Senator Cohen from the Committee on Finance, to which was referred

S.F. No. 485: A bill for an act relating to education finance; modifying a school district's percentage of students attending nonpublic school necessary to qualify for an exemption; creating a process to resolve a tuition obligation; converting referendum revenue authority for Common School District No. 815, Prinsburg; authorizing the school district to recertify its school levy for taxes payable in 2005; amending Minnesota Statutes 2004, section 123A.70.

Reports the same back with the recommendation that the bill be amended as follows:

Pages 1 and 2, delete section 2 and insert:

"Sec. 2. [AMOUNT OF OBLIGATION.]

The board of Common School District No. 815, Prinsburg, must make tuition payments to Independent School District No. 2180, MACCRAY, in the amount of $282,000. The payments must be made in six equal installments, on June 30 and December 30 of each year beginning with a payment on June 30, 2005.

[EFFECTIVE DATE.] This section is effective the day following final enactment."

Page 3, line 14, before "additional" insert "an"

Page 3, line 28, delete "in seeking the conversion of" and insert "converting"

Page 3, line 34, after "year" insert "of"

Page 3, after line 35, insert:

"**[EFFECTIVE DATE.]** This section is effective the day following final enactment and applies for taxes payable in 2005."

Page 4, line 9, delete "1" and insert "3, subdivision 4"

Page 4, lines 12 and 13, delete "within five days of" and insert "in the following manner"

Page 4, line 14, before the first "the" insert "within five days after"

Page 4, line 16, delete "1" and insert "3, subdivision 4"

Page 4, lines 17 and 21, before "receiving" insert "within five days after"

And when so amended the bill do pass and be re-referred to the Committee on Taxes. Amendments adopted. Report adopted.

....
(Committee Chair)

February 10, 2005................
(Date of Committee recommendation)

Senator Johnson, D. E. introduced—

S. F. No. 485 Referred to the Committee on Finance

A bill for an act

relating to education finance; modifying a school district's percentage of students attending nonpublic school necessary to qualify for an exemption; creating a process to resolve a tuition obligation; converting referendum revenue authority for Common School District No. 815, Prinsburg; authorizing the school district to recertify its school levy for taxes payable in 2005; amending Minnesota Statutes 2004, section 123A.70.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 123A.70, is amended to read:

123A.70 [PRIVATE SCHOOLS; PRINSBURG.]

Sections 123A.64 to 123A.68 shall not apply to any common school district in which is located any existing private school maintaining elementary and secondary education for ~~75~~ 50 percent of the eligible pupils within the district and complying with the requirements of section 120A.22.

[EFFECTIVE DATE.] This section is effective July 1, 2005.

Sec. 2. [DETERMINATION OF OUTSTANDING OBLIGATIONS.]

The boards of Common School District No. 815, Prinsburg, and Independent School District No. 2180, MACCRAY, must meet to determine the amount of the outstanding tuition owed by the Prinsburg School District to the MACCRAY School District. If the districts cannot agree to the amount of the tuition owed, the districts may submit all relevant information to the commissioner of education who shall determine the amount of the tuition obligation owed to the MACCRAY School District based on the number of pupils resident to Prinsburg attending MACCRAY schools, the general education revenue amounts for the two districts for the fiscal years in dispute, and other relevant financial information as determined by the commissioner. If requested to do so by the board of either school district, the commissioner shall be required to hold a contested case hearing on the tuition dispute under Minnesota Statutes, chapter 14.

Sec. 3. [CONVERSION OF REFERENDUM REVENUE AUTHORITY TO SPECIAL LEVY AUTHORITY.]

Subdivision 1. [CONVERSION OF QUESTION 1 REFERENDUM LEVY AUTHORITY TO SPECIAL LEVY AUTHORITY.] Notwithstanding any law to the contrary, Common School District No. 815, Prinsburg, may convert the levy authority approved during the November 2004 general election as school district ballot question 1 from referendum revenue authority to special levy authority. This levy authority must be used for payments of outstanding tuition amounts to Independent School District No. 2180, MACCRAY. The maximum levy authority annually shall be converted from the amount described as a dollar allowance per resident marginal cost pupil unit to a fixed dollar amount for each of the three years as specified by the board of Common School District No. 815, Prinsburg. These amounts may be levied for taxes payable in 2005, 2006, and 2007 only. Seventy percent of the amount certified in each year must be spread on tax capacity and the remaining 30 percent of the levy must be spread on the referendum market value of the school district. This levy is not subject to the property tax recognition shift under Minnesota Statutes, sections 123B.75, subdivision 5, and 127A.441.

