

FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
2003 Funding Level	58,514	248,437	306,951
Legislatively Mandated Base	-433	0	-433
New Programs To Agency Base	-17	0	-17
One-Time Appropriations	-670	0	-670
Open Appr. Forecast Adj.	4,912	-66	4,846
Transfers Between Agencies	184	440	624
Adjusted Base Funding	62,490	248,811	311,301
Change Items			
Budget Reduction	-5,287	0	-5,287
Governor's Recommendations	57,203	248,811	306,014
Biennial Change, 2002-03 to 2004-05	2,984	73,211	76,195
Percent Change	6%	42%	33%

Brief Explanation Of Budget Decisions:

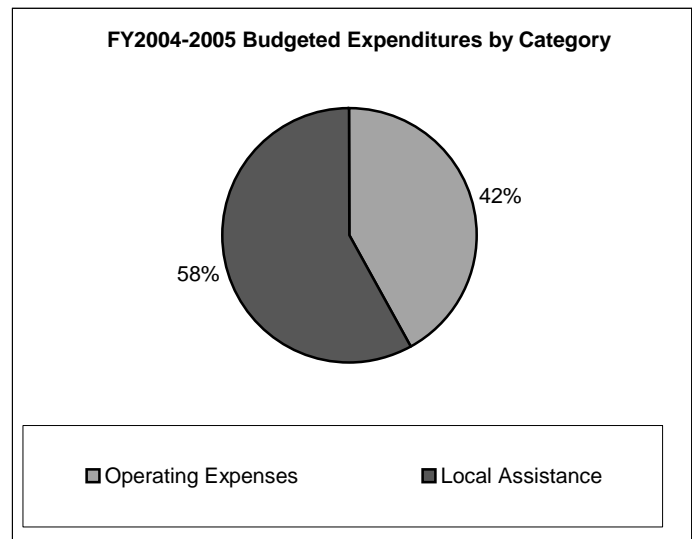
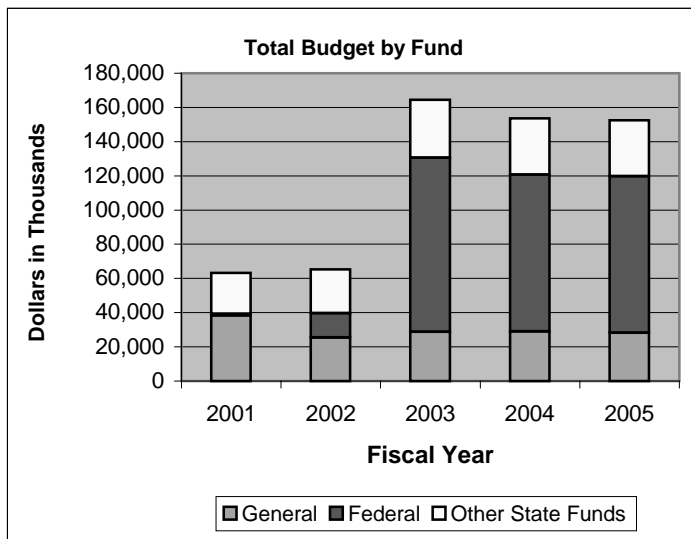
- 1) The direct appropriation from the General Fund to the Department of Commerce includes the following adjustments to the biennial base:

(\$50,000)	Administrative Cost Reduction (Phase 1)
(\$60,000)	Money Transmitters Reduction
\$1,000	Insurance Producers Increase
(\$316,000)	Do-Not-Call Reduction
(\$17,000)	Student Athlete Agent
\$184,000	The Cigarette pricing activity was transferred from the Department of Revenue to the Department of Commerce.
(\$670,000)	A one-time appropriation to the Department of Commerce for a School Employee Health Insurance Study will end in FY 2004.
\$440,000	The base has been adjusted to transfer the fraud section of the Investigative Services Unit from the Department of Labor and Industry to the Department of Commerce.

- 2) The Department of Commerce forecasts that an open appropriation from the General Fund to the department for wind and hydroelectric incentive payments will increase by \$4,912,000 for the FY 2004-05 biennium.

FY 2004-05 Revenues (\$000s)

	General Fund	Other Funds	Total
FY 2004-05 Current Law Revenues	171,443	218,613	390,056
Change Items			
Weights and Measures Division			
W&M Fee Increase	\$506	0	\$506
Budget Reduction	-1486		-1486
FY 2004-05 Total Revenues	170,463	218,613	389,076
Biennial Change 2002-03 to 2004-05	980	22,072	23,052
Percent Change	0.57%	10.10%	5.88%



