total General Fund appropriation for this division is \$8.405 million for the biennium. This is the only direct appropriation the division receives. Changes to base funding for this division included:

- A one-time appropriation of \$50,000 to improve agricultural trade and marketing of Minnesota produced products in the international marketplace.
- A one-time appropriation of \$100,000 to provide farmer mental health outreach services.
- A one-time appropriation of \$200,000 to provide farm safety grants.

Agriculture, Bioenergy, and Bioproduct Advancement:

The General Fund appropriation for the division is \$50.700 million for the biennium. The total amount appropriated for the Agricultural, Growth, Research and Innovation (AGRI) program was increased \$2.714 million for the biennium above the base. Other changes within the division included:

- Of the appropriation for AGRI, several new riders were added specifying funding of \$6 million for Biofuels Infrastructure, \$1.5 million for Livestock Processing and \$2.8 million for livestock investment grants.

Administration and Financial Assistance:

Direct biennial appropriations for the division included \$19.816 million from the General Fund. There were a number of changes in the General Fund amounts that contributed to the total appropriation:

- An increase in funding for the Minnesota Agricultural Education Leadership Council of \$30,000 for the biennium.
- An increase in funding for the farm advocates program of \$190,000 for the biennium.
- An increase in funding of \$100,000 for the Second Harvest Heartland program for the biennium.
- \$150,000 in FY 2022 to establish a meat cutting program at Central Lakes College.
- \$2.874 million in the FY2022-23 biennium to establish an agricultural best management practice program. The initiative will build on an existing program to assist farmers with land management and conversation issues.

- \$150,000 in FY2022 to create a farmer outreach program and provide translation services to new farmers.
- Chapter 3 also restored the pass through grants administered by the department to various agricultural groups. The total amount of grant dollars restored in the 2022-23 biennium is \$766,000.

Board of Animal Health

The Board of Animal Health received an appropriation of \$12.061 million for the biennium from the General Fund. The agency received an operating increase of \$307,000 for the biennium to maintain the current level of service.

Agricultural Utilization and Research Institute (AURI)

The Agricultural Utilization and Research Institute received a General Fund appropriation of \$8.586 million for the biennium. The agency received additional funding of \$300,000 in FY2022-23 to employ a meat scientist and \$500,000 of one-time funding to develop a mobile meat cutting unit.

MN Department of Employment & Economic Development (DEED), Office of Broadband Development

The DEED Office of Broadband Development received a General Fund appropriation of \$700,000 for the biennium to fund the administrative capacity of the office. Broadband grants will be funded with appropriations from federal funds via the American Rescue Plan Act (ARPA) Capital Projects fund. The Jobs, Economic Development and Labor omnibus bill, Minnesota Laws 2021, 1st Special Session, Chapter 10, Article 1, Section 7, contained \$70 million in ARPA funds designated for broadband infrastructure.

Agriculture Items in Other Bill Areas

Minnesota Laws 2021 1st Special Session Chapter 14 included one agriculture related item concerning a strand board incentive production administered by the Department of Agriculture. The General Fund impact of the program is \$1.5 million in FY2025 and \$3 million in each year for FY2026 to FY2034.

For additional information on Agricultural, Housing and Rural Development Finance issues, contact Ken Savary, Fiscal Analyst, at 651-296-7171 or ken.savary@house.mn.

Capital Investment

An omnibus Capital Investment Bill was not enacted during the 2021 regular session or first special session. However, four bills contained items relating to capital investment.

1. 2021 1st Special Session Chapter 9 (HF 52) contained a number of corrections to past general obligation (GO) bond authorizations as well as a modification to an appropriation bond authorization for the Duluth Medical District. No modifications increased the net bond authorization or the general fund debt service cost.
2. 2021 1st Special Session Chapter 5 (HF 10 - Transportation) contained \$413.4 million in Trunk Highway bond authorizations, a summary of those items can be found in the Transportation section.
3. 2021 1st Special Session Chapter 14 (HF 10 - Taxes) contained programmatic language for a targeted community capital project grant program as well as a \$24 million FY 2022 appropriation from the General Fund with requirement that \$6 million of that amount for meat processing businesses.
4. 2021 1st Special Session Chapter 8 (HF 4 - Housing), Article 4, contained a \$100 million appropriation bond authorization for Housing Infrastructure. See the Housing summary for more detail. The General Fund debt service cost for these bonds is \$4 million in FY 2024 and \$8 million each year FY 2025 through FY 2044.

For additional information on Capital Investment, contact Andrew Lee, Fiscal Analyst, at 651-296-4181 or Andrew.lee@house.mn.

Education Finance

For the FY 2022-23 biennium, the 2021 Legislature passed a budget signed by Governor Tim Walz that includes \$21 billion in General Fund state aid for K-12 and early childhood education programs (First Special Session Laws, Chapter 13). This compares with the February 2021 forecast of FY 2022-23 spending of \$20.4 billion. This represents a total spending increase of \$557 million, or 2.7 percent over the forecast base.

Education Finance								
Total General Fund Spending								
(all dollars in thousands)								
	Change	FY 20-21	Forecast	Forecast Base	Enacted	Percentage Change:	Percentage	
	FY 2021	with changes	FY 2022-23	FY 2022-23	FY 2022-23	vs. FY 2020-21	Change: Enacted	
						with Changes	vs. Base	
							Enacted	
							FY 2024-25	
General Education	0	14,832,637	14,960,225	15,464,260	15,464,260	4.3%	3.4%	15,724,695
Education Excellence	0	555,422	581,913	587,178	587,178	5.7%	0.9%	611,453
Teachers	0	188,730	186,500	208,644	208,644	10.6%	11.9%	202,322
Special Education	0	3,326,084	3,772,081	3,784,310	3,784,310	13.8%	0.3%	4,271,547
Facilities	0	274,386	279,406	279,734	279,734	1.9%	0.1%	279,519
Health & Safety	0	36,686	0	265	265	-99.3%	-	0
Nutrition	0	37,163	58,985	59,277	59,277	59.5%	0.5%	61,231
Libraries	0	36,140	36,140	36,140	36,140	0.0%	0.0%	36,140
Early Education	0	340,286	340,871	344,525	344,525	1.2%	1.1%	345,714
Community Education	0	9,825	8,057	8,057	8,057	-18.0%	0.0%	7,978
Lifelong Learning	0	102,153	108,209	108,209	108,209	5.9%	0.0%	114,760
Department of Education	(3,252)	51,573	49,202	57,124	57,124	10.8%	16.1%	51,930
PELSB	0	5,512	5,438	5,631	5,631	2.2%	3.5%	5,678
Minnesota State Academies	0	27,533	27,595	28,373	28,373	3.1%	2.8%	28,646
Perpich Center	0	14,575	14,582	14,933	14,933	2.5%	2.4%	15,064
Net General Fund Total	(3,252)	19,838,705	20,429,204	20,986,660	20,986,660	5.8%	2.7%	21,756,677

The following summarizes Chapter 13, with costs expressed as a biennial total for FY 2022-23 from the General Fund, unless otherwise noted:

General Education Program

- \$457 million for an increase in the basic formula allowance of \$161 per pupil in FY 2022 and an additional \$135 per pupil in FY 2023. The formula allowance for FY 2022 will be \$6,728 and for FY 2023 will be \$6,863. Programs with funding mechanisms linked to changes in the formula allowance will see corresponding increases. These include nonpublic pupil aid, nonpublic pupil transportation, and early childhood and family education (ECFE). The total fiscal impact of the formula allowance increase to these linked programs is \$5.3 million in FY 2022-23.
- For the fiscal years 2022-2025, there is \$2 million each year available for English learner cross-subsidy reduction aid.
- \$35 million for the continuation of the FY 2021 voluntary prekindergarten/school readiness plus participation levels. This continuation of funding is for the FY 2022-23 biennium only.

There are other program areas that receive additional funding as a result of the voluntary prekindergarten/school readiness change: achievement & integration aid; charter school building lease aid; alternative teacher compensation aid; special education; long-term facilities maintenance aid; school breakfast; school lunch; and the MN Department of Education, for administrative costs. The additional funding for these program areas linked to the change is \$4.8 million.

Education Excellence

- \$1 million for a one-time grant to LiveMore ScreenLess in order to promote digital well-being.
- \$1.5 million for Girls in Action. This funding is one-time.
- An increase of \$500,000 in FY 2022 and FY 2023 for the Minnesota math corps program.
- \$75,000 for civic education grants in FY 2022 and FY 2023.
- Grant amounts of \$187,000 in FY 2022 and \$188,000 in FY 2023 for the Minnesota Youth Council activities.
- Each of the following museums will receive \$50,000 in FY 2022 and FY 2023: the Children’s Museum of Southern Minnesota, the Works Museum in Bloomington, and the Children’s Discovery Museum of Grand Rapids.
- \$1.5 million for grants to the Sanneh Foundation in FY 2022 and FY 2023.
- An ongoing reduction of \$500,000 each year for college entrance exam reimbursement, in order to more accurately reflect the spending for this program.
- A reduction of \$1.2 million in FY 2022 and 2023 for the statewide testing program.

Teachers

- \$140,000 in additional funding each year for American Indian teacher preparation grants, which brings the base funding amount to \$600,000.
- \$750,000 for a grant to Black Men Teach Twin Cities. This funding is one-time.
- \$200,000 in annual funding for the Come Teach in Minnesota pilot program, which awards hiring bonuses to teachers. These funds will be transferred to the Special Revenue Fund.
- \$125,000 in additional funding each year for expanded concurrent enrollment grants, which brings the base funding amount to \$500,000.
- \$5 million in additional funding each year for Grow Your Own grants, which brings the base funding amount to \$6.5 million. These funds will be transferred to the Special Revenue Fund.
- \$3 million for the Language Essentials for Teachers of Reading and Spelling (LETRS) training program. This is one-time funding.

- \$1.75 million for nonexclusionary discipline training. This funding is one-time.
- \$2.254 million in additional funding each year for the teachers of color and American Indian teachers initiative, with a focus on mentoring and retention incentive grants. This brings the base funding amount to \$6 million in FY 2022-23 and \$5.992 million in FY 2024-25.
- \$250,000 each year for a teacher recruitment marketing campaign, with a focus on teachers of color and American Indian teachers.

Special Education Programs

- \$10.425 million in one-time funding for cross subsidy reduction aid.

Health & Safety

- \$265,000 in FY 2022 is for a one-time grant to provide suicide prevention training for teachers.

Minnesota Department of Education (MDE)

- \$2.742 million for an agency operating increase in FY 2022-23, and \$2.672 million in FY 2024-25.
- An estimated \$2 million of the \$4.7 million appropriation for litigation fees was not expended in the FY 2020-21 biennium. This amount will be cancelled on June 30, 2021, and re-appropriated for use in the FY 2022. This is in addition to a one-time appropriation of \$2.5 million, which brings the total FY 2022 funding level to \$4.5 million.
- An operating holdback resulted in a cancellation of \$1.252 million in FY 2021.

Professional Educator Licensing and Standards Board (PELSB)

- \$193,000 for an agency operating increase in FY 2022-23, and \$240,000 in FY 2024-25.

Minnesota State Academies for the Deaf and Blind (MSA)

- \$778,000 for an agency operating increase in FY 2022-23, and \$1.032 million in FY 2024-25.

Perpich Center for Arts Education

- \$351,000 for an agency operating increase in FY 2022-23, and \$466,000 in FY 2024-25.

Other Funding

- The Commerce bill (First Special Session Laws, Chapter 4) provided one-time funding to the Department of Education of \$150,000 in each of FY 2022 and FY 2023 for grants to the Minnesota Council on Economic Education.

For further information on Education Finance issues contact Emily Adriaens, Fiscal Analyst, at 651-296-4178 or emily.adriaens@house.mn.

Environment and Natural Resources Policy and Finance

Minnesota Laws 2021, First Special Session, Chapter 6, Articles 1 and 4, as enacted by the 2021 Legislature and Governor, appropriates money for the environment and natural resources activities of the state. Agencies and programs funded include the Pollution Control Agency, Department of Natural Resources, Minnesota Conservation Corps, Metropolitan Council Parks, Minnesota Zoo, Board of Water and Soil Resources, and the Science Museum of Minnesota. Chapter 6, Articles 1 and 4 enact \$369.754 million in total appropriations from the General Fund for the 2022-23 biennium. The net impact to the General Fund from environment and natural resource appropriations is \$367.947 million, due to FY 2021 changes with a net saving of \$1.803 million and \$4,000 in reduced revenue. The amount appropriated is \$35.967 million over base level funding. The following chart and agency narratives provide details on the appropriations.

Environment and Natural Resources Finance and Policy Committee							
Total General Fund Spending							
(all dollars in thousands)							
	Changes FY 2021	Forecast		Enacted FY 2022-23	Percentage Chang	Percentage	Enacted Base FY 2024-25
		FY 2020-21 with Changes	Forecast Base FY 2022-223		Enacted FY 2022-	Change: Enacted	
				FY 2022-23	vs. FY 2020-21 with Changes	vs. Base FY 2022-23	
Pollution Control Agency		14,098	12,396	15,624	10.8%	26.0%	13,072
MLCAT Repayment				200			200
Department of Natural Resources	(1,803)	184,607	176,967	204,995	11.0%	15.8%	190,406
Firefighting and Treaty Payments (OPEN)		55,392	54,681	54,681	-1.3%	0.0%	53,747
Transfer to Mining and Env Regulatory Aent		1,822	1,746	1,746	-4.2%	0.0%	1,792
Board of Water and Soil Resources		30,259	29,744	34,785	15.0%	16.9%	30,536
Metropolitan Council		5,222	5,080	5,080	-2.7%	0.0%	5,080
Conservation Corps of Minnesota		910	910	910	0.0%	0.0%	910
Zoological Board		19,474	19,618	19,618	0.7%	0.0%	20,534
Science Museum		2,158	2,158	2,158	0.0%	0.0%	2,158
Explore Minnesota Tourism		29,074	28,688	29,957	3.0%	4.4%	29,046
General Fund Revenue Changes		0	0	(4)			(4)
Net General Fund Total		343,016	331,988	369,750	7.8%	11.4%	347,477

Pollution Control Agency (PCA)

Appropriations to the PCA from the General Fund total \$15.624 million for the biennium. Total direct appropriations from all funds are \$224.238 million. A number of changes are made within the agency as listed below. Structurally, the appropriations for the current biennium follow the changes that were made in 2017, where appropriations were made to the agency under the agency operating divisions instead of the five programs as has been done in the past: Water, Air, Land, Environmental Assistance/Cross-Media, and Administrative Support. There were a number of internal funding realignment changes that were made this session in order to better place the appropriations within the correct divisions. These changes all had a net zero impact to the agency and will not be discussed here in any greater detail. In addition to these appropriations one bill was passed earlier in the regular session related to dry cleaning.

Dry Cleaning Bill:

Minnesota Laws 2021, Chapter 5 enacted changes to the prioritization of reimbursements from the Dry Cleaner Environmental Response and Reimbursement Account in the Remediation Fund and bans perchloroethylene as a dry cleaning solvent. The legislation also appropriates \$355,000 from the Remediation Fund for a cost-share program for facilities to transition away from perchloroethylene. \$255,000 of the appropriation is from the cancellation of a previous appropriation. In addition, the legislation also directly appropriates \$213,000 out of the Dry Cleaner Environmental Response and Reimbursement Account in the Remediation Fund for reimbursements. The account is typically statutorily appropriated but the direct appropriation allows for the funding to use the new prioritization criteria in the legislation.

Environmental Analysis and Outcomes Division:

The total General Fund appropriation for the PCA's Environmental Analysis and Outcomes Division is \$1.516. The direct appropriation from all funds is \$29.102 million. Funding changes that were made in the Environmental Analysis and Outcomes Division came from the General Fund and Environmental Fund. These changes include:

- A portion of the air permit fees increase was appropriated to the division. This amounted to \$107,000 in FY 2022 and \$214,000 in FY 2023 from the Remediation Fund. These amounts are in addition to the amounts listed under the other divisions.
- A portion of the Environmental Fund increase for water program operations was appropriated to the division. This amounted to \$210,000 in FY 2022 and \$245,000 in FY 2023. These amounts are in addition to the amounts listed under the other divisions.
- \$10,000 in FY 2022 and \$20,000 in FY 2023 from the General Fund are for the environmental analysis and outcomes division operational adjustment.
- \$350,000 from the General Fund is for a onetime appropriation to complete the St. Louis River mercury total maximum daily load study.
- A onetime General Fund appropriation of \$128,000 from the general fund is for the agency to conduct an analysis of the Green Tier Program.
- Three appropriations were made related to per- and poly-fluoroalkyl substances (PFAS); 1) \$250,000 in both fiscal years 2022 and 2023 are from the Environmental Fund to identify potential sources of per- and poly-fluoroalkyl substances contamination, 2) \$600,000 from the General Fund in FY 2022 only is to develop and implement an initiative to reduce PFAS in the environment that are eventually conveyed to municipal wastewater treatment facilities, 3) starting in FY 2023, \$104,000 from the Environmental Fund is to implement the requirements related to PFAS in food packaging contained in the bill, this amount increases to \$144,000 per year in FY 2024 and later.

Industrial Division:

PCA's Industrial Division does not receive any General Fund appropriations. The direct appropriations for the Industrial Division comes from the Environmental Fund and the Remediation Fund; these appropriations total \$32.126 million, of which \$30.124 million is from the Environmental Fund. The change items for the Industrial Division are:

- The increased appropriation from the air permit fees increase is \$169,000 in FY 2022 and \$338,000 in FY 2023 from the Environmental Fund. These amounts are in addition to the amounts listed under the other divisions.
- The portion of water program appropriation increase for the division is \$265,000 in FY 2022 and \$300,000 in FY 2023 and later from the Environmental Fund.
- \$180,000 in FY 2022 and \$4,000 each year thereafter is for new air emissions monitoring equipment to support compliance and enforcement activities.
- A repeal of the Petrofund sunset date allows for \$1.001 million from the Remediation Fund to continue in FY 2023 and later.
- As in past years, a onetime General Fund appropriation is to the Department of Natural Resources for legal support costs. The appropriation language allows up to \$2 million to be transferred to the PCA for the agency's associated legal costs.

Municipal Division:

The Municipal Division within PCA only receives one General Fund appropriation for \$367,000. The primary funding source for the division is from the Environmental Fund. The total direct appropriations from all funds are \$18.271 million. Changes for the division include:

- The division's portion of the water program appropriation increase from the Remediation Fund included \$465,000 in FY 2022 and \$545,000 in FY 2023 and later.
- The General Fund operating adjustment is \$13,000 in FY 2022 and \$26,000 in FY 2023 and later.

Operations Division:

General Fund appropriations for this division are \$5.063 million. Total direct appropriations from all funds are \$20.794 million. Changes that were made in the division include:

- \$41,000 in FY 2022 and \$42,000 in FY 2023 and later are from the general fund for the division's operating adjustment.
- The Operations Division appropriation increase from the air permit fee increase is \$13,000 in FY 2022 and \$26,000 in FY 2023 from the Environmental Fund.
- \$180,000 per year for three years is from the Remediation Fund for records management of contaminated sites.

- The repeal of the Petrofund sunset date allows \$943,000 per year from the Remediation fund to continue to be appropriated in FY 2023 and later.

Remediation Division:

The Remediation Division receives no General Fund appropriations. The direct appropriations from other funds total \$23.074 million for the biennium. Changes include:

- \$256,000 per year from the Remediation Fund is for increased Superfund capacity staffing. This amount is offset by a reduction in the statutory Remediation Fund appropriation for the Superfund program.
- The repeal of the Petrofund sunset date allows for a direct Remediation Fund appropriation of \$3.198 million per year and a statutory appropriation of \$6.4 million also from the Remediation Fund. Both of these appropriation continue the work at the current levels in FY 2023 and beyond.
- A reduction of \$180,000 per year from the Remediation Fund statutory appropriation is made in order to offset the increase of the same amount in the Operations Division for the records management of contaminated sites.
- Appropriations were made out of the Closed Landfill Investment Fund. Money in the fund was not to be spent until after fiscal year 2020, however, agreement on how these funds should be appropriated was not reached until the 2021 legislative session. The appropriations include a statutory appropriation of \$4.5 million per year. There is a secondary emergency appropriation of \$9 million made in the first year of the biennium and available for the biennium. Both of these appropriation have a sunset in 4 years.

Resource Management and Assistance Division:

General Fund appropriations for this division are \$2.598 million. Total direct appropriations from all funds are \$79.137 million. Changes for the division include:

- A new program for local government water infrastructure grants was funded with \$999,000 per year from the General Fund in FY 2022 and FY 2023. This amount is reduced to \$250,000 per year in later years.
- The appropriation for SCORE grants was increased by \$700,000 per year from the Environmental Fund. This brings the total annual appropriation to \$18.450 million.
- An increased appropriation for air permit fees is \$29,000 in FY 2022 and \$58,000 in FY 2023 from the Environmental Fund. These amounts are in addition to the amounts listed under the other divisions.
- The portion of the water program operations increase that is included in the Resource Management and Assistance Division is \$85,000 in FY 2022 and \$91,000 in FY 2023 and later. These appropriations are from the Remediation Fund.

- A change was made to the metropolitan landfill abatement and grants appropriation. This appropriation had been a statutory appropriation estimated at \$2.719 million per year from the Remediation Fund, it was changed to a direct appropriation for the same amount.

Watershed Division:

General Fund appropriations for this division are \$3.918 million. Total direct appropriations from all funds are \$19.186 million. There are two changes being made to the appropriations in the Watershed Division for FY 2022 and FY 2023.

- The portion of the water program operations increase that is included in the Watershed Division is \$410,000 in FY 2022 and \$460,000 in FY 2023 and later from the Remediation Fund.
- The repeal of the Petrofund sunset date allows \$122,000 per year from the Remediation fund to continue to be appropriated in FY 2023 and later.

Environmental Quality Board:

General Fund appropriations for the Environmental Quality Board are \$2.162 million. Total direct appropriations from all funds are \$2.548 million. There were no changes made to the base appropriations for the Environmental Quality Board for fiscal years 2022 and 2023.

Department of Natural Resources (DNR)

Minnesota Laws 2021, First Special Session, Chapter 6, Article 1 enacts a General Fund appropriation of \$257.414 million to the department for the biennium. Of this amount, \$202.733 million are direct appropriations, with the remainder coming from the open appropriations the agency oversees. Total agency spending from all sources included in Chapter 6 is anticipated to be \$955.386 million for the biennium, of which \$652.711 million are direct appropriations. There are also a few appropriations contained in article 4 of the bill related to law enforcement (conservation officers) salary increases. These appropriations add \$1.867 million from the General Fund and \$10.437 million from all funds to the amount listed above for fiscal years 2021-2023. Additionally, Minnesota Laws 2021, 1st Special Session, Chapter 11 added \$489,000 in FY 2022 and \$387,000 each year thereafter from the General Fund for body cameras for conservation officers. Specific changes from the base budget to each division include:

Land and Minerals Management:

The division receives \$3.775 million from direct General Fund appropriations and \$62,000 from the General Fund as an open appropriation for the Consolidated Conservation Areas. Direct biennial appropriations from all funds totaled \$12.975 million for the division. The only change item for the division was for an operating adjustment. This was \$28,000 in FY 2022 and \$55,000 in FY 2023 from the General Fund.

Ecological and Water Resources:

The General Fund appropriation for the division is \$41.113 million. Total direct appropriations from all funds are \$77.023 million for the biennium. There were a number of onetime appropriations that were made in the division. Changes being made in this division's appropriations include:

- The General Fund operating adjustment for this division is \$243,000 in FY 2022 and \$469,000 in FY 2023.
- A grant to the Minnesota Aquatic Invasive Species Research Center at the University of Minnesota of \$500,000 per year from the General Fund was added to the base appropriation of \$410,000 per year from the Heritage Enhancement Account in the Game and Fish Fund to prioritize, support, and develop research based solutions that can reduce the effects of aquatic invasive species in Minnesota.
- A onetime General Fund appropriation of \$300,000 is to address aquatic invasive species in and around Upper and Lower Red Lake.
- A onetime General Fund appropriation of \$850,000 is for grants to lakes associations to manage aquatic invasive species. This amount is in addition to any other aquatic invasive species grants.
- A onetime General Fund grant of \$300,000 is to the city of Lanesboro to complete the construction, furnishing, and equipping of the renovation at Lanesboro dam.
- \$14,000 from the General Fund is for a onetime grant to Blue Earth County for a study of flood control and storm water management options.
- A onetime grant of \$105,000 from the General Fund is to the city of Madelia for surveying, modeling, and designing floodplain improvements along the Watonwan River.
- \$513,000 from the General Fund is for a onetime grant to the city of Waterville. \$13,000 of this grant is for a flood warning gauge on the Cannon River and \$500,000 is for a flood study of the Cannon River dam system.
- A General Fund grant of \$225,000 is made to the Waseca County Historical Society for phase II of the Hofmann Apiaries honey house and wax shed restoration.
- An increase of \$315,000 in FY 2022 and \$15,000 in FY 2023 are made from the Nongame Wildlife Management Account in the Natural Resources Fund. This brings the total appropriation the \$1.3 million in FY 2022 and \$1 million in FY 2023.
- An increase of \$15,000 per year is made to the statutory appropriation for promotion of the critical habitat license plates. The total appropriation is \$28,000 per year.
- Changes to the statutory language will allow the agency to spend an additional \$3 million per year from the critical habitat license plate account in the division.

Forest Management:

The Forestry Division's direct General Fund appropriation is \$72.869 million for the biennium. An additional open appropriation of \$35.810 million for the biennium from the General Fund for firefighting is accounted for in the division. Total direct appropriations from all funds are \$110.025 million. In addition to the operating adjustments for the division, three additional changes are being made.

- The General Fund operating adjustment for the division is \$612,000 in FY 2022 and \$1.184 million in FY 2023. Additionally, a General Fund operating adjustment of \$8,000 in FY 2022 and \$16,000 in FY 2023 are for the Forest Resources Council.
- \$1.2 million in FY 2022 and FY 2023 from the General Fund and \$500,000 each year from the Heritage Enhancement Account in the Natural Resources Fund are for grants to local units of government for emerald ash borer related work, the appropriation is reduced to \$400,000 from the General Fund and \$0 from the Heritage Enhancement Account in FY 2024 and later. These grants are to help develop community ash management plans, and to remove and replace ash trees.
- \$75,000 from the General Fund is a onetime appropriation for timber permit reimbursements required in the bill. This amount is in addition to an anticipated \$1 million to come out of the Covid-19 Flexible Response Account.
- An increase of \$1.25 million from the General Fund in FY 2022 and FY 2023 is for accelerated tree planting, seed collection, and tree production at the state forest nursery.
- \$500,000 in FY 2022 and FY 2023 is from the Forest Management Investment Account in the Natural Resources Fund for advancing forest inventory data through light detection and ranging data.

Parks and Trails:

The Parks and Trails Division is appropriated \$57.839 million from the General Fund for the biennium. The total direct appropriations for the division are \$184.890 million. Changes include:

- The General Fund operating adjustment for the division is \$333,000 in FY 2022 and \$646,000 in FY 2023.
- \$1 million from the General Fund was added to the appropriation for state parks and trails in FY 2022 and FY 2023.
- A onetime General Fund grant of \$400,000 is to the St. Louis and Lake Counties Regional Railroad Authority engineer, design, renovate and construct the Historic Bruce Mine Park and Mesabi Trailhead access in the city of Chisholm
- A onetime appropriation of \$20,000 from the State Parks Account in the Natural Resources Fund for signage related to the electric assisted bicycle modifications enacted this session.
- Increases from the dedicated lottery In-Lieu Accounts in the Natural Resources Fund were made for state parks, and local trail grants. The state parks were increased by \$550,000 per year and the local trails by \$250,000 per year. Additionally, a change was made to allow the agency to be reimbursed for costs associated with administering the Lottery In-Lieu

grants. This reduces the grant amount by \$22,000 and increased the agency administration of the grants by \$22,000.

- Appropriations were increased from the state Land and Water Conservation Fund (LAWCON) in the Natural Resources Fund. These appropriations are made based on funds received from the federal government. The increase in FY 2022 is \$981,000 and in FY 2023 and later it is \$1.981 million.
- A change was made to statutorily appropriate the entire Cross Country Ski Account in the Natural Resources Fund. In the past the grant in aid portion of the appropriation was statutorily appropriated and the state trails portion was directly appropriated. This change reduces the direct appropriation from the account by \$117,000 per year and increases the statutory appropriation by the same amount.
- A onetime appropriation of \$955,000 from the All-Terrain Vehicle Account in the Natural Resources Fund is for a grant to the city of Ely for trail connections and a bridge over the Beaver River to connect Prospectors Loop Trail system and the Taconite State Trail.
- \$950,000 in FY 2022 is from the All-Terrain Vehicle Account in the Natural Resources Fund for a grant to St. Louis County for the Voyageur Country ATV Trail System.
- \$250,000 in FY 2022 is from the All-Terrain Vehicle Account in the Natural Resources Fund is for a statewide ATV Masterplan.
- \$300,000 per year is from All-Terrain Vehicle Account in the Natural Resources Fund for an increase in the ATV Grant in Aid system.

Fish and Wildlife Management:

The Fish and Wildlife Division is appropriated \$4.461 million from the General Fund. Total direct appropriations for the division are \$162.915 million, which come from the Game and Fish Fund and the Natural Resource Fund. A number of new appropriations were made in the division.

- Increased appropriations were made related to chronic wasting disease for planning and emergency response. These increases are: \$1.25 million in FY 2022 and \$2.25 million in FY 2023 from the General Fund and \$750,000 in FY 2022 and FY 2023 from the Heritage Enhancement Account in the Game and Fish Fund. Both of this increase were onetime.
- The General Fund operating adjustment for the division is \$4,000 in FY 2022 and \$7,000 thereafter.
- \$275,000 from the Heritage Enhancement Account in the Game and Fish Fund in FY 2022 and \$125,000 FY 2023 are for shooting sports facilities grants.
- Appropriations of \$200,000 from the General Fund and \$250,000 from the Heritage Enhancement Account in the Game and Fish Fund in FY 2022 and FY 2023 only are for the “no child left inside” grant program to provide natural-resource-based education and recreation programs.
- Changes to the statutory language will allow the agency to spend an additional \$4 million per year from the critical habitat license plate account in the division.

Enforcement:

The General Fund appropriation for the Enforcement Division contained Minnesota Laws 2021, 1st Special Session, Chapter 6, Article 1 is \$18.902 million for the biennium. Total direct appropriations in Article 1 are \$98.469 million from all funds. In addition changes were made in Article 4 of the legislation for conservation officer salary increases, and Minnesota Laws 2021, 1st Special Session, Chapter 11 contained an appropriation for body cameras for conservation officers.