Subd. 2. [CONVERSION OF QUESTION 2 TO SPECIAL LEVY AUTHORITY FOR FOUR YEARS.] Notwithstanding any law to the contrary, Common School District No. 815, Prinsburg, may convert the levy authority approved during the November 2004 general election as school district ballot question 2 from referendum revenue authority to special levy. The maximum levy authority under this question is the annual amount specified by the board of Common School District No. 815, Prinsburg, as the amount necessary to eliminate the district's operating deficit. Seventy percent of the amount certified in each year must be spread on tax capacity and the remaining 30 percent of the levy must be spread on the referendum market value of the school district. This levy is not subject to the property tax recognition shift under Minnesota Statutes, sections 123B.75, subdivision 5, and 127A.441.

Subd. 3. [SPECIAL OPERATING LEVY AUTHORITY.] Common School District No. 815, Prinsburg, may hold an election once every four years on the first Tuesday after the first Monday in November, beginning with the November 2008 general election to approve additional special operating levy for another four years. The ballot must state that the board of the district desires to levy the amounts necessary to eliminate any operating deficit for the following four years. The election must follow the notice and procedural provisions described under Minnesota Statutes, section 126C.17. Seventy percent of the amount certified in each year must be spread on tax capacity and the remaining 30 percent of the levy must be spread on the referendum market value of the school district. This levy is not subject to the property tax recognition shift under Minnesota Statutes, sections 123B.75, subdivision 5, and 127A.441.

Subd. 4. [SCHOOL BOARD RESOLUTION.] The board of Common School District No. 815, Prinsburg, may adopt a written resolution in seeking the conversion of referendum revenue authority to special levy authority. The resolution must state the district's desire to convert its referendum revenue authority approved at the November 2004 general election into special levy authority and specify the amounts of the special levy authority. The district must also notify the Department of Education by July 1 of each year the amount it intends to levy for that year.

Sec. 4. [RECERTIFICATION OF 2005 SCHOOL DISTRICT LEVY.]

Subdivision 1. [ELIGIBILITY.] Common School District No. 815, Prinsburg, may recertify its 2004 levy for taxes payable in 2005 if:

(1) the district is in statutory operating debt according to Minnesota Statutes, section 123B.81;

(2) the district conducted a successful referendum at the November 2004 election; and

(3) the board of the district has adopted a resolution as required by section 1.

Subd. 2. [RECERTIFICATION PROCESS.] Notwithstanding any law to the contrary, Common School District No. 815, Prinsburg, may recertify its 2004 levy for taxes payable in 2005 within five days of:

(1) the effective date of this section, the board must notify the Department of Education that it has adopted the resolution according to section 1;

(2) receiving the notice from the district, the Department of Education must recompute the district's 2004 payable in 2005 levy limitation and report these amounts to the school district and the county auditor; and

(3) receiving the notice from the Department of Education, the school district must certify the added levy amount to the county auditor.

The county auditor must add these amounts to the 2004 levy for taxes payable in 2005 previously certified by the school district.

[EFFECTIVE DATE.] This section is effective the day following final enactment and applies for taxes payable in 2005.

To: Senator Cohen, Chair

Committee on Finance

Senator Stumpf,

Chair of the K-12 Education Budget Division, to which was referred

S.F. No. 485: A bill for an act relating to education finance; modifying a school district's percentage of students attending nonpublic school necessary to qualify for an exemption; creating a process to resolve a tuition obligation; converting referendum revenue authority for Common School District No. 815, Prinsburg; authorizing the school district to recertify its school levy for taxes payable in 2005; amending Minnesota Statutes 2004, section 123A.70.

Reports the same back with the recommendation that the bill do pass and be referred to the full committee.

LeRoy Stumpf
....
(Division Chair)

February 8, 2005..................
(Date of Division action)

Senator ..... moves to amend S.F. No. 485 as follows:

Pages 1 and 2, delete section 2 and insert:

"Sec. 2. [AMOUNT OF OBLIGATION.]

The board of Commons School District No. 815, Prinsburg, must make tuition payments to Independent School District No. 2180, MACCRAY, in the amount of $282,000. The payments must be made in six equal installments, on June 30 and December 30 of each year beginning with a payment on June 30, 2005.

[EFFECTIVE DATE.] This section is effective the day following final enactment."

Page 3, line 14, before "additional" insert "an"

Page 3, line 28, delete "in seeking the conversion of" and insert "converting"

Page 3, line 34, after "year" insert "of"

Page 3, after line 35, insert:

"**[EFFECTIVE DATE.]** This section is effective the day following final enactment and applies for taxes payable in 2005."