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Expenditures by Fund						
Direct Appropriations						
General	37,684	23,505	26,448	24,157	23,430	47,587
Petroleum Tank Release Cleanup	824	815	1,333	1,084	1,084	2,168
Workers Compensation	593	578	636	835	835	1,670
Open Appropriations						
General	742	1,914	2,352	4,778	4,838	9,616
Petroleum Tank Release Cleanup	13,256	10,692	15,145	15,246	15,246	30,492
Statutory Appropriations						
State Government Special Revenue	0	101	86	0	0	0
Special Revenue	9,310	12,480	16,459	15,582	15,617	31,199
Federal	823	14,333	101,882	91,820	91,410	183,230
Gift	0	840	220	26	26	52
Total	63,232	65,258	164,561	153,528	152,486	306,014

Expenditures by Category	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Operating Expenses	47,675	51,731	64,991	63,922	63,571	127,493
Local Assistance	15,520	13,372	99,070	89,005	88,314	177,319
Other Financial Transactions	37	155	500	500	500	1,000
Transfers	0	0	0	101	101	202
Total	63,232	65,258	164,561	153,528	152,486	306,014

Expenditures by Program	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Financial Examinations	6,656	7,555	10,066	9,700	9,697	19,397
Petroleum Tank Cleanup Fund	14,080	11,507	16,478	16,330	16,330	32,660
Administration	7,145	5,746	5,901	5,678	5,678	11,356
Market Assurance	21,980	6,817	8,724	8,209	7,494	15,703
Energy & Telecommunications	6,152	22,813	112,331	103,488	103,125	206,613
Tam	7,219	7,750	7,882	7,617	7,655	15,272
Weights & Measures	0	3,070	3,179	2,506	2,507	5,013
Total	63,232	65,258	164,561	153,528	152,486	306,014

COMMERCE DEPT

Fiscal Report

<i>Dollars in Thousands</i>	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	FY2001	FY2002	FY2003	FY2004	FY2005	2004-05
Non Dedicated						
General	34,769	87,946	84,728	84,607	85,856	170,463
Petroleum Tank Release Cleanup	1,487	829	632	632	632	1,264
Cambridge Deposit Fund	46,679	0	0	0	0	0
Subtotal Non Dedicated	82,935	88,775	85,360	85,239	86,488	171,727
Dedicated						
General	0	2	4	0	0	0
Special Revenue	12,873	14,754	18,375	16,914	17,153	34,067
Federal	791	68,706	99,477	91,820	91,410	183,230
Miscellaneous Agency	4	3	0	0	0	0
Gift	0	1,732	27	26	26	52
Subtotal Dedicated	13,668	85,197	117,883	108,760	108,589	217,349
Total Revenue	96,603	173,972	203,243	193,999	195,077	389,076
Full-Time Equivalents (FTE)	317.4	350.4	356.4	323.5	323.5	

FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
2003 Funding Level	6,318	213,636	219,954
Open Appr. Forecast Adj.	0	9,183	9,183
Transfers Between Agencies	0	-540	-540
Adjusted Base Funding	6,318	222,279	228,597
Change Items			
Agency Operating Reductions	-1,264	-3,267	-4,531
Apprenticeship Registration Fee	0	0	0
Grant Reductions	0	-1,474	-1,474
Governor's Recommendations	5,054	217,538	222,592
Biennial Change, 2002-03 to 2004-05	-1,148	-68,294	-69,442
Percent Change	-19%	-24%	-24%

Brief Explanation Of Budget Decisions:

The Department of Labor and Industry's open appropriation in the workers' compensation fund has been increased by \$9,183,000 over the biennium to reflect projected benefit payments. This increase is primarily due to the completion of the Assigned Risk Plan (ARP) settlement project. The ARP settlement account's liquidation during FY 2003 will eliminate its interest earnings that had been dedicated to pay on-going benefits.

The base has been adjusted to transfer \$440,000 over the biennium for the fraud section of the Investigative Services Unit to transfer to the Department of Commerce pursuant to the Laws of 2002, Chapter 331, Section 16.