- The General Fund operating adjustment in Article 1 is \$129,000 in FY 2022 and \$250,000 in FY 2023.
- A onetime General Fund appropriation of \$300,000 is for the costs associated the agency's response to civil unrest.
- An appropriation was made for a transition of farmed cervidae oversight. Prior to this legislation the Board of Animal Health for responsible for the oversight of farmed white-tailed deer. Management will now be conducted jointly. A General fund appropriation of \$1.25 million in FY 2022 and \$2.25 million each year thereafter are for implementation of this oversight.
- Article 4 of the legislation appropriated current and retroactive salary increases for conservation officers. In FY 2021 the retroactive increases included appropriations of \$481,000 from the General Fund, \$553,000 from the Natural Resources Fund, \$1.665 million from the Game and Fish Fund, and \$6,000 from the Remediation Fund. Additionally, cancellations and carryforwards in FY 2021 of \$276,000, \$325,000, \$957,000, and \$4,000 from these same funds respectively were made and the same amounts were re-appropriated or carried forward for expenditure in FY 2022. FY 2022 and FY 2023 appropriations were: \$550,000 from the General Fund, \$631,000 from the Natural Resources Fund, \$893,000 from the Game and Fish Fund and \$6,000 from the Remediation Fund each year.
- Chapter 11 of First Special Session Laws included General Fund appropriations of \$489,000 in FY 2022 and \$387,000 in FY 2023 and later for conservation officer body cameras.

Operations Support:

Most of the work of the Operations Support Division is internally billed to the other divisions for the services provided to those divisions. The total General Fund direct appropriation is \$3.4 million, which is comprised of the two changes listed below.

- Of the one-time appropriation of \$3 million from the General Fund to be used for the agency's legal support costs, up to \$2 million of this amount may be transferred to the Pollution Control Agency for legal costs.
- A onetime General Fund appropriation of \$400,000 is for the protecting digital assets from cyber-attacks.

Pass Through:

Total General Fund direct appropriations in this area are \$374,000 with total direct appropriations from all funds being \$3.014 million. Additionally, \$18.809 million in General Fund open appropriations are accounted for here. Changes being made are:

- \$500,000 in FY 2022, \$500,000 in FY 2023, \$250,000 in FY 2024, and \$150,000 in FY 2025 are from the Forest Suspense Account in the Permanent School Fund for project management costs for sales and exchanges of school trust lands in the Boundary Water Canoe Area Wilderness.
- Grants to the Como Zoo and Lake Superior Zoo were both increased by \$140,000 in FY 2022 only from the Lottery in-Lieu Account in the Natural Resources Fund.

Board of Water and Soil Resources (BWSR)

BWSR General Fund appropriations totaled \$34.785 million for the biennium. The General Fund is the only fund from which BWSR receives base funding in the form of direct appropriations. There were four changes made to the Board of Water and Soil Resources Budget.

- The General Fund operating adjustment for BWSR is \$98,000 in FY 2022 and \$193,000 in FY 2023 and beyond. The operating adjustment is for BWSR administration and is not included for the pass through and grant funding programs.
- A \$1.4 million onetime appropriation from the General Fund is added to the appropriation for natural resource block grants. The increase is for grants to rural landowners to replace failing septic systems that inadequately protect groundwater.
- \$675,000 in fiscal years 2022 and 2023 from the General Fund are for soil health practice adoption purposes such as cover crops, and for soil health program responsibilities. The base for this appropriation is reduced to \$203,000 per year.
- \$1 million from the General Fund in fiscal years 2022 and 2023 only is for the creation and implementation of a water quality storage program.

Metropolitan Council Parks

The Metropolitan Council parks appropriation is \$5.080 million from the General Fund. Metropolitan Council Parks also received an appropriation of \$19.980 million from the Natural Resources Fund. Changes enacted in 2021 include:

- The Natural Resources Fund appropriation from the Metropolitan Parks and Trails Lottery in Lieu Account was increased by \$850,000 per year. The account is dedicated and may only be used for this purpose. The increased appropriation is based off of the available balance in the account.

Minnesota Conservation Corp

The Minnesota Conservation Corp has an appropriation of \$910,000 from the General Fund and \$980,000 from the Natural Resources Fund. No changes were made from the base level of funding for the Minnesota Conservation Corp in 2021.

Minnesota Zoo

The General Fund appropriation to the zoo is \$19.618 million for the biennium. There is an additional \$520,000 appropriation from the Natural Resources Fund. Total expenditures for the zoo are anticipated to be \$47.405 million with the non-direct expenditures coming from the Special Revenue Fund and the Gift Fund. There were two changes made to the Minnesota Zoo funding listed below.

- The General Fund appropriation to the Minnesota Zoo was increased by \$458,000 in FY 2024 and later. The increase in the later years only is based on the assumption that the Minnesota Zoo will be receiving a portion of the Covid-19 Flexible Response Account.
- A onetime increase of \$140,000 from the dedicated Lottery In-Lieu Account in the Natural Resources Fund was made to the Minnesota Zoo. This is the same amount of increase the Como Zoo and Duluth Zoo received out of the account as a pass through appropriation in the Natural Resources Department. These are the only three entities eligible to receive appropriations out of this account.

Science Museum

The Science Museum receives \$2.158 million from the General Fund for the biennium. There were no changes made to the funding for FY 2022 or FY 2023. There is anticipated to be an allocation of funding to the Science Museum through the Covid-19 Flexible Response Account.

Explore Minnesota Tourism

Total General Fund appropriations to Explore Minnesota Tourism for the biennium are \$29.957 million. There were two changes in the appropriation made to Explore Minnesota Tourism.

- A one-time appropriation of \$1 million from the General Fund is for a recovery grants program. The grants are for tourism, meetings, conventions, and events assistance and promotion.
- An increase of \$93,000 in FY 2022 and \$179,000 in FY 2023 is for a General Fund Operating Adjustment.

Legislative Citizen Commission on Minnesota Resources

Appropriations for the Environment and Natural Resources Trust Fund were also made in Minnesota Laws 2021, First Special Session, Chapter 6, Articles 5 and 6 of the law. Appropriations from the trust fund are typically made on an annual basis, however, no agreement was made in 2020 on fiscal year 2021 appropriations. Since there was no agreement made in 2020, the bill contains two years of appropriations, FY 2021 and FY 2022. The appropriations made totaled \$61.387 million in FY 2021 and an additional \$3.932 million from projects in previous years being transferred to seven additional projects. The legislation included a total of 85 appropriations from the fund. The FY 2022 appropriations totaled \$70.881 million and an additional transfer of unspent funds from four previously authorized project totaling \$840,000 were used to fund an additional project. In total 89 projects received funding in the legislation.

Detailed funding and project descriptions can be found at the commission's website: <http://www.lccmr.leg.mn/>

Omnibus Lands Bill

Minnesota Laws 2021, 1st Special Session, Chapter 6, Article 2 contains the provisions of the omnibus lands bill. It includes a number of parcels of land to be offered for sale. The majority of these parcels have no fiscal impact to the state. The revenues from the parcels typically benefit the county in which the land is located. The parcels that state does have a fiscal interest in are anticipated to have revenue of \$34,000. This revenue is deposited in the Land Acquisition Account in the Natural Resources Fund if there is no requirement for funds to be returned to the funding source originally used to acquire the property.

For additional information on Environment and Natural Resources Finance issues, contact Brad Hagemeyer, Fiscal Analyst, at 651-296-7165 or brad.hagemeyer@house.mn.

Health & Human Services Finance

Overview

Laws 2021, First Special Session, Chapter 7, appropriates funding for the Department of Human Services, the Minnesota Department of Health, the Emergency Medical Services Review Board, the Ombudsman for Mental Health and Developmental Disabilities, the Ombudsperson for Families, the Ombudsperson for American Indian Families, the Council on Disabilities, 16 Health Licensing Boards, as well as one time appropriations at the Legislative Coordinating Commission, the Supreme Court and Minnesota Management and Budget. For the fiscal 2022-23 biennium Chapter 7 includes total general fund appropriations of \$16,590,171,000. This is a net General Fund increase of \$129,754,000 over the FY 2022-23 forecast base. Chapter 7 also includes fiscal year 2021 General Fund reductions of (\$29,754,000). Chapter 7 also increases the FY 2024-25 General Fund base by \$100 million (net) above the forecast base. Chapter 7 also included an article which extended the state reinsurance program. This section only includes the General Fund impact of that article, a transfer of \$3,844,000 to MNSure in the FY 2022-23 biennium, which is included in the above totals and the Health Care Access Fund Impact in that section.

The chart below details total General Fund appropriations, revenues, and transfer changes by agency, for all enacted HHS legislation.

Health and Human Services Finance Legislation							
Total General Fund Spending by Department							
(all dollars in thousands)							
	Change FY 20-21	FY 20-21 With Changes FY 20-21	Forecast Base FY 22-23	Enacted FY 22-23	Enacted Base FY 24-25	Percentage Change: Enacted FY 22-23 vs. FY 20-21 Forecast	Percentage Change: Enacted FY 22-23 vs. FY 22--23 Base
APPROPRIATIONS							
<u>2021 Session Direct & Statutory</u>							
Human Services Department	33,477	13,307,794	16,141,198	16,270,874	18,204,061	22.3%	0.8%
Health Department	(3,454)	266,933	264,881	324,361	311,945	21.5%	22.5%
Emergency Medical Services Bd	(204)	7,454	7,552	9,356	7,552	25.5%	23.9%
Council on Disability	-	2,020	2,012	2,060	2,076	2.0%	2.4%
Ombudsman for Families	-	1,437	1,446	1,477	1,488	2.8%	2.1%
Ombudsman for Mental Health/DD	-	5,069	4,876	5,023	5,072	-0.9%	3.0%
Ombudsman for American Indian	-	-	-	380	380	-	-
Board of Pharmacy	-	370	-	-	-	-	-
Supreme Court	-	-	-	-	-	-	-
Minnesota Management and Budget	(59,547)	-	-	-	-	-	-
Legislative Coordinating Commission	-	-	-	-	-	-	-
Blue Ribbon Commission	-	-	(100,000)	-	-	-	-
<u>Transfers</u>							
In Blue Ribbon Commission from Reserve [non-add]	-	-	-	[-100000]	-	-	-
To Public Health Response Account	-	70,889	-	-	-	-	-
To Health Care Response Fund	-	150,000	-	-	-	-	-
To MnSURE	-	8,000	-	3,844	-	-	-
REVENUES							
DHS Forecast FFP	(26)	(71,863)	(72,218)	(93,442)	(86,110)	30.0%	29.4%
Change in Non Ded Revenue (MDH)	-	-	-	154	154	-	-
Change in Non Ded Revenue (DHS)	-	-	-	(20,530)	(88,731)	-	-
Net HHS GF Total*	(29,754)	13,748,103	16,249,747	16,503,557	18,357,887	20.0%	1.6%

*Includes all appropriations and revenues in enacted HHS bills regardless of department jurisdiction. No comparison to base or prior biennium where there is no base or the department base is in a different jurisdiction.

Department of Health

Chapter 7 appropriates a General Fund total of \$324.441 million to the Department of Health for the FY 2022-23. This is an increase of \$59.6 million (22.5 percent) over the FY 2022-23 base and \$57.5 million (21.5 percent) over FY 2020-21 forecast spending. Chapter 7 has General Fund tails for the Department of Health of \$312.025 million for FY 2024-25, an increase of \$49.6 million. Laws 2021, 1SS, Chapter 4 also appropriated \$74,000 to the department in FY 2022-23 and in the tails. Those funds are included in the chart numbers at the top but not in the numbers above. Specific appropriations (General Fund, Laws 2022, First Special Session, Chapter 7 unless otherwise noted) changes for the Department of Health include:

New ongoing appropriations:

- \$15 million in FY 2022-23 and ongoing for a new local public health distribution framework.
- \$15 million in FY 2022-23 and ongoing to increase local public health grants.
- \$8 million in FY 2022-23 and ongoing for tobacco and vaping prevention.
- \$30,000 in FY 2022-23 and ongoing for a maternal and infant health study.
- \$200,000 in FY 2022-23 and FY 2024-25 for the Comprehensive Advanced Life Support program.
- \$104,000 to give homeless youth access to birth records and ID. This initiative has General Fund ongoing tails in the FY 2024-25 of \$64,000.
- \$1.090 million in FY 2022-23 for the Dignity in Pregnancy and Childbirth Act. This initiative has General Fund tails of \$796,000
- (\$194,000) for the FY 2022-23 biennium and in future biennia is saved from eliminating the e-health advisory initiative.
- \$2.844 million for expansion of lead risk assessments and abatement modifications. This initiative has General Fund tails in FY 2024-25 of \$2.628 million.
- \$479,000 in FY 2022-23 to support additional nursing facility construction moratorium exception projects. This initiative has General Fund tails in FY 2024-25 of \$458,000.
- \$392,000 in new, on-going appropriations for the Vivian Act to begin screening newborns for congenital herpes cytomegalovirus.
- \$2 million in FY 2022-23 for increased costs of agency operations. This initiative has General Fund costs in FY 2024-25 of \$2.438 million.

New one-time appropriations:

- \$2.323 million in FY 2022-23 and \$498,000 in FY 2024 for a study of telehealth.
- \$300,000 in FY 2022-23 to replenish the Public Health Response Account

- \$3 million in FY 2022-23 and \$1.5 million in FY 2024 only for increases to home visiting grants.
- \$55,000 in FY 2022 for improvements to the All Payer Claims Database.
- (\$649,000) is cancelled in FY 2021 and \$649,000 is appropriated in FY 2022 for a grant to study non-narcotic pain management.
- \$1 million in FY 2022-23 for mental health cultural community grants.
- \$6.624 million in FY 2022-23 and \$2.859 million in FY 2024 only for health professional loan forgiveness. See Health Care Access Fund section for costs of this initiative to that fund.
- \$558,000 FY 2022-23 for grants to support healthy babies.
- (\$2.140) million is cancelled in FY 2021 from COVID-19 related staff reassignments.
- (\$395,000) is cancelled in FY 2021 related to the Prescription Price Transparency program. \$210,000 is appropriated in FY 2022 for the same program.

Department of Human Services

Including direct and standing appropriations, Chapter 7 appropriates a General Fund total of \$16.271 billion to the Department of Human Services for the FY 2022-23 biennium. After including federal funds and other revenue offsets, Chapter 7 gets to a net appropriation level of \$16.056 billion for FY 2022-23. This is a net increase of \$87.9 million (0.6 percent) from the directly appropriated base (this calculation includes the \$100 million transferred into the General Fund from the budget reserve as an offset to DHS appropriations (net increase of \$187.9 million, 0.8 percent). This also represents an increase of \$2.829 billion (21.4 percent) over FY 2020-21 forecast spending. Total (net) tails for the Department of Human Services are \$18.029 billion for FY 2024-25. As mentioned above, rather than allocate the \$100 million in reductions required by the 2019 Blue Ribbon Commission statute, which reduced the FY 2022-23 base by \$100 million but did not allocate those savings to specific budget activities, the 2021 Legislature chose to transfer \$100 million into the General Fund from the budget reserve rather than specify savings. Total new General Fund spending at DHS from FY 2021 – FY 2025 is almost \$700 million. However, because of Enhanced Federal Medical Assistance (FMAP) payments of \$686 million which are used as an offset to General Fund spending, the total General Fund impact is reduced and keeps the bill within the target of \$100 million net spending above base in each biennium for all agencies. Federally funded initiatives have to conform to certain federal requirements but from a spreadsheet perspective there is no distinction between a Medical Assistance item funded with FMAP money and one funded through state General Fund Money. Article 17 of the bill does include language provisions for the FMAP items alone but there is no distinction between funding source in the appropriations article. Major budget changes (General Fund unless otherwise noted) initiatives and the Department of Human Services include:

Chemical/Mental Health – Chapter 7 includes many funding initiatives in the area of chemical/mental health.

- \$4.184 million in FY 2022-23 and \$4.136 million in FY 2024-25 is for children's mental health and residential treatment.
- \$498,000 in FY 2022-23 and \$431,000 in FY 2024-25 is to create uniform mental health service standards.
- \$1,263 million in FY 2022-23 and \$2.293 million in FY 2024-25 is for intensive rehabilitative mental health services.
- \$222,000 in FY 2022-23 and \$294,000 in FY 2024-25 is for the Culturally Informed and Culturally Responsive Mental Health Task Force.
- \$296,000 in FY 2022-23 is to implement substance abuse provider paperwork reductions.
- \$3.5 million in FY 2022-23 and \$1.75 million in FY 2024-25 is for adult mental health initiative grants.
- \$4 million in FY 2022-23 and \$2 million in FY 2024 is for recover community organization grants.
- \$61,000 in FY 2022 is for a sober home oversight study.
- \$4.739 million in FY 2022-23 and \$1.779 million in FY 2024 is for Culturally and Linguistically Appropriate Services grants for behavioral health providers.
- \$16.429 million in FY 2022-23 and \$4.117 million in FY 2024-25 is to expand mobile crisis services.
- \$5 million in FY 2022-23 and \$1.875 million in FY 2024 is for mobile psychiatric residential treatment and child and adolescent mobile transition units.
- \$897,000 in FY 2022-23 and \$1.276 million in FY 2024-25 for a rate add on for substance use disorder providers.
- (\$2.158) million in FY 2022-23 and (\$14.63) million in FY 2024-25 is saved from modifications to substance use disorder provider payments.
- \$803,000 in FY 2022-23 and \$407,000 in FY 2024 is for a study of behavioral health payment rates.

Nursing Homes/Long-Term Care/Elderly/Disabled/Waivers/Home Care Services – Changes related to multiple initiatives in this policy area are:

- Savings of (\$3.899) million in FY 2022-23 and (\$4.799) million in FY 2024-25 are from a Governor's initiative related to nursing facility reassessments and improvements.
- \$249,000 in FY 2022-23 and \$1.467 million in FY 2024-25 are for the Medical Assistance costs of new nursing facility construction moratorium exception projects.
- \$9.335 million in FY 2022-23 and \$25.551 million in FY 2024-25 is for changes to home health services rates and for payments to home care providers.
- \$1.168 million in FY 2022-23 and \$1.172 million in FY 2024-25 is for additional Customized Living Quality Improvement grants.
- \$3.239 million in FY 2022-23 and \$7.365 in FY 2024-25 is for changes to housing support rates.
- \$2.335 million in FY 2022-23 and (\$17.874) million in savings in FY 2024-25 is from the Waiver Reimagined II initiative that is supposed to streamline the state's current Medicaid waiver system and stakeholder informed choice provisions.
- \$4.649 million in FY 2022-23 and \$6.629 million in FY 2024-25 is to increase reimbursement rates for Intermediate Care Facilities/Developmentally Disabled (ICF/DD).

- \$8.299 million in FY 2022-23 and \$ 17.889 million in FY 2024-25 is to increase funding for the Elderly Waiver program.
- \$2.834 million in FY 2022-23 and \$1.628 million in FY 2024-25 is for technology grants for individuals receiving Home and Community Based Services (HCBS).
- \$5 million in FY 2022-23 is to develop a dedicated portal for HCBS recipients.
- \$10.471 million in FY 2022-23 and \$4.286 in FY 2024 is for housing transitional costs.
- \$11.879 million in FY 2022-23 and \$4.475 in FY 2024 is for the Transition to Community Initiative.
- \$2.131 million in FY 2022-23 and \$1.792 million in FY 2024 is for Age Friendly Community grants.
- \$15.896 million in FY 2022-23 and \$8.828 million in FY 2024 is for provider capacity grants for rural and underserved communities.
- \$67.56 million in FY 2022-23 and \$103.887 million in FY 2024-25 to fund the self-directed workers contract and raise PCA payment rates.
- \$30.36 million in FY 2022-23 and \$39.559 in FY 2024-25 to create a PCA “rate framework” to further increase PCA payment rates.
- \$3.051 million in FY 2022-23 and \$9.257 million in FY 2024-25 is to create a rate “floor” for disproportionate share providers.
- \$10.915 million in FY 2022-23 and \$4.831 million in FY 2024-25 is to phase out subminimum wages for developmentally disabled persons in state programs.
- \$863,000 in FY 2022-23 is to study access to long-term care services.
- \$4.721 million in FY 2022-23 and \$2.124 million in FY 2024-25 is for additional respite care grants and the “Own Your Own Future” study.
- \$5.836 million in FY 2022-23 and \$5.836 in FY 2024 is for HCBS workforce development grants.

Child Care, Child Protection, Child Welfare, Foster Care, Families, and Economic Supports—This section looks only at state funded initiatives in this area in Chapter 7. Federally funded child care and early education items are discussed in the Non-General Fund section below:

- \$1.331 million in FY 2022-23 and \$2.156 million in FY 2024-25 are appropriated to help the state and counties implement the federal Families First Prevention Services Act.
- \$3.601 million in FY 2022-23 and \$18,000 in FY 2024-25 is for federal compliance in the Northstar Care for Children program (foster care and adoption).
- \$2.005 million in FY 2022-23 and \$2.106 million in FY 2024-25 is to provide ongoing training for state and county personnel on the Indian Child Welfare Act (ICWA).
- \$1.445 million in FY 2022-23 and \$1.276 million in FY 2024-25 is to reduce the error rate in the Supplemental Nutrition Assistance Program (SNAP).
- \$2 million in FY 2022-23 and \$2 million in FY 2024-25 is to increase distributions through the Community Action Program.
- (\$1.268) million in FY 2022-23 and (\$1.256) million in FY 2024-25 is saved through changes to statute regarding child care retroactive payments.
- \$1.317 million in FY 2022-23 and \$1.332 million in FY 2024-25 is for an initiative for court-appointed counsel in child protection cases.

- \$461,000 in FY 2022-23 and \$136,000 in FY 2024-25 is appropriated to implement changes in the child support system.
- \$5.249 million in FY 2022-23 and \$14.85 million in FY 2024-25 is the General Fund portion of the Minnesota Family Investment Program (MFIP) cash grant cost of living increase. This initiative also has a cost in the Temporary Assistance to Needy Families (TANF) fund. See below.
- \$41,000 in FY 2022-23 to update the state homeless youth report.
- \$601,000 in FY 2022-23 and \$306,000 in FY 2024-25 is for changes to foster care background checks.
- \$25.912 million in FY 2022-23 and \$20.32 million in FY 2024-25 in new homelessness prevention program funding and grants.
- \$5.589 million in FY 2022-23 and \$11.156 million in FY 2024-25 to allow providers in the PCA (changing to Community First Services and Supports) to drive clients to appointments.
- \$69.5 million in FY 2022-23 and savings of (\$25.506) million in FY 2024-25 is to accelerate a Disability Waiver Rate System (DWRS) inflationary increase by six months in FY 2022 and delay a similar increase by three months in FY 2025.
- \$1.559 million in FY 2022-23 and \$2.682 million in FY 2024-25 is to provide enhanced rates in the PCA program for recipients who receive 10 or more hours a day of services.
- \$250,000 in each biennium is for a parent to parent support program for parents with a child with a disability.
- \$300,000 in each biennium is for Parent Support for Better Outcomes grants.
- \$102,000 in FY 2022-23 and \$1 million in FY 2024 is for a parenting with a disability pilot project.
- \$496,000 in each biennium is for self-advocacy grants for people with developmental disabilities.
- \$702,000 in FY 2022-23 and \$43,000 in FY 2024 is for grants to child care providers to serve children with disabilities.

This area also includes a cost neutral provision to allow Tribal access to housing support. Other no cost items in this area include changing the Community Action formula and the MN Food Assistance Program to include Tribes.

Medical Assistance (MA)/ Acute Care:

- \$36.964 million in FY 2022-23 and \$10.943 million in FY 2024-25 for expansion of telehealth services.
- \$725,000 in FY 2022-23 and \$1.268 million in FY 2024-25 is for MA coverage of weight loss drugs.
- \$20.874 million in FY 2022-23 and \$32.519 million in FY 2024-25 is for the General Fund portion of dental services and payment modifications. See HCAF section for cost for this initiative from that fund.
- \$1.616 million in FY 2022-23 and \$3.292 million in FY 2024-25 is the General Fund portion of the adult periodontal non-surgical treatment coverage initiative. See the HCAF section for costs of this initiative to that fund.

- \$1.518 million in FY 2022-24 and \$718,000 in FY 2024-25 is the General Fund portion of the MinnesotaCare family glitch fix. See the HCAF section for costs of this initiative to that fund.
- (\$343,000) in FY 2022-23 and (\$390,000) in FY 2024-25 is saved by allowing for 90 day prescription refills in MA.
- \$866,000 in FY 2022-23 and \$1.923 million in FY 2024-25 is to start an enhanced MA benefit for children with poorly controlled asthma.
- \$4.679 million in FY 2022-23 and \$10.356 million in FY 2024-25 is to extend MA post-partum coverage to one year.
- \$1.605 million in FY 2022-23 and \$706,000 in FY 2024-25 is for grants for integrated care for high-risk pregnant women.
- (\$1.867) million in FY 2022-23 and (\$3.167) million in FY 2024-25 is saved by allowing for direct contracting by non-state, government owned hospitals (HCMC).

Miscellaneous items:

- (\$2.405) million in FY 2022-23 and (\$3.206) million in FY 2024-25 is saved through outreach and redesign of child and teen checkups.
- \$65,000 in FY 2022-23 and \$70,000 in FY 2024-25 is for continuous access to public transportation through the NEMT program.
- \$234,000 in FY 2022-23 is for a legislative task force on human services background studies.
- (\$1.932) million in FY 2022-23 and (\$2.446) million in FY 2024-25 is saved from an initiative to reduce waste, fraud and abuse.
- \$16.389 million in FY 2022-23 and \$21.853 in FY 2024-25 is for a general agency operating adjustment.
- \$33.580 million in FY 2022-23 and \$51.834 million in FY 2024-25 is for a Direct Care and Treatment operating adjustment.
- \$14.263 million in FY 2022-23 is for agency costs in transitioning out of COVID-19 operations.
- \$37.201 million in FY 2021 is to cover County and Tribal reimbursement costs for Medically Assisted Treatment and Institute for Mental Disease overpayments.

Chapter 7 also repeals Minnesota Statutes Chapter 16A.724, subdivision 2 which requires an annual transfer of \$122 million from the Health Care Access Fund to the General Fund. This is effective on July 1, 2025.

Council on Disability

Chapter 7 appropriates a General Fund total of \$2.06 million for FY 2022-23 and sets the base at \$2.076 million for the FY 2024-25 biennium. This is an increase of \$46,000 (2.4 percent) over the FY 2022-23 base.

Emergency Medical Services Regulatory Board (EMS Board)

Chapter 7 appropriates a General Fund total of \$9.356 million for FY 2022-23 and sets the base at \$7.552 million for the FY 24-25 biennium. This includes cancelation of (\$204,000) in FY 2021 and a new one-time appropriation in FY 2022 of the same amount and a one-time increase of \$800,000 each year of the FY 2022-23 biennium for grants to regional EMS boards. This represents a total FY 2022-23 increase of \$1.804 million (23.9 percent) over the FY 2022-23 base.

Ombudsperson for Families

Chapter 7 appropriates a General Fund total of \$1.477 million for FY 2022-23 and sets the base at \$1.488 million for the FY 2024-25 biennium. This is an increase of \$31,000 (2.1 percent) over the FY 2022-23 base. In addition, Chapter 7 establishes the new Ombudsperson for American Indian Families (see below). This removes that portion of the Ombudsperson for Families current jurisdiction without reducing the agencies General Fund base.

Ombudsperson for American Indian Families

Chapter 7 creates the new Ombudsperson for American Indian Families. It appropriates a General Fund total of \$380,000 for FY 2022-23 and also sets the base at \$380,000 for the FY 2024-25 biennium.

Ombudsman for Mental Health and Developmental Disabilities

Chapter 7 appropriates a General Fund total of \$5.023 million for FY 2022-23 and sets the base at \$5.072 million for the FY 24-25 biennium. This is an increase of \$147,000 (3 percent) over the FY 2022-23 base.

MNsure

Chapter 7, Article 15 extends the state premium security plan (reinsurance) by one year. Most finance impacts of this legislation are not tracked as part of the HHS spreadsheet, however, that legislation does include a one-time transfer from the General Fund to MNsure of \$3.844 million in FY 2022-23. There are also HCAF costs of \$85.05 million in FY 2022-23.

Legislative Coordinating Commission

Chapter 7 appropriates \$208,000 to the Legislative Coordinating Commission for a task force to recommend changes to human services background studies

Supreme Court

Chapter 7 appropriates \$30,000 in FY 2022 from the General Fund to the Supreme Court for website changes related to changes to child support laws.

Minnesota Management and Budget (MMB)

Chapter 7 includes one appropriation item at MMB. The department is directed to refinance \$59.547 million in FY 2021 in General Fund appropriations using extra federal Coronavirus Relief Fund money. This reduces General Fund spending in FY 2021 by that amount (\$59,547,000).

Non General Fund Items

Health Care Access Fund

A major change to the Health Care Access Fund in the 2021 session involved federal conformity of MinnesotaCare premiums required by the ARPA in order to receive additional federal funding for the state Basic Health Plan. This created savings to the fund of \$120.6 million in the FY 2022-23 biennium. In addition, as mentioned previously, the Chapter 7, Article 15 extended the Minnesota Premium Security Plan (reinsurance) through the 2022 plan year. The cost of that policy to the HCAF is reflected below.

Specific expenditure and transfer changes to the Health Care Access Fund include:

- \$44,000 in FY 2021 for costs related to MinnesotaCare premium conformity. (\$120.6 million in savings for FY 2022-23 from premium conformity and \$4.2 million in FY 2024 in additional state costs from premium conformity.
- \$85.05 million in costs to the HCAF for FY 2022-23 due to extending reinsurance for an additional year (plan year 2022).
- \$1.709 million in FY 2022-23 and \$12.792 million in FY 2024-25 to eliminate the “Family Glitch” in MinnesotaCare.
- \$425,000 in FY 2022-23 and \$1.139 million in FY 2024-25 to restore coverage of non-surgical treatment of adult periodontal disease in Medical Assistance.
- (\$2.082) million is cancelled in FY 2021 and \$2.082 million is appropriated in FY 2022 for navigator assistance grants.
- Savings of (\$16,000) in FY 2022-23 and (\$18,000) in FY 2024-25 due to additional fraud prevention activities.
- \$3.076 million in FY 2022-23 and \$4.581 million in FY 2024-25 for changes to dental reimbursement.