Page 4, line 9, delete "1" and insert "3, subdivision 4"

Page 4, lines 12 and 13, delete "within five days of" and insert "in the following manner"

Page 4, line 14, before the first "the" insert "within five days after"

Page 4, line 16, delete "1" and insert "3, subdivision 4"

Page 4, lines 17 and 21, before "receiving" insert "within five days after"

MINNESOTA · REVENUE

PROPERTY TAX
Prinsburg School District Levies

February 9, 2005

	Yes	No
Separate Official Fiscal Note Requested		
Fiscal Impact		
DOR Administrative Costs/Savings		

Department of Revenue
Analysis of H.F. 248 (Juhnke) / S.F. 485 (Johnson, D.E.)

	Fund Impact			
	F.Y. 2006	**F.Y. 2007**	**F.Y. 2008**	**F.Y. 2009**
		(000's)		
General Fund	(Negligible)	(Negl.)	(Negl.)	(Negl.)

Various effective dates.

EXPLANATION OF THE BILL

This proposal makes several changes in school district levies for Common School District No. 815, Prinsburg. The proposal reduces the threshold percentage of enrolled private school students to total district enrollment from 75% to 50%, effective July 1, 2005. Prinsburg would otherwise be required to maintain public elementary and secondary schools. The proposal also requires the Department of Education to determine the amount of outstanding tuition Prinsburg owes Independent School District No. 2180, MACCRAY, if they cannot agree on an outstanding tuition amount. Third, the proposal allows the district to convert recently passed referendum levies to special levies, which allows Prinsburg to levy the full amount per pupil authorized in the referendum. The levies will be used to fund the tuition payment shortfall to MACCRAY as well as an operating deficit for Prinsburg. Fourth, the bill authorizes the school district to recertify its levies to reflect these changes for taxes payable in 2005.

REVENUE ANALYSIS DETAIL

- Data supplied by the Minnesota Department of Education projects a levy for tuition reimbursement to MACCRAY of $93,500 annually for fiscal years 2006-2008, and a Prinsburg operating deficit levy of $38,000 annually for fiscal years 2006-2009.
- The levy increases will result in a small increase in homeowner property taxes, and result in a small increase in property tax refunds. This increase would be about $3,000 per year for FY 2006-2008, and $1,000 in FY 2009.

Number of Taxpayers: Taxpayers in Common School District No. 815.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf0248(sf0485)_1 / LM

Fiscal Note – 2005-06 Session

Bill #: S0485-0 (R) **Complete Date:** 02/07/05

Chief Author: JOHNSON, DEAN E.

Title: ISD# 815 & 2180; OUTSTANDING TUITION

Fiscal Impact	Yes	No
State	X	
Local	X	
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Education Department

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
General Fund	5	0	0	0	0
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
General Fund	5	0	0	0	0
Revenues					
-- No Impact --					
Net Cost <Savings>					
General Fund	5	0	0	0	0
Total Cost <Savings> to the State	5	0	0	0	0

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Bill Description

Under current law, common school district #815, Prinsburg, is exempt from maintaining an elementary and secondary school if 75% of their students attend the private school located in the district. Under section 1 of this proposal the district would continue to be exempt as long as 50% of their students attend the private school.

Through FY 2004, most of the Prinsburg students not attending the private school have been attending district #2180, MACCRAY. Section 2 of this proposal would require the two districts to reach agreement on the amount of tuition Prinsburg owes to MACCRAY for these students for prior years. If the boards cannot reach agreement, the commissioner of education must determine the amount of outstanding tuition.

In November 2004, voters in the Prinsburg school district passed referendum levy authority of $3,000 per pupil Funding to Repay Tuition Obligations to MACCRAY School District (ballot question #1) and $1,100 per pupil Funding to Continuing Operations (ballot question #2). The district was already at their maximum referendum allowance and is, therefore, not able to access the new referendum revenue. Section 3 would allow the Prinsburg school board to annually convert each of the new referendum authorities to special levy authority. The special levy authorities would not be subject to the referendum cap and the district could then access the revenue. The levy is to be spread 70% based on ANTC and 30% on referendum market value.

This levy authorized by question #1 must be used for payments of outstanding tuition amounts to the MACCRAY school district. This levy would be for taxes payable in 2005, 2006 and 2007.

The maximum levy authority under question #2 is the annually amount specified by the Prinsburg school board as the amount necessary to eliminate the district's operating deficit. This levy would be for taxes payable 2005, 2006, 2007 and 2008. This section also allows the district to hold an election once every four years to renew this levy authority.