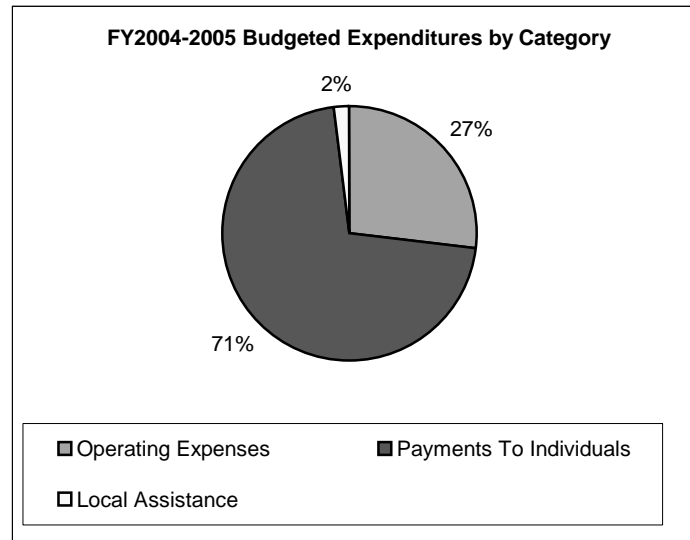
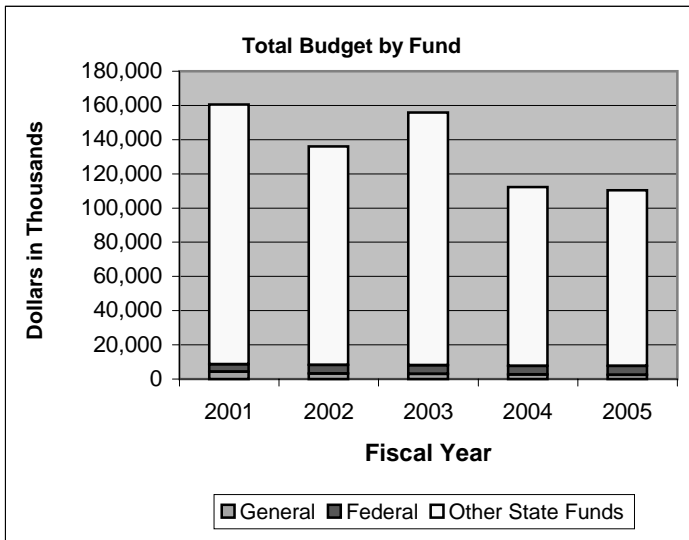
The base also reflects the transfer of \$100,000 over the biennium to the Office of Administrative Hearings (OAH) for postage expenses. In FY 1998, the Judicial Services unit of DLI was transferred to OAH, however DLI continued to provide mailroom services to the unit located in St. Paul. During 2001, the St. Paul office was closed and all employees were moved to the OAH Minneapolis location. DLI has continued to reimburse OAH for their postage expenses related to the former St. Paul operation. This transfer will make these funds a permanent part of the OAH base appropriation.

Revenue Summary:

Revenues are expected to increase by \$1,000,000 over the biennium with the implementation of a new Apprenticeship Registration fee.

FY 2004-05 Revenues (\$000s)

	General Fund	Other Funds	Total
FY 2004-05 Current Law Revenues	4,636	244,614	249,250
Change Items			
Apprenticeship Registration Fee	0	1,000	1,000
FY 2004-05 Total Revenues	4,636	245,614	250,250
Biennial Change 2002-03 to 2004-05	-327	4,816	4,489
Percent Change	-7%	2%	2%



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Expenditures by Fund						
Direct Appropriations						
General	4,256	3,206	2,996	2,560	2,494	5,054
Workforce Development	832	739	955	0	0	0
Workers Compensation	21,471	19,324	23,256	19,452	19,147	38,599
Open Appropriations						
Workers Compensation	90,823	72,915	74,809	80,268	78,533	158,801
Statutory Appropriations						
Special Revenue	469	583	893	1,743	1,743	3,486
Federal	4,394	4,979	5,033	5,065	5,211	10,276
Workers Compensation	38,201	34,356	47,951	3,173	3,173	6,346
Miscellaneous Agency	18	17	22	15	15	30
Total	160,464	136,119	155,915	112,276	110,316	222,592

Expenditures by Category	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Operating Expenses	31,857	29,425	33,724	29,982	29,760	59,742
Payments To Individuals	126,476	103,575	118,844	80,171	78,436	158,607
Local Assistance	2,131	3,119	3,347	2,123	2,120	4,243
Total	160,464	136,119	155,915	112,276	110,316	222,592

Expenditures by Program	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Workers Compensation Division	138,379	114,627	131,529	90,484	88,749	179,233
Workplace Services Division	15,167	14,722	16,374	14,584	14,664	29,248
General Support Division	6,918	6,770	8,012	7,208	6,903	14,111
Total	160,464	136,119	155,915	112,276	110,316	222,592

LABOR AND INDUSTRY DEPT

Fiscal Report

<i>Dollars in Thousands</i>	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	FY2001	FY2002	FY2003	FY2004	FY2005	2004-05
Non Dedicated						
General	11	2,546	2,417	2,318	2,318	4,636
Cambridge Deposit Fund	2,140	0	0	0	0	0
Workers Compensation	91,471	79,617	125,788	111,888	113,588	225,476
Subtotal Non Dedicated	93,622	82,163	128,205	114,206	115,906	230,112
Dedicated						
Special Revenue	608	627	813	1,743	1,743	3,486
Federal	4,391	4,980	5,026	5,065	5,211	10,276
Workers Compensation	347,129	13,747	10,173	3,173	3,173	6,346
Miscellaneous Agency	8	12	15	15	15	30
Subtotal Dedicated	352,136	19,366	16,027	9,996	10,142	20,138
Total Revenue	445,758	101,529	144,232	124,202	126,048	250,250
Full-Time Equivalentents (FTE)	406.9	389.5	374.8	339.6	339.1	