- \$4.765 million in FY 2024-25 for health professional loan forgiveness.
- (\$267.4) million in FY 2022-23 in reduced appropriations for Medical Assistance. HCFA appropriations for Medical Assistance are increased by \$257.4 million in FY 2024-25.
- Because of an increase in available funds, in FY 2025 an additional \$64.2 million is transferred to the General Fund to fulfill the \$122 million annual transfer in MS 16A.724, Subd. 2.

Chapter 7 leaves the HCAF with a balance of \$33.680 million at the end of FY 2025. In the February 2021 forecast, the HCAF balance at the end of FY 25 was zero and the transfer to the General Fund in that year was reduced by \$64.2 million due to lack of funds.

State Government Special Revenue Fund (SGSR)

For all agencies, Chapter 7 includes decreases to appropriations and increases in revenue from the SGSR that improve the net balance of the fund by \$2.209 million in FY 2021, \$15.681 million in FY 2022-23 and \$18.414 million in FY 2024-25. At the Department of Health, there are net improvements in the fund of \$2.209 million in FY 2021, \$17.188 million in FY 2022-23 and \$19.39 million in FY 2024-25. For the Health Related Boards, Chapter 7 includes new SGSR appropriations of \$1.507 million in FY 2022-23 and \$976,000 in FY 2024-25.

Temporary Assistance for Needy Families (TANF)

Chapter 7 includes new spending from the TANF Reserve Fund of \$32.021 million from FY 2022-25. The addition of a Cost of Living Adjustment (COLA) to the Minnesota Family Investment Program (MFIP) cash grant allocates \$8.358 million in FY 2022-23 and \$23.668 million in FY 2024-25 of TANF money. This initiative also has General Fund costs of \$5.249 in FY 2022-23 and \$14.85 million in FY 2024-25.

In addition, Chapter 7 allocates \$31,000 of TANF funds in FY 2022 for systems costs related to spending \$14.352 million in federal Pandemic Emergency Funds to provide a supplemental one time cash grant to MFIP recipients.

Child Care and Early Childhood Federal Funding

In total, Chapter 7 allocates (rather than appropriates) \$324.2 million in federal Child Care Stabilization funds in FY 2022 for child care and early childhood related initiatives. These funds must be spent over the next three years (by June 30, 2024). In addition, Chapter 7 allocates \$141.3 million in FY 2022-23 and \$139.5 million in FY 2024-25 from federal Child Care Development Block Grant (CCDBG) funds received from the American Pandemic Relief Act (APRA).

Allocations from those sources include:

- \$101.8 million in FY 22-23 and \$139.5 million to increase child care maximum rates for infants & toddlers to the 40th percentile and to the 30th percentile for all others children. It also updates rates to the 2021 and 2024 surveys but not beyond that and reprioritizes the Basic Sliding Fee waitlist for three years.
- \$3 million in FY 2022 to build the family child care one-stop.
- \$50,000 in FY 2022 for website modifications.
- \$1 million in FY 2022 for RETAIN grants.
- \$200,000 in FY 2022 for a child care and early education governance report.
- \$150,000 in FY 2022 for a family child care coordination report.
- \$7.650 million in FY 2022 for IT improvements for child care.
- \$858,000 in FY 2022 for a child care & early education working group.
- \$3 million in FY 2022 for child care development grants.
- \$100,000 in FY 2022 for a child care alternative licensing models project.
- \$3 million in FY 2022 for a child care business training program.
- \$22.5 million in FY 2022 for child care facility revitalization grants.
- \$304.4 million in FY 2022 for child care public health grants to providers.
- \$1.5 million in FY 2022 for Family, Friend, and Neighbor grants.
- \$200,000 in FY 2022 for a family child care shared services pilot project.
- \$290,000 in FY 2022 for a report on foster care children involved in early care and education programs.
- \$2.059 million in FY 2022 for child care center regulation modernization.
- \$1.778 million in FY 2022 for family child care regulation modernization.
- \$4.5 million in FY 2022 to pay for duplicative background checks for child care providers resulting from the pandemic.
- \$3.5 million in FY 2022 for administering CCDBG funds.
- \$1.934 million in FY 2022 to create an Ombudsman for child care providers and to conduct a Parent Aware validation study.
- \$2 million in FY 2022 for TEACH Grants.

Federal Mental Health Block Grant and Substance Abuse Block Grant

Chapter 7 allocates \$20.484 million in federal Mental Health Block Grant funds for:

- \$7.511 million in FY 2022-23 and \$2 million in FY 2024-25 for stakeholder grant proposals.
- \$606,000 in FY 2022-23 and \$367,000 in FY 2024-25 for administering the Mental Health Block Grant.
- \$5 million in FY 2022-23 and \$5 million in FY 2024-25 is allocated for additional School Linked Mental Health services.

Chapter 7 allocates \$24.969 million in federal Substance Abuse Block Grant funds for:

- \$3.5 million in FY 2022-23 and \$3.5 million in FY 2024-25 for a new School Linked Substance Abuse program.
- \$550,000 in FY 2022 for the Pathfinder Companion pilot project.
- \$5.4 million in FY 2022-23 for opioid epidemic response grants.
- \$10.8 million in FY 2022 for Stakeholder proposals.
- \$1.066 million in FY 2022-23 and \$186,000 in FY 2024-25 for administration of the Substance Abuse Block Grant.

Health Related Boards

The 16 health licensing boards are all fee supported through the SGSR and do not receive any General Fund appropriations. Chapter 7 appropriations from the SGSR funding the boards include the Governor's recommended changes to the boards, MN-IT costs that affect 12 of the boards, and moving the administrative services unit from the Board of Executives for Long-Term Services and Supports to the Board of Dentistry. Other changes include continuing education requirements related HF 970 at the Boards of Behavioral Health and Therapy, Marriage and Family Practice, Psychology, and Social Work. Also funded were requests for new staffing at the Boards of Nursing and Social Work and costs related to assisted living licensure at the Board of Executives for Long-Term Services and Supports. Total FY 2022-23 appropriations for the health licensing boards are \$54.343 million from the State Government Special Revenue Fund (SGSR) and \$152,000 from the Health Care Access Fund (HCAF). FY 2024-25 tails are \$53.768 from the SGSR and \$114,000 from the HCAF. This represents new SGSR appropriations of \$1.507 million in FY 2022-23 and \$976,000 in FY 2024-25.

For more information on health and human services issues, contact Doug Berg, Fiscal Analyst, at 651-296-5346 or doug.berg@house.mn.

Higher Education

The 2021 higher education finance bill (Laws 2021, 1st Special Session, Chapter 2) includes total General Fund appropriations of \$3.511 billion for the Mayo Medical School and Family Practice Residency Program, the Minnesota State Colleges and Universities, the Office of Higher Education, and the University of Minnesota. Including FY 2021 carryforward the total NET General Fund impact is \$3.506 billion in FY 2022-23.

The enacted General Fund budget is \$100 million, or 2.9 percent, above the February 2021 forecast base funding levels for FY 2022-23 for these accounts in total. Compared to forecast spending in the prior biennium (FY 2020-21) this represents a General Fund increase of \$98.999 million, or 2.9 percent. The following table summarizes the Chapter 2 General Fund appropriations by account.

Higher Education						
Total General Fund Spending						
(all dollars in thousands)						
	FY 20-21 Forecast	Forecast Base FY 2022-23	Enacted FY 2022-23	Percentage Change Enacted FY 2022-23 vs. FY 2020-21 with Changes	Percentage Change Enacted vs. Base FY 2022-23	Enacted FY 2024-25
Office of Higher Ed	539,017	535,546	545,971	1.3%	1.9%	545,392
Mayo Foundation	2,702	2,702	2,702	0.0%	0.0%	2,702
MN State Colleges and Universities	1,524,338	1,525,068	1,581,483	3.7%	3.7%	1,579,222
University of Minnesota	1,341,072	1,342,812	1,381,312	3.0%	2.9%	1,378,512
Total Expenditures	3,407,129	3,406,128	3,511,468	3.1%	3.1%	3,505,828
General Fund Revenue			5,340			
Net GF Total	3,407,129	3,406,128	3,506,128	2.9%	2.9%	3,505,828

Mayo Foundation

The Mayo Foundation receives a General Fund appropriation of \$2.702 million for the Medical School Capitation Grant program and the Family Practice Residency program. This is the full General Fund base level for FY 2022-23 and represents no change over the FY 2020-21 biennium.

Minnesota State Colleges and Universities (MnSCU)

For MnSCU, Chapter 2 appropriates a General Fund total of \$1.581 billion for the FY 2022-23 biennium. This represents an increase of \$56.415 million (3.7 percent) from the FY 2022-23 General Fund forecast base. Compared to forecast spending in the prior biennium (FY 2020-21), this represents a General Fund increase of \$57.145 million or 3.7 percent.

The specific spending provisions that were agreed upon include:

- University students at MnSCU campuses will see tuition increase no more than 3.5 percent in the 2021-22 academic year from the 2019-20 academic year level. Tuition in the 2019-

20 academic year was increased by 3 percent as stipulated by the 2019 higher education omnibus bill. Tuition increases in the 2022-23 academic year likewise may not exceed 3.5 percent.

- Biennial funding of \$1.505 billion for general operations and maintenance costs in operating all colleges and universities. This represents a \$45 million increase above the base.
- Biennial funding of \$11.4 million in supplemental aid for non-metro colleges. This represents a \$5.4 million increase above the base.
- Annual funding of \$8 million to upgrade the Integrated Statewide Record System utilized by the central administration and various MnSCU campuses.
- Annual funding of \$300,000 for transfer to the Cook County Higher Education Board for various higher education programmatic initiatives in northeast Minnesota.
- Biennial funding of \$9 million for the Workforce Development Scholarship program targeted at high demand fields. This represents a \$1 million increase above the base.
- Biennial funding of \$500,000 for the zero cost textbook program.
- One-time funding of \$1.5 million for mental health services.

Office of Higher Education (OHE)

For OHE, Chapter 2 includes General Fund appropriations of \$545.971 million for the FY 2022-23 biennium. This represents an increase of \$10.425 million (1.9 percent) over the FY 2022-23 General Fund forecast base. Compared to forecast spending in the prior biennium (FY 2020-21) this represents a General Fund increase of \$6.954 million, or 1.3 percent.

New spending for OHE will be used for changes in eligibility for the state grant program. The cost of all the changes to the grant program in the FY 2022-23 biennium is \$5.2 million. The specifics of the state grant changes include the following:

- Sets the living and miscellaneous expense allowance equal to 109 percent of the federal poverty level.
- Reduces the Assigned Family Responsibility by three percent for all student types.

Additional funding was provided to OHE for the following non-grant program initiatives:

- \$9.008 million in annual funding for agency administration. \$354,000 represents additional funding to maintain the agency's current level of service.
- Annual funding of \$1.143 million, a \$715,000 increase, for the Intervention for College Attendance Program.
- Annual one-time funding of \$1.5 million to establish an Aspiring Teacher of Color Scholarship Program.

- Biennial funding of \$3.997 million to establish the Fostering Independence in Higher Education Grant Program. The program is designed to assist children in foster care settings in the transition to higher education.
- Annual funding of \$269,000 for emergency assistance for postsecondary programs. This is a one-time increase of \$188,000 above the base.
- \$550,000 of annual funding for the College Possible program. This represents a \$50,000 increase above the base on an annual basis.
- Annual funding of \$1.250 million for the Minnesota Independence Life College and Community. This represents a \$250,000 increase on an annual basis.
- Biennial funding of \$1 million for Direct Admissions Minnesota. The appropriation would allow OHE to notify high school students about automatic acceptance programs at postsecondary institutions.

University of Minnesota (U of M)

For the U of M, Chapter 2 appropriates a General Fund total of \$1.381 billion for the FY 2022-23 biennium. This represents a General Fund increase of \$38.5 million (2.9 percent) from the FY 2022-23 General Fund forecast base. Compared to forecast spending in the prior biennium (FY 2020-21), this represents a General Fund increase of \$40.240 million or 3 percent.

The specifics of the appropriation changes noted above from Chapter 2 include the following:

- \$38 million in the FY 2022-23 biennium to address the general operations and maintenance of the University of Minnesota system.
- \$500,000 one-time funding in the FY 2022-23 biennium appropriated to the Natural Resources Research Institute as part of the System Special appropriation.

If you have any questions on higher education finance issues, please contact Ken Savary, House Fiscal Analysis Department, at 651-296-7171 or ken.savary@house.mn.

Housing Finance

Minnesota Laws 2021, First Special Session, Chapter 8, as enacted in 2021, appropriates money for the Minnesota Housing Finance Agency. Laws 2021, First Special Session, Chapter 8 enacts total General Fund appropriations of \$125,596 million for the 2022-23 biennium. The amount appropriated is \$10 million over base level funding. No changes were made to FY 2021 general fund appropriations. The following chart and agency narrative provides details on the appropriations.

Housing Finance						
Total General Fund Spending						
(all dollars in thousands)						
	FY 20-21 Forecast	Forecast Base FY 2022-23	Enacted FY 2022-23	Percentage Change: Enacted FY 2022-23 vs. FY 2020-21 with Changes	Percentage Change: Enacted vs. Base FY 2022-23	Enacted FY 2024-25
Housing Finance Agency	120,596	115,596	125,596	4.1%	8.7%	115,596
Debt Service						12,000
Total Expenditures	120,596	115,596	125,596	4.1%	8.7%	127,596
General Fund Revenue			0			0
Net GF Total	120,596	115,596	125,596	4.1%	8.7%	127,596

Minnesota Housing Finance Agency

The Minnesota Housing Finance Agency (MHFA) received an appropriation of \$125.596 million from the General Fund. The amount appropriated is \$10 million over base level funding. There were a number of changes that contributed to the total appropriation:

- A one-time appropriation increase of \$2.8 million for the Challenge Program. In total the program received \$28.650 in FY 2022-23.
- A one-time appropriation increase of \$1 million for the Homeownership Assistance Fund. In total the program received \$2.770 in the FY 2022-23.
- A one-time appropriation of \$3.250 for the Workforce Homeownership Program. In total the program received \$3.750 million in FY 2022-23.
- A one-time appropriation of \$1.750 for Manufactured Home Park Infrastructure Grants. In total the program received \$3.750 million in FY 2022-23.
- A one-time appropriation of \$1 million for Local Housing Trust Fund Grants.
- A one-time appropriation of \$200,000 to establish a Shelter Provider Task Force.
- The legislature also designated that \$140,000 of the \$1.290 million appropriated for Capacity Building Grants would be used for the Open Access Voice Mail System.

Other non-general fund changes included language that allowed Minnesota Management and Budget to return Housing Pool Application Deposits to entities that had applied to receive project funding, but could no longer complete the projects due to the COVID-19 pandemic. This change resulted in a \$253,000 expense to the Special Revenue Fund and a corresponding \$253,000 loss of revenue to the Housing Development Fund.

Chapter 8 also provided \$100 million of Housing Infrastructure Bonds if the Federal Government fails to enact an infrastructure plan that contains housing related funding. Chapter 8 specifies that \$18.333 million of the bonds be designated for single family homes and \$15 million be designated for Manufactured Home Park Infrastructure and Acquisition. The uses of the remaining \$66.667 million are not designated in the law. General fund debt service for these appropriation bonds is \$4 million in FY 2024 and \$8 million beginning in FY 2025 through FY 2044.

Additionally, the omnibus tax bill, Laws 2021, First Special Session, Chapter 14 included a recurring \$100,000 appropriation to MHFA for administration of the Minnesota housing tax credit from FY2023 to FY2028.

For additional information on Housing Finance issues, contact Ken Savary, Fiscal Analyst, at 651-296-7171 or ken.savary@house.mn.

Jobs, Economic Development, Energy, and Commerce

2021 Regular Legislative Session

Budgetary changes for the Jobs, Economic Development, Energy, and Commerce finance policy areas were included in one bill in the 2021 Regular Legislative Session and four bills in the 2021 First Special Session. Chapter 2 of the 2021 Regular Legislative Session concerns policy changes with unknown fiscal impacts to the Unemployment Insurance Trust Fund in the United States Treasury.

2021 First Special Legislative Session

Jobs, Economic Development, Energy, and Commerce Bills

Chapter 4 of the 2021 First Special Legislative Session contains the FY 2022-2023 appropriations for the Commerce and Energy policy areas. The Legislature approved \$88.135 million in direct appropriations from the General Fund, which represents a 29.5 percent increase over the General Fund base budget for FY 2022-23. Total General Fund revenue is increased by \$2.279 million over the forecasted base, resulting in the bill having a net General Fund impact of \$85.856 million, a 26.1 percent increase over the FY 2022-23 base budget. Compared to the forecasted 2020-2021 spending for comparable policy areas, the enacted budget is 26.5 percent higher with revenue changes.

Chapter 10 of the 2021 First Special Legislative Session contains the FY 2022-2023 appropriations for the Jobs and Economic Development policy areas. The Legislature approved \$423.506 million in direct and statutory appropriations from the General Fund, which represents a 71.8 percent increase over the General Fund base budget for FY 2022-23. Total General Fund revenue is increased by \$595,000 for the biennium, and Chapter 10 cancels \$45.945 million in fiscal year 2021, resulting in the bill having a net General Fund impact of \$376.966 million, a 52.9 percent increase over base budget. Compared to the forecasted 2020-2021 spending for comparable policy areas, the enacted budget is 24.7 percent higher with revenue changes. Article 4 contains changes to the Unemployment Insurance Trust Fund in the United States Treasury that have unknown fiscal impacts.

Other Bills with Related Fiscal Impacts

Chapter 5 of the 2021 First Special Legislative Session pertains primarily to transportation but includes one-time General Fund appropriations in Article 1, Section 7 of \$15,000 in FY 2022 and \$15,000 in FY 2023 to the commissioner of employment and economic development for temporary staff costs related to the procurement of a statewide freight optimization tool for the Department of Transportation.

Chapter 14 is the 2021 First Special Legislative Session omnibus tax bill, but it includes two General Fund appropriations to the commissioner of employment and economic development. Article 1, Section 3, Subdivision 6 appropriates \$100,000 in FY 2022-23 and \$100,000 in FY 2024-25 for costs associated with administering the Film Production Credit. Article 11, Section 41 appropriates \$24 million in FY 2022 for the Targeted Community Capital Project Grant Program under Minnesota Statutes, section 116J.9924.

Tables 1 and 2 summarize the General Fund changes enacted in the 2021 First Special Legislative Session. The tables show the full appropriations in Chapters 4 and 10, as well as the percent change from base budget and the past biennium. They also include the enacted base budget for fiscal years 2024-2025. Tables 3 and 4 highlight change from base in dollar amounts for fiscal years 2022-2023 and fiscal years 2024-2025.

General Fund

	FY 20-21 Forecast	FY 22-23 Forecast Base	FY 22-23 Enacted	% Change: Enacted v. FY 20-21	% Change: Enacted v. Base	Enacted Base FY 24-25
Department of Commerce	52,275	52,484	70,644	35.1%	34.6%	60,246
Public Utilities Commission	15,586	15,586	16,499	5.9%	5.9%	16,628
Minnesota Management & Budget†	0	0	98	-	-	98
Minnesota Department of Health†	0	0	74	-	-	74
Dept. Employment & Economic Development	0	0	520	-	-	700
Department of Education†	0	0	300	-	-	0
Total General Fund Spending	67,861	68,070	88,135	29.9%	29.5%	77,746
General Fund Revenue Changes	0	0	(2,279)			(2,180)
Net General Fund Spending	67,861	68,070	85,856	26.5%	26.1%	75,566

	FY 20-21 Forecast	FY 22-23 Forecast Base	FY 22-23 Enacted	% Change: Enacted v. FY 20-21	% Change: Enacted v. Base	Enacted Base FY 24-25
Dept. Employment & Economic Development	239,820	169,376	344,441	43.6%	103.4%	186,106
Destination Medical Center	34,470	58,954	58,954	71.0%	0.0%	73,955
Department of Labor & Industry	8,237	8,488	9,758	18.5%	15.0%	6,958
Bureau of Mediation Services	4,606	4,580	4,785	3.9%	4.5%	4,580
Dept. of Iron Range Resources & Rehabilitation	5,504	5,168	5,168	-6.1%	0.0%	5,625
16A.152 Tr. to Minnesota 21st Century Fund	9,781	0	0	-100.0%	-	0
MN State Colleges & Universities (MNSCU)†	0	0	400	-	-	0
Total General Fund Spending	302,418	246,566	423,506	40.0%	71.8%	277,224
General Fund Revenue Changes	0	0	(595)	-	-	0
General Fund Cancellations	0	0	(45,945)	-	-	
Net General Fund Spending	302,418	246,566	376,966	24.7%	52.9%	277,224

*This does not include General Fund Broadband appropriations, which were appropriated to DEED but included in the Agriculture and Housing area. The FY 20-21 value does include the \$25 million GF contingent Unemployment Insurance appropriation created in Minnesota Laws 2020, 7th Special Session, Chapter 2, Article 3, Section 2 ([link](#)).

†Agency is not typically a part of the Jobs, Economic Development, Energy, and Commerce Policy Area.

Table 3 – Chapter 4 General Fund Changes						
(Dollars in Thousands)						
	FY2022	FY2023	FY22-23	FY2024	FY2025	FY24-25
General Fund Changes						
Chapter 4 Expenditure Changes						
Department of Commerce	13,809	4,351	18,160	4,985	3,847	8,832
Department of Commerce (FY21)	272	0	272	0	0	0
Public Utilities Commission	392	521	913	521	521	1,042
Minnesota Management & Budget†	49	49	98	49	49	98
Minnesota Department of Health†	37	37	74	37	37	74
Dept. Employment & Economic Development	170	350	520	350	350	700
Department of Education†	150	150	300	0	0	0
Subtotal Expenditure Changes:	14,879	5,458	20,337	5,942	4,804	10,746
Chapter 4 Revenue Changes						
Department of Commerce	(797)	(569)	(1,366)	(569)	(569)	(1,138)
Public Utilities Commission	(392)	(521)	(913)	(521)	(521)	(1,042)
Subtotal Revenue Changes:	(1,189)	(1,090)	(2,279)	(1,090)	(1,090)	(2,180)
Chapter 4 GF Cancellations						
Department of Commerce (FY21)	(1,220)	0	(1,220)	0	0	0
Net General Fund Changes:	12,470	4,368	16,838	4,852	3,714	8,566

Table 4 – Chapter 10 General Fund Changes (Dollars in Thousands)						
	FY2020	FY2021	FY20-21	FY2022	FY2023	FY22-23
General Fund Changes						
Chapter 10 Expenditure Changes						
Dept. Employment & Economic Development	169,013	6,052	175,065	8,365	8,365	16,730
Destination Medical Center	0	0	0	0	0	0
Department of Labor & Industry	1,135	135	1,270	135	135	270
Bureau of Mediation Services	80	125	205	0	0	0
Dept. of Iron Range Resources & Rehabilitation	0	0	0	0	0	0
MN State Colleges & Universities†	400	0	400	0	0	0
Subtotal Expenditure Changes:	170,628	6,312	176,940	8,500	8,500	17,000
Chapter 10 Revenue Changes						
Dept. Employment & Economic Development	(595)	0	(595)	0	0	0
Chapter 10 GF Cancellations						
Dept. Employment & Economic Development	(45,945)	0	(45,945)	0	0	0
Net General Fund Changes:	124,088	6,312	130,400	8,500	8,500	17,000

Workforce Development Fund

Another significant funding source in the Jobs and Economic Development policy area is the Workforce Development Fund. Revenue into this fund comes from a 0.1 percent assessment fee Minnesota employers pay on each employee's taxable wages (60 percent of the state's average annual wage, e.g. \$35,000 in 2020). According to the MMB 2021 End of Session Consolidated Fund Statement, projected revenue into the fund for FY 2022-2023 is \$130.047 million. The Legislature approved \$86.042 million in direct appropriations from the fund for FY 2022-23, which represents a 65 percent increase over the base budget of \$52.042 million. Money in the fund that is not directly appropriated by the Legislature is statutorily appropriated to the Department of Employment and Economic Development for the Dislocated Worker Program.

Table 5 summarizes Workforce Development Fund changes.

	FY2022	FY2023	FY22-23	FY2024	FY2025	FY24-25
Workforce Development Fund Changes						
Chapter 10 Expenditure Changes						
<u>Change from Base</u>						
Dept. Employment & Economic Development	16,512	16,262	32,774	0	0	0
Department of Labor & Industry	663	563	1,226	338	338	676
Net Change from Base:	17,175	16,825	34,000	338	338	676
<u>Change from FY20-21</u>						
Dept. Employment & Economic Development	6,314	4,584	10,898	(10,198)	(11,678)	(21,876)
Department of Labor & Industry	559	260	819	234	35	269
Net Change from FY20-21:	6,873	4,844	11,717	(9,964)	(11,643)	(21,607)

Renewable Development Account

The Renewable Development Account (RDA),¹ initially administered by Xcel Energy as the Renewable Development Fund, was transferred by statute to the state of Minnesota on July 1, 2017. The creation of this account was, in part, a response to the Office of the Legislative Auditor's 2010 report regarding the RDF (<http://www.auditor.leg.state.mn.us/ped/2010/rdf.htm>).

Chapter 4 includes RDA appropriations to the Department of Employment and Economic Development, the Department of Commerce, the University of Minnesota, and the Department of Administration, as well as language creating revenue reductions.

Table 6 shows the Renewable Development Account expenditures, revenue, and account balance.

¹Though the RDA was established in law as an account in the Special Revenue Fund, Minnesota Management and Budget used their statutory authority in [M.S. 16A.53](#), Subdivision 3 to manage and track the RDA as a separate fund in the [Consolidated Fund Statement](#), calling it the Renewable Development Fund. Because the account at Xcel Energy prior to the 2017 statute change was also referred to as the Renewable Development Fund (RDF), this document uses the term Renewable Development Account (RDA) to specify the fund in the state treasury.

Table 6 – Chapter 4 Renewable Development Account Overview (Dollars in Thousands)						
	FY2022	FY2023	FY22-23	FY2024	FY2025	FY24-25
Expenditures						
Dept. Employment & Economic Development	9,000	0	0	0	0	0
Department of Commerce	24,465	21,240	45,705	7,178	5,440	12,618
University of Minnesota	10,000	0	10,000	0	0	0
Department of Administration	5,344	88	5,432	90	92	182
Total Expenditures	48,809	21,328	70,137	7,268	5,532	12,800
Balance Forward from Prior Year	66,496	39,718	106,214	48,679	67,374	116,053
Revenue						
Transfer in from Xcel Energy	29,445	29,624	59,069	30,149	31,832	61,981
Investment Income	586	665	1,251	814	1,036	1,850
Total Revenue:	30,031	30,289	60,320	30,963	32,868	63,831
Revenue Reductions						
Solar Rewards Extension	0	0	0	5,000	5,000	10,000
Solar on Schools	8,000	0	8,000	0	0	0
Total Revenue – Revenue Reductions	22,031	30,289	52,320	25,963	27,868	53,831
Account Balance:	39,718	48,679	48,679	67,374	89,710	89,710

Chapter 4 – Detail

Department of Commerce

The Commerce Department's enacted General Fund budget for FY 2022-23 is \$70.644 million (see Table 1). The change represents an \$18.160 million or 34.6 percent increase from current law base. The funding base for the FY 2024-25 biennium is \$60.246 million.

General Fund Changes

The Legislature approved the following increases to existing and new programs:

- The Financial Institutions Division received a \$576,000 operating increase for its Securities Unit for the FY 2022-23 biennium and a \$594,000 operating increase for the FY 2024-25 biennium.

- The Financial Institutions Division received \$508,000 in FY 2022-23 and \$508,000 in FY 2024-25 for implementation of the Student Loan Borrower Bill of Rights.
- The Administrative Services Division received a \$547,000 operating increase for the FY 2022-23 biennium and a \$646,000 operating increase for the FY 2024-25 biennium.
- The Telecommunications Division received a \$69,000 operating increase for the FY 2022-23 biennium and an \$86,000 operating increase for the FY 2024-25 biennium.
- The Telecommunications Division received \$310,000 in FY 2022 only for transfer to the Legislative Coordinating Commission for captioning legislative coverage.
- The Enforcement/Market Assurance Division received a \$369,000 operating increase for the FY 2022-23 biennium and a \$460,000 operating increase for the FY 2024-25 biennium.
- The Enforcement/Market Assurance Division received \$200,000 in FY 2022 only for catalytic converter theft prevention.
- The Insurance Division received a \$1.784 million operating increase for the FY 2022-23 biennium and an \$872,000 operating increase for the FY 2024-25 biennium.
- The Insurance Division received \$210,000 in FY 2022-23 and FY 2024-25 for the mandated health benefit proposal evaluations. Chapter 4 also appropriates \$98,000 per biennium to Minnesota Management and Budget and \$74,000 per biennium to the Minnesota Department of Health for the same purpose.
- The Weights and Measures Division received a \$3 million operating increase in both the FY 2022-23 biennium and the FY 2024-25 biennium.
- The Energy Resources Division received:
 - A \$301,000 operating increase for the FY 2022-23 biennium and a \$374,000 operating increase for the FY 2024-25 biennium.
 - \$8 million in FY 2022 only for the Solar on Schools program for schools outside of the Xcel Energy Service Territory.
 - \$1.242 million in FY 2022 and \$1.138 million in FY 2024 for Solar on Community Colleges.
 - \$378,000 in FY 2022-23 and FY 2024-25 for administration of the Natural Gas Innovation Act.

The Legislature approved the following revenue-related policies:

- Article 5 of Chapter 4 includes changes to Minnesota Statutes Section 332 concerning the definition of “debt buyer” and the licensure and regulation of collection agencies and debt buyers. These changes result in ongoing revenues of an estimated \$76,000 per biennium.
- Article 6 creates Minnesota Statutes 58B, the Student Loan Borrower Bill of Rights. Language in Section 4 establishes a student loan borrower licensure system with licensing and investigation fees, resulting in General Fund revenues of an estimated \$242,000 in the FY 2022-23 biennium and \$224,000 in the FY 2024-25 biennium.