Section 4 requires the county auditor to include the above two levies for taxes payable in 2005 if the Prinsburg school board recertifies its payable 2005 tax levy within certain timelines.

Neither of the special levies would be subject to the property tax recognition shift. The special levies would be recognized in the fiscal year after the levy is certified, i.e. payable 2005 levy would be revenue for FY 2006.

Assumptions

Prinsburg owes MACCRAY tuition for school years 2002-03 and 2003-04, estimated to be $280,000.

Beginning with FY 2005, Prinsburg students are open-enrolled to MACCRAY, so tuition costs will no longer be an issue.

The Department of Education would have to pay the cost of the contested case hearing, estimated to be $5,000, if the districts cannot reach agreement on tuition owed.

Prinsburg is currently in statutory operating debt. Based on their audit report, the district had a negative general fund balance of $88,000 as of June 30, 2003. Unpaid tuition billed by MACCRAY through fiscal year 2003 ($198,000) has been recorded as a payable as of June 30, 2003, and thus included in this deficit.

Preliminary data shows a negative general fund balance of $98,000 as of June 30, 2004. However, this deficit must to adjusted for additional unpaid tuition of approximately $85,000, making the projected deficit approximately $183,000 as of June 30, 2004. If the district levies for the full amount of unpaid tuition ($280,000), this deficit will be eliminated.

It is estimated the district would have an operating deficit of $38,000 annually.

In order to allow adequate time for the county auditor to include the new levies on the tax statements for taxes payable in 2005, the Prinsburg school district would need to re-certify its levy by March 1, 2005.

Expenditure and/or Revenue Formula

The state may incur the cost of contested case hearing, $5,000, if the districts are not able to reach agreement on tuition owed by Prinsburg to MACCRAY.

Long-Term Fiscal Considerations

This change is considered to be permanent.

Local Government Costs

This proposal would generate additional revenue for district #815, Prinsburg. This revenue would be generated by increased property taxes in the district. There would be no related state aid.

Proposed Property Tax Increase

	Pay 2005 FY2006	Pay 2006 FY2007	Pay 2007 FY2008	Pay 2008 FY2009
Pay Past Tuition	$93,500	$93,500	$93,000	$0
Continue Operations	38,000	38,000	38,000	38,000
Total	$131,500	$131,500	$131,000	$38,000

Agency Contact Name: Leemon, Colleen 651-582-8566
FN Coord Signature: AUDREY BOMSTAD
Date: 02/07/05 Phone: 582-8793

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: LISA MUELLER
Date: 02/07/05 Phone: 296-6661

Senators Wiger and Murphy introduced--

S.F. No. 365: Referred to the Committee on Transportation.

A bill for an act

relating to transportation; requiring the commissioner of transportation to contract with KBEM radio station to provide traffic reports.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. [TRANSPORTATION CONTRACT WITH KBEM.]

<u>The commissioner of transportation shall offer to continue its contract with public radio station KBEM to provide traffic reports on terms and conditions identical or similar to those contained in the current contract between the Department of Transportation and KBEM.</u>

Sec. 2. [EFFECTIVE DATE.]

<u>Section 1 is effective the day following final enactment.</u>

Fiscal Note – 2005-06 Session

Bill #: S0365-0 **Complete Date:** 02/04/05

Chief Author: WIGER, CHARLES

Title: CONTRACT FOR RADIO TRAFFIC REPORTS

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Transportation Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
Trunk Highway Fund	122	426	439		
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
Trunk Highway Fund	122	426	439		
Revenues					
-- No Impact --					
Net Cost <Savings>					
Trunk Highway Fund	122	426	439		
Total Cost <Savings> to the State	122	426	439		

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Bill Description
Senate File 365 would direct the Commissioner of Transportation to "continue its contract with public radio station KBEM to provide traffic reports on terms and conditions identical or similar to those contained in the current contract between the Department of Transportation and KBEM."

Assumptions

1. Since the current contract is for a five-year period that began on July 1, 2002 and ends on June 30, 2007 unless canceled by either party, it is assumed that Mn/DOT would not cancel the contract, thereby "continuing" the current contract.
2. Senate File 365 will become law early enough such that the cancellation of the affected contract will not occur.

Expenditure and/or Revenue Formula
Under terms of the contract, Mn/DOT agreed to pay KBEM specific amounts for specific years that are in the contract for the provision of traffic reports, including the following.