LABOR AND INDUSTRY DEPT

Change Item: AGENCY OPERATING REDUCTIONS

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(\$599)	(\$665)	(\$665)	(\$665)
Revenues				
Workforce Development Fund				
Expenditures	(\$204)	(\$204)	(\$204)	(\$204)
Revenues				
Workers' Compensation Fund				
Expenditures	(\$1,277)	(\$1,582)	(\$1,582)	(\$1,582)
Net Fiscal Impact	(\$2,080)	(\$2,451)	(\$2,451)	(\$2,451)

Recommendation

The Governor recommends reducing the operating expenditures of the agency by \$2,080,000 in FY 2004 and \$2,451,000 in FY 2005. These reductions have been designed to minimize the impact to the agency's core services.

Background

The Department of Labor and Industry (DLI) administers laws related to employment, workplace safety and workers' compensation through the following core functions:

- ◆ provide training and outreach;
- ◆ conduct inspections, audits and investigations;
- ◆ review workers' compensation claims and oversee the provision of benefits;
- ◆ provide informal dispute resolution services;
- ◆ provide vocational rehabilitation services;
- ◆ issue penalties for violations of the law;
- ◆ issue professional licenses and certifications; and
- ◆ register apprenticeship programs.

The agency will implement reductions across all programs to achieve the above targets.

The Workers' Compensation division's expenditures from the Workers' Compensation Fund will be reduced by \$2,086,000 and 17.7 FTE over the biennium. Advancements in technology, operational efficiencies, and a declining workload will allow the agency to absorb these reductions and allow core services to continue with minimal impact to stakeholders.

The Workplace Services division's expenditures from the Workers' Compensation Fund, General Fund, and Workforce Development fund will be reduced by \$1,582,000 and 14.5 FTE over the biennium. The units of this division will have reductions primarily in the areas of administrative support and by eliminating non-essential services, while ensuring that core functions continue to be provided.

The General Support division's expenditures from the Workers' Compensation Fund, General Fund, and Special Revenue Fund will be reduced by \$863,000 and 8.8 FTE over the biennium. These reductions reflect a reduced administrative activity supporting a smaller agency. The agency is exploring the further use of technology and other operational efficiencies to minimize the impact of these reductions to its customers and streamline the agency's services.

Relationship to Base Budget

This change represents a 7% reduction to the agency's operating budget.

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FY 2004-05 Expenditures (\$000s)			
	General Fund	Other Funds	Total
2003 Funding Level	138,446	1,111,199	1,249,645
Legislatively Mandated Base	-2,020	0	-2,020
One-Time Appropriations	-7,770	-4,354	-12,124
Adjusted Base Funding	128,656	1,106,845	1,235,501
Change Items			
Bioscience Partnership	2,000	0	2,000
Contaminated Grants-Funding Change	0	0	0
DES Displaced Homemakers Program	0	-2,000	-2,000
DES Grants Reductions	-8,230	0	-8,230
DES Operation Reductions	-1,534	0	-1,534
DTED Grant Reductions	-7,934	0	-7,934
DTED Miscellaneous Reductions	0	-1,065	-1,065
DTED Operational Reductions	-1,468	0	-1,468
DTED TANF Funding Reduction	0	-1,500	-1,500
Governor's Recommendations	111,490	1,102,280	1,213,770
Biennial Change, 2002-03 to 2004-05	28,981	425,719	454,700
Percent Change	35%	63%	60%

Brief Explanation Of Budget Decisions:

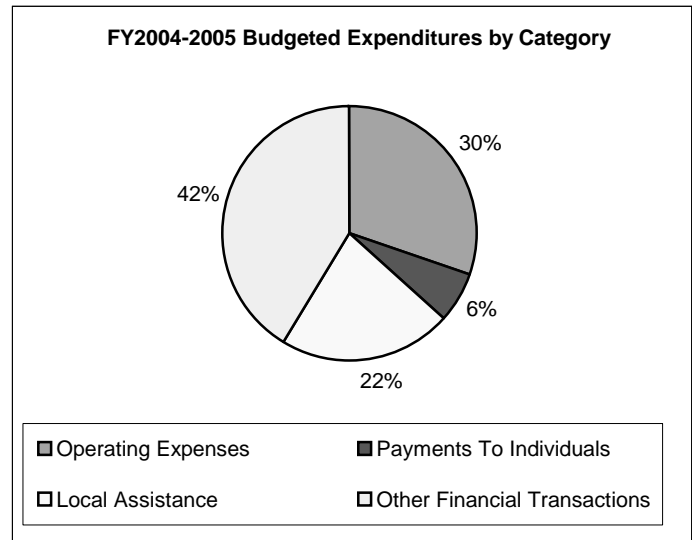
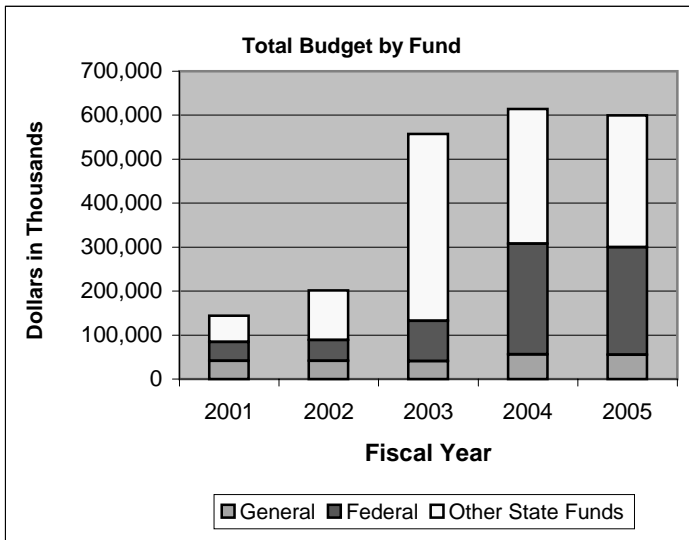
Base Adjustments:

The base adjustments reflected on the table above include adjustments for one-time appropriations, base changes as a result of the 2002 session, and fund transfers.

The one-time appropriations include funding from the Temporary Assistance to Needy Families (TANF) Fund for the Displaced Homemakers, Opportunities Industrialization Centers, and the Lifetrack Resources programs. In addition, funding from the Workforce Development Fund for the Lifetrack Resources program and the Women Venture grant; and General Fund adjustments were made for the Metro Economic Development Association (MEDA), Twin Cities Rise, ISEEK, and the Rural Policy grant programs. Finally, adjustments were made for the Petro Tank Relief and Minnesota Investment Fund programs, also in the General Fund, but from appropriations made in the 2002 special flood session.

Base reductions as a result of the 2002 session include those in the four youth programs – Youthbuild, Youth Intervention, Minnesota Youth, and Learn to Earn. In addition, operational costs in Business and Community Development, Trade Development, Tourism, and the Information and Analysis programs were reduced as well as the grant to the Minnesota Film Board. Anticipating the merger, the legislature implemented base reductions of \$200,000 in FY 2004 and a \$600,000 in FY 2005. A base increase from the 2002 session was provided for a grant to the Rural Policy and Development Center.

The last item is an adjustment for a fund transfer. The 2001 session transferred \$799,000 of Extended Employment base funding from the Workforce Development Fund to the General Fund.



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Expenditures by Fund						
Carry Forward						
Special Revenue	0	0	0	117	0	117
Direct Appropriations						
Environment & Natural Resource	62	0	15	0	0	0
General	41,250	37,877	40,730	55,695	55,295	110,990
Petroleum Tank Release Cleanup	0	0	1,000	0	0	0
Special Revenue	190	39	100	0	0	0
Workforce Development	0	0	0	7,720	7,720	15,440
Trunk Highway	3	0	0	0	0	0
Federal Tanf	0	774	6,476	0	0	0
Environmental Remediation	700	700	700	0	0	0
Remediation	0	0	0	700	700	1,400
Open Appropriations						
General	246	248	250	250	250	500
Statutory Appropriations						
Public Facilities Authority	532	620	230,228	180,411	181,251	361,662
Drinking Water Revolving Fund	0	958	78,171	39,576	39,576	79,152
General	0	3,401	3	0	0	0
Petroleum Tank Release Cleanup	6,194	6,188	6,218	6,200	6,200	12,400
Special Revenue	6,606	16,187	21,461	23,481	26,786	50,267
Workforce Development	44,940	46,078	42,455	28,755	22,372	51,127
Transportation Revolving Fund	813	41,956	44,361	18,351	14,907	33,258
Federal	42,635	46,784	85,076	46,564	42,630	89,194
Mdes Federal	0	0	0	205,009	201,311	406,320
Gift	0	5	11	1,435	508	1,943
Total	144,171	201,815	557,255	614,264	599,506	1,213,770

TRADE & ECON DEVELOPMENT DEPT

Fiscal Report

<i>Dollars in Thousands</i>						
Expenditures by Category	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec		Biennium 2004-05
				FY2004	FY2005	
Operating Expenses	26,050	23,879	29,891	184,106	184,073	368,179
Capital Outlay & Real Property	8	0	0	0	0	0
Payments To Individuals	0	0	0	38,859	38,879	77,738
Local Assistance	113,319	126,120	161,258	137,663	127,961	265,624
Other Financial Transactions	4,794	51,816	366,106	253,636	248,593	502,229
Total	144,171	201,815	557,255	614,264	599,506	1,213,770