Other Fund Changes

- The Telecommunications Division received an increase of \$33,000 per year from the Telecommunications Access Minnesota (TAM) Fund starting in FY 2023. This increases the yearly transfer to the Legislative Coordinating Commission for captioning legislative coverage from \$100,000 to \$133,000.
- The legislature transferred \$300,000 in fiscal year 2022 from the consumer education account in the Special Revenue Fund to the General Fund. These funds were transferred in order to make the \$300,000 General Fund appropriation to the Department of Education for the Minnesota Council on Economic Education.
- In Article 7, Section 22, the Energy Resources Division was authorized to extend its utility grid reliability assessment authority ([M.S. 216B.62](#)) until June 30, 2023, which allows it to assess and spend “up to \$500,000 per fiscal year” for performing its regional and national duties (operating costs).
- Article 7 also repeals section 115C.13, eliminating the scheduled repeal of the collection of the Petroleum Tank Release Compensation Fund on June 30, 2022 and thus extending Petroleum Tank Release Compensation Fund revenue collection and expenditures as detailed in [M.S. 115C.08](#).

Public Utilities Commission (PUC)

The PUC’s enacted General Fund budget for FY 2022-23 is \$16.499 million (see Table 1). The change represents a \$913,000 or 5.9 percent increase from current law base. The funding base for the FY 2024-25 biennium is \$16.628 million.

The Legislature approved the following increases:

- The PUC received a General Fund operating increase of \$689,000 in the FY 2022-2023 biennium and \$818,000 in FY 2024-25 biennium.
- For implementation of the Natural Gas Innovation Act, the PUC received \$224,000 in FY 2022-23 and a base of \$224,000 in FY 2024-25.

Chapter 10 – Detail

Department of Employment and Economic Development (DEED)

General Fund Changes

DEED’s enacted General Fund budget for FY 2022-23 is \$344,441 million (see Table 2). The change represents a \$175,065 million or 103.4 percent increase from current law base. The funding base for the FY 2024-25 biennium is \$186.106 million.

The Legislature approved the following increases to existing and new programs:

- In Chapter 4, DEED received one appropriation of \$520,000 in FY 2022-23 for the Community Planning Energy Transition Office. The base in FY 2024-25 is \$700,000.
- The Business and Community Development Division received:
 - An increase of \$7 million in FY 2022 only for the Business Development Competitive Grant Program. This increase over base was set aside for technical assistance to small businesses.
 - \$5 million in the FY 2022-23 biennium and \$3 million in the FY 2024-25 biennium for grants to local communities to increase the number of quality child care providers to support economic development. Fifty percent of grant funds must go to Greater Minnesota communities.
 - \$3 million in FY 2022-23 and \$2 million in FY 2024-25 for a grant to the Minnesota Initiative Foundations to facilitate planning processes and work with local communities and public/private partners to increase the supply of quality childcare around the state.
 - \$0 in the first biennium and a base of \$4.492 million in the second biennium for the Redevelopment Program.
 - An extension of the FY 2020-21 level of funding for Launch Minnesota, which was previously one-time funding. Launch Minnesota is now funded at \$5 million in FY 2022-23 and \$5 million in FY 2024-25.
 - \$1,148,000 in FY 2022 only for a grant to the Northeast Entrepreneur Fund, a small business administration microlender and community development financial institution operating in northern Minnesota. Grant funds must be used as capital for accessing additional federal lending for small businesses impacted by COVID-19 and must be returned to the commissioner for deposit in the general fund if the Northeast Entrepreneur Fund fails to secure such federal funds before January 1, 2022.
 - \$80,000,000 in FY 2022 only is for the Main Street Economic Revitalization Loan Program. This appropriation is available until June 30, 2025.
 - \$70,000,000 in FY 2022 only is for the Main Street COVID-19 Relief Grant Program. These grants must be evenly divided between the metropolitan area and Greater Minnesota.
 - \$1 million in FY 2022-23 and \$1 million in FY 2024-25 for the airport infrastructure renewal (AIR) grant program under Minnesota Statutes, section 116J.439.
 - \$5 million in FY 2022 only is for a grant to Lake of the Woods County for the forgivable loan program for remote recreational businesses. This appropriation is available until April 1, 2022.
- The Employment and Training Division received \$1.750 million in the FY 2022-23 biennium only for a grant to the Minnesota Technology Association to support the SciTech Internship Program, a program that supports science, technology, engineering, and math (STEM) internship opportunities.
- The General Support Services Division of DEED received an operating increase of \$1.525 million in FY 2022-23 and an operating increase of 1.838 million in FY 2024-25.

The legislature approved the following reductions to existing programs:

- The Minnesota Investment Fund was appropriated \$20.057 million for the FY 2022-23 biennium, a \$4.683 million reduction from the current law base. The base for FY 2024-25 is \$24.74 million, a return to current law base.
- The Higher Education Career Advising Program was eliminated, a reduction of \$500,000 from current law base for the FY 2022-23 biennium as well as the FY 2024-25 biennium.
- For the State Trade and Export Promotion (STEP) Grants, the Minnesota Trade Office received \$200,000 each year in the first biennium, a \$200,000 decrease from base funding. Due to the Coronavirus pandemic, the Trade Office suggested they would be unable to use the full base level of funding for these grants. The FY 2024-25 base for the STEP grants returns to its previous level of funding at \$300,000 per year.
- The Trade Policy Advisory Council sunset in statute January 1, 2020 but funding remained in the General Fund Balance in the 2021 February Forecast at its previous level of funding, \$100,000 per biennium. Per its statutory end, the Trade Policy Advisory Council was not appropriated funds and therefore registered as a decrease of \$100,000 in both FY 2022-23 and FY 2024-25.

The Legislature approved the following revenue-generating policy:

- Article 2, section 7 approves a onetime exception to restrictions on the use of the Minnesota Investment Fund local government loan repayments. Any city, county, or town that has received funds awarded under Minnesota Statutes, section [116J.8731](#), may choose to transfer 20 percent of the balance of that money to the state General Fund before June 30, 2020 and then may use the remaining 80 percent of the uncommitted money as a general purpose aid for any lawful expenditure. The estimated fiscal impact of this policy is \$595,000 in additional revenue to the General Fund in FY 2022.

Workforce Development Fund Changes

The Legislature approved the following increases to existing and new programs:

- The Business and Community Development Division received \$1.5 million for grants to the Neighborhood Development Center for small business programs.
- The Employment and Training Division received:
 - \$1.424 million in FY 2022-23 for a grant to the American Indian Opportunities and Industrialization Center, in collaboration with the Northwest Indian Community Development Center, to reduce academic disparities for American Indian students and adults. This is a onetime appropriation.
 - \$1 million in FY 2022-23 for performance grants under Minnesota Statutes, section [116J.8747](#), to Goodwill-Easter Seals Minnesota and its partners. The grant shall be used to continue the FATHER Project in Rochester, Park Rapids, St. Cloud, St. Paul, Minneapolis, and the surrounding areas. This is a onetime appropriation.

- \$700,000 in FY 2022-23 for performance grants under Minnesota Statutes, section [116J.8747](#), to the International Institute of Minnesota for workforce training for New Americans in industries in need of a trained workforce. This is a onetime appropriation.
- \$1.5 million in FY 2022-23 for a grant to the Minnesota Alliance of Boys and Girls Clubs to administer a statewide project of youth job skills and career development. This is a onetime appropriation.
- \$500,000 in FY 2022-23 for grants to the Minnesota Grocers Association Foundation for Carts to Careers. This is a onetime appropriation.
- \$250,000 in FY 2022 only for a grant to the ProStart and Hospitality Tourism Management Program.
- \$750,000 in FY 2022-23 for a grant to the Construction Careers Foundation for the construction career pathway initiative. This is a onetime appropriation.
- \$1.4 million in FY 2022-23 for a grant to Comunidades Latinas Unidas En Servicio-Latino Communities United in Service (CLUES). At least 50 percent of this amount must be used for programming targeted at greater Minnesota. This is a onetime appropriation.
- \$1.4 million in FY 2022-23 for performance grants under Minnesota Statutes, section [116J.8747](#), to Twin Cities RISE to provide training to hard-to-train individuals. This is a onetime appropriation and funds are available until June 30, 2024.
- \$950,000 in FY 2022-23 for a grant to Bridges to Healthcare. This is a onetime appropriation.
- \$1.3 million in FY 2022-23 for performance grants under Minnesota Statutes, section [116J.8747](#), to Avivo to provide low-income individuals with career education and job skills training that is integrated with chemical and mental health services. This is a onetime appropriation.
- \$600,000 in FY 2022-23 for a grant to the Hmong American Partnership. This is a onetime appropriation.
- \$250,000 in FY 2022-23 for a grant to the Hmong Chamber of Commerce to train ethnically Southeast Asian business owners and operators in better business practices. This is a onetime appropriation.
- \$450,000 in FY 2022-23 for Minnesota Family Resiliency Partnership programs under Minnesota Statutes, section [116L.96](#). This is a onetime appropriation.
- \$2.350 million in FY 2022-23 for a grant to Summit Academy OIC to expand their contextualized GED and employment placement program and STEM program. This is a onetime appropriation.
- \$500,000 in FY 2022-23 for a grant to Big Brothers Big Sisters of the Greater Twin Cities for workforce readiness, employment exploration, and skills development for youth ages 12 to 21. This is a onetime appropriation.
- \$800,000 in FY 2022-23 for a grant to Ujamaa Place for job training, employment preparation, internships, education, training in vocational trades, housing, and organizational capacity building. This is a onetime appropriation.

- \$300,000 in FY 2022-23 for performance grants under Minnesota Statutes, section [116J.8747](#), to the YWCA of St. Paul to provide job training services and workforce development programs and services, including job skills training and counseling. This is a onetime appropriation.
- \$1.4 million in FY 2022-23 for a grant to Youthprise to give grants through a competitive process to community organizations to provide economic development services designed to enhance long-term economic self-sufficiency in communities with concentrated East African populations. This is a onetime appropriation.
- \$900,000 in FY 2022-23 for grants to Minnesota Diversified Industries, Inc., to provide inclusive employment opportunities and services for people with disabilities. This is a onetime appropriation.
- \$300,000 in FY 2022-23 for a grant to the YWCA of Minneapolis to provide economically challenged individuals the job skills training, career counseling, and job placement assistance necessary to secure a child development associate credential and to have a career path in early childhood education. This is a onetime appropriation.
- \$500,000 in FY 2022-23 for a grant to EMERGE Community Development for the Cedar-Riverside Opportunity Center and its on-site partners. This is a onetime appropriation.
- \$2 million in FY 2022-23 for a grant to Propel Nonprofits to provide capacity-building grants and related technical assistance to small, culturally specific organizations that primarily serve historically underserved cultural communities. Propel Nonprofits may only award grants to nonprofit organizations that have an annual organizational budget of less than \$500,000. This is a onetime appropriation.
- \$600,000 in FY 2022-23 for a grant to Better Futures Minnesota to provide job skills training to individuals who have been released from incarceration for a felony-level offense and are no more than 12 months from the date of release. This is a onetime appropriation.
- \$500,000 in FY 2022-23 for a grant to the Juxtaposition Arts Center to provide job training and workforce development services for underserved communities. This is a onetime appropriation.
- \$550,000 in FY 2022-23 for a grant to Workforce Development, Inc., to provide career education, wraparound support services, and job skills training in the Owatonna and Steele County area. This is a onetime appropriation.
- \$1 million in FY 2022-23 for a grant to Pillsbury United Communities to provide job training and workforce development services for underserved communities. This is a onetime appropriation.
- \$500,000 in FY 2022-23 for a grant to 30,000 Feet, a nonprofit organization, to fund youth apprenticeship jobs, after-school programming, and summer learning loss prevention for African American youth. This is a onetime appropriation.
- \$500,000 in FY 2022-23 for the getting to work grant program. This is a onetime appropriation.

- \$1 million in FY 2022-23 for a grant to Project for Pride in Living to provide job training and workforce development services for underserved communities. This is a onetime appropriation.
- \$2 million in FY 2022-23 for the African Immigrant Competitive Grant Program. This is a onetime appropriation.
- \$500,000 in FY 2022-23 for a grant to the Center for Economic Inclusion for a strategic intervention program designed to target and connect program participants to meaningful, sustainable living-wage employment. This is a onetime appropriation.
- \$600,000 in FY 2022-23 for a grant to YMCA of the North to provide job training and workforce development services for underserved communities. This is a onetime appropriation.
- \$2 million in FY 2022-23 for grants to assist internationally trained professionals in earning the professional licenses required to do similar work in Minnesota. This is a onetime appropriation.

Other Fund Changes

- Article 1, Section 7 requires the commissioner of employment and economic development to prepare and submit an application to the United States Department of the Treasury requesting that \$70,000,000 of Minnesota's capital projects fund allocation under Public Law 117-2 be awarded to the state. Of the amount awarded to the state, 50 percent in fiscal year 2022 and 50 percent in fiscal year 2023 are appropriated to the commissioner of employment and economic development for broadband development.

Destination Medical Center (DMC)

The DMC's statutory General Fund appropriation for FY 2022-23 is estimated to be 58.954 million (see Table 2). This amount reflects no change from FY 2022-23 base funding but a \$24.484 million or 71.0 percent increase from the FY 2020-21 statutory appropriation.

Department of Labor and Industry (DLI)

DLI's enacted General Fund budget for FY 2022-23 is \$9.758 million (see Table 2). The change represents a \$1.270 million or 15.0 percent increase from current law base. The funding base for the FY 24-25 biennium is \$6.958 million.

General Fund Changes

The Legislature approved the following increases to existing and new programs:

- The Labor Standards and Apprenticeship Division received:
 - An operating increase of \$152,000 in FY 2022-23 and \$202,000 in FY 2024-25.
 - \$118,000 in FY 2022-23 and \$68,000 in FY 2024-25 for outreach and enforcement efforts related to changes to the nursing mothers, lactating employees, and pregnancy accommodations law.

- \$1 million in FY 2022 only for the loggers safety grant program.

Workforce Development Fund Changes

The Legislature approved the following increases to existing and new programs:

- The Labor Standards and Apprenticeship Division received:
 - An operating increase of \$276,000 in both FY 2022-23 and FY 2024-25.
 - \$450,000 in FY 2022-23 for grants to the Construction Careers Foundation for the Helmets to Hard Hats Minnesota initiative. These are onetime appropriations.
- The Workforce Development Initiatives Division received:
 - An increase over base funding for the PIPELINE Dual Training Grant Program of \$400,000 each biennium. This part of the PIPELINE appropriation was originally made from the General Fund to the Office of Higher Education.
 - \$100,000 in the first year only for a grant to Independent School District No. 294, Houston, for the Minnesota Virtual Academy's career pathway program with Operating Engineers Local 49.

Other Fund Changes

The Legislature approved the following increases to existing and new programs:

- \$700,000 in FY 2022 only was appropriated from the Workers' Compensation Fund for workers' compensation IT system upgrades.
- The Workplace Safety Division received an OSHA operating increase from the Workers' Compensation Fund of \$1.806 million in FY 2022-23 and \$1.806 million in FY 2024-25.
- Article 3 modifies language concerning the Contractor Recovery Fund, which results in an estimated increase in spending of \$306,000 in FY 2022-23 and \$306,000 in FY 2024-25.
- Article 3 also includes a temporary reduction to Construction Codes and Licensing fees for the period of October 1, 2021 through September 30, 2023, which results in an estimated decrease in revenue for the Construction Codes Fund of \$4.5 million in the FY 2022-23 biennium only.

Bureau of Mediation Services (BMS)

The BMS' enacted General Fund budget for FY 2022-2023 is \$4.785 million (see Table 2). The change represents a \$205,000 or 4.5 percent increase from current law base. The funding base for the FY 2024-25 biennium is \$4.580 million.

- The BMS received a General Fund operating increase of \$205,000 for the FY 2022-23 biennium.

Workers' Compensation Court of Appeals

The Workers' Compensation Court of Appeals' enacted budget from the Workers' Compensation Fund is \$4.566 million for FY 2022-23 with \$4.566 million in the FY 2024-25.

Department of Iron Range Resources & Rehabilitation (IRRR)

The IRRR's statutory General Fund appropriation for FY 2022-23 is \$5.168 million (see Table 2). This amount reflects no change from FY 2022-23 base funding but a \$336,000 or 6.1 percent decrease from the FY2020-21 statutory appropriation. This appropriation is for pass-through grants to Iron Range counties and school districts.

Minnesota State Colleges and Universities (MNSCU)

While MNSCU does not typically fall under this policy area, Chapter 10 appropriated \$400,000 in FY 2022 only to MNSCU for the Career and Technical Educator Pilot Project, which will take place at Winona State University and Minnesota State College Southeast. Unencumbered balances do not cancel until July 1, 2025.

For additional information on Jobs, Economic Development, Energy, and Commerce Finance issues, contact Solveig Beckel, Fiscal Analyst, at 651-296-4162 or solveig.beckel@house.mn.

Legacy Finance

Minnesota Laws 2021, First Special Session, Chapter 1 appropriates \$645.982 million in FY 2022-23 from the four funds established under the constitutional amendment passed by voters in November 2008. The total appropriations by fund and fiscal year are shown below. Each of the four funds maintained a five percent reserve based on the February 2021 Forecast.

<i>First Special Session Laws 2021, Chapter 1</i>			
Clean Water, Land, and Legacy Constitutional Amendment			
<i>(Dollars in thousands)</i>			
	FY 2022	FY 2023	Total
Outdoor Heritage Fund	127,837	557	128,394
Clean Water Fund	126,711	130,081	256,792
Parks & Trails Fund	54,797	55,884	110,681
Arts & Cultural Heritage Fund	73,132	76,617	149,749
Total	382,477	263,139	645,616

Outdoor Heritage Fund

Chapter 1 provided appropriations totaling \$128.394 million from the Outdoor Heritage Fund. The appropriations fall into five categories consistent with the constitutional language creating the fund.

- | | | |
|-------------------------------------|-----------|--------|
| • <i>Prairies</i> | \$ 42.784 | 33.46% |
| • <i>Forests</i> | \$ 12.476 | 9.76% |
| • <i>Wetlands</i> | \$ 22.389 | 17.51% |
| • <i>Habitat</i> | \$ 49.254 | 38.53% |
| • <i>Administration & Other</i> | \$ 1.491 | 1.17% |

The following table shows the legislative appropriations by category and project title. The Outdoor Heritage Fund is the only fund out of the four funds that makes appropriations one year at a time. Appropriations for FY 2023 will be made by the 2022 Legislature. The legislature receives recommendations from the Lessard-Sams Outdoor Heritage Council and will receive FY 2023 recommendations by January of 2022. The administration budget for the second year is appropriated for FY 2023; typically this is the only appropriation for the second year.

Outdoor Heritage Fund	MN Laws 2021, 1st SS Chapter 1		
	FY 2022	FY 2023	FY 22-23
Subd. 2 Prairies			
DNR WMA and SNA Acquisition, Phase XIII	1,948	-	1,948
Accelerating the WMA Program, Phase XIII	4,715	-	4,715
Minnesota Prairie Recovery Project, Phase XI	2,794	-	2,794
Northern Tallgrass Prairie NWR Land Acquisition, Phase XII	3,280	-	3,280
Cannon River Watershed Habitat Complex, Phase X	2,623	-	2,623
Accelerating Native Prairie Bank Protection, Phase VIII	884	-	884
RIM Buffers for Wildlife and Water, Phase IX	4,170	-	4,170
Prairie Chicken Habitat Partnership of Southern Red River Valley, Phase VII	2,264	-	2,264
Accelerating USFWS Habitat Conservation Easement Program, Phase III	4,752	-	4,752
Martin County DNR WMA Acquisition, Phase V	2,864	-	2,864
RIM Grasslands Reserve, Phase III	4,354	-	4,354
DNR Grassland Enhancement, Phase XIII	3,534	-	3,534
Enhance Public Land-Grasslands, Phase V	1,951	-	1,951
Anoka Sandplain Habitat Restoration and Enhancement, Phase VII	2,651	-	2,651
Subtotal	42,784	-	42,784
Subd. 3 Forests			
Southeast Minnesota Protection and Restoration, Phase IX	4,068	-	4,068
Minnesota Forests for the Future, Phase VIII	2,971	-	2,971
Camp Ripley Sentinel Landscape ACUB Protection Program, Phase IX	1,043	-	1,043
DNR Forest Habitat Enhancement, Phase II	1,338	-	1,338
Floodplain Forest Enhancement, Phase IV	1,247	-	1,247
Moose Habitat Collaborative - NE MN Forest Habitat Enhancement, Phase IV	1,809	-	1,809
Subtotal	12,476	-	12,476
Subd. 4 Wetlands			
Accelerating the Waterfowl Production Area Acquisition Program, Phase XIII	3,869	-	3,869
Shallow Lake and Wetland Protection Program, Phase VIII	4,581	-	4,581
RIM Wetlands, Phase X	3,051	-	3,051
Wetland Habitat Protection Program, Phase VI	3,088	-	3,088
Wild Rice Shoreland Protection, Phase VI	1,251	-	1,251
Shallow Lakes and Wetlands Enhancements, Phase XII	2,589	-	2,589
Living Shallow Lakes and Wetland Enhancement, Phase XII	3,960	-	3,960
Subtotal	22,389	-	22,389
Subd. 5 Habitats			
St. Croix Watershed Habitat Protection and Restoration, Phase II	3,112	-	3,112
Metro Big Rivers, Phase XI	4,229	-	4,229
Lower Otter Tail River Corridor Habitat Restoration, Phase I	2,335	-	2,335
Fisheries Habitat Protection on Strategic North Central Minnesota Lakes, Phase VII	2,838	-	2,838
Mississippi Headwaters Habitat Corridor Project, Phase V	2,901	-	2,901
Protecting Minnesota's Lakes of Outstanding Biological Significance	1,477	-	1,477
Riparian Habitat Protection in Kettle and Snake River Watersheds	1,435	-	1,435
DNR Trout Stream Conservation Easements	500	-	500
Targeted RIM Easement Program to Individual Parcel: Pine and Leech Watersheds, Phase II	1,609	-	1,609
Minnesota Trout Unlimited Coldwater Fish Habitat Enhancement and Restoration, Phase XIII	1,033	-	1,033
DNR Aquatic Habitat Restoration and Enhancement, Phase IV	2,790	-	2,790
St. Louis River Restoration Initiative, Phase XIII	2,024	-	2,024
Shell Rock River Watershed Habitat Restoration Program, Phase X	1,547	-	1,547
Knife River Habitat Rehabilitation, Phase VI	467	-	467
Sauk River Watershed Habitat Protection and Restoration, Phase III	4,034	-	4,034
Klondike Clean Water Retention Project, Phase I	1,973	-	1,973
Conservation Partners Legacy Grant Program: Statewide and Metro Habitat, Phase XIII	10,450	-	10,450
Metro Habitat	[2,400]	-	[2,400]
Personnel Costs	[475]	-	[475]
DNR Roving Crews	4,500	-	4,500
Chart continued on next page	49,254	-	49,254

Outdoor Heritage Fund - continued	FY 2022	FY 2023	FY 22-23
Subd. 6 Administration			
Contract Management	210	-	210
Legislative Coordination Commission (LSOHC Budget)	546	553	1,099
Technical Evaluation Panel	150	-	150
Legacy Website	3	4	7
High Priority Pre-Transaction Service Acceleration	25	-	25
Subtotal	934	557	1,491
TOTAL	127,837	557	128,394

Adjusted Carryforward	16,566	15,588	
Revenues	121,873	127,760	
Investment income	<u>4,986</u>	<u>4,986</u>	
Total Resources	143,425	148,334	
Appropriations	<u>127,837</u>	<u>557</u>	128,394
Balance	15,588	147,777	
Percent Reserve	12.79%	115.67%	
Amount Needed For 5% Reserve	6,094	6,388	
Difference From 5% Reserve	9,494	141,389	

Based on February 2021 Consolidated Fund Statement

Clean Water Fund

The 2021 Legislature appropriated \$126.711 million in FY 2022 and \$130.081 Million in FY 2023 from the Clean Water Fund. A number of changes were made to the recommendations from the Clean Water Council and in the Governor’s original recommendations based on the addition of new projects and the increased availability of resources in the February Forecast. The appropriations by agencies and programs are summarized in the table below.

Clean Water Fund	MN Laws 2021, 1st SS Chapter 1		
	FY 2022	FY 2023	FY 22-23
Department of Agriculture			
Monitoring for Pesticides in Surface Water and Groundwater	350	350	700
Nitrate in Groundwater	2,585	2,585	5,170
AgBMP Loan Program	75	75	150
Technical Assistance	1,500	1,500	3,000
Research Inventory Database	40	40	80
MN Agricultural Water Quality Certification Program	3,000	3,000	6,000
Irrigation Water Quality Protection	135	135	270
Forever Green Agriculture Initiative	2,000	2,000	4,000
Pesticide Testing of Private Wells	435	435	870
Subtotal	10,120	10,120	20,240
Public Facilities Authority			
Point Source Implementation Grants	7,968	7,968	15,936
Small Community Wastewater Treatment Program	100	100	200
Subtotal	8,068	8,068	16,136
Pollution Control Agency			
Continue river and lake monitoring & assessment efforts to meet the 10-year cycle and determine pollutant	7,416	7,416	14,832
Red River Water Management Board (Riverwatch Program)	[150]	[150]	[300]
Friends of the Minnesota Valley (Riverwatch Program)	[50]	[50]	[100]
Watershed Restoration and Protection Strategies (includes TMDL development)	6,661	6,790	13,451
Groundwater Assessment	950	950	1,900
St. Louis River System Area of Concern Remedial Action Plan Implementation	750	750	1,500
Wastewater/Storm water (NPDES) TMDL Implementation	900	900	1,800
Enhanced County Inspections/SSTS Corrective Actions	2,912	2,912	5,824
Accelerated Implementation of Municipal Storm water (MS4) Permit Requirements	200	200	400
National Park Water Quality Protection Program	700	700	1,400
Chloride Reduction Program	260	260	520
Clean Water Council Budget	275	275	550
Subtotal	21,024	21,153	42,177
Department of Natural Resources			
Stream Flow Monitoring	2,000	2,000	4,000
Lake IBI assessment	1,000	1,000	2,000
Fish Contamination Assessment	175	175	350
Watershed Restoration and Protection Strategies	1,900	1,900	3,800
Aquifer Monitoring for Water Supply Planning	1,850	1,850	3,700
Nonpoint Source Restoration and Protection Activities	1,250	1,250	2,500
Tool Development and Evaluation	535	530	1,065
Buffer Map Maintenance	25	25	50
Subtotal	8,735	8,730	17,465
Board of Water and Soil Resources			
Grants to Watersheds with Multiyear Plans (Targeted Watershed Program)	21,197	22,367	43,564
Surface and Drinking Water Protection/Restoration Grants (Projects and Practices)	10,762	11,504	22,266
Accelerated Implementation	4,841	4,841	9,682
Measures, Results and Accountability	1,250	1,250	2,500
Shoreland Buffer Compliance Program	1,936	1,936	3,872
Riparian Buffer-Permanent Conservation Easements	1,936	1,936	3,872
Targeted Wellhead/Drinking Water Protection	2,500	2,500	5,000
Technical Evaluation	42	42	84
One Watershed One Plan Planning (Water Management Transition)	2,904	2,904	5,808
Conservation Drainage Management and Assistance	850	850	1,700
Conservation Reserve Enhancement Program (CREP)	1,771	3,829	5,600
Critical Shore land Protection-Permanent Conservation Easements	1,234	1,234	2,468
Tillage and Erosion Transects	362	362	724
Water Legacy Grants Program	400	600	1,000
Permanent Conservation Easements to Protect and Restore Wetlands	2,599	3,061	5,660
Grants for Farmer Adoption of Cover Crops and Soil Health Practices	2,000	2,000	4,000
SWCD Administration Grants	12,000	12,000	24,000
Subtotal	68,584	73,216	141,800
<i>Chart continued on next page</i>			

Clean Water Fund - continued	FY 2022	FY 2023	FY 22-23
Minnesota Department of Health			
Drinking Water Contaminants of Emerging Concern Program	1,200	1,200	2,400
Source Water Protection	3,942	3,942	7,884
Groundwater Restoration and Protection Strategies	563	563	1,126
Drinking Water Protection Plan	250	250	500
Subtotal	5,955	5,955	11,910
Metropolitan Council			
Metropolitan Area Water Supply Sustainability Support	919	919	1,838
Water Demand Reduction Grant Program Pilot	625	625	1,250
Subtotal	1,544	1,544	3,088
University of Minnesota			
County Geologic Atlases	450	450	900
Storm water BMP Performance Evaluation and Technology Transfer	750	750	1,500
Clean Water Return on Investment Pilot	95	95	190
Chronic Wasting Disease in Water Research	1,378	-	1,378
Subtotal	2,673	1,295	3,968
Legislative Coordinating Commission			
Legislative Coordinating Commission	8	-	8
Subtotal	8	-	8
TOTAL	126,711	130,081	256,792
Adjusted Carryforward	24,860	6,094	
Revenues	121,873	127,760	
Investment income	2,615	2,615	
Total Resources	149,348	136,469	
Previous Appropriations/Expenditures	16,543	-	
Appropriations	126,711	130,081	256,792
Balance	6,094	6,388	
Percent Reserve	5.00%	5.00%	
Amount Needed For 5% Reserve	6,094	6,388	
Difference From 5% Reserve	0	-	
<i>Based on February 2021 Consolidated Fund Statement</i>			

Parks & Trails Fund

The 2021 Legislature appropriated \$54.797 million in FY 2022 and \$55.884 million in FY 2023 from the Parks and Trails Fund. The appropriations followed a split of a 40 percent for the state parks and trails, 40 percent for the metropolitan parks and trails, and 20 percent for the greater Minnesota regional parks and trails. Prior to the percent allocations listed above, \$512,000 per year is appropriated for collaboration among the three partners. The respective fiscal year appropriations by agencies and programs are summarized in the following table.

Parks and Trails Fund	MN Laws 2021, 1st SS Chapter 1		
	FY 2022	FY 2023	FY 22-23
Department of Natural Resources			
State Park Trails and Recreation Areas	21,712	22,149	43,861
Grants to Parks and Trails of Regional and Statewide Significance Outside the Metro	10,857	11,074	21,931
Great Minnesota Regional Parks and Trails Commission	[456]	[456]	[912]
Parks and Trails Collaboration Among Partners	512	512	1,024
Subtotal	33,081	33,735	66,816
Metropolitan Council			
Distributed to Implementation Agencies by Minnesota Statute 85.53, Subd. 3	21,712	22,149	43,861
Subtotal	21,712	22,149	43,861
Legislative Coordinating Commission			
Legislative Coordinating Commission Website	4	-	4
Subtotal	4	-	4
TOTAL	54,797	55,884	110,681
Adjusted Carryforward	8,490	2,631	
Revenues	52,627	55,169	
Investment income	843	843	
Total Resources	61,960	58,643	
Previous Appropriations/Expenditures	4,532	-	
Appropriations	54,797	55,884	110,681
Balance	2,631	2,759	
Percent Reserve	5.00%	5.00%	
Amount Needed For 5% Reserve	2,631	2,758	
Difference From 5% Reserve	(0)	1	
<i>Based on February 2021 Consolidated Fund Statement</i>			

Arts & Cultural Heritage Fund

The 2021 Legislature appropriated \$73.132 million in FY 2022 and \$76.617 million in FY 2023 from the Arts and Cultural Heritage Fund. As required by statute, 47 percent of the spending from the fund must be appropriated for projects through the Minnesota State Arts Board which received \$70.382 million for grants and programs. The next largest recipient was the Historical Society which received \$33.085 million, or 22 percent of the total appropriations. The balance of the funds were provided to other agencies to promote cultural and educational programs, including support for community identity and heritage grants, public libraries, zoos and public broadcasting. The allocations are provided in the table below.