FY 2005	$417,957
FY 2006	$426,316
FY 2007	$439,106

Mn/DOT exercised its contractual right to cancel this contract, effective March 15, 2005. The contractual obligation for the balance of FY 2005 (i.e., from March 16 through June 30) is $122,000, which is the amount entered into the fiscal note. The amounts entered for FY 2006 and FY 2007 are the amounts shown in the table above.

Long-Term Fiscal Considerations
This bill would not have any long-term fiscal considerations, because it would not require Mn/DOT to enter into a new contract with KBEM for a period beginning after June 30, 2007 (the current contract expires on June 30, 2007).

Local Government Costs
None.

References/Sources
Mn/DOT Office of Traffic Security and Operations

FN Coord Signature: BRUCE BRIESE
Date: 02/04/05 Phone: 297-1203

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: NORMAN FOSTER
Date: 02/04/05 Phone: 215-0594

Frederickson

Radio rival comes to aid of KBEM
Star Tribune: Newspaper of the Twin Cities (Minneapolis, MN)
anuary 23, 2005
Author: Deborah Caulfield RybakStaff Writer
Esti ted printed pages: 3

Would Wal-Mart help Target? Would mighty Starbucks come to the aid of Caribou Coffee? In the Twin Cities, a fiscal risis has created some strange broadcast bedfellows.

Financially ailing public radio station **KBEM** (88.5 FM) will get major support from one of the world's largest radio onglomerates, Clear Channel Communications.

Clear Channel, owner of Jazz 88's closest local competition, ``Smooth Jazz" KJZI (100.3 FM), will deliver a $25,000 heck to **KBEM** on Monday, executives at both stations told the Star Tribune on Saturday.

That a corporation often tarnished with an engulf-and-devour reputation when it comes to radio stations would reach out o a tiny competitor is hardly the norm.

``I can't think of a similar situation offhand," said Tom Taylor, editor of the Inside Radio industry newsletter. ``Usually 's a college station that's getting the help."

Rad ndustry analyst Sean Ross at Edison Media Research in New Jersey said that when it comes to news about ommercial and public radio stations, ``it's usually that the station is forced off the air because a commercial broadcaster as decided to upgrade their signal."

n addition to the cash infusion, Clear Channel will broadcast messages on several of its Twin Cities stations asking isteners to support **KBEM**. It also plans to help the station with its winter jazz festival and future pledge drives.

``We hope this turns into a long-term partnership," said Dan Seeman, Clear Channel's local vice president and general nanager. ``I'm hoping we can grow the jazz lifestyle in the market."

We're ecstatic'

At **KBEM**, ``we're ecstatic," marketing director Kevin Barnes said. ``It was such a surprise."

The Clear Channel donation, plus the $45,000 that **KBEM** has raised so far during its emergency pledge drive, put the tation closer to its current goal of raising $130,000 to cover the loss through the end of this fiscal year of a contract with he nesota Department of Transportation (MnDOT) to provide traffic reports. MnDOT notified **KBEM** last month ha ould cancel its $418,000 annual contract effective March 15. The contract provided half of the operating costs of he station, which is owned by the Minneapolis School District and operates out of North High School.

Seeman said Clear Channel's attraction to the station had a lot to do with its educational component. In addition to its jazz programming, **KBEM** also serves as a training ground for 150 students who go through North's broadcast ommunications program each year. The station provides hourly news updates from area schools, a program that uses nore than 400 public school students throughout the district each year - one of the only programs of its kind in the ountry.

`For the first time, it's an opportunity to give back to our industry, as well as the community itself," Seeman said. Clear :hannel's seven Twin Cities stations helped more than 100 local charities raise about $10 million in 2004, he said.

n the weeks and months to come, Smooth Jazz and ``Cities 97" KTCZ (97.1 FM) listeners will be told about **KBEM**'s ιeeds and asked to help support the station, said Lauren MacLeash, who programs both stations. ``We're also going to ılk to local jazz club owners about donating their cover charge one night" during **KBEM**'s Winter Jazz Festival March 2 and 13, she said, adding, ``Everything is still kind of in the works."

No word from MPR

Although other independent public radio stations in the market have been supportive, Barnes said, **KBEM** hasn't heard rom Minnesota Public Radio, one of the largest and wealthiest public radio systems in the country. During an interview ast fall, MPR president Bill Kling told of how he spearheaded a fundraising drive to replace a New York public radio tation's transmitter destroyed during the World Trade Center attacks in 2001. Last year, when a Boston public radio tation needed management advice, Kling invited the entire board to Minnesota to meet with his financial experts. ``Now hey're doing very well," he said.