Expenditures by Program

Business & Community Developmt	67,441	115,581	456,453	301,329	296,726	598,055
Mn Trade Office	3,248	2,962	2,571	2,365	2,365	4,730
Tourism	11,929	11,171	12,436	9,937	9,930	19,867
Workforce Development	55,972	67,209	80,366	53,080	43,897	96,977
Workforce Services	0	0	0	73,431	72,418	145,849
Workforce Rehabilitation Svcs	0	0	0	59,649	60,352	120,001
Workforce Svcs For The Blind	0	0	0	14,553	13,698	28,251
Workforce Wage Assistance	0	0	0	63,512	64,155	127,667
Administration	5,581	4,892	5,429	36,408	35,965	72,373
Total	144,171	201,815	557,255	614,264	599,506	1,213,770

Revenue by Type and Fund

Non Dedicated

General	2,472	2,048	1,551	1,606	1,561	3,167
Petroleum Tank Release Cleanup	108	100	75	75	75	150
Subtotal Non Dedicated	2,580	2,148	1,626	1,681	1,636	3,317

Dedicated

Public Facilities Authority	1,096	1,185	207,403	181,044	181,044	362,088
Drinking Water Revolving Fund	72	1,086	69,734	39,734	39,734	79,468
General	45	3,431	2	486	486	972
Special Revenue	8,538	6,535	5,170	14,906	14,890	29,796
Workforce Development	35,913	28,345	27,750	28,700	30,000	58,700
Transportation Revolving Fund	15,288	24,374	7,690	15,937	15,049	30,986
Federal	42,624	47,282	84,578	46,564	42,630	89,194
Mdes Federal	0	0	0	205,009	201,311	406,320
Gift	0	0	0	1,075	532	1,607
Subtotal Dedicated	103,576	112,238	402,327	533,455	525,676	1,059,131
Total Revenue	106,156	114,386	403,953	535,136	527,312	1,062,448

Full-Time Equivalents (FTE)	231.1	215.8	210.6	1,898.4	1,889.4
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TRADE & ECON DEVELOPMENT DEPTChange Item: **BIOSCIENCE PARTNERSHIP**

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	\$1,000	\$1,000	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$1,000	\$1,000	\$0	\$0

Recommendation

The Governor recommends \$1 million in FY 2004 and \$1 million in FY 2005 for the department of trade and economic development to facilitate a joint partnership with the University of Minnesota and the Mayo Clinic for research in biotechnology and medical genomics. This appropriation shall be matched dollar for dollar by non-state funds.

This recommendation funds operating costs of the collaboration, including salaries, but does not include funds for capital expenditures. The University of Minnesota and the Mayo Clinic would develop a business plan that identifies specific disciplines for development and collaboration, timelines, and include a discussion of the expected economic benefits of the partnership to the state of Minnesota. After completion of the business plan, the remaining funds would be used to begin implementation of the economic initiatives outlined in the plan.

Background

Minnesota is fortunate to have two world class institutions in biotechnology and this venture will leverage the strengths of each to encourage a more vibrant and competitive biotechnology industry in the state. The University of Minnesota and the Mayo Clinic are world-class institutions in biotechnology. Because this area of science develops at such a rapid pace, the combined resources of both of these institutions are necessary to position the State of Minnesota as a world leader in the field of bioscience. Such an elite standing would bring jobs and economic development opportunities to the state.

The proposed collaboration brings together basic scientists and physician scientists to target diseases for scientific breakthroughs. Possible areas for research include the study of diseases such as cancer, neurodegenerative disease, and heart disease. Outcomes of this effort could put Minnesota in a more competitive place for securing research funds, making important discoveries, and developing both clinical and commercial applications for these discoveries.

Relationship to Base Budget

There is no funding in the base for this initiative.

Statutory Change: Not applicable.

Preliminary Proposal

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

Recommendation

As a part of the Pollution Control Agency’s (PCA) Environmental Funding Consolidation Change Item, the Governor recommends that \$700,000 in FY 2004 and \$700,000 in FY 2005 be appropriated from the Remediation Fund, rather than the Environmental Fund.

Background

In an effort to improve the ability of the legislature and affected agencies to direct money to the highest environmental priorities, the Governor recommends environmental fund simplification. Specifically, the Governor is recommending restructuring the Environmental Fund, creating a new Remediation Fund and abolishing the Solid Waste and Metropolitan Landfill Contingency Action Trust Funds. For more information on this change item, please see the PCA’s budget.

Relationship to Base Budget

This change item simply appropriates base level funding to the Department of Trade and Economic Development from the Remediation Fund rather than the Environmental Fund. No change in the amount, use or oversight of these funds is proposed as a result of this change item.