Arts & Cultural Heritage Fund	MN Laws 2021, 1st SS Chapter 1		
	FY 2022	FY 2023	FY 22-23
MN State Arts Board			
Arts and Arts Access Initiatives	27,497	28,808	56,305
Arts Education	5,156	5,401	10,557
Arts & Cultural Heritage	1,719	1,801	3,520
Subtotal	34,372	36,010	70,382
MN Historical Society			
Statewide Historic and Cultural Grants	5,982	7,000	12,982
Statewide History Programs	6,213	6,990	13,203
Legacy Book for Elementary School Students	[213]		[213]
History Partnerships	2,450	2,550	5,000
Statewide Survey of Historical and Archaeological Sites	475	525	1,000
Digital Library	368	382	750
Grants			
Litchfield Opera House	100	-	100
Armour & Company Gatehouses	-	50	50
Subtotal	15,588	17,497	33,085
MN Department of Education			
Regional Public Libraries	2,500	2,500	5,000
Water Safety Grant Program	110	110	220
Minnesota Center for the Book	100	100	200
Subtotal	2,710	2,710	5,420
Department of Administration			
Minnesota Public Radio	1,950	1,950	3,900
AMPERS Public Radio	1,950	1,950	3,900
Veterans Voices	[200]		[200]
Minnesota Public Television	4,460	4,460	8,920
Wilderness Inquiry Canoemobile	400	400	800
Como Zoo	1,500	1,500	3,000
Science Museum of Minnesota	700	700	1,400
Appetite for Change	75	75	150
Lake Superior Zoo	75	75	150
Midwest Outdoors Unlimited	25	25	50
Veterans Memorials Matching Grants	75	75	150
Disabled Veterans Rest Camp	128	-	128
The Tap, Support in Disability Communities	15	15	30
Kasson WPA Restoration	30		30
Subtotal	11,383	11,225	22,608
Minnesota Zoo			
Zoo Programs	1,900	2,000	3,900
Subtotal	1,900	2,000	3,900
Chart continued on next page			

Arts & Cultural Heritage Fund - Continued	FY 2022	FY 2023	FY 22-23
Humanities Center Programs	1,250	1,250	2,500
Childrens Museum Grants	925	925	1,850
Minnesota Children's Museum	[375]	[375]	[750]
Competitive Grants	[550]	[550]	[1,100]
Community Identity and Heritage Grants	2,500	2,500	5,000
Civic Education Grants	100	100	200
Subtotal	4,775	4,775	9,550
Indian Affairs Council			
Grants to MN Tribal Nations to preserve Dakota & Ojibwe languages	700	700	1,400
Dakota & Ojibwe Indian Language Immersion Educational Institutions	460	460	920
Dakota & Ojibwe Indian Educational and Immersion Efforts	700	700	1,400
Dakota & Ojibwe Indian Language Working Group	50	50	100
Protection of Indian Graves - Duties under Public Law 101-601	90	90	180
Subtotal	2,000	2,000	4,000
Department of Agriculture			
County Fair Grants	400	400	800
Subtotal	400	400	800
Legislative Coordinating Commission			
Legislative Coordinating Commission*	4	-	4
Subtotal	4	-	4
TOTAL	73,132	76,617	149,749
Adjusted Carryforward	13,395	3,647	
Revenues	72,939	76,463	
Investment income	330	330	
Total Resources	86,664	80,440	
Previous Appropriations/Expenditures	9,885		
Appropriations	73,132	76,617	149,749
Balance	3,647	3,823	
Percent Reserve	5.00%	5.00%	
Amount Needed For 5% Reserve	3,647	3,823	
Difference From 5% Reserve	0	(0)	
<i>Based on February 2021 Consolidated Fund Statement</i>			

For additional information on the Outdoor Heritage Fund, Clean Water Fund, and Parks and Trails Fund, contact Brad Hagemeyer, Fiscal Analyst, at 651-296-7165 or at brad.hagemeyer@house.mn.

For additional information on the Arts & Cultural Heritage Fund, contact Helen Roberts, Fiscal Analyst, at 651-296-4117 or helen.roberts@house.mn.

Judiciary and Public Safety Finance

Laws 2021 First Special Session, Chapter 11 included an increase of \$99.436 million over the forecast base to programs in the Public Safety and Judiciary area of the state budget. The legislation sets budgets for several agencies for the FY 2022-23 biennium which began July 1, 2021. Because of the committee structure in the House, this issue area comprises two different finance committees, and the increased spending was divided between a \$48.778 million increase for agencies in the Judiciary Finance and Civil Law committee and a \$50.658 million increase for agencies in the Public Safety and Criminal Justice Reform committee. The summaries below detail the budget priorities of the conference committee and policy changes made by the omnibus bill. All appropriations are from the General Fund unless otherwise indicated.

Public Safety and Judiciary Finance Total General Fund Spending (all dollars in thousands)							
	Changes 2021	FY 20-21 Forecast plus changes	Forecast Base FY 2022-23	Enacted FY 2022-23	Percentage Change:	Percentage Change	Enacted Base FY 2023-24
					vs. FY 2020-21 with Changes	vs Base FY2022-23	
Supreme Court		113,862	113,004	122,069	7.2%	8.0%	123,164
Court of Appeals		25,994	26,326	27,064	4.1%	2.8%	27,148
District Courts		626,205	634,404	655,518	4.7%	3.3%	657,892
Guardian Ad Litem		43,385	44,000	45,391	4.6%	3.2%	45,630
Tax Court		3,615	3,616	3,668	1.5%	1.4%	3,682
Sentencing Guidelines Commission		1,366	1,374	1,505	10.2%	9.5%	1,530
Uniform Laws Commission		196	196	200	2.0%	2.0%	200
Judicial Standards Board		1,267	1,018	1,166	-8.0%	14.5%	1,172
Board of Public Defense		197,552	202,356	217,790	10.2%	7.6%	222,818
Human Rights		10,042	10,262	10,963	9.2%	6.8%	11,068
Private Detectives Board		554	554	570	2.9%	2.9%	576
POST Board		24,457	22,262	23,117	-5.5%	3.8%	23,108
Department of Corrections	183	1,241,474	1,257,259	1,270,255	2.3%	1.0%	1,277,040
Department of Public Safety	2,594	230,668	220,594	257,385	11.6%	16.7%	252,116
Transfer to Disaster Contingency Account	30,000	30,000		0			0
Transfer to Community Justice Account		922	922	922			922
Net GF Total	32,777	2,551,559	2,538,147	2,637,583	3.4%	3.9%	2,648,066

Judiciary Finance and Civil Law Committee

Supreme Court

Funding for the Supreme Court was increased by \$3.379 million for the biennium, most of which will be used for employee compensation increases and health insurance costs. Employees will receive a 2.5 percent increase in the first year of the biennium. In addition to personnel costs, the court received \$500,000 for a one time grants for courthouse security.

An additional \$5.686 million increase was provided to Civil Legal Services for the biennium to hire additional staff and reduce caseloads for those assisting the indigent with legal issues.

Court of Appeals

The Court of Appeals staff and judges received the same budgetary increase for salary as the Supreme Court. Employees and judges will receive a 2.5 percent increase the first year of the biennium, as well as funding for health insurance cost increases totaling \$738,000.

District Courts

The budget for the district courts contained similar provisions for pension, salary, and health insurance costs as the other courts. Employees and judges will receive a 2.5 percent increase in the first year of the biennium. Total cost of these employee related items is \$19.7 million for the biennium.

The district courts were also granted an additional \$400,000 to increase interpreter payment rates.

The district courts also received an additional \$30,000 for a report on the feasibility of presentence investigation traumatic brain injury examinations.

Tax Court

The budget for the tax court included a \$52,000 increase for operating costs.

Guardian Ad Litem Board

The Guardian Ad Litem Board received an additional \$1.39 million for the biennium to cover employee salary and health insurance cost increases.

Uniform Laws Commission

The Uniform Laws Commission was granted an additional \$2,000 per year for operating expenses.

Board on Judicial Standards

The Board on Judicial Standards was appropriated \$148,000 for the biennium for additional operating expenses.

Board of Public Defense

The Board of Public Defense was budgeted an additional \$15.434 million for the biennium for various purposes. The Legislature provided \$15.2 million for salary and insurance cost increases and \$226,000 for public defense corporations.

Department of Human Rights

The department was appropriated an increase of \$479,000 for the biennium for salary and benefit increases and \$222,000 for additional staffing.

Public Safety and Criminal Justice Reform Committee

Department of Public Safety

The Office of Homeland Security and Emergency Management received just over a \$1 million increase this session. The Minnesota School Safety Center was granted \$500,000 for additional personnel, and the office was given an additional \$576,000 for operating expenses.

The Legislature also provided the department with \$1.5 million in civil unrest funding in Laws of 2021 (regular session) Chapter 13.

The Legislature provided \$30 million for the Disaster Contingency Account in fiscal year 2021 if the closing balance in the General Fund for FY 2021 exceeds the amount forecasted at the end of the legislative session.

The Bureau of Criminal Apprehension (BCA) was granted \$7.6 million over base funding for the 2020-21 biennium for operating inflationary cost as well as \$3.6 million for law enforcement salary increases.

Other additions to the BCA included \$600,000 for body cameras, \$4.1 million for additional cyber security, and \$1.6 million for lab technicians for drugged driving laboratory testing.

Office of Justice Programs received several funding additions to existing programs and newly created grants, the largest of which is the Hometown Heroes program at \$4 million per year to provide first responders diagnosed with heart disease or cancer with financial assistance and Violent Crime Enforcement Teams or VCETs had \$1 million per year added to the grant program.

An office of Murdered and Missing Indigenous Women was created at a cost of \$500,000 per year, and new grant programs for Innovations in Community Safety and Survivor Support Grants were created each receiving \$400,000 per year.

Peace Officer Standards and Training (POST) Board

The Peace Officer Standards and Training Board received \$68,000 for inflationary costs, \$274,000 for new software and \$293,000 for additional staff. The POST board also was appropriated \$12 million in the 2024-25 biennium to extend officer training reimbursement dollars for an additional two years.

Minnesota Department of Corrections

The Department of Corrections was appropriated an additional net figure of just under \$13 million over base funding for the biennium to deal with agency needs. This figure includes several increases to the agency, offset by operating reductions due to the rapid decline in the inmate population. Of the increased funding, \$23.335 million will go toward current personnel costs such as salary increases and health insurance costs. An additional \$560,000 was included to provide salary increases for law enforcement teams within the department.

Other major additions to the agency's budget include \$3.187 million for additional IT expenditures, \$1 million for local detention center inspections, and \$2.6 million in one-time grants to local communities for offender supervision.

Funding for the Ombudsman for Corrections was removed from the agency and the Ombudsman Office was established separate from the Corrections Department. The funding for the Ombudsman remained at the base level of \$1.322 million for the biennium.

Sentencing Guidelines Commission

The Legislature provided \$131,000 for the biennium for salary and insurance cost increases.

For additional information on Public Safety Finance and Judiciary Finance issues, contact John Walz, Fiscal Analyst, at 651-296-8236 or john.walz@house.mn.

State Government Finance

The omnibus state government finance bill (Laws 2021, First Special Session Chapter 12) authorizes General Fund spending totaling \$1.25 billion for the FY 2022-23 biennium. This amount is an increase of \$66.95 million, or 5.7 percent, from the forecast base. The tails for the FY 2024-25 biennium are \$1.26 billion.

State Government Finance: Total General Fund Spending							
(all dollars in thousands)							
	FY 20-21		Enacted FY 2022-23		Percentage Change: Enacted FY 2022-23 vs. FY 2020-21 with Changes	Percentage Change: Enacted vs. Base FY 2022-23	Enacted FY 2024-25
	Change FY 2021	Forecast with changes	Forecast Base FY 2022-23	Enacted FY 2022-23			
Legislature		210,856	190,583	198,557	-5.8%	4.2%	199,426
Governor		7,244	7,244	7,244	0.0%	0.0%	7,244
Attorney General		46,341	47,026	54,886	18.4%	16.7%	52,376
Secretary of State		19,490	14,584	18,836	-3.4%	29.2%	18,304
Presidential Primary		11,941					9,690
State Auditor		20,941	21,208	24,010	14.7%	13.2%	24,132
Accountancy Board		1,369	1,350	1,386	1.2%	2.7%	1,396
Administration Department	-300	46,926	46,236	49,380	5.2%	6.8%	48,728
Historic Preservation Grants		0	1,895	1,895		0.0%	3,144
Administrative Hearings		799	800	814	1.9%	1.8%	818
Amateur Sports Commission		647	612	628	-2.9%	2.6%	634
Architecture etc. Board		1,706	1,702	1,737	1.8%	2.1%	1,748
Arts Board	-86	15,696	15,082	15,082	-3.9%	0.0%	15,122
Asian Pacific Council		1,025	1,030	1,059	3.3%	2.8%	1,068
Barber Examiners Board		686	686	701	2.2%	2.2%	706
Campaign Finance Board		2,246	2,246	2,312	2.9%	2.9%	2,334
Public Subsidy		2,672	2,605	2,605	-2.5%	0.0%	2,605
CAAP Board		702	702	751	7.0%	7.0%	730
Cosmetologist Examiners Board		5,827	5,846	5,846	0.3%	0.0%	5,846
Historical Society		46,486	47,036	47,886	3.0%	1.8%	47,836
Humanities Center		1,400	750	1,400	0.0%	86.7%	1,400
Indian Affairs Council		1,699	1,692	1,719	1.2%	1.6%	1,728
Investment Board (SBI)		278	278	278	0.0%	0.0%	278
Military Affairs		78,160	52,814	53,402	-31.7%	1.1%	53,598
MN Council on Latino Affairs		1,044	1,050	1,078	3.3%	2.7%	1,088
MN.IT Services	-379	15,012	15,358	19,737	31.5%	28.5%	18,464
MN Management & Budget	-1,367	54,011	54,442	58,961	9.2%	8.3%	59,382
MMB Non-Operating*		335,043	12,344	12,344	-96.3%	0.0%	12,344
Indirect Costs Receipts		-41,915	-45,674	-45,674	9.0%	0.0%	-45,674
MNs of African Heritage Council		1,063	1,064	1,096	3.1%	3.0%	1,104
Public Broadcasting		5,638	5,638	5,888	4.4%	4.4%	5,888
Revenue Department	-8,274	323,143	334,712	345,746	7.0%	3.3%	348,668
Pension Aids		164,361	169,080	169,080	2.9%	0.0%	169,089
Veterans Affairs		162,743	157,828	188,716	16.0%	19.6%	186,370
Total Expenditures:	-10,406	1,545,280	1,169,849	1,249,386	-19.1%	6.8%	1,257,614
Appropriation Savings / Reductions							
Revenue Changes:	179	179		11,592			2,542
Net GF Total	-10,585	1,545,101	1,169,849	1,237,794	-19.9%	5.8%	1,255,072

Constitutional Offices

Governor's Office

The Governor receives \$7.2 million for the operation of the Governor's office, which is base level funding.

The Governor's office also receives contributions from executive branch agencies for personnel costs for several policy advisors in the Governor's office that have a portion of their salary paid by other executive branch agencies. Estimated agency contributions for FY 2022-23 are \$4.3 million.

Attorney General's Office (AGO)

The AGO receives \$54.9 million in direct appropriations from the General Fund, which is a \$7.86 million or 16.7 percent increase over base. The increase includes five change items:

- \$4.95 million for litigation technology resources
- \$1.029 million in one-time funding for security improvements
- \$700,000 for wage theft enforcement
- \$600,000 to maintain and stabilize experienced attorney staff
- \$578,000 for enhanced antitrust resources

In addition to the direct General Fund appropriation for the AGO, the office also receives funding through agreements with state agencies. Total budgeted expenditures for partner agencies are estimated at \$23.4 million for the biennium from the special revenue fund.

Other Funds

\$5 million is appropriated from the State Government Special Revenue Fund for services provided to health related licensing boards. The AGO also receives \$290,000 from the Environmental Trust Fund and \$500,000 from the Remediation Fund for investigating and prosecuting environmental crime and for responsibilities associated with insurance claims settlements and recovery associated with landfills in the landfill cleanup program.

Secretary of State

The Secretary of State (SOS) receives \$18.8 million in direct appropriations from the General Fund for the biennium, an increase of \$4.3 million over base or 29.2 percent over base. The increase includes five change items:

- \$2 million for grants to local governments for ballot drop boxes.
- \$1.5 million for election equipment grants to local governments
- \$500,000 in one-time funds for relocation of the office's business and information technology services
- \$220,000 increase for the Safe at Home program
- \$32,000 in one-time funds for security improvements

Chapter 12 also requires \$3 million of previously appropriated Help America Vote Act funds to be used as grants to local governments.

State Auditor (OSA)

The OSA is funded at \$24 million from the General Fund. This level is a \$2.8 million or 13.2 percent increase. The increase includes three change items:

- \$1.3 million for an operating adjustment
- \$63,000 in one-time funds for security improvements
- \$1.5 million for a School Finance Accountability Team. These funds will be used for audits of school districts that have volunteered to have the OSA perform their annual audits at no cost to the district.

Legislature

Chapter 12 appropriates a total of \$198.6 million for the operations of the Legislature. This is an increase of \$7.97 million or 4.2 percent over the base. The chart below shows the funding changes for the House, Senate and Legislative Coordinating Commission (LCC).

Legislature: FY 2022-23 General Fund Appropriations				
(dollars in thousands)				
Program / Activity	Base	Appropriation	\$ Change	% Change
House	77,714	80,363	2,649	3.4%
Senate	71,308	74,975	3,667	5.1%
Leg. Coordinating Commission				
Legislative Auditor	15,192	15,506	314	2.1%
Revisors Office	14,414	14,717	303	2.1%
Legislative Reference Library	3,550	3,615	65	1.8%
Legislative Budget Office	2,387	3,106	719	30.1%
General Operations / Fiscal Agent	<u>6,018</u>	<u>6,275</u>	<u>257</u>	<u>4.3%</u>
Total LCC	41,561	43,219	1,658	4.0%
Total Legislature	190,583	198,557	7,974	12.5%

Specific changes include:

- \$3.7 million operating adjustment for the Senate
- \$2.6 million operating adjustment for the House
- \$1.1 million operating adjustment for the Legislative Coordinating Commission, including an operating adjustment and one-time funding for an accessibility vendor.
- \$579,000 base adjustment to the Legislative Budget Office (LBO)

Chapter 12 also redirects a statutory general fund appropriation of \$414,000 to the LBO for the preparation of local impact notes and other activities related to local governments. These duties were transferred from MN Management & Budget to the LBO when the office was created.

The duties for the single audit of federal funds are transferred from the Office of the Legislative Auditor (OLA) to Minnesota Management and Budget (MMB). This transfer will free up an estimated \$2.49 million in the OLA budget to use for other audit activities.

State Agencies

Department of Administration

The department's total direct General Fund appropriation is \$52.8 million for the biennium. This is an increase of \$2.4 million, or five percent, from base. Funding for the operations of the department totals \$46.9 million. Also included in the direct appropriation is \$5.9 million for grants to Public Broadcasting.

Administration also receives open general fund appropriations of \$1.5 million for the state's Workers Compensation Reinsurance Premium (WCRA) and \$1.9 million for the historic preservation grants program administered by the State Historic Preservation Office.

The majority of the funding for the department's activities comes from non-General Fund activities of its major internal service and enterprise funds.

Government & Citizen Services

The Government & Citizen Services program provides funding for a wide variety of activities in the department, including state procurement, facilities management, real estate and construction services, the data practices office, and the state demographer. Other services include the state archaeologist, the office of grants management, and the small agency resource team (SmART).

Chapter 12 authorizes total direct General Fund spending of \$21.5 million, a net increase of \$752,000 from base for this program for an operating adjustment.

Non-General Fund activities:

In addition to these General Fund activities, significant non-General Fund accounts include several internal service and enterprise funds.

Fund	Purpose	Projected FY 2022-23 Expenditures
Fleet Services	Provides long-term rental vehicles and support services	\$15 million
Surplus Property	Manages the disposal of state and federal surplus property	\$3.2 million
Cooperative Purchasing	Makes various state contracts available to local government units	\$59.9 million
MN Bookstore	Centralized publishing for state agency materials and operation of the MN mailing list service	\$600,000
Plant Management	Building and grounds operations for buildings under the custodial control of the department	\$120.7 million
Central Mail	Metering and processing of mail in the Capitol complex	\$18.6 million
Risk Management	Self-insurance company for the state's property and casualty insurance coverage	\$31.8 million

Source: Biennial Budget Pages, Agency Expenditure Overview

Strategic Management Services

The Legislature approved total General Fund spending of \$4.4 million, an increase of \$144,000 from base. This program includes the executive support, financial management, and human resources functions for the department. The funding increase is for an operating adjustment.

Fiscal Agent

This program includes both the in-lieu-of-rent activity and public broadcasting grants.

The in-lieu-of-rent appropriation funds space costs for the Legislature's portion of the State Office Building, the governor's residence, Veterans Services organizations in the capitol complex, and ceremonial spaces in the Capitol and the Capitol mall. Chapter 12 appropriates \$21 million for this activity, an increase of \$1.25 million or 6.3 percent over base.

Public Broadcasting

State grant funds for public broadcasting are administered by the Department of Administration. Chapter 12 appropriates \$5.9 million for these grants, which is an increase of \$250,000 or four percent, from base. The increase is directed for the Association of Minnesota Public Educational Radio Station (AMPERS) grant programs.

Public Broadcasting: FY 2022-23 General Fund Appropriations				
(dollars in thousands)				
Program	Base	Appropriation	\$ Change	% Change
Public TV Matching Grants	3,100	3,100	0	0%
Public TV Equipment Grants	<u>500</u>	<u>500</u>	<u>0</u>	<u>0%</u>
Total Public TV:	3,600	3,600	0	0%
AMPERS Public Radio Community Grants	784	984	200	26%
AMPERS Public Radio Equipment Grants	<u>234</u>	<u>284</u>	<u>50</u>	<u>21%</u>
Total AMPERS	1,018	1,268	250	25%
MN Public Radio Equipment Grants	1,020	1,020	0	0%
Total Public Broadcasting:	5,638	5,888	250	4%

Minnesota Historical Society

Chapter 12 authorizes total direct General Fund appropriations of \$47.9 million, an \$850,000 or 1.8 percent increase from base. The increase is for two change items:

- \$600,000 for an operating adjustment
- \$250,000 in one time funding for site improvements to FarmAmerica.

MN State Arts Board

Chapter 12 appropriates \$15.1 million from the General Fund to the State Arts Board. The Arts Board does not have an operating adjustment in FY 2022-23, but the base for the board in FY 2024-25 is increased by \$40,000.

Minnesota Arts Board: FY 2022-23 General Fund Appropriations				
(dollars in thousands)				
Program	Base	Appropriation	\$ Change	% Change
Operations & Services	1,204	1,204	0	0%
Grants Program	9,600	9,600	0	0%
Regional Arts Council	<u>4,278</u>	<u>4,278</u>	<u>0</u>	<u>0%</u>
Total Arts Board	15,082	15,082	0	0.0%

Chapter 12 specifies that funds appropriated to the Arts Board and distributed as grants may only be spent on projects located in Minnesota. A recipient of a grant must not use more than 10 percent of the grant for travel outside of Minnesota.

MN.IT Services

Chapter 12 authorizes a direct general fund appropriation of \$19.7 million for this office, an increase of \$4.4 million from the office's general fund base. MN.IT's General Fund appropriation

is used to support the state Chief Information Officer, enterprise security, and the Minnesota Geospatial Information Office. The increased funding is for two change items:

- \$4.15 million to implement the recommendations of the Governor's Blue Ribbon Council on information technology
- \$229,000 for an operating adjustment

Non-General Fund Activities

The majority of MN.IT's funding is from the Enterprise Technology Fund and the Special Revenue Fund. As a result of the consolidation mandated by the 2011 Legislature, most information technology services for the executive branch are now provided by MN.IT. These centrally provided services are funded through the Enterprise Technology Fund, with revenues coming from charge-backs to agency IT budgets. Estimated expenditures for the FY 2022-23 biennium are \$409.8 million for these central services.

The Special Revenue Fund expenditures are for agency pass-through IT expenses, primarily for agency applications and projects. Estimated expenditures for the FY 2022-23 biennium are \$704.8 million from this fund.

MN.IT is authorized to seek cash flow assistance of up to \$50 million from the Special Revenue Fund, or other statutory General Fund money, in order to manage the revenue and expenditure differences during the continued implementation of IT consolidation. Any funds used must be repaid with interest by the end of the fiscal year 2023 closing period.

Minnesota Management & Budget (MMB)

MMB received a direct General Fund appropriation of \$58.96 million for the biennium, an increase of \$4.5 million, or eight percent, from current law.

The increased funding includes:

- \$1.6 million for a general operating adjustment
- \$414,000 to replace the statutory appropriation transferred to the LBO for local impact notes.
- \$2.5 million for assuming the Single Audit functions transferred from the Office of the Legislative Auditor.

Department of Revenue

The Department of Revenue received a direct General Fund appropriation of \$343.7 million for the FY 2022-23 biennium, an increase of \$11 million, or three percent over the base. The department also has a statutory appropriation for collections, seized property and recording fees with estimated expenditures of \$2 million for the biennium.

The increase is for two change items:

- \$10.8 million for a general operating adjustment to maintain current service levels and

improve services to taxpayers

- \$250,000 to the taxpayer assistance grants (VITA) bringing the total funding for these grants to \$1.4 million for the biennium.

Department of Military Affairs

The Legislature approved a direct General Fund appropriation of \$48.98 million for the biennium, an increase of \$588,000 or one percent over base. The increase is for the Governor's requested operating adjustment.

Department of Military Affairs: FY 2022-23 General Fund Appropriations				
(dollars in thousands)				
Program	Base	Appropriation	\$ Change	% Change
Maintenance - Training Facilities	19,402	19,614	212	1%
General Support	6,764	7,140	376	6%
Enlistment Incentives	22,228	22,228	0	0%
Emergency Services / Active Duty (Open)	<u>4,420</u>	<u>4,420</u>	<u>0</u>	<u>0%</u>
Total Military Affairs	52,814	53,402	588	1%

In addition to this direct General Fund appropriation, the department has an open and standing appropriation for emergency services. Projected expenditures from this appropriation are \$4.4 million for the biennium. In fiscal years 2020 and 2021 the expenditures from this open appropriation significantly increased over historic levels because of the National Guard active duty missions related to civil unrest and COVID. In prior years this appropriation was used primarily to support duties related to natural disasters.

Department of Veterans Affairs

The Legislature approved a direct General Fund appropriation of \$182.7 million for this department, an increase of \$30.9 million, or 20.3 percent, over base. Estimated spending for the Minnesota GI bill is \$6 million, bringing total spending to \$188.7 million.

Department of Veterans Affairs: FY 2022-23 General Fund Appropriations				
(dollars in thousands)				
Program	Base	Appropriation	\$ Change	% Change
Veterans Services	36,306	49,226	12,920	36%
Veterans Health Care (Homes)	115,522	133,490	17,968	16%
MN GI Bill (open GF)	<u>6,000</u>	<u>6,000</u>	<u>0</u>	<u>0%</u>
Total Veterans Affairs	157,828	188,716	30,888	20%

The funding changes are:

- \$8.2 million for an operating adjustment
- \$6.33 million for an initiative to prevent and end veteran homelessness

- \$1.65 million for the Preventing Veteran Suicide initiative
- \$500,000 in one-time funds for a 9/11 Task Force
- \$800,000 for the veterans resilience project
- \$200,000 for two veterans rest camps. This amount includes \$75,000 each year for a grant to Camp Bliss, and \$50,000 in one time funds for a grant to Veterans on the Lake
- \$8.7 million for staffing costs at the three new veterans homes in Bemidji, Montevideo and Preston. Funding for these homes was authorized by the federal government in April 2021.
- \$4.5 million in state matching funds for the new veteran's cemetery in Redwood Falls.

In addition to the general fund changes, Chapter 12 includes an adjustment to the personal needs allowance for veterans homes residents resulting in a loss of revenue of \$58,000 to the Veterans Homes special revenue fund.

Small Agencies/Boards

Office of Administrative Hearings (OAH)

This agency is supported mainly by the Workers' Compensation Special Fund and revolving fund revenues. Chapter 12 includes direct appropriations of \$15.6 million for the biennium from the Workers' Compensation Fund. Estimated expenditures from the Administrative Law fund are \$5.5 million.

OAH also receives General Fund appropriations for three smaller activities. The Legislature authorized \$814,000 for these activities. These activities are the Municipal Boundaries Adjustment unit, Fair Campaign complaint hearings, and data practices hearings.

Campaign Finance and Public Disclosure Board

The Legislature approved a general fund operating budget of \$2.3 million, which is an increase of \$66,000, or three percent, from base funding. The increase is for the Governor's requested operating increase.

Public Subsidy Program:

The Legislature did not make any changes to this program. Estimated funding for this program is \$2.6 million for the biennium.

Capitol Area Architectural Planning Board (CAAPB)

Chapter 12 includes a direct appropriation of \$751,000, an increase of \$49,000 or seven percent. \$35,000 of the increase is for one time funding for the retirement costs of the executive director.

Contingent Accounts

The Legislature approved \$500,000 for the General Fund portion of the contingent accounts. The contingent accounts are appropriations made to provide supplemental funding to state agencies in emergencies or for unexpected deficiencies. The Governor may approve expenditures from the accounts only after consulting with the Legislative Advisory Commission (LAC). However, the Governor can release funds even if the LAC recommends against the expenditure.

In addition to the General Fund appropriation, Chapter 12 also authorizes contingent appropriations of \$800,000 from the State Government Special Revenue Fund, and \$200,000 from the Workers' Compensation Special Fund.