Vhen asked why MPR hadn't extended any offers of help to **KBEM**, a station spokesman said the organization was busy vith the launch of its new youth-oriented station, KCMP (89.3 FM).

`We've gone to the Capitol on behalf of public radio stations," he added.

Iowever, MPR wasn't at the State Capitol last week during the Senate Transportation Committee's hearings on a bill to orce MnDOT to restore its contract with **KBEM**.

`I know our help seems ironic," said Clear Channel's MacLeash. ``We've gotten this big evil empire reputation, but r tations are all locally controlled. We decide what we're going to do. And [helping **KBEM**] is what we want to do."

Deborah Caulfield Rybak is at dcrybak@startribune.com.

Edition: METRO
Section: NEWS
Page: 1A

ndex Terms: radio; finance

Record Number: 050123KBEM0123

Governor's FY 2006-07 Budget

Holding Government Accountable

Setting Priorities

Spending Smarter

Senate Finance Presentation

January 26, 2005

Governor Pawlenty's FY 2006-07 Budget

$700 Million Shortfall Was Projected for FY 2006-07 Budget in November

General Fund ($ in millions)	FY 06-07
Revenues	$29,477
Spending	30,177
Balance (Shortfall)	*$ (700)*

Governor Pawlenty's FY 2006-07 Budget

Disparity in Revenue-Expenditure Growth Contributes to FY 2006-07 Problem

	FY06-07 Forecast	Growth Over 04-05	Percent Change
Revenues:			
Taxes	$27,658	$2,031	7.9
Non-Tax Revenues	1,406	(60)	(4.1)
Transfers, Other	414	(1,166)	(73.8)
Total Revenues	*29,478*	*805*	*2.8*
Spending:			
E-12 Education	$11,969	$ 67	0.6
Health & Human Svcs	8,684	1,439	19.9
All Other	9,524	632	7.1
Total Spending	*$30,177*	*$2,139*	*7.6*

Governor Pawlenty's FY 2006-07 Budget

Five Parts to Governor's Solution to Forecast Shortfall

Forecast Shortfall for FY06-07	**$(700)**
✓ Spending Cuts / Reallocations	426
✓ New Spending / Priorities	(476)
✓ Increased Revenues	338
✓ New Gaming License Revenue	200
✓ Health Care Finance Realignment	220
Balance – Governor's Budget	**$8**

Governor Pawlenty's FY 2006-07 Budget

Budget Is Structurally Balanced through FY08-09 and Funds Key Priorities

- ✓ *Structurally balances state budget through FY08-09*
- ✓ *Eliminates projected $700 million budget shortfall*
- ✓ *No tax increases*
- ✓ *Increases spending in several key areas including education, health care programs and public safety*
- ✓ *Process used priority-based budgeting*

Governor Pawlenty's FY 2006-07 Budget

General Fund Spending Will Increase by $1.6 Billion, 5.8 Percent

FY04-05	FY06-07	Dollars	Percent
28,045	29,667	1,622	5.8%

Total Spending (all funds) Will Increase by $2.8 Billion, 6.2 Percent

FY04-05	FY06-07	Dollars	Percent
46,176	49,031	2,855	6.2%

* Figures are in millions

Governor Pawlenty's FY 2006-07 Budget

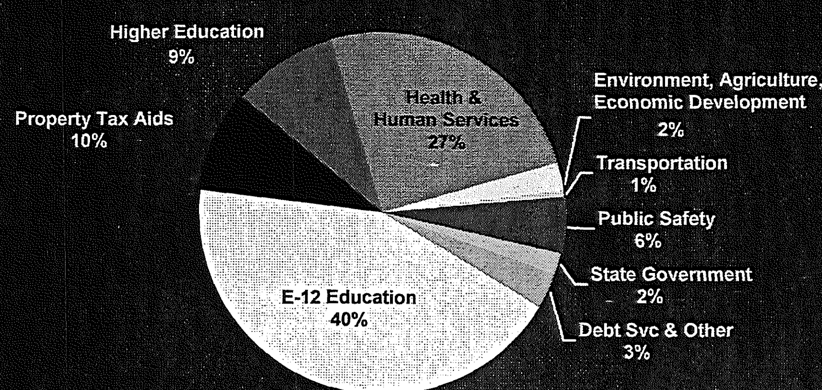
General Fund Spending By Category – Increase $1.6 Billion, 5.8 Percent