TRADE & ECON DEVELOPMENT DEPT**Program: WORKFORCE SERVICES****Change Item: DES-DISPLACED HOMEMAKERS PROGRAM**

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	\$1,000	\$1,000	\$1,000	\$1,000
Workforce Development Fund				
Expenditures	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends an annual reduction of \$1 million out of the Workforce Development Fund to the Displaced Homemaker program. The Governor further recommends transfer of those monies to the General Fund. This is a full cut in program funding and will result in elimination of 2.1 state-funded FTEs.

Background

The Displaced Homemaker program provides pre-employment services that empower participants to enter or re-enter the labor market after having been homemakers. Customers are women or men who have worked in the home for a minimum of two years caring for home and family but due to separation, divorce, death or disability of spouse or partner, or other loss of financial support, must support themselves and their family. Eligibility is based on income guidelines. Participants in this program will continue to be eligible for the Dislocated Worker Program.

Relationship to Base Budget

This reduction will eliminate the program.

Alternatives Considered

Due to the size and scope of the required budget cuts, no alternatives are available.

Statutory Change: The following statutes would require review and possible change or deletion: M.S. 268.96, 268.665, 268.0111, 256J.49, 256D.05, 124D.68.

TRADE & ECON DEVELOPMENT DEPT**Change Item: DTED MISCELLANEOUS REDUCTIONS**

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	916	510	422	480
Other Fund				
Expenditures		(510)	(422)	(480)
Revenues	(555)	(510)	(422)	(480)
Net Fiscal Impact	\$361	(\$510)	(\$422)	\$480)

Recommendation

The Governor recommends the cancellation of the Tourism Loan Program and balance of its' funds in the amount of \$800,000; cancellation of \$700,000 of the remaining general fund appropriation for Wastewater Infrastructure grants; and \$361,000 in the Pathways general fund balance. As a result of cancellation of the Tourism Loan Program, principal and interest revenue in the amount of \$555,000 for FY2004 and \$510,000 for FY 2005 will be deposited to the general fund and will continue into future years. This cancellation will result in the layoff of 1.0 FTE during FY 2004.

Background

Cancellation of the Tourism Loan Program will result in the inability to provide loan funding to small resort operators for repair and renovation of their facilities. Based on historical averages, the loss of this funding would result in the inability to issue approximately 27 loans to resorts and non-leverage of \$1.8 million. With the current interest rates, private financing can be an acceptable alternative to this program. A layoff of one FTE will result.

Shifting of an obligation within the pool of funds available for Wastewater Infrastructure makes available a reduction of \$700,000 in general fund appropriations.

The Pathways general fund balance is from a prior year appropriation and is the result of multiple Pathways training projects that ended in 2002 with balances remaining.

Relationship to Base Budget

The total FY 2004-05 General Fund budget reduction for the department is \$12.3 million or 17.5%. This change item is a portion of that reduction.

Alternatives Considered

Due to size of the required reduction in relation to the overall DTED budget, it was not possible to consider other alternatives.

Statutory Change: M.S. 116J.617

BARBERS BOARD

Change Item: BUDGET REDUCTION

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(\$32)	(\$32)	(\$32)	(\$32)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$32)	(\$32)	(\$32)	(\$32)

Recommendation

The Governor recommends a reduction of \$32,000 in FY 2004 and \$32,000 in FY 2005 from the budget of the Board of Barbers Examiners.

Background

The reduction will require cuts to program areas along with staff.

Relationship to Base Budget

The recommended reduction represents 20% of the base budget.

Alternatives Considered

None.

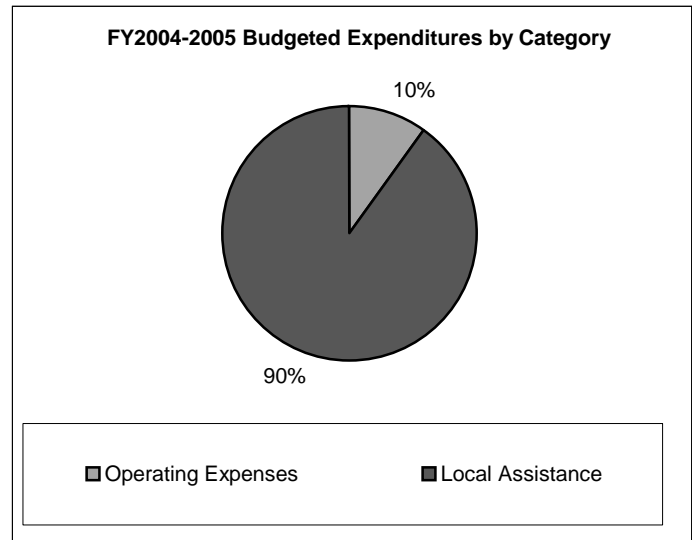
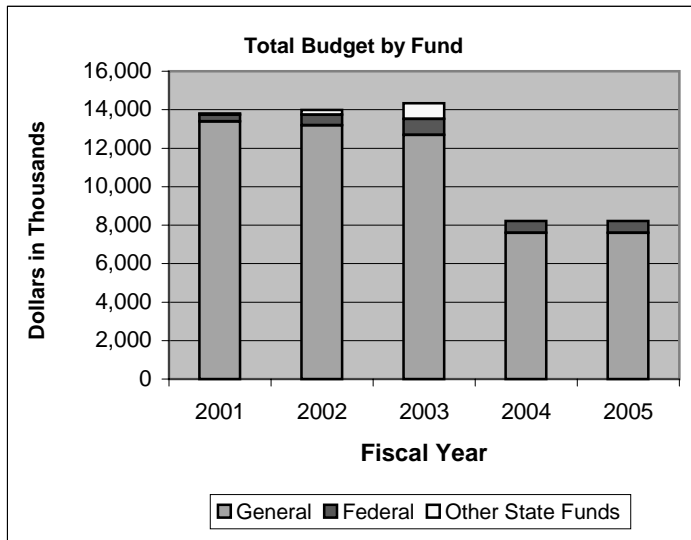
Statutory Change: Not Applicable.