Humanities Commission

The Humanities Commission receives \$1.4 million from the General Fund for the biennium, which is a \$650,000 increase. The increase is for the Healthy Eating Here at Home program (also known as Market Bucks) for grants to non-profits to provide vouchers that SNAP participants can use at local farmers markets. Funding for the program was transferred to the Department of Agriculture's base by the 2019 Legislature, but the 2021 Legislature moved the program and funding back to the Humanities Commission.

MN Amateur Sports Commission (MASC)

The MASC receives \$628,000 for the biennium, an increase of \$16,000 for an operating adjustment.

State Board of Investment (SBI)

The SBI is primarily funded through charges to each retirement plan for its share of the board's operations. The expected expenditures for this activity are \$17.4 million for the biennium. A small General Fund appropriation of \$278,000 is used to fund the board's investment activities directly related to the General Fund itself.

Ethnic Councils

Chapter 12 includes \$4.95 million from the General Fund for the four ethnic councils. The increases shown in the chart below represent the operational adjustments requested by each council.

Ethnic Councils: FY 2022-23 General Fund Appropriations				
(dollars in thousands)				
Program	Base	Appropriation	\$ Change	% Change
African Heritage Council	1,064	1,096	32	3%
Asian-Pacific Affairs Council	1,030	1,059	29	3%
Indian Affairs Council	1,692	1,719	27	2%
Latino Affairs Council	1,050	1,078	28	3%
Total General Fund	4,836	4,952	116	2%

Occupational Licensing Boards

The Legislature appropriated \$9.7 million for the four occupational licensing boards under the committee's jurisdiction.

Occupational Boards: FY 2022-23 General Fund Appropriations				
(dollars in thousands)				
Program	Base	Appropriation	\$ Change	% Change
Accountancy	1,350	1,386	36	3%
Architectural / Engineering, etc	1,702	1,737	35	2%
Barber Examiners	686	701	15	2%
Cosmetologist Examiners	5,846	5,846	0	0%
Total General Fund	9,584	9,670	86	1%

The changes from base funding include:

- The Governor's requested operating increase for all of the boards except the Cosmetology Examiners Board.

Gambling Related Agencies

Lawful Gambling Control Board

The Gambling Control Board receives a direct Special Revenue Fund appropriation of \$10.85 million for the biennium, an increase of \$3.9 million over base. The board's activities are funded from a fee of 0.125 percent of gross receipts on charitable gambling and license/permit fees for manufacturers and distributors. The increase is for two change items:

- \$2.8 million for additional staff and increased operating costs including rent and travel. 13 additional FTE will be added.
- \$1.1 million for information technology improvements

Lottery

The Legislature approved total operating expenses for the lottery of \$73 million for the biennium, with total sales revenues estimated at \$1.2 billion. Total state proceeds are projected to be

\$276.3 million for the biennium, with \$150.7million in estimated General Fund payments. These total payments include the net proceeds, in-lieu-of-sales tax, and unclaimed prizes.

Minnesota Racing Commission

The Racing Commission receives a direct Special Revenue Fund appropriation of \$1.8 million for the biennium. The commission's activities are directly funded through racetrack, racing, and occupational license fees, as well as reimbursements from the racetracks for the cost of stewards, veterinarians, and laboratory services.

Public-Local Employees Retirement

Four public retirement programs under the State Government Finance committee's jurisdiction receive either direct or open General Fund appropriations. The appropriations in Chapter 12 are detailed in the following table.

Pension Aids: FY 2022-23 General Fund Appropriations	
(dollars in thousands)	
Program	Appropriation
MSRS: Pre 97 Legislators & Constitutional Officers	29,764
PERA: MERF Merger Aid	32,000
PERA: Police & Fire Aid	18,000
Teachers Retirement Association	
Minneapolis Merger Aid	30,908
Duluth Merger Aid	28,754
St. Paul Teachers	29,654
Total General Fund	169,080

New Capitol Area Building Account

Article 2 of Chapter 12 creates a new Capitol Area Building Account to fund capital expenditures to address critical health, life safety and security needs of certain buildings in the Capitol complex. Proceeds from lease revenue bonds or certificates of participation authorized in Chapter 12 may be deposited in the account and are appropriated to the commissioner of administration for renovation or rehabilitation of existing buildings. The funds cannot be used to demolish an existing building in its entirety.

In addition, a new open general fund appropriation to the commissioner of administration provides the amounts necessary for predesign, design, rent loss and relocation costs. The amount needed for predesign in FY 2022 is \$1 million.

For more information on State Government Finance issues, contact Helen Roberts, Fiscal Analyst, at 651-296-4117 or helen.roberts@house.mn.

Transportation Finance

2021 Laws, First Special Session, Chapter 5 appropriates money from the state General Fund, Trunk Highway Fund, Highway User Tax Distribution Fund, Airports Fund, Municipal and County State Aid Highway Funds, and Special Revenue Fund for transportation over the FY 2022-23 biennium. Below is a summary table of state General Fund spending in the Transportation Finance Committee area. For more detail on state General Fund and other transportation funds spending, please see the House session tracking sheet for transportation at: <https://www.house.leg.state.mn.us/Fiscal/Home/TrackingSheets>

Transportation Committee							
Total General Fund Spending							
(all dollars in thousands)							
					Percentage Change		
	Change	with changes	Base	Enacted	Percentage Change	Enacted vs.	Enacted
	FY21	FY 20-21	FY 22-23	FY 22-23	Enacted FY 22-23 vs.	Base	Base
					FY 20-21	with Changes	FY 2022-23
							FY 24-25
MnDOT	(271)	40,978	37,750	153,917	276%		38,750
Metropolitan Council	-	216,010	177,700	235,700	9%		177,700
Dept. of Public Safety (Part)	10	91,999	33,102	67,535	-27%		30,546
Dept. of Employment and Economic Development			-	50			-
Subtotal Spending	(261)	348,987	248,552	457,202	31%		246,996
General Fund Tax Changes	-	-	-	30	100%		1,340
Net General Fund Total	(261)	348,987	248,552	457,232	31%		248,336

Totals in the table are net figures for the agencies, and include one-time spending increases and reductions.

During the 2021 regular session the House and Senate used HF 1684 as the transportation omnibus bill. The regular session adjourned without a budget agreement while HF 1684 was in conference. In the June special session HF 10 was used as the omnibus transportation finance bill and was passed by the House and Senate without a conference committee. HF 10 was signed into law as Chapter 5 by the Governor on June 24th.

During the 2021 regular session Chapter 13, signed by the Governor on April 27 2021, contained a \$6.3 million onetime General fund appropriation to the State Patrol for costs related to civil unrest in 2020 and 2021. The appropriation language allowed for the commissioner of the Department of Public Safety to transfer an amount of the \$6.3 million appropriation to the Department of Natural Resources for costs related to the deployment of conservation officers for costs related to civil unrest.

The omnibus tax bill, chapter 14, also included a transportation related item, \$6.2 million for planning, development, community engagement and matching funds for a land bridge over I-94 in St. Paul in the Rondo neighborhood. This provision was included in the House position from HF 1684 but was not part of Chapter 5.

Transportation Budget Highlights

The following narrative will highlight the change items enacted in Chapter 5. Spending items that did not change from the forecast base budget can be seen on the Transportation Tracking sheet at the link provided at the beginning of this section. Change items fall into two general categories:

1. **Appropriation changes**, which raise or lower a base spending amount, or create a new item for one-time or ongoing spending; or
2. **Revenue/statutory items**, which are items that increase or lower fees or taxes, but do not necessarily result in spending changes or direct an agency to spend funds via statute rather than direct appropriation.

Department of Transportation

Appropriation Changes

Aeronautics

- Chapter 5 provided a \$5.6 million onetime General Fund appropriation for a grant to the City of Karlstad in Kittson County for acquisition of land, design and construction of an airport runway.
- As part of a number of agency operating increases and shifts of Trunk Highway Fund appropriations to General Fund appropriations the Aviation Support and Services was increased out of the State Airports Fund by \$64,000 a biennium in FY 22-23, and \$72,000 in the FY 24-25 biennium. The base \$3.3 million a biennium appropriation from the Trunk Highway fund was eliminated and replaced with the same amount from the General Fund in each biennium.

Transit/Freight/Non-motorized

- As part of a number of agency operating increases and shifts of Trunk Highway Fund appropriations to General Fund appropriations Greater Minnesota Transit was increased out of the General Fund by \$1.904 million in each of the FY 22-23, and FY 24-25 biennium, while the \$1.864 a biennium Trunk Highway Fund base appropriation was eliminated.
- Chapter 5 included a onetime \$300,000 General Fund appropriation in FY 2022 for the I-494 travel demand management organization.
- Chapter 5 included a onetime \$5 million General Fund appropriation for active transportation in FY 2022. This is the first appropriation for active transportation since the creation of the active transportation program in 2017.

- Chapter 5 included a onetime \$5 million General Fund appropriation increase over base in FY 2022 for the safe routes to school program. The base general fund appropriation for safe routes to school is \$500,000 a year from the General Fund.
- Chapter 5 includes a \$10 million onetime General Fund appropriation in FY 2022 for state costs relating to establishing Amtrak services to Chicago with two daily trains instead of the single train in each direction currently. The \$10 million will be matched by Federal dollars and will be used for track improvements in southeast Minnesota.
- Chapter 5 includes operating increases for the MnDOT freight appropriation. The operating increase from the General Fund was \$134,000 in FY 2022-23 and \$178,000 in FY 2024-25 for the base. The operating increase from the Trunk Highway Fund was \$180,000 in FY 2022-23 and a base increase of \$180,000 in the FY 2024-25 biennium.
- Chapter 5 includes a \$1 million onetime General Fund appropriation in FY 2022 for a freight optimization tool. In addition to the freight tool development Chapter 5 includes a onetime \$15,000 a year appropriation in the FY 2022-23 biennium to the Department of Employment and Economic Development for staff support of the freight tool.
- Chapter 5 includes a General fund base increase in the freight appropriation for the costs of two additional railroad safety inspectors. The General Fund increase is \$637,000 in the FY 2022-23 biennium, and a base of \$574,000 for the FY 2024-25 biennium.
- Chapter 5 included a onetime General Fund transfer to the Minnesota Rail Service Improvement Program (MRSI) of \$6.5 million a year for FY 2022-23 or \$13 million total. The funds may be used for loans or grants to railroads for improvements.
- Chapter 5 included a \$271,000 General Fund cancellation from the FY 2021 appropriation for passenger rail.

State Roads

- Chapter 5 increases the direct appropriations for the three categories of state road spending for operating pressures or spending the Trunk Highway Fund balance for construction activities. The increases in the Trunk Highway fund appropriation for the biennium for state roads are:
 1. \$9.08 million for operations and maintenance
 2. \$480,000 for planning and research
 3. \$ 6.92 million for program delivery
 4. \$257.643 million for state road construction
 5. \$160,000 for state radio communications
- Chapter 5 includes a onetime Trunk Highway Fund appropriation of \$500,000 for planning related to a two lane segment of a trunk highway in MnDOT's first district.
- Chapter 5 includes a onetime Trunk Highway Fund \$2.13 million appropriation in each FY 2022 and FY 2023 as an increase to the operations and maintenance base appropriation for salt reduction and sustainability initiatives.

- Chapter 5 authorized \$413.413 million in Trunk Highway bonds over four years. As a result the Trunk Highway debt service appropriation would increase over base by an estimated \$23.3 million in the FY 2022-23 biennium and \$54.8 million in the FY 2024-25 biennium.

Local Roads

- Chapter 5 increases the resources to the Highway User Tax Distribution Fund slightly, so formula based local aid formulas increased as well:
 1. County State Aid Highway increased \$5.047 million over the FY 2022-23 biennium.
 2. Municipal State Aid Streets increased \$1.325 million over the FY 2022-23 biennium.

The slight increase in HUTD formula distribution was the result of eliminating an appropriation from the HUTD for Public Safety Vehicle Services. Appropriations directly from the HUTD reduce the amount available for constitutional distribution, so the appropriation elimination increases the amount available for distribution to Trunk Highway, County State Aid, and Municipal State Aid.

- In addition to the CSAH and MSAS appropriation increases as a result of HUTD appropriation changes there were a number of onetime FY 2022 General Fund appropriations for various local road aids.
 - \$12 million for township road allocated as part of the CSAH appropriation
 - \$18 million for the small cities road aid program for city under 5,000 in population
 - \$14 million for the local bridge improvement grant program
 - \$5.5 million for the local road grant program

Agency Management

- Chapter 5 includes a base General Fund increase of \$5 million in FY 2022 and \$9.8 million in FY 2023 and for each year of the FY 24-25 biennium for cyber security as part of the Agency Management appropriation. In addition to the cyber security increase there was also a \$100,000 a year General Fund increase in each year of the FY 22-23 biennium and the same amount is sent as a base increase in FY 24-25. The Trunk Highway appropriation for Agency Management increased by an additional \$1.26 million in the FY 22-23 biennium and FY 24-25 base in addition to other increases for operating pressures.
- As part of a number of General Fund substitutions of Trunk Highway Fund base appropriations the Trunk Highway Fund was decreased for Agency management by \$1.66 million in each biennium and that amount was increased from the General Fund.
- The net impact of the Agency Services increases and decreases in the FY 22-23 was a net increase from the General Fund of \$1.66 million and an increase of \$14.4 million from the Trunk Highway Fund over base.
- As part of operating adjustments to most MnDOT appropriations Chapter 5 increased the buildings appropriation by \$2,000 from the General Fund and \$800,000 from the Trunk Highway Fund for the FY 2022-23 biennium.

- Chapter 5 established a statutory appropriation from the General Fund starting in FY 2026 for costs associated with agency rent and utilities of the MnDOT central office building on the Capitol complex. Currently costs for the MnDOT central office building are paid for out of the Trunk Highway Fund.

Other MnDOT

- Chapter 5 authorized \$400 million in Trunk Highway bonding for the following programs:
 - \$113 million in FY 2022 for Trunk Highway expansion projects that are named in a letter from MnDOT. The language does not specify which projects MnDOT must complete with this authorization with the exception of a two to four lane conversion of a highway in Carver County.
 - \$100 million in FY 2022 for general state road construction projects as determined by MnDOT.
 - \$100 million in FY 2024 and \$100 million in FY 2025 for the Corridors of Commerce Program.
- Chapter 5 included a onetime \$30.93 million General Fund appropriation for Trunk Highway corridors studies and local road grants. Amounts and projects are specified in a letter from MnDOT. Projects include several local road / Trunk Highway improvements in which Trunk Highway bonding could not be eligible.

Metropolitan Council

Appropriation Changes

- Chapter 5 contained three onetime General Fund appropriations increases for the Metropolitan Council transit operating appropriation. These onetime items were in addition to the base funding for transit operating and Metro Mobility.
 - \$250,000 for a Trunk Highway 55 transit corridor study in the west Twin Cities metropolitan area.
 - \$250,000 for a zero emissions transit vehicle transition plan.
 - \$57.5 million for arterial bus rapid transit development. The amount should be sufficient to complete full funding of the E line serving the University of Minnesota, Hennepin avenue, Southwest Minneapolis, and Edina. Any remaining funding is for the F line serving Northeast Minneapolis and northern suburbs.
- Chapter 5 established a forecast General Fund base for Metro Mobility starting in FY 2026.
- Chapter 5 authorizes the Metropolitan Council to issue \$98.4 million in bonds backed by the regional transit capital property tax levy imposed on properties in cities receiving transit service. The bonds will be used to replace transit vehicles and maintain transit facilities. This bond issue may not be used on new Light Rail Transit lines. Tax interactions that will result from the bond authorization are covered in the tax summary.

Department of Public Safety (DPS)

Appropriation Changes

Communications, Administrative Support, and Technology

- As part of a series of General Fund substitutions Chapter 5 eliminated the communications base Trunk Highway Fund appropriation of \$890,000 a biennium and substituted that amount with the General Fund.
- Chapter 5 included a base increase for Public Safety Support from the General Fund of \$135,000 in the FY 2022-23 biennium and a base increase of \$172,000 in the FY 2024-25 biennium. Chapter 3 also included a \$220,000 FY 2021 cancellation for Public Safety Support.
- As part of a series of General Fund substitutions Chapter 5 eliminated the soft body armor base Trunk Highway Fund appropriation of \$200,000 a biennium and substituted that amount with the General Fund.
- As part of a series of General Fund substitutions Chapter 5 eliminated the Technology Support and Services base Highway User Tax Distribution Fund appropriation of \$38,000 a biennium and substituted that amount with the General Fund. The Trunk Highway Fund appropriation was reduced and supplemented but not replaced with General Fund by \$8,000 each biennium.

State Patrol

- Chapter 5 contained a number of changes to each of the State Patrol appropriations (Patrolling Highways, Vehicle Crimes, Capitol Security, and Commercial Vehicle Enforcement). Increased spending for the four State Patrol appropriations was also included in article 3 of Chapter 5 in addition to article 1. The article 3 increases are related to a salary adjustment for Minnesota Law Enforcement Association bargaining unit and non-represented supervisor employees. This amount of salary increase is conditional on the ratification of a contract in the summer of 2021 by the bargaining unit. Chapter 5 contained two sets of direct appropriations for the State Patrol. The first set of State Patrol direct appropriations were in Article 1 and includes amounts necessary for added FTE initiatives, body worn cameras, and base funding. The second set of State Patrol direct appropriations were in Chapter 5 article 3 and relate to increases for salaries on top of the article one funding levels. It should be noted that these salary increases are subject to conditional language in the Public Safety omnibus (2021 1st Special Session Chapter 11) The amounts of the increases for the State Patrol are:
 - \$12.806 million from the Trunk Highway Fund for Patrolling Highways for FY 2021 through 2023, and a FY 2021 salary supplement of \$2.355 million.
 - \$2.102 million from the Trunk Highway Fund for Commercial Vehicle Enforcement for FY 2021 through 2023, and a FY 2021 salary supplement of \$183,000.
 - \$1.053 million from the General Fund for Capitol Security for FY 2021 through 2023, and a FY 2021 salary supplement of \$105,000.

- \$247,000 million from the HUTD for Vehicle Crimes for FY 2021 through 2023, and a FY 2021 salary supplement of \$32,000.
- Chapter 5 provided for the procurement and operations of officer worn body cameras for all divisions of the State Patrol.
 - \$6.346 million from the Trunk Highway Fund in FY 22-23 for Patrolling Highways, and a base of \$5.644 million in FY 24-25.
 - \$854,000 from the Trunk Highway Fund in FY 22-23 for Commercial Vehicle Enforcement, and a base of \$720,000 in FY 24-25.
 - \$844,000 from the General Fund in FY 22-23 for Capitol Security, and a base of \$790,000 in FY 24-25.
 - \$40,000 from the HUTD in FY 22-23 for Vehicle Crimes, and a base of \$36,000 in FY 24-25.
- Chapter 5 included a base Trunk Highway Fund increase for Patrolling Highways of \$14.485 million in FY 2022-23 and a base increase of \$13.534 million in the FY 2024-25 biennium. This increase will allow the State Patrol to higher approximately 42 additional FTEs.
- Chapter 5 increased the Capitol Security General Fund appropriation by \$2.094 million in the FY 2022-23 biennium and set a base increase of \$2.648 million in the FY 2024-25 biennium. This amount was for operating pressures. In addition to operating pressures the legislature appropriated an additional \$13.283 million in the FY 2022-23 biennium from the General Fund and set a base of an increased \$8.84 million in the FY 2024-25 biennium for enhanced Capitol Security. The additional appropriation will increase the Capitol Security FTE complement by about 42.

Driver and Vehicle Services (DVS)

- Chapter 5 makes a number of appropriations and fee changes relating to the operations of Driver and Vehicle Services.
 - Appropriations Changes:
 - Chapter 5 increases the Driver Services appropriation out of the Special Revenue Fund by \$3.651 million for the biennium over a base of \$73.274 million for the FY 2022-23 biennium and set a base increase of \$46,000 for the FY 2024-25 biennium for staffing and operations.
 - Chapter 5 increases the Driver Services appropriation out of the Special Revenue Fund by \$2.384 million over base in the FY 2022-23 biennium for costs of a same day driver's license program, and by \$310,000 in the FY 2024-25 biennium.
 - Chapter 5 included an additional onetime Special Revenue Fund appropriation for Driver Services of \$5.196 million for the FY 2022-23 biennium for costs of maintaining all driver testing stations at a higher service level.

- Chapter 5 provided a onetime appropriation increase for staffing and operations for Vehicle Services out of the Special Revenue Fund of \$3.742 million in the FY 2022-23 biennium.
 - Chapter 5 used increase vehicle plate fee revenue to substitute the HUTD base appropriation for Vehicle Services. The substitution will be \$15.786 million in the FY 2022-23 biennium and \$16.472 million in the FY 2024-25 biennium. About \$686,000 in the HUTD appropriation is left in FY 2022 because of a one month programming delay caused by the legislation being enacted in a June special session rather than in the regular session.
 - Chapter 5 included two onetime Special Revenue Fund appropriations for Vehicle Services in FY 2022. The first was \$250,000 for programming costs associated with self-service kiosks to process vehicle transactions. The second onetime appropriation was \$200,000 for costs of a MNDRIVE independent review for staffing and fee requirements.
- Fee Changes:
 - Chapter 5 set changed license plate fees in order to generate about \$8.2 million in additional vehicle services fee revenue to offset the elimination of the HUTD appropriation for Vehicle Services. Most plate transactions will increase in cost starting in August of 2021, while some special plate fees will be reduced.
 - Chapter 5 allows for partial payments of drivers license reinstatements as well as elimination certain staked fees for a driver's license reinstatement. The Governor's budget estimated that the partial payment of reinstatement fees will increase the Special Revenue Fund Driver Services Account revenue by about \$994,000 in each biennium. The fee stacking eliminations are estimated to have a General Fund cost of \$54,000 in the FY 2022-23 biennium, and a Driver Services Account cost of \$331,000 in the FY 2022-23 biennium.
 - Chapter 5 established a \$20 no show fee for individuals that fail to appear at a driver's test, the fee is estimated to generate \$1.112 million in the FY 2022-23 biennium for the Driver Services Account.
 - Chapter 5 established a motorcycle endorsement fee the proceeds of which will be used for motorcycle safety training. The fee is estimated to generate \$1.034 million over the FY 2022-23 biennium.
 - Chapter 5 transferred \$5 million in FY 2021 and \$5 million in FY 2022 from the Vehicle Services Account to the Driver Services Account in order to maintain a reserve balance within the Driver Services Account as a result of higher onetime appropriations in FY 2022-23

Department of Public Safety Contingent Appropriations

- Chapter 5 provides the Commissioner of Public Safety the ability to cancel and re-appropriate various General Fund, Trunk Highway Fund and HUTD FY 2021 appropriations if an agreement is not reached by the end of June 2021 with the Minnesota Law Enforcement Association.
 - \$535,000 from the General Fund for Capitol Security
 - \$605,000 from the General Fund for the Bureau of Criminal Apprehension
 - \$57,000 from the General Fund for the Alcohol Gambling Enforcement
 - \$3.066 Million from the Trunk Highway Fund for Patrolling Highways
 - \$279,000 from the Trunk Highway Fund for Commercial Vehicle Enforcement
 - \$39,000 from the HUTD for Vehicle Crimes
 - \$12,000 from the Opiate Epidemic Response Fund for the Bureau of Criminal Apprehension

If you have further questions on Transportation Finance issues, please contact Andrew Lee, Fiscal Analyst, at 651-296-4181 or at andrew.lee@house.mn.

Taxes - Tax Revenue

To ease the financial impact of the COVID-19 pandemic to individuals, businesses and nonprofits, the 2021 Minnesota Legislature provided targeted tax reductions in the omnibus tax bill enacted as Chapter 14, first special session laws of 2021. Chapter 14 contains estimated net general fund total tax reductions of \$746.310 million in the FY 2022-23 biennium and \$150.450 in the FY 2024-25 biennium, with most of the tax reductions coming from adopted federal conformity provisions tied to the COVID-19 fiscal recovery. In addition, Chapter 14 contains clarifications and modifications to existing tax credits and other authorizations of new tax expenditures. Chapter 14 does not contain tax law changes that directly raise general fund tax revenue from a new or increased tax rate.

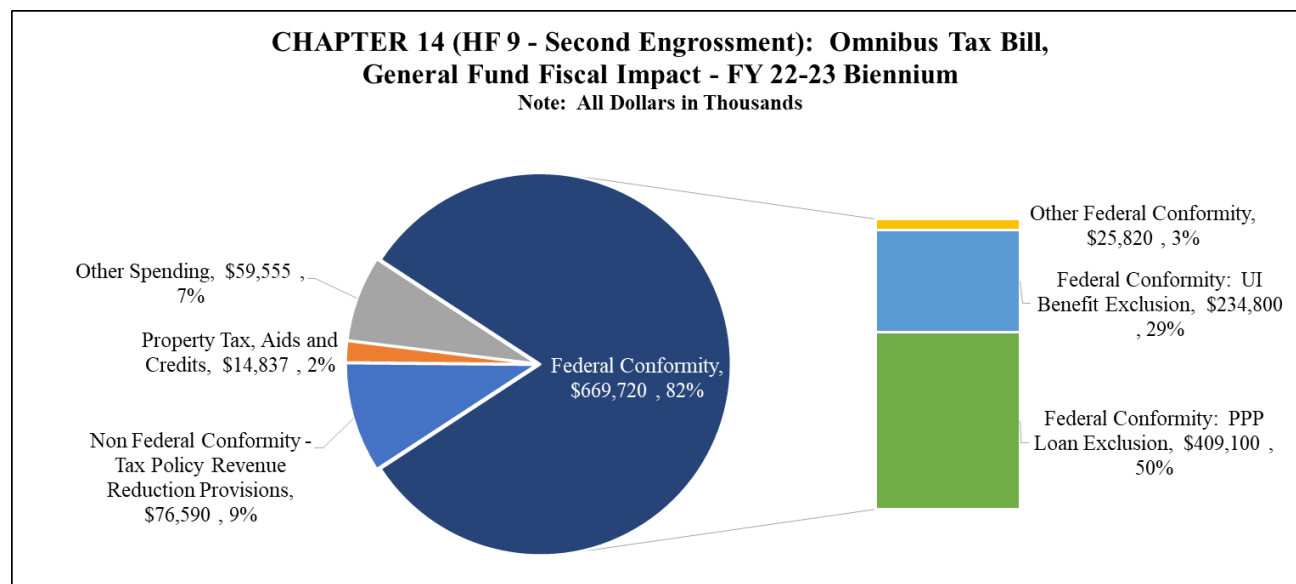
This summary of Chapter 14 will highlight the fiscal impact of federal conformity tax law changes, tax clarification law changes, and other law changes by tax type. Table 1 shows the change in general fund tax revenue with the 2021 omnibus tax bill for the current biennium (FY 2022-23) compared to forecast and compared to the previous biennium (FY 2020-21).

TABLE 1. ALL STATE TAX REVENUE					
General Fund Fiscal Changes Compared to Base (dollars in thousands)					
MN Laws of 2021, 1st Special Session, Chapter 14	FY 2020-21	FY 2022-23	FY 2022-23 *	Change: Enacted	Change: Enacted
Tax Type	Actual/Forecast	Forecast Base	Enacted Budget	v. FY 2020-21	v. Forecast Base
Individual Income Tax (includes conformity)	24,663,829	27,232,500	26,741,720	2,077,891	(490,780)
Corporate Franchise Tax (includes conformity)	3,311,615	3,302,967	3,080,967	(230,648)	(222,000)
Sales Tax	11,578,345	12,812,642	12,789,782	1,211,437	(22,860)
Statewide Property Tax	1,558,344	1,541,366	1,530,696	(27,648)	(10,670)
Estate Tax	325,039	344,500	344,500	19,461	-
Cigarette and Tobacco Products Tax	1,167,552	1,163,610	1,163,610	(3,942)	-
Liquor, Wine and Beer Tax	194,879	204,480	204,480	9,601	-
Deed Transfer Tax	293,945	322,567	322,567	28,622	-
Mortgage Registry Tax	391,324	362,529	362,529	(28,795)	-
Lawful Gambling Tax	172,984	239,068	239,068	66,084	-
Insurance Gross Earnings/Fire Marshall tax	860,616	939,336	939,336	78,720	-
Medical Assistance Surcharges	589,135	627,477	627,477	38,342	-
Other Tax Revenue	14,316	17,104	17,104	2,788	-
Total for General Fund	45,121,923	49,110,146	48,363,836	3,241,913	(746,310)
Biennial Percentage Change				7.2%	-1.5%

* Note: Positive dollar amounts show revenue increase.

FEDERAL CONFORMITY

The federal conformity provisions adopted in Chapter 14 account for more than 80 percent of total net tax reductions (\$669.72 million) to the general fund for the fiscal year 2022-23 biennium. Most of these reductions are effective for the same window of time as federal law, and thus are temporary in nature. In general, proposed federal conformity provisions that are effective for tax years 2021 and beyond were not adopted in Chapter 14.



Exclusion of Payment Protection Program (PPP) Loan Assistance from Gross Income

Background:

Federal assistance to small businesses (and nonprofits) came in the form of PPP loans. In general, PPP loans are structured to be low-interest loans to small businesses with less than 500 employees; loans may be spent on qualifying expenses (payroll, mortgage interest, rent and utilities) over an 8-to-24-week period. Finally, loans may be forgiven if certain requirements are met. The Coronavirus Aid, Relief, and Economic Security Act (CARES) Act and the Consolidated Appropriation Act (CAA) provided a federal allocation for these loans. In the CARES Act, Congress clarified that the forgivable PPP loans may be excluded from income and further clarified in the CAA that business deduction expenses will not be disallowed for expenses that were covered by the loan proceeds that were subsequently forgiven and excluded from income. Stated differently, the federal law allowed a double benefit for recipients of PPP loans: (1) the loan could be excluded from income; and (2) any deductions will not be disallowed because expenses were paid with PPP loan proceeds.

Cost Estimate:

Minnesota conformed to the federal tax treatment of the PPP loans for tax years 2020 and 2021. Based on the revenue estimate provided by the Minnesota Department of Revenue (DOR), Minnesota received about \$11.3 billion of the first and second round of the PPP loans in the CARES allocation. The \$11.3 billion was received by an estimated 102,400 loan applicants (businesses, nonprofits). Minnesota also received \$6.1 billion in loans from the CAA allocation. In some cases, a single business/nonprofit may have received more than one PPP loan. Without federal conformity, at the state level, the amount of the PPP loan that is forgiven would need to be included in gross income for tax purposes. With federal conformity at the state level, the amount of the PPP loan that is forgiven may be excluded from income and deducted as a business expense. This provision is estimated to reduce general fund income tax and corporate franchise tax revenue by \$409.1 million in the FY 2022-23 biennium and \$45.7

million in the FY 2024-25 biennium.² An estimated 24,000 returns in tax year 2020 and 28,000 in tax year 2021 may benefit from Minnesota conformity to this provision.