	FY04-05	FY06-07	$ Chg.	%
K-12 Education	12,230	12,414	184	1.5%
Pay/Recog. Change	-330	-178	nm	nm
Higher Education	2,559	2,774	215	8.4%
Property Tax Aids	2,810	2,890	80	2.8%
Health & Human Services	7,245	7,901	656	9.1%
Environ, Ag, & Econ. Dev.	739	647	-92	-12.4%
Transportation	159	159	0	0.0%
Public Safety	1,437	1,668	231	16.1%
State Government	580	555	-25	-4.3%
Debt Service & Other	629	837	208	33.1%
Total Spending	28,045	29,667	1,622	5.8%

Governor Pawlenty's FY 2006-07 Budget

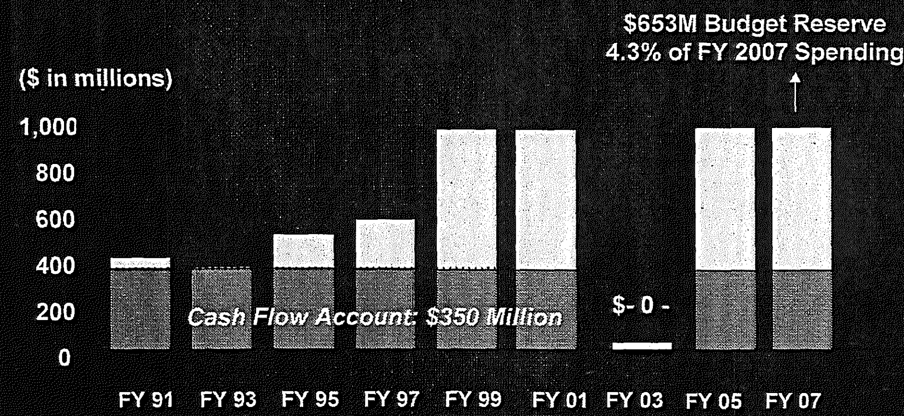
$29.6 Billion General Fund Budget Matched Dollars with Priorities

General Fund Spending
$29.667 Billion



Governor Pawlenty's FY 2006-07 Budget

Governor's Plan Preserves Cash Flow and Budget Reserves



Governor Pawlenty's FY 2006-07 Budget

Plan Maintains Positive Structural Balance in FY 2008-09

	FY 06	FY 07	FY 08	FY 09
Revenues	14,712	14,963	15,625	16,222
Spending	14,647	15,020	15,401	15,681
Difference	*65*	*(57)*	*224*	*541*

Governor Pawlenty's FY 2006-07 Budget

K-12 Education

$12.414 Billion GF

✓ *Goal: Increases accountability, flexibility and incentives in our K-12 education system*

- Increases revenue per student by 5.3% with schools that embrace performance pay eligible for up to an 8% increase
- Makes school funding more transparent
- Provides $60 million for teachers and districts who agree to a compensation system based on performance, not just seniority
- Increases flexibility for local taxpayers to determine if they want to increase school resources
- Transforms 11th and 12th grades with "Get Ready, Get Credit"
- Expands options for educationally challenged, low-income students through a new scholarship tax credit program

Governor Pawlenty's FY 2006-07 Budget

Higher Education

$2.773 Billion GF

✓ *Goal: Strategic investment to advance Minnesota's economic and education goals*

- Focuses on strategic priorities with an 10.3% increase, $113 million, at the University of Minnesota
  - $36 million fully funds BioSciences for a Healthy Society
  - $15 million fully funds Competitive Compensation Initiative
  - $19.5 million fully funds Preparing Students for 21st Century Initiative
  - $35 million for research support packages to recruit and retain world-class research talent
  - $15 million investment in Partnership for Biotechnology and Genomics

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Higher Education

$2.773 Billion GF

- ✓ *Goal: Strategic investment to advance Minnesota's economic and education goals*
  - Promotes demand-driven programs at MnSCU, increasing current budget by 8.5%, $107.5 million.
    - $50 million to finish transition from pre-merger funding model
    - $20 million to encourage Centers of Excellence
    - $14 million to expand *Minnesota Online* learning program
    - $10 million fully funds request to expand capacity in nursing program
    - $5.5 million fully funds the Innovations Fund
    - $5 million to provide competitive faculty salaries
    - $3 million fully funds agriculture and small business management instruction program

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Health and Human Services

$7.901 Billion GF
$18.337 Billion AF

- ✓ *Goal: Contain spending growth while investing in key priorities*
  - Slows the growth of health care costs while preserving the safety net
  - Maintains existing maximum rates for child care providers
  - Manages enrollment growth in high cost waiver programs