ARTS BOARD

Budget in Brief

FY 2004-05 Expenditures (\$000s)

	General Fund	Other Funds	Total
2003 Funding Level	25,232	1,252	26,484
Adjusted Base Funding	25,232	1,252	26,484
Change Items			
Operating Budget Reduction	-10,046	0	-10,046
Governor's Recommendations	15,186	1,252	16,438
Biennial Change, 2002-03 to 2004-05	-10,698	-1,176	-11,874
Percent Change	-41%	-48%	-42%



<i>Dollars in Thousands</i>	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Expenditures by Fund						
Direct Appropriations						
General	13,396	13,191	12,693	7,593	7,593	15,186
Statutory Appropriations						
Federal	350	543	829	626	626	1,252
Gift	66	246	810	0	0	0
Total	13,812	13,980	14,332	8,219	8,219	16,438

Expenditures by Category	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Operating Expenses	1,451	1,586	2,298	822	822	1,644
Payments To Individuals	473	524	0	0	0	0
Local Assistance	11,888	11,870	12,034	7,397	7,397	14,794
Total	13,812	13,980	14,332	8,219	8,219	16,438

Expenditures by Program	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Operations & Services	1,492	1,623	2,298	822	822	1,644
Grant Programs	8,785	8,822	8,640	5,260	5,260	10,520
Region Arts Fisc Agent	3,535	3,535	3,394	2,137	2,137	4,274
Total	13,812	13,980	14,332	8,219	8,219	16,438

Revenue by Type and Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Dedicated						
Federal	510	586	626	626	626	1,252
Gift	461	94	410	0	0	0
Subtotal Dedicated	971	680	1,036	626	626	1,252
Total Revenue	971	680	1,036	626	626	1,252

Full-Time Equivalents (FTE)	22.4	17.1	16.7	16.7	16.7
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ARTS BOARD**Change Item: OPERATING BUDGET REDUCTION**

Fiscal Impact (\$000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(\$5,023)	(\$5,023)	(\$5,023)	(\$5,023)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$5,023)	(\$5,023)	(\$5,023)	(\$5,023)

Recommendation

The Governor recommends a General Fund appropriation of \$7.593 million in both FY 2004 and FY 2005 to the Arts Board.

Background

The Arts Board enriches the state through its support of artists and cultural institutions. While this change item reflects a significant reduction, it will allow Minnesota to remain a regional leader in its funding of the arts.

State General Fund Appropriations to Arts in the Midwest

State	Population (2000 Census)	FY 02 State Arts Spending	State Arts General Fund Spending per Capita
Minnesota	4,919,479	\$13,191,000	\$2.68
Michigan	9,938,444	\$23,944,000	\$2.41
Missouri	5,595,211	\$9,969,000	\$1.78
<i>Minnesota at FY 2004 Reduction Target</i>		<i>\$7,593,000</i>	<i>\$1.54</i>
Illinois	12,419,293	\$13,676,000	\$1.10
North Dakota	642,200	\$491,000	\$0.76
South Dakota	754,844	\$526,000	\$0.70
Iowa	2,926,324	\$1,294,000	\$0.44
Wisconsin	5,363,675	\$2,563,000	\$0.48

Notes: Table prepared by the Department of Finance (DOF). Data obtained from official state budget documents. States organize and fund these activities in different ways. As a result, some of the totals cited above may not fully represent the state's support for that activity. For example, several states fund these activities through larger state agencies, which may mask some of the associated administrative expenses.

It is anticipated that the Board will spread this reduction across its three major spending areas (administration, grants, and regional councils). Although changes in the number of FTEs employed by the Board are likely, no estimates have been incorporated into this budget proposal.

Relationship to Base Budget

This change will provide the Arts Board with a \$15,186,000 General Fund appropriation during FY04-05, which is \$10,698,000 less than what was appropriated in the last biennium.

Statutory Change: Not applicable.