Other Exclusions of Loan Assistance from Gross Income

Chapter 14 also adopts federal conformity CAA provisions that allow the exclusion of loan assistance from gross income. The fiscal impact of these provisions is below:

- Exclusion of Economic Injury Disaster Loan (EIDL) from gross income for tax year 2020 only. Conformity to this exclusion is estimated to reduce general fund tax revenue by \$7.6 million in the FY 2022-23 biennium and \$800,000 in the FY 2024-25 biennium.
- Exclusion of Small Business Loan (SBA) Loan Assistance from gross income for tax year 2020 only. Conformity to this exclusion is estimated to reduce general fund tax revenue by \$3.2 million in FY 2022-23 and \$400,000 in FY 2024-25 biennia, respectively.

Exclusion Unemployment Insurance from Gross Income

Background:

In general, unemployment income is treated as income by the Internal Revenue Service (IRS). In some instances, states will withhold income tax but in other instances state income taxes are not withheld from unemployment compensation. At the federal level, in the American Rescue Plan Act, Congress responded by allowing up to \$10,200 of unemployment compensation to be excluded from income for filers with modified adjusted gross income of \$150,000 or less. For married joint filers, the subtraction is \$20,400.

Cost estimate:

Chapter 14 conforms Minnesota's tax law treatment of unemployment compensation in a manner that is consistent with the exclusion allowed in the American Rescue Plan Act, but for tax year 2020 only. The estimated general fund cost of conforming to this provision –reflected in reduced income tax revenues - totals \$234.8 million in FY 2022. DOR's estimate for this revenue change is based on unemployment insurance payment data for 821,300 individuals that received a total \$9.68 billion of unemployment compensation in 2020. An estimated 487,100 taxpayers may benefit from this one-time subtraction with an average tax reduction of \$482 in tax year 2020.

Other Federal Conformity Provisions

- Individual Income tax extenders include conformity to the exclusion of discharge of indebtedness on qualified principal residence for tax years 2018, 2019 and 2020 and to the exclusion of benefits for volunteer firefighters and emergency medical responders for tax year 2020 as authorized in the Further Consolidated Act (FCA). Conformity to these

² The PPP loan exclusion for tax year 2020 and 2021 has a fiscal impact over the 4-year budget forecast window. The fiscal impact of this provision is affected by the timing of the PPP application deadline, loan disbursement and the covered period and the ability to apply for loan forgiveness up to 10 months after the last day of the covered period.

exclusions is estimated to reduce general fund tax revenue by \$7.0 million in FY 2022-23 with no fiscal impact in the FY 2024-25.

- Conformity to miscellaneous individual provisions includes these items: (1) the exclusion of certain financial aids grants made under CARES Act authorized in the CAA for tax year 2020; (2) the special rules for use of retirement funds authorized in the CARES Act for tax year 2020; (3) the educator expense deduction (effective 2/27/20) is expanded to allow personal protective equipment (PPE) as a qualifying expense as authorized in the CAA act.³ In total, the estimated general fund reduction for these miscellaneous individual federal conformity provisions is \$540,000 in the FY 2022-23 biennium and by \$30,000 in the FY 2024-25 biennium.
- Business tax extenders includes conformity to expensing provisions such as the accelerated depreciation for business property on Indian Reservations, and special expensing rules for certain film, television, and live theatrical productions for tax years 2018, 2019 and 2020 as authorized in the FCA Act. Conformity to these business extender provisions and others is estimated to reduce general fund tax revenue by \$6.390 million in the FY 2022-23 biennium and increase general fund tax revenue by \$1.870 million in the FY 2024-25 biennium.
- Charitable contribution rules and other disaster relief provisions includes Minnesota conformity to the temporary increases in limitation on qualified charitable contributions and special disaster rules for qualified disaster-related personal casualty losses and use of retirement funds as authorized in the FCA Act. Conformity to these provisions is estimated to reduce general fund tax revenue by \$1.090 million in the FY 2022-23 biennium and increase general fund tax revenue by \$200,000 in FY 2024-25 biennium.

Pass-through Entity Tax Election

Before tax year 2018 taxpayers could claim a deduction for state and local taxes, commonly known as the SALT deduction, with no dollar limitation on the deduction. With Minnesota's conformity to the federal Tax Cuts and Jobs Act of 2018, however, the deduction is capped at a maximum of \$10,000 (\$5,000 for married separate filers). This capped deduction is fixed at \$10,000 for tax years 2018 through 2025. The net effect is that this \$10,000 limitation increases tax liability, especially for taxpayers with pass-through income who itemize deductions.

In an effort to lessen the impact of the SALT cap limitation on pass-through businesses, Chapter 14 creates a fully refundable pass-through entity tax that allows a qualifying entity to pay Minnesota state income tax at the entity level (as opposed to passing all income to its owners) and deduct state and local taxes for federal income tax purposes. Effective tax year 2021, each qualifying business must file a composite return if their Minnesota source income is only from entities electing to file a composite return or pay the pass-through entity tax. By design, this tax

³ Minnesota permanently conformed to the expansion of the expansion of the educator expense deduction. This is one of the few federal conformity provisions adopted permanently in Chapter 14.

law change is revenue neutral at the state level. The two components of its design that affect its revenue neutrality are:

- Pass-through entities tax is equal to the sum of the tax liability of each qualifying owner. According to DOR, the same amount of tax return will be collected with the pass-through entity tax as under current law.
- Owners of the qualifying entity would claim a refundable credit on the individual income tax return equal to the amount of the PTE tax. Any additional tax paid by the pass-through entity will be offset by the refundable tax credit which eliminates any change in revenue at the state level.

This pass-through entity tax is sometimes referred to as the “SALT Cap workaround” and it does not contain an explicit sunset date. The SALT cap workaround remains effective in law provided that the federal limitation for the state and local tax deduction at \$10,000 for individual itemizers still applies.

CLARIFICATION OF TAX PROVISIONS ENACTED IN RECENT LEGISLATIVE SESSIONS

Section 179 Expensing Tax Law Clarified

Background:

In the fifth special session of 2020, the Legislature passed HF 1 enacted as Chapter 3. Chapter 3 addressed issues related to expensing for section 1031 properties (like-kind exchanges) as a result of conformity to the Tax Cuts and Jobs Act in 2019. Conformity changes in the 2019 tax laws had the unintended consequence of increasing state tax liability related to expensing properties for some taxpayers. To mitigate this, Chapter 3 retroactively allowed taxpayers to expense properties acquired in a like-kind exchange for tax years 2018 and 2019 and prospectively allow full section 179 expensing for property placed in service in tax year 2020. Even with the Chapter 3 fix, for some taxpayer’s a portion of their current fiscal year federal section 179 expensing deduction that includes some carryforward property placed in service in a year prior to 2020 had to still be expensed with the 80 percent addback and five-year recovery treatment. These properties still had to be expensed because the date in the conformity legislation in Chapter 3 (enacted in 2020) is tied to the date on which the property is placed in service, rather than the taxable year the property is expensed.

Cost Estimate:

Chapter 14 allows for full conformity for carryover property for tax year 2020 and carry over properties as an expense beginning in tax year 2020. Properties that are carried forward in tax year 2020 would not be subject to the 80 percent add-back, five-year recovery treatment. DOR’s Tax Research Division estimates the general fund impact with this law change to individual income tax and corporate franchise tax combined is a revenue reduction of \$3.8 million in the FY 2022-23 biennium and a revenue gain of \$2.8 million in the FY 2024-25 biennium.

Student Loan Credit Calculation Clarified

Background:

A nonrefundable student loan credit was enacted in 2017 for individuals with qualified education loans from an undergraduate and graduate degree program at a public or nonprofit institution. For taxpayers that file joint returns, the amount of taxpayer credit is contingent on the taxpayer's adjusted gross income (AGI) in excess of \$10,000. The calculation of the tax credit is based on the couple's combined adjusted gross income versus each spouse's allocated share of the couple's earned income. The former method of calculation for the credit has the effect of reducing or eliminating a tax credit for some taxpayers filing married joint returns.

Cost Estimate:

Chapter 14 clarifies that the calculation of the credit is based on each spouse's share of the couple's earned income multiplied by the couple's adjusted gross income. This clarification of how the tax credit is calculated is needed to eliminate any tax credit reduction for married joint filers. With this change, the revenue analysis published by DOR Tax Research estimates that the credit would increase for about 1,000 returns with an average increase of \$272. This law change is estimated to reduce general fund tax revenue by an additional \$500,000 in each fiscal year starting in FY 2022. The fiscal impact of this change will be added to total estimated current law annual tax reduction for the student loan tax credit of \$24.0 million (FY 2022).⁴

K12 Fundraising Sales Tax Exemption Clarified

Background:

Minnesota law allows fundraising sales by nonprofit organizations to be exempt from sales tax. Previous law allowed for the first \$20,000 of fundraising sales by a nonprofit organization that provide educational or social activities for people 18 years and under to be exempt from sales tax. However, the exemption did not apply if the sales are derived from admission charges or from activities for which the proceeds: (1) must be deposited with the school treasurer; or 2) must be recorded in the same manner as other revenues or expenditures of the school district.

A 2019 law change to conform to federal accounting standards had the unintended effect of nullifying a sales tax exemption for certain fundraising activities conducted by schools and school-run groups for extracurricular activities by requiring the funds to be deposited with the school district treasurer.

Cost Estimate:

To reinstate the exemption for school fundraising that was inadvertently nullified, Chapter 14 clarifies that the exemption applies regardless of the accounting with the school district treasurer but requires that: (1) the fundraising sales are for elementary and secondary school student activities (sports, educational and other extracurricular activities); and (2) the school district reserves and spends revenues raised by a particular extracurricular activity only for that same activity. According to DOR Tax Research, fundraising sales by nonprofit school organizations represents approximately 5 percent of the total tax expenditures for fundraising sales by all

⁴ 2020 Tax Expenditure Budget, Student Loan Credit, page 80.

nonprofit organizations. The estimated general fund revenue change for this clarification of the law is \$1.310 million in the FY 2022-23 biennium and \$1.410 million in the FY 2024-25 biennium with an additional revenue reduction to the Legacy Funds.

ADDITIONAL INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAX CHANGE PROVISIONS

Sunsetting Tax Credits Extended by One Tax Year

Background:

Both the small business investment tax credit, which is also known as the angel tax credit, and the historic rehabilitation tax credit were enacted in 2010. The qualification requirements for each tax credit are different but both tax credits are designed to encourage business investment in projects. In terms of funding, both tax credits are also refundable but funding for these tax credits is scheduled to sunset. The date of the sunset for the angel tax credit is after tax year 2021/FY 2022 and the sunset date for the historic rehabilitation tax credit is after fiscal year 2021.

Cost Estimate:

An extension of these tax credits has a very different fiscal impact. A one-year extension of the angel tax credit with a capped allocation of \$5 million for tax year 2022 will reduce general fund tax revenue by \$5 million in FY 2023 only. The allocation of \$5 million for tax year 2022 is added to the cumulative total of \$121.9 million allocated to the tax credit since it was enacted in tax year 2010. Any portion of the taxable year's credit that is not allocated by the commissioner does not cancel and may be carried forward to subsequent taxable years until all the credits are allocated.

A one-year extension of the historic rehabilitation tax credit for FY 2022 has a multi-fiscal year tax revenue reduction to the general fund of \$12.6 million in the FY 2022-23 biennium and \$14.0 million in the FY 2024-25 biennium. Unlike the angel tax credit, which is a capped allocation, the revenue reduction for the historic rehabilitation credit for FY 2022 and other years is forecasted until the credit expires.⁵ Also unlike the angel tax credit, the historic rehab tax credit is allocated to a taxpayer in equal installments over five years.

Expand Working Family Credit Eligibility by Lowering the Minimum Age

Background:

The Minnesota Working Family credit is a refundable tax credit and has eligibility requirements that are similar to the federal earned income tax credit. In 2019, the minimum age qualifications for taxpayers with no children was reduced from age 25 to age 21. Approximately 368,000 returns claimed the credit in tax year 2019.

Cost Estimate:

To further expand the working family credit to a taxpayer with no qualifying children that has reached the age of 19 before the close of the taxable year, DOR Tax Research estimates that an

⁵ In addition to the historic rehabilitation credit, there is also a forecasted open statutory appropriation for a grant-in-lieu of credit (GILOC). This grant is administered by the Minnesota Department of Administration.

additional 26,200 taxpayers would be eligible for this credit with an average credit of \$165. The fiscal impact of this expansion, estimated to reduce general fund tax revenue by \$8.7 million in the FY 2022-23 biennium and \$9.0 million in the FY 2024-25 biennium, will be added to the current law tax reduction of \$281.7 million for the Working Family Credit in FY 2022⁶.

Modify Partnership Audits

Background:

The federal Bipartisan Budget Act of 2015 created a new federal partnership auditing regime. The new regime allows the IRS to review multiple years of partnership activity; to adjust the tax in the year the audit is completed; and allows the tax associated with the audit to be paid at the partnership level or paid at the partner level if an election is made. Chapter 14 includes state tax law changes that mirror the federal tax law changes for partnership audits. The state law changes to federal partnership audit tax law treatment were based on a model act from the Multistate Tax Commission (MTC).

Cost Estimate:

These Chapter 14 changes to partnership audits are estimated to reduce general fund individual income tax revenue by \$2.0 million in the FY 2022-23 biennium and \$3.1 million in the FY 2024-25 biennium. A revenue reduction is estimated because the provision may reduce the amount of individual income taxes attributable to resident indirect partners.

New Subtraction for Volunteer Drivers

Background:

Volunteer drivers provide transportation for others. The federal reimbursement rate for volunteer drivers is 14 cents per mile driven in service of charitable organizations. State and federal law allows volunteer drivers to exclude reimbursement payments from their income only to the extent they would be able to deduct the expense as a charitable contribution. Reimbursement for mileage amounts above the exclusion amount (in excess of 14 cents per mile) must be reported as income.

Cost estimate:

To reduce the income tax liability of volunteer drivers, Chapter 14 creates a subtraction to reduce the income tax liability of volunteer drivers that is equal to reimbursement over 14 cents per mile but not over the standard mileage rate (56 cents in tax year 2021). DOR Tax Research estimates that about 1,400 taxpayers could receive an average reduction of tax of about \$25. In total, the fiscal impact to the state for this new subtraction is an estimated general fund income tax revenue reduction of \$30,000 each fiscal year beginning in FY 2022.

New State Tax Credits: Film Production and for Contributions to a Housing Investment Account

Chapter 14 creates two new nonrefundable state tax credits with capped general fund allocations:

(1) The Film Production Credit is equal to 25 percent of eligible film production costs in a taxable year. The Department of Employment and Economic Development (DEED) issues allocation and credit certifications to qualifying taxpayers. Total credit allocations are limited to

⁶ Estimate from the 2020 Tax Expenditure Report, Working Family Credit, page 76.

\$4.95 million each taxable year from 2021 until 2024. Unused tax credit may be carried over five years and may also be applied against the insurance premium tax. The general fund revenue reduction for the film tax credit is \$9.9 million in FY 2022-23 biennium and \$9.9 million in the FY 2024-25 biennium.

(2) The Housing tax credit is equal to 85 percent of contributions to a newly established housing contribution account within the Minnesota Housing Finance Agency.⁷ Taxpayers are limited to a minimum of \$1 million and a maximum \$2 million contribution to the Minnesota Housing Contribution Account. No more than \$9.9 million each taxable year may be allocated in tax credits from 2023 to 2028. The credit, which may also be applied against the insurance premium tax, may be claimed after certification by MHFA. In addition, any unused tax credit may be carried over to the ten succeeding taxable years. Starting in the FY 2024-25 biennium, the general fund revenue reduction for the housing tax credit is \$19.8 million each biennium.

TABLE 2. INDIVIDUAL INCOME AND CORPORATE TAX (NON FEDERAL CONFORMITY)		
GENERAL FUND (dollars in thousands)		
	Estimated Tax Revenue Effect	
MN Laws 2021, First Special Session, Chapter 14 Changes:	FY 22-23	FY 24-25
INDIVIDUAL INCOME TAX:		
Expensing Modified; Section 179, Full Conformity for Carryover Properties (TY 20)	(2,800)	2,000
Credit Modified, Working Family Credit Expansion, Lower Minimum Age(TY 21)	(8,700)	(9,000)
Credit Sunset Modified, Business Investment Credit Funding - One Tax Extension (TY22 only)	(5,000)	-
Credit Modified, Student Loan Credit, Marriage Penalty Fix (TY 21)	(1,000)	(1,000)
Credit Authorized, Film Production, Non Refundable Tax Credit (TY21-24)	(9,900)	(9,900)
Credit Authorized, Housing Tax, Non Refundable Tax Credit (TY 23-28)	-	(19,800)
Subtraction Authorized, Volunteer Drivers (TY 21)	(60)	(60)
Partnership Audits: Multistate Tax Commission Model (TY 21)	(2,000)	(3,100)
Interactions with Property Tax, Aids and Credit Provisions in Chapter 14	-	1,620
Subtotal	(29,460)	(39,240)
CORPORATE TAX:		
Expensing Modified; Section 179, Full Conformity for Carryover Properties (TY 20)	(1,000)	800
Credit Sunset Modified, Historic Rehabilitation Credit, One-Year Extension (TY 22 only)	(12,600)	(14,000)
Subtotal	(13,600)	(13,200)
TOTAL INCOME TAX & CORPORATE TAX CHANGES:	(43,060)	(52,440)

Note: Positive dollars amounts show revenue increase

SALES & USE TAX CHANGE PROVISIONS

Sales Tax Exemption on Scholarship Seating Donations

Background:

Scholarship seating donations can be made when purchasing a ticket in a preferred location for an athletic event at a university or college. After a donation is made, the amount of sales tax

⁷ Grants and loans may be awarded from this account. See Minnesota statute 462A.20 for the geographical and income-based specifications on how these grants and loans are to be distributed by the commissioner.

paid is “backed into” for each donation which lowers the amount of donation revenue. Chapter 14 provides a sales tax exemption on admission to an athletic event at a college or university, when certain criteria are met, for scholarship seating donations.

Cost estimate:

The Minnesota Department of Revenue Tax Research Division estimates that about \$13 million in scholarship seating donations at Minnesota higher education institutions will be made in a school year. At this level of seating donations, the estimated general fund revenue reduction is \$1.770 million and \$1.810 million in the FY 2022-23 and FY 2024-25 biennia respectively with additional revenue reduction to the Legacy funds.

Projected Budget Balance and the November Forecast

The budget reserve statute in Minnesota Statute 16A. 152 contains a list of priorities for the allocation of additional revenue if a positive unrestricted general fund balance exists at the close of a biennium and at the time of a November forecast. Chapter 14 adds a sixth priority for the allocation of these additional revenues. Effective July 1, 2021, the sixth priority requires the reduction and elimination of the June accelerated payment for sales and use tax liabilities until the percentage is reduced to zero.

At the time of a November forecast, if there is a positive unrestricted general fund balance and if the other five statutory priorities have been satisfied, it would take an additional general fund balance of about \$258.451 million in FY 2022 to fully eliminate the accelerated payment percentage requirement to zero. Furthermore, if the sixth priority is satisfied, there would also be a one-time fiscal impact or revenue reduction to the Legacy funds. About 2,900 returns are affected by this requirement.

Elimination and Modification of a State Sales Tax Payment Shift

Background:

Those that collect sales tax, certain excise taxes and other taxes that meet a \$250,000 tax liability threshold in a fiscal year must remit 87.5 percent of estimated June tax liability by June 28th. About 2,900 businesses out of about 166,000 businesses meet this threshold and must make an accelerated payment. Beginning with June 2022 tax liability and thereafter, the percentage of June tax liability that must be remitted is reduced from 87.5 percent to 84.5 percent. Also, effective for June 2022 liability, certain vendors of construction materials are excluded from the accelerated June payment requirement in Chapter 14.

Vendors excluded are retailers that sell any of the following materials, if 50 percent or more of the retailer’s sales revenue for fiscal year ending on June 30 is from the sale of those materials:

- Lumber, veneer, plywood, wood siding, wood roofing;
- Millwork, including wood trim, wood doors, wood windows and wood flooring; or
- Concrete, cement, and masonry.

Cost Estimate:

The revenue analysis reports that approximately 100 businesses may be excluded with this requirement with an estimated general fund tax revenue reduction of \$12.1 million in FY 2022 and on-going revenue reduction of \$500,000 in FY 2023 with an additional revenue reduction to the Legacy funds in the FY 2022-23 biennium and the FY 2024-25 biennium.

Construction Exemptions for Public Safety Facilities

Background:

Purchases of construction materials by local governments for their own use are exempt. However, purchases of construction materials by local government contractors are not exempt unless the contractor is authorized to act as a purchasing agent. Chapter 14 exempts supplies, and materials used in and equipment incorporated into construction or remodeling of public safety facilities and other various capital projects owned by a local government. The exemption also includes related facilities (access roads, sidewalks, etc.).

Cost Estimate:

Effective for purchases after June 30, 2021, Chapter 14 requires upfront payment of sales and use tax covered under the exemption. Local government owners of the public safety facilities (police or fire station) must apply for a refund of tax paid by a contractor, subcontractor, or builder. The Minnesota Department of Revenue Tax Research Division estimates that this exemption will reduce general fund revenue by \$6.120 million in the FY 2022-23 biennium and \$8.730 million in the FY 2024-25 biennium.

Chapter 14 also contained new or extended sales and use tax exemptions for public safety facilities construction purchases made before July 1, 2021. The estimated general fund tax revenue reduction for these retroactive provisions that affect the cities of Buffalo, Maplewood, Minnetonka, and Plymouth is \$710,000 in the FY 2022-23 biennium.

Other Exemptions

Background:

Sales and use tax exemptions have been provided to cities with property damage as a result of a fire. These temporary exemptions apply to building materials, supplies and equipment used in the construction or replacement of property affected by the fire. The temporary exemption is also extended to cleaning and disinfecting services related to smoke damage mitigation.

Cost Estimate:

Chapter 14 extended an existing exemption for the City of Melrose. The estimated general fund tax reduction to extend the construction exemption for property affected by fire in the city of Melrose from January 1, 2023 to July 1, 2023 is \$60,000 in FY 2023.

Chapter 14 also provides various exemptions to the city of Alexandria. The estimated general fund tax reduction is \$290,000 in the FY 2022-23 biennium to exempt purchases made on building materials, supplies and equipment and to exempt purchases for the repair or replacement of real property or durable equipment used in a restaurant affected by the fire in the city of Alexandria. This exemption is temporary and limited to purchases made after February 24,

2020 and before February 28, 2023. Also included in this estimate is an exemption for purchases made on cleaning and disinfecting services for affected properties.

TABLE 2. SALES AND USE TAX		
GENERAL FUND (dollars in thousands)		
MN Laws of 2021, 1st Special Session, Chapter 14 Changes	Estimated Tax Revenue Effect	
	FY 2022-23	FY 2024-25
Modify June Acceleration Payment Requirement, Exempt Certain Construction Vendors (Jun 2022)	(12,600)	(1,000)
Exemption Modified: K12 School Fundraising (Day Following Enactment)	(1,310)	(1,410)
Exemption Authorized: Establish Collegiate Preferred Seating Exemption (7/1/21)	(1,770)	(1,810)
Construction Exemption by Refund Authorized: Local Government Owned Public Safety Facilities (7/1/21)	(6,120)	(8,730)
Construction Exemption by Refund Authorized: City of Buffalo, Fire Station (4/1/20 to 6/30/21)	(230)	-
Construction Exemption by Refund Authorized: City of Maplewood, Fire Station (10/1/20 to 6/30/21)	(220)	-
Construction Exemption by Refund Authorized: City of Minnetonka, Fire Station (6 mo. extension)	(190)	-
Construction Exemption by Refund Authorized: City of Plymouth, Fire Station (1/2/21 to 6/30/21)	(70)	-
Construction Exemption: City of Melrose, Extension	(60)	-
Various Exemptions: Properties Destroyed by Fire (Day Following Enactment)	(290)	-
TOTAL SALES AND USE TAX CHANGES:	(22,860)	(12,950)

Notes: (1) Positive dollars amounts show revenue increase; (2) All change provisions interact with the Legacy Funds.

STATE GENERAL LEVY CHANGE PROVISIONS

State General Levy Market Value Exclusion increase

Background:

For taxes payable in 2021, the commercial-industrial portion of the state general levy is \$737.09 million, and is paid by owners of specific commercial, industrial, railroad and public utility property, minus the first \$100,000 of market value. Chapter 14 makes two changes to this statewide property tax: 1) it increases the market value exclusion from \$100,000 to \$150,000, and 2) it reduces the tax base from \$737.09 million to \$716.99 million, thus avoiding a shift in tax burden onto properties that remain in the state general levy.

Cost Estimate:

Effective for taxes payable in 2023 and beyond, the state general levy is reduced by \$20.1 million per year. However, when revenues are adjusted to the state fiscal year format, the first-year reduction of \$10.6 million in FY 2023 reflects just six months of this change before the full impact is realized in FY 2024. In addition, lower property taxes interact with both individual and corporate income tax deductions, triggering an increase in income tax revenues.

State General Levy Refund, Tribal-Owned Land exemption

Chapter 14 also exempts 35 properties in Cass County owned by a federally recognized tribe (Leech Lake Band of Ojibwe) and were treated in 2018 as exempt property of an institution of public charity. The property tax exemption is reestablished beginning with assessment year 2021, and a one-time refund of \$20,000 for state general levy taxes paid in 2020 and 2021 is appropriated. In addition, there are relatively small interactions with the Homestead Credit State Refund due to the shifting of local property taxes onto other properties, including homeowners (see Tax Aids & Credits).

Table 3: State General Levy - General Fund Changes		
MN Laws, First Special Session 2021, Chapter 14	Estimated Tax Revenue Effect	
	FY 2022-23	FY 2024-25
General Fund, Dollars in Thousands - Positive Amounts Indicate Revenue Increase		
Increase Market Value Exclusion to \$150,000 (Pay 2023)	(10,650)	(40,200)
Refund, Exempt Tribal Owned Land - Cass County (Pay 20 & 21)	(20)	-
TOTAL STATE GENERAL LEVY CHANGES:	(10,670)	(40,200)

If you have further questions on state tax issues, please contact Cynthia Templin, Fiscal Analyst, at 651-297-8405 or at cynthia.templin@house.mn.

Property Tax Aids and Credits

Changes in General Fund Property Tax Aids and Credits

Enacted in first special session, Chapter 14, (First Special Session Laws Chapter 14, the omnibus tax act) made numerous changes to Minnesota law governing property taxes, refunds, and local aids. Beginning with Table 1, line 1, base-level general fund appropriations for Property Tax Aids and Credits are \$4.16 billion for FY 2022-23 and \$4.31 billion for FY 2024-25. Chapter 14 changes in general fund spending (line 5) total \$74.39 million in FY 2022-23 and \$54.57 in FY 2024-25, however included in the act are three notable appropriations for activities in other Committees – Transportation, Agriculture and Economic Development (lines 7-9). Adjusting for these provisions, net general fund changes attributable to Property Tax Aids and Credits activities (line 11) reflect an increase of \$44.19 million for FY 2022-23 and an increase of \$53.07 million in FY 2024-25. Thus, when adding net changes to base-level funding (line 12), general fund appropriations for FY 2022-23 total approximately \$4.21 billion (+ 5.44 percent) and approximately \$4.36 billion (+ 4.70 percent) for FY 2024-25.

**Table 1: Summary of ISS 2021 Chapter 14 Tax Act Expenditures
General Fund Changes - Tax Refunds, Aids & Credits**

Dollars in 000's	FY 2020-21	FY 2022	FY 2023	FY 22-23	FY 2023	FY 2024	FY 24-25
February 2021 Forecast - Tax Aids & Credits	3,991,388	2,070,925	2,093,256	4,164,181	2,139,376	2,167,334	4,306,710
Tax Refunds, Aids & Credits CH 14 Changes							
<i>Positive numbers reflect an increase in spending and negative numbers reflect cost savings.</i>							
Subtotal Tax Aids, Credits & Appropriations		4,100	10,737	14,837	26,853	26,214	53,067
Subtotal Other Appropriations		59,555	0	59,555	0	1,500	1,500
Total General Fund Changes Chapter 14		63,655	10,737	74,392	26,853	27,714	54,567
Less Appropriations for Other Committees							
Rondo I-94 Freeway Cap Planning & Development (Transportation)		(6,200)	0	(6,200)	0	0	0
Oriented Strand Board (OSB) Production Incentive (Agriculture)		0	0	0	0	(1,500)	(1,500)
Targeted Community Capital Project Grant Program (DEED)		(24,000)	0	(24,000)	0	0	0
Subtotal Less Appropriations in Other Committees		(30,200)	0	(30,200)	0	(1,500)	(1,500)
Net General Fund Changes CH 14 Tax Aids & Credits (lines 5 + 10)		33,455	10,737	44,192	26,853	26,214	53,067
Total General Fund Forecast + Net General Fund CH 14 Changes (lines 1 + 11)		2,104,380	2,103,993	4,208,373	2,166,229	2,193,548	4,359,777
Total % Change Forecast + Net General Fund CH 14 Changes (biennial)				5.44%			4.70%

Table 2 provides a more detailed summary of Tax Aids & Credits spending changes. It compares actual and anticipated spending for the six-year period, FY 2020-2025. Base appropriations of \$4.164 billion in FY 2022-23 reflect a 4.3 percent increase above FY 2020-21 spending levels of \$3.991 billion; Chapter 14 changes add another \$44.2 million (or about 1.1 percent), for a total of \$4.208 billion. Then in FY 2024-25, appropriations rise to \$4.360 billion, an increase of about 4.7 percent above projected FY 2022-23 spending.