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Health and Human Services

$7.901 Billion GF

$18.337 Billion AF

✓ *Goal: Contain spending growth while investing in key priorities*

- Pursues safe, permanent homes for children
- Promotes strategies to eliminate long-term homelessness
- Increases nursing facility rates by 2% and implement a new payment system that encourages and financially rewards higher quality
- Purchases value in our health care programs
- Fully funds civil commitment treatment obligations to ensure public safety

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Agriculture

$85 Million GF

$145 Million AF

✓ *Goal: Continue efforts to invigorate Minnesota's farm sector*

- Maintains current funding levels for agricultural programs
- Upholds commitment to ethanol by continuing current law funding for those producers eligible to receive ethanol payments
- Creates a Dairy Enhancement Tax Credit, to expand opportunities for value-added agriculture

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Transportation

$159 Million GF
$5.043 Billion AF

✓ *Goal: Accelerate construction of highway projects, invest in emerging transit corridors and maintaining current systems*
- On course to deliver 17 major highway construction and safety/preservation projects more than 60 years ahead of schedule.
- Continues and expands historic commitment to relieve congestion and to rebuild Minnesota's aging roads and bridges
- Expands commitment to transit by maintaining current general fund budget and proposing new dedicated funding
- 100% dedication of Motor Vehicle Sales Tax for transportation phased-in over five years beginning in 2008
- Addresses future needs in conjunction with $7 billion, 10 year transportation plan

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Public Safety

$1.668 Billion GF
$2.031 Billion AF

✓ *Goal: Maintain safety and security*
- Tougher sentences for meth and sex offenders
- Increased funding to lock-up more offenders
- Enhanced sex offender management
- New tools to fight methamphetamine crisis
- Technology upgrades for tracking and catching criminals
- Increased 911 fee to improve statewide public safety radio system
- Increased funding for law enforcement training

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Military Initiatives

$ 11 Million GF

✓ *Goal: Support our military troops and acknowledge their contribution and service*

- Increases state support by $8 million for the tuition reimbursement program for the National Guard
- Encourages re-enlistment by adding $3 million in incentives
- Exempts income earned while on state active duty from state income taxes

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Current Funding Levels Maintained For Key Programs

✓ *Funding levels maintained in key areas including:*

- Agriculture
- Transit
- Arts
- Local Government Aid

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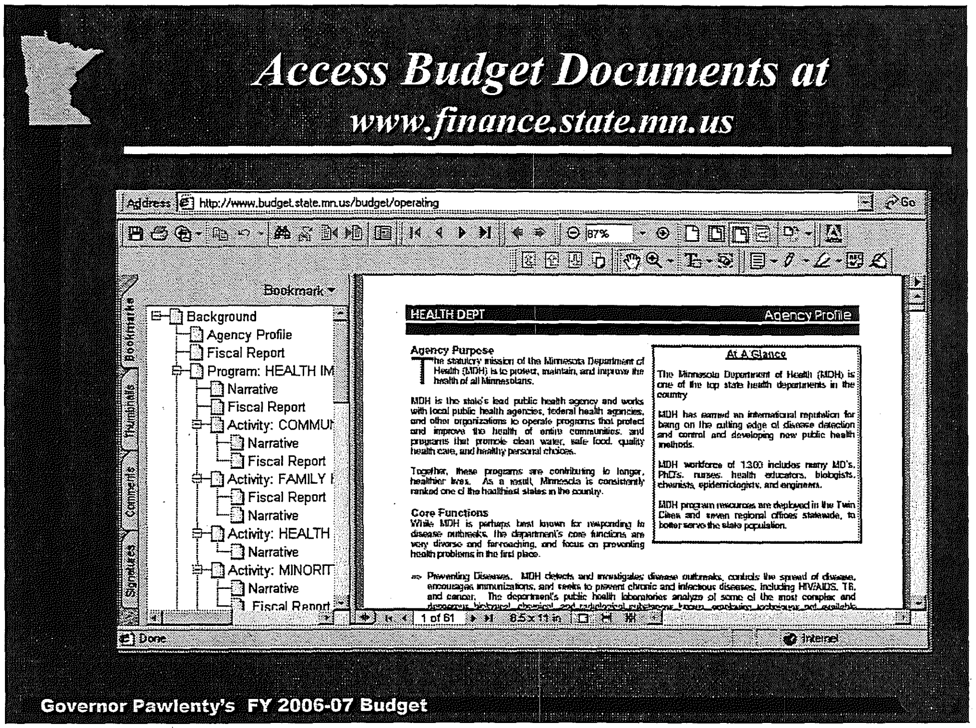
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