Table 2: 1SS 2021 CH 14 - Tax Aids, Credits and Other Expenditures
Dollars in Millions

	Closing FY 2020-21	Base FY 2022-23	Enacted FY 2022-23	% Change FY 22- 23 base vs FY 2020-21	% Change Enacted v Base FY 2022-23	Enacted FY 2024-25
Property Tax Refunds	\$1,616.5	1,724.4	1,729.1	6.7%	0.3%	1,820.2
Political Contribution Refund	6.2	6.5	6.5	4.7%	0.0%	6.5
Tax Refund Interest	45.1	27.3	27.3	-39.5%	0.0%	26.5
Local Aids	1,692.8	1,838.6	1,843.7	8.6%	0.3%	1,885.2
Local Government Aid (LGA)	1,018.5	1,128.8	1,133.8	10.8%	0.4%	1,128.8
County Program Aid (CPA)	494.2	529.4	529.4	7.1%	0.0%	529.3
County Aquatic Invasv Spec (AIS)	20.0	20.0	20.0	0.0%	0.0%	20.0
Township Aid	20.0	20.0	20.0	0.0%	0.0%	20.0
Disparity Reduction Aid	36.4	36.6	36.6	0.6%	0.0%	36.6
PILT Payments - DNR	72.0	72.9	72.9	1.1%	0.0%	78.8
Homeless Youth Prevention Aid			0.0			40.0
Other Local Aids	31.7	31.0	31.0	-2.3%	0.0%	31.7
Property Tax Credits	194.8	231.3	231.3	18.7%	0.0%	267.5
Agricultural Market Value Credit	74.4	71.0	71.0	-4.6%	0.0%	71.0
School Building Bond Ag Credit	93.0	130.8	130.8	40.6%	0.0%	164.7
Border City Disparity Credit	25.9	29.3	29.3	13.0%	0.0%	31.6
Other Credits	1.5	0.2	0.2	-83.2%	0.0%	0.2
Taconite Tax Relief Area Aids & Credits	28.0	27.3	27.3	-2.4%	0.0%	28.8
Local Pensions Aids	292.5	299.6	299.6	2.4%	0.0%	320.8
Other Expenditures	115.5	9.1	43.5	-92.1%	377.2%	4.3
Performance Measurement	0.9	0.9	0.9	0.1%	0.0%	0.9
Local Option Abtmt/Disaster Asst	2.4	2.7	2.7	13.7%	0.0%	0.4
Border City Reimbsmt	0.1	0.1	0.1	-13.4%	0.0%	0.1
City Mpls Library debt service aid	7.7	0.0	0.0	-100.0%	-	0.0
Local Government grants	4.4	5.4	6.4	21.4%	18.8%	0.0
20 CH 71 Tribal Nations grants	11.0	0.0	0.0	-100.0%	-	0.0
20 SS7 CH 2 Sm Bus Assistance	87.8	0.0	0.0	-100.0%	-	0.0
Local Government Asst grants - refund	0.0	0.0	29.4	-	-	0.0
DOR administration tax act	0.0	0.0	3.0	-	-	1.0
Other Expenditures	1.2	0.0	1.0	-100.0%	-	1.9
Total General Fund	\$3,991.4	\$4,164.2	\$4,208.4	4.3%	1.1%	\$4,359.8

A review of spending categories - Tax Refunds, Local Aids, Property Tax Credits, Taconite Tax Relief, Local Pensions, Other Expenditures and Appropriations - shows a number of changes when compared to actual FY 2020-21 spending. When FY 2022-23 appropriations are compared to forecasted, base-level funding for the biennium, three programs were allowed to sunset (Production Property Transition Aid, PERA Aid and Minneapolis Debt Service Aid), one program was created (Local Homeless Prevention Aid to Counties) and several programs were slightly increased (Local Government Aid, Payment in Lieu of Taxes (PILT), State Taconite Aid). Notable activity in the Other Expenditures & Appropriations category includes the sunset of four appropriations—two COVID-related aids (Tribal Nations Grants and Small Business Assistance

to Bars & Restaurants) and two short-term aids (Wadena County and Minneapolis Library Debt Service), the creation of the Tax Expenditure Review Commission, a number of one-time Local Government grants and a handful of administrative appropriations beginning in the FY 2022-23 biennium. Additional information for this and other budget activities is provided in the detailed analysis that follows.

DETAILED ANALYSIS

Table 3 : Selected Property Tax Refund Changes

	000's	
<i>General Fund Expenditures - Positive numbers reflect spending increases</i>	FY 22-23	FY 24-25
PropertyTax Refund - Exclude Veterans Benefits Household Income		
Homestead Credit State Refund	\$3,500	\$7,220
Renter Property Tax Refund	<u>\$1,200</u>	<u>\$2,480</u>
Subtotal Exclude Veterans Benefits from Household Income	\$4,700	\$9,700

Exclude Veteran's Disability Benefits from Household Income for Property Tax Refunds

Background:

Prior to 2021 and for purposes of calculating Minnesota's property tax refunds, the definition of household income includes veteran's disability compensation, military disability pensions and education and training payments. Chapter 14 changes the definition by excluding veteran's disability compensation and other payments under title 38 of the United States Code from household income.

Cost Estimate:

Beginning with property taxes payable in 2022 and for rent paid in 2021 and thereafter, eligible veterans will see a reduction in household income and thus an increase in their property tax or renter's credit refund. In the first year, an estimated 24,000 veteran homeowners would receive an average refund increase of \$145, and approximately 10,000 veteran renters would receive an average refund increase of \$120. As shown in Table 3, the total increased cost is \$4.7 million for FY 2023. For payable year 2023 and beyond, a two percent growth factor in refunds is assumed.

Table 4: Property Tax Refund Interactions/ Tax Refund / Property Tax Credit Changes

	000's	
<i>General Fund Expenditures - Positive numbers reflect spending increases</i>	FY22-23	FY24-25
<u>Selected Property Tax Refund interactions</u>		
Exempt tribal owned property, 36 parcels, Cass County - PTR interaction	10	20
Homestead-related deadlines modified to Dec 31 - PTR interaction	70	negligible
Homestead-related deadlines to Dec 31 - Veteran MVE - PTR interaction	<u>(30)</u>	<u>(negligible)</u>
Subtotal Homestead-related deadlines to Dec 31 - PTR interaction	40	negligible
Modify 4d housing - \$100K tier limit assmt 2022, indexing begin assmt 2024 - PTR intrn PILT for Granelda Unit Lands- PTR interacton	0 (negligible)	1,160 (negligible)
<u>Other Tax Refunds</u>		
Sustainable Forest Incentive Act (SFIA) 10-acre rule adjustment	unknown	unknown
SFIA 10-acre rule adjustment - PTR interaction	(unknown)	(unknown)
<u>Property Tax Credits</u>		
Relative Agriculture Homestead determination expanded - Ag Hmstd Market Value Credit	unknown	unknown
Relative Ag homestead determination expanded - PTR interaction	unknown	unknown
SUBTOTAL - PROPERTY TAX REFUND / TAX REFUND / PROPERTY TAX CREDIT CHANGES	\$4,750	\$9,860

Property Tax Refund Interactions

Property tax refund (PTR) interactions in the FY 2022-23 biennium arise from several property tax changes and the creation of the new aid: Local Homeless Prevention Aid to Counties (see Local Aids). Most provisions have a low or unknown cost as shown in Table 4.

In addition, 1SS Chapter 5 (the transportation finance act) authorizes the sale of \$98.6 million in Metro-area transit/paratransit capital expenditure bonds, which interacts with property and income taxes. For further details on this change, see the Public Finance section of this analysis.

- Modify Class 4d Housing Tier Limit to \$100,000

Background:

Beginning in 2014, 4d property value was split into two tiers, with the first tier having a class rate of 0.75 percent for assessment values of \$100,000 or less; and for values greater than \$100,000, a lower class rate of 0.25 percent. Since then, the first tier threshold has been adjusted annually using the average statewide change in estimated market value for class 4a and 4d housing, not including new construction. Over the past eight years, the threshold has grown from \$100,000 in 2014 to \$174,000 in 2021.

Chapter 14 reduces the 4d market value threshold from \$174,000 back to \$100,000, freezes it for two years and then allows the annual adjustment to resume in assessment year 2024. The rates of 0.75 percent for the first tier and 0.25 percent for tier two remain the same.

Cost Estimate:

Beginning in assessment year 2022, properties with value above the new tier limit of \$100,000 will see a rate change, from 0.75 percent to 0.25 percent, for a portion of their market value. Approximately 18 percent of current year class 4d value is expected to qualify for the lower rate, shifting the property tax burden onto other properties, including homesteads. The property tax refund impact is expected to increase by \$1.2 million in the FY 2024-25 biennium.

Note: Chapter 14 also includes a 4d Affordable Housing Programs Report – See the Reports section of this analysis.

Other Tax Refunds

- **Sustainable Forest Incentive Act (SFIA) 10-acre rule adjustment**

Background

Certain forest land enrollment requirements and SFIA program rules conflict with each other regarding structures and minimum acreage. Failing to adhere to SFIA program rules may result in penalties and removal from the program. Chapter 14 harmonizes the law for SFIA parcels that received a 10-acre split-classification prior to assessment year 2022.

Cost estimate:

The number of parcels impacted by this provision is unknown because participation in SFIA is based on a combination of covenant length, years of participation in the program, total payments issued to the parcel under the current covenant, and if a reclassification has occurred since enrollment. There is an unknown cost increase in SFIA incentive payments due to parcels that continue in the program which would have been removed. And there is an unknown interaction with future property tax refunds.

Property Tax Credits

- **Relative Agriculture Homestead determination expanded**

Background:

For property taxes payable in 2021, certain family members of the property owner may qualify for agriculture relative homestead status if they occupy or farm the property: child, grandchild, sibling or parent of the owner. The class rate for agriculture relative homestead property is 0.5 percent for the first \$1.9 million of market value and 1.0 percent for values over \$1.9 million. The class rate for agriculture non-homestead property is 1.0 percent for all value. Chapter 14 would expand the list of eligible family members to include grandparents, stepparents, stepchildren, uncles, aunts, nephews and nieces, beginning in payable year 2022.

Cost estimate:

The expansion of eligible family members for Agriculture Relative Homestead status will increase the number of agriculture relative homesteads statewide, but the number of relatives who will use this provision is unknown. Agriculture homestead status will reduce property taxes for those newly qualifying properties, but it will shift the tax burden onto all other properties, including homesteads. Higher property taxes will increase state-paid property tax refunds. The reduction in property taxes also increases the market value eligible for the Agricultural Homestead Market Value Credit, increasing the credit by an

unknown amount. This provision also interacts with the estate tax, specifically the farm subtraction, by an amount that is currently unknown.

Table 5 : Local Aid Changes

<i>General Fund Expenditures - Positive numbers reflect spending increases</i>	000's	
	FY 22-23	FY 24-25
Local Homeless Prevention Aid - new		
Local Homeless Prevention Aid to Counties	\$0	\$40,000
Local Homeless Prevention Aid to Counties - PTR interaction	<u>\$0</u>	<u>(\$1,020)</u>
Subtotal Local Homeless Prevention Aid to Counties	\$0	\$38,980
County Assistance Grants for Local Governments - one-time refunds	\$29,355	\$0
Local Government Aid - One-time Supplement Pay 2022 only	\$5,053	\$0
One-time Aids to Cities		
City of Floodwood - infrastructure projects	\$250	\$0
City of Melrose - fire remediation	\$644	\$0
City of Alexandria - fire remediation	<u>\$120</u>	<u>\$0</u>
Subtotal Selected Local Aid Changes with interactions	\$35,422	\$38,980

Local Homeless Prevention Aid to Counties (New)

Background:

At the beginning of the 2019-2020 school year, the Minnesota Department of Education (MDE) reported that 9,060 students experienced homelessness at some point in the preceding year. The costs of youth and family homelessness permeate local government budgets in almost every community in the state.

Chapter 14 creates a new state aid for counties aimed at preventing homelessness of youth and families with children. Beginning with aids payable in 2023 (FY 2024), a county's local homeless prevention aid would equal the sum of 1) an initial aid amount calculated on a per capita basis with a minimum distribution of \$5,000, and 2) a supplemental distribution based on a county's three-year statewide share of homeless students as certified by the Commissioner of Education.

Cost estimate:

Chapter 14 provides \$20 million per year from the general fund for six years, through pay 2028 (FY 2029). Initial estimates, using the most recent MDE information on student homelessness, show county local homeless prevent aid distributions ranging from \$5,000 to \$5.78 million. The increase in state aid is assumed to lower property tax levies and thus lower property tax refunds for a savings of \$1.0 million in FYs 2024-25); it would also lower income tax deductions, thus increasing state general fund revenues by an estimated \$420,000 in FY 2024-25.

At this time, the Minnesota Housing Finance Agency estimates the cost of stabilizing a family facing homelessness at \$5,500 per year. Thus, this new aid would provide assistance for up to 3,600 families annually.

Chapter 14 also requires reporting on the use of funds. Counties must submit Local Homeless Prevention Aid information annually, by Dec 31, to the Department of Revenue. By Jan 15, 2025, the Department of Revenue shall compile all county information received into a report for the

legislature, and submit it to the committees with jurisdiction over property taxes and persons experiencing homelessness. Report updates are due to the legislature every two years thereafter, including the report with the final distribution preceding the expiration date (following pay 2028).

County Assistance Grants for Final Judgment Refunds

Background:

On March 9, 2021, the Minnesota Tax Court issued a final judgment that concluded certain utility pipeline property owned by Enbridge was overvalued for multiple tax years. (Oil pipeline property valuations are conducted by the Department of Revenue’s State Assessed Property Section and the related property taxes are collected by each county.) As a result of this court decision and pursuant to M.S. 278.12, tens of millions of dollars in property tax refunds from thirteen counties are owed to the company.

Cost estimate:

Chapter 14, Article 7, section 7 provides a \$29.35 million one-time appropriation from the general fund to pay a portion of these refunds associated with assessment years 2012 through 2018. Grants to counties, which must be paid by August 15, 2021, are listed in the adjacent table.

Upon receiving the grant, each county must pay refund amounts, plus interest, owed by the county and by other taxing jurisdictions within the county. Of the \$29.35 million, \$24.5 million is tax refund and \$4.8 million is interest at a rate of 4 percent. The appropriation does not include refund amounts from the state general levy.

In addition to these grants, Article 6, section 20, requires the commissioner of revenue to initiate a review of the framework for valuations of state-assessed property, including the methodology for valuations specified in Minnesota Rules, Chapter 8100, ad valorem taxes for utilities. DOR has started an examination of the process, including methodologies used by other states and how to work with stakeholders.

County Assistance Grants - FY 2022	
Aitkin	\$91,781
Beltrami	\$2,225,319
Carlton	\$2,573,615
Cass	\$2,631,052
Clearwater	\$3,690,961
Hubbard	\$549,582
Itasca	\$5,591,840
Kittson	\$1,189,765
Marshall	\$2,404,267
Pennington	\$2,551,225
Polk	\$1,166,654
Red Lake	\$1,904,685
St Louis	\$2,783,942
TOTAL	\$29,354,688

Grants to Counties to pay a portion of refunds to utilities per a final judgment under M.S. section 273.372. These amounts do not include state general levy refunds. Payment must be made by August 15, 2021.

Local Government Aid (LGA) one- time supplement

Background:

Certified LGA payments for payable year 2022 had shown that 95 cities would receive less aid than what was received in Pay 2021. These lower aid amounts triggered concerns that the LGA formula is outdated and in need of review.

Cost estimate:

Chapter 14 provides \$5.1 million for a one-time hold-harmless supplement from the general fund to each affected city to bring their Pay 22 city aid back to its 2021 level. This payment, which would allow additional time to review the LGA formula during the 2022 Legislative session, would not be added to the formula base for future LGA payment calculations.

TACONITE TAX RELIEF AREA AIDS & CREDITS**Taconite Tax Relief – Iron Ore Bearing Materials****Background:**

Minnesota Statutes section 298.24 narrowly defines iron ore bearing materials for purposes of the production tax. A new mining process creates lump ore, a material different than taconite pellets, which would not be subject to the production tax. Chapter 14 expands the definition of iron ore bearing materials subject to the production tax, beginning with Pay 2022.

Cost Estimate:

The enhanced definition of iron ore bearing materials will increase production tax revenues by an estimated \$2.4 million in FYs 2022-23, which will flow into three accounts in the Special Revenue Fund: the Taconite Environmental Protection Fund, the Douglas Johnson Economic Protection Fund and other Taconite Funds. However, the new law also delays, until FY 2024, the inclusion of any additional production tax revenues in the calculation of State Taconite Aid. (State Taconite aid, an amount equal to 22 cents per taxable ton of iron ore concentrates per production year, is a state general fund aid that helps local governments in the Iron Range to replenish their taconite municipal aid accounts.) Thus, the expanded definition is expected to trigger a \$330,000 increase in general fund spending for State Taconite Aid, which will not occur until FYs 2024-25.

Table 6 : Other Appropriations

	000's	
<i>General Fund Expenditures - Positive numbers reflect spending increases</i>	FY22-23	FY24-25
Tax Expenditure Review Commission		
Legislature	\$664	\$1,265
Department of Revenue	<u>\$148</u>	<u>\$296</u>
Subtotal - Tax Expenditure Review Commission	\$812	\$1,561
Department of Revenue Administration of 2021 tax bill	\$3,000	\$1,000
MN Housing Finance Agency administration of MN Housing Tax Credit (FYs 23-28 only)	\$100	\$200
DEED administration Film Tax Credit (FYs 22-25 only)	<u>\$100</u>	<u>\$100</u>
Subtotal - Other Appropriations	\$4,012	\$2,861

Tax Expenditures Sunset and New Tax Expenditure Review Commission

New Sunset Provision for Tax Expenditures: Chapter 14 modifies M.S. 3.192 to include an expiration date of no more than 8 years for any new and existing state tax expenditure.

New Tax Expenditure Review Commission: Chapter 14 creates the Tax Expenditure Review Commission (TERC or Commission) consisting of nine members: four senators (two from the Senate majority, two from the Senate minority), four representatives (two from the House majority, two from the House minority) and the Commissioner of Revenue or their designee. If the chair of the House or Senate Tax Committee is not appointed, then they will serve as an ex-officio nonvoting member of the Commission. Legislators are eligible for the reimbursement of expenses, but not per diem, for their Commission-related participation.

TERC members are to be appointed by Jan 31 in the odd-numbered year. For the Commission's initial year, appointments are to be made by January 15, 2022, the first meeting convened by July 1, 2022, and the first tax expenditure review report due (MS 3.8855, subd. 7) on December 15, 2022.

The TERC is charged to

- 1) Conduct an initial review of the state's 312 tax expenditures within three years (calendar years 2022-24),
- 2) Beginning in calendar year 2025, establish a cycle to review and evaluate each state tax expenditure at least once every ten years, and
- 3) Prior to its inclusion in a commission report, hold a public hearing on each tax expenditure to review the process used for evaluation.

Professional and technical services will be provided by the Legislative Budget Office. CH 14 appropriates from the general fund \$664,000 in FYs 22-23, which reflects partial-year start-up costs in FY 22 and then the bulk of operations (including five new TERC analysts) commencing July 1, 2022 (FY 23). Appropriations for FYs 24-25 are estimated to total \$1.26 million.

Beginning in FY 2023, Chapter 14 also provides general fund, base-level funding of \$148,000 to the Department of Revenue to provide research support, select tax incidence analyses and additional forecast information and revenue estimates as appropriate.

Other Related Tax Expenditure changes: In addition, Chapter 14 makes the following changes to the Tax Expenditure Budget published by the Department of Revenue:

- Changes the due date from February 1 to November 1 of each even-numbered year, and
- Expands the contents of the budget document to include
 - 1) purpose statements for tax expenditures, either in enacted legislation or by the TERC,
 - 2) incidence of significant sales and income tax expenditures, and
 - 3) calculation of the revenue neutral amount by which the relevant tax rate could be reduced if the expenditure were repealed.

Chapter 14 Administrative appropriations (Table 6)

- Department of Revenue – General fund appropriations of \$ 3 million in FYs 2022-23 and \$1 million in FYs 2024-25 to administer the 2021 tax bill are one-time.
- Minnesota Housing Finance – General fund appropriations to administer the new MN Housing Tax Credit are \$100,000 per year or 1 percent of annual program appropriations for FYs 2023-28.
- Department of Employment and Economic Development – General funds to administer the Film Production Tax Credit are \$50,000 per year or 1 percent of annual program appropriations for FYs 2022-25.
- Other net zero general fund cost changes in administrative appropriations include
 - 1) the realignment of Public Defender Cost aid (\$500,000 per year) from MMB to the Public Defense Board, and
 - 2) the realignment of local impact note appropriations (\$207,000 per year) from MMB to the Legislative Budget Office (1SS Chapter 12 - State Government Finance).

PUBLIC FINANCE PROVISIONS

1SS Chapter 14, Article 10 modifies, clarifies and updates several tax provisions regarding local government debt financing and local sales taxes. These provisions are technical in nature and do not have an impact on the state general fund. Highlights include:

Allocation: Termination *Effective July 1, 2021.*

Previously, counties could use county transportation sales tax receipts to pay for certain capital and operating costs of a specific transit project or improvement, or for a safe routes to school program. Chapter 14 expands allowable use of funds to include the capital cost of constructing buildings and other facilities for maintaining transportation or transit projects or improvements. Currently, 50 of Minnesota's 87 counties have imposed a transit sales tax.

Installment, Lease Purchase; City, Count Town, School. *Effective July 1, 2021*

Previously, a home rule charter city, statutory city, county, town or school district could purchase personal property using an installment contract or lease to purchase agreement. An obligation created by a lease-purchase agreement valued at less than \$1million is not included in the calculation of net debt. Chapter 14 clarifies that an installment contract obligation with a value less than \$1 million should also be omitted in the calculation of net debt.

In addition to provisions in Chapter 14, the omnibus tax bill, 1SS Chapter 5, the transportation act, makes the following changes:

Table 7 : Public Finance provisions in Transportation Act (SS1 - CH 5)

<i>General Fund Expenditures - Positive numbers reflect spending increases</i>	000's	
	FY22-23	FY24-25
Metropolitan Council Regional Transit/Paratransit bonds		
Homestead Credit State Refund (PTR) interaction	\$50	\$1,620
Income Tax interaction	<u>\$20</u>	<u>\$650</u>
Subtotal - Metropolitan Council Transit bonds	\$70	\$2,270

Met Council Regional Transit Bonds. 1SS Chapter 5 authorizes the Metropolitan Council to issue certificates of indebtedness, bonds or other obligations not to exceed \$98.4 million for transit capital improvements. Up to \$48.4 million may be issued after July 1, 2021 and up to \$50 million after July 1, 2022. Higher levies 1) increase property taxes on all property, including homestead property, thus increasing state funded property tax refunds, and 2) increase income tax deductions, reducing state general fund revenues. The estimated interactions with the general fund (shown above) total \$ 0.07 million in FY 2022-23 and \$2.27 million in FY 2024-25.

STUDIES AND REPORTS

Chapter 14 contains nine study or review provisions, most of which will be reported to the Tax or Property Tax Committee in each chamber. Unlike other years, no additional funding was appropriated for any of these reports. Detail is given in the table below:

1SS CH 14 - Reports				
Description	Agency	Submit to Whom	Due date	Frequency
<u>New Report / Review</u>				
1 Film Production Credit	DOR	Taxes/ Economic Development	01/15/25	one-time
2 Minnesota Housing Tax Credit	DOR	Committees overseeing Housing	01/15/23	annually, FY 23-28
2 Fire Protection/Emergency Medical Services Districts	Special Tax District	DOR/ Taxes/ Property Taxes	03/15/24	03/15/26
3 4d Affordable Housing Programs Report	DOR/MHFA	Property Taxes	01/15/22	one-time
4 Review of Utility and Pipeline Valuation Process	DOR	--	--	one-time
5 Homeless Prevention Aid	DOR	Property Taxes/ Committees overseeing homelessness	01/15/25	2027 & 2029
6 Tax Expenditure Review Report	TERC	Taxes/ Property Taxes	12/15/22	annually
7 Targeted Community Capital Project Grants	DEED	Capital Investment/ Economic Development	01/15/22	annually
<u>Current Report changes</u>				
8 DOR Tax Expenditure Budget currently due by Feb 1 even-numbered years	DOR	Taxes	11/01/22	even-numbered years
9 Tax Incidence Report currently due by Mar 1 odd-numbered years	DOR	Taxes	03/01/21	3/1/2024, then every 2 years

PROPERTY TAX CHANGES, LOCAL OPTION SALES TAXES AND OTHER TAX CHANGES– NO STATE FUND IMPACTS

For a list of other, no-cost property tax changes, including local option sales taxes, local lodging/food and beverage taxes, tax increment financing, please see [2021 No Cost Change items](#) (pages 14-15) of the 2021 spreadsheet entitled Taxes – 1st Special Session Chapter 14.

Below is a list of other, miscellaneous no cost items in Chapter 14:

Other Miscellaneous No Cost items

- 1 State Minnesota - Tribal Governments Relationship provisions
- 2 Victoria Theater - Modifies the allowable uses of a previous general fund appropriation for a general fund project
- 3 Frontline Worker Pay Working Group - Creation, duties and recommendations
- 4 Explore Minnesota Recovery Grant - Earmarks \$250,000 of an appropriation in the Environment Finance bill in FY 2022 for Grand Portage Band

For questions on state Tax Aids and Credits issues, please contact Katherine Schill, Fiscal Analyst, at 651-296-5384 or at katherine.schill@house.mn.

Appendix 1 - Information by Committee
Changes in Fees, Fines, Assessments and Third Party Reimbursements - 2021 Legislation

	Agency	FY 2022	FY 2023	FY 2022-23	FY 2024	FY 2025	FY 2024-25	Fund
<u>HEALTH & HUMAN SERVICES</u>								
DCT Cost of Care Collections	DHS	5,045	7,756	12,801	7,756	7,756	15,512	GF
Agency Operating-Cost of Care Recoveries	DHS	931	1,862	2,793	1,862	1,862	3,724	GF
CABHH County Share-Cost of Care	DHS	1,229	1,229	2,458	1,229	1,229	2,458	GF
Newborn Screening for Disorders Fee	MDH	2,814	2,856	5,670	2,856	2,856	5,712	SGSR
Asbestos Fee Adjustment	MDH	310	310	620	310	310	620	SGSR
Radioactive Materials Unit Fee Adjustment	MDH	332	332	664	332	332	664	SGSR
Medical Cannabis-Dried Raw Fee Revenue	MDH	6,500	6,500	13,000	6,500	6,500	13,000	SGSR
Health Data Intermediate Fee Adjustment	MDH	105	105	210	105	105	210	SGSR
<u>ENVIRONMENT</u>								
State Parks-Tribal Member Open Access	DNR	-2	-2	-4	-2	-2	-4	GF
State Parks-Tribal Member Open Access	DNR	-25	-25	-50	-25	-25	-50	NR
State Park Permit Violation Fee	DNR	20	20	40	20	20	40	NR
DUI Uniformity	DNR	-6	-12	-18	-12	-12	-24	NR
DUI Uniformity	DNR	-9	-18	-27	-18	-18	-36	NR
DUI Uniformity	DNR	-1	-2	-3	-2	-2	-4	G&F
Timber Permit Refunds	DNR	-341	-341	-682	-341	0	-341	SR
Timber Permit Refunds	DNR	-93	-93	-186	-93	0	-93	NR
Timber Permit Refunds	DNR	-9	-9	-18	-9	0	-9	G&F
Timber Permit Refunds	DNR	-1,260	-1,260	-2,520	-1,260	0	-1,260	PSF
<u>AGRICULTURE</u>								
Custom Meat Exemption	MDA	-7	-7	-14	-7	-7	-14	GF
Cottage Food Law Changes	MDA	1	1	2	1	1	2	Ag
							0	
<u>TRANSPORTATION</u>								
Unmanned Aircraft Systems Enforcement & IDOT		28	36	64	45	57	102	Airports
License Plate Fee Restructure	DPS	7,550	8,236	15,786	8,236	8,236	16,472	SR
Motorcycle Enforcement Fee	DPS	499	544	1,043	544	544	1,088	SR
Soybean Meal Hauling Permit Fees		17	34	51	34	34	68	THF
<u>PUBLIC SAFETY/JUDICIARY</u>								
Certificates of Compliance		2	2	4	2	2	4	GF
Criminal Traffic Surcharge Waiver		0	-889	-889	-1,186	-1,186	-2,372	GF
Forfeiture Reform		-226	-226	-452	-226	-226	-452	GF
Certificate of Compliance +\$100	DHR	73	73	146	73	73	146	SR
Forfeiture Reform	DNR	-3	-4	-7	-4	-4	-8	G&F
<u>Jobs, Workforce & Business</u>								
Construction Codes Fee Reduction	DLI	-2,250	-2,250	-4,500	0	0	0	CC
<u>COMMERCE/ENERGY</u>								
Debt Buyer Regulation	Commerce	38	38	76	38	38	76	GF
Student Loan Borrower Bill of Rights	Commerce	130	112	242	130	112	242	GF
Natural Gas Innovation Act	Commerce	189	189	378	189	189	378	GF
Natural Gas Innovation Act	PUC	112	112	224	112	112	224	GF
Operating Increase Assessment	PUC	280	409	689	409	409	818	GF
Operating Increase Assessment	Commerce	95	149	244	149	149	298	GF
Energy & Reg & Planning Increase	Commerce	19	38	57	38	38	76	GF
Telecommunications Increase Assessment	Commerce	26	43	69	43	34	77	GF
Utility Grid Assessment Extension	PUC	500	500	1,000			0	SR
Efficient Technology Accelerator	PUC	3,440	3,440	6,880	6,020	6,020	12,040	SR
PetroFund Sunset Repeal	Commerce	0	28,405	28,405	28,405	28,405	56,810	Petro
				0			0	
Total - All Fee, etc. Changes - All Funds		26,053	58,193	84,246	62,253	63,941	126,194	
(Totals by fund on next page)				0			0	

Total - General Fund	7,861	10,815	18,676	10,536	10,509	21,045	GF
Total - State Government Special Revenue Fund	10,061	10,103	20,164	10,103	10,103	20,206	SGSR
Total - Natural Resources	-113	-128	-241	-128	-35	-163	NR
Total - Game & Fish	-13	-15	-28	-15	-6	-21	G&F
Total - Special Revenue Fund	11,721	12,452	24,173	14,532	14,873	29,405	SR
Total - Permanent School Fund	-1,260	-1,260	-2,520	-1,260	0	-1,260	PSF
Total - Agricultural Fund	1	1	2	1	1	2	Ag
Total - Airports Fund	28	36	64	45	57	102	Airports
Total - Trunk Highway Fund	17	34	51	34	34	68	THF
Total - Construction Codes Fund	-2,250	-2,250	-4,500	0	0	0	CC
Total - Petroleum Tank Release Cleanup Fund	0	28,405	28,405	28,405	28,405	56,810	Petro