

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	25,848	20,375	20,375	20,375	40,750
Recommended	25,848	20,375	28,696	22,850	51,546
Change		0	8,321	2,475	10,796
% Biennial Change from 2006-07					11.5%
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	19,970	21,203	28,696	22,850	51,546
Statutory Appropriations					
General	19	1,091	1,090	0	1,090
Misc Special Revenue	4,808	11,244	9,911	9,710	19,621
Federal	2,755	3,234	1,960	1,623	3,583
Risk Management	10,646	11,965	12,621	13,397	26,018
Gift	41	11	5	5	10
Plant Management	37,999	49,507	44,408	45,377	89,785
Documents And Publications	1,501	1,727	1,810	1,871	3,681
Management Analysis	1,551	1,755	1,828	1,903	3,731
Central Motor Pool	13,376	12,537	13,653	14,156	27,809
Central Stores	6,571	7,081	7,259	7,420	14,679
Materials Distribution	7,027	7,710	7,805	7,962	15,767
Central Mailing	8,452	8,231	8,494	8,759	17,253
Total	114,716	137,296	139,540	135,033	274,573
 <u>Expenditures by Category</u>					
Total Compensation	29,013	30,668	32,547	33,806	66,353
Other Operating Expenses	69,311	85,064	88,062	82,498	170,560
Capital Outlay & Real Property	1,118	399	17	0	17
Local Assistance	3,532	3,479	2,824	2,639	5,463
Other Financial Transactions	11,742	18,000	16,430	16,430	32,860
Transfers	0	(314)	(340)	(340)	(680)
Total	114,716	137,296	139,540	135,033	274,573
 <u>Expenditures by Program</u>					
State Facilities Services	45,162	64,105	64,632	59,039	123,671
State And Community Services	44,101	45,978	47,153	49,065	96,218
Administrative Mgmt Services	15,622	17,276	17,912	17,086	34,998
Fiscal Agent	9,831	9,937	9,843	9,843	19,686
Total	114,716	137,296	139,540	135,033	274,573
 Full-Time Equivalent (FTE)	 467.3	 497.1	 506.5	 507.2	

ADMINISTRATION DEPT

Change Summary

	<i>Dollars in Thousands</i>			
	FY2007	Governor's Recomm. FY2008	FY2009	Biennium 2008-09
Fund: GENERAL				
FY 2007 Appropriations	20,375	20,375	20,375	40,750
Technical Adjustments				
Current Law Base Change		(547)	(547)	(1,094)
Subtotal - Forecast Base	20,375	19,828	19,828	39,656
Change Items				
Real Property Enterprise System	0	5,579	1,134	6,713
Energy Conservation Re-Commissioning	0	250	250	500
Census Prep, Promotion and Liaison	0	60	240	300
Office of Grants Management	0	250	250	500
P/T Contract Savings Negotiations Unit	0	285	276	561
Small Agency Resource Team (SMART)	0	250	250	500
Targeted Group Disparity Study	0	850	0	850
AMPERS Public Radio Equipment Grants	0	100	100	200
Compensation Adjustment	0	174	351	525
HSEM Relocation	0	885	0	885
Veteran-Owned Business Procurement Pref.	0	185	171	356
Total Governor's Recommendations	20,375	28,696	22,850	51,546
Fund: GENERAL				
Planned Statutory Spending	1,091	1,090	0	1,090
Total Governor's Recommendations	1,091	1,090	0	1,090
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	11,244	9,911	9,710	19,621
Total Governor's Recommendations	11,244	9,911	9,710	19,621
Fund: FEDERAL				
Planned Statutory Spending	3,234	1,960	1,623	3,583
Total Governor's Recommendations	3,234	1,960	1,623	3,583
Fund: RISK MANAGEMENT				
Planned Statutory Spending	11,965	12,621	13,397	26,018
Total Governor's Recommendations	11,965	12,621	13,397	26,018
Fund: GIFT				
Planned Statutory Spending	11	5	5	10
Total Governor's Recommendations	11	5	5	10
Fund: PLANT MANAGEMENT				
Planned Statutory Spending	49,507	44,408	45,377	89,785
Total Governor's Recommendations	49,507	44,408	45,377	89,785
Fund: DOCUMENTS AND PUBLICATIONS				
Planned Statutory Spending	1,727	1,810	1,871	3,681
Total Governor's Recommendations	1,727	1,810	1,871	3,681
Fund: MANAGEMENT ANALYSIS				
Planned Statutory Spending	1,755	1,828	1,903	3,731
Total Governor's Recommendations	1,755	1,828	1,903	3,731
Fund: CENTRAL MOTOR POOL				
Planned Statutory Spending	12,537	13,653	14,156	27,809
Total Governor's Recommendations	12,537	13,653	14,156	27,809
Fund: CENTRAL STORES				

ADMINISTRATION DEPT

Change Summary

	FY2007	<i>Dollars in Thousands</i> Governor's Recomm.		Biennium 2008-09
		FY2008	FY2009	
Planned Statutory Spending	7,081	7,259	7,420	14,679
Total Governor's Recommendations	7,081	7,259	7,420	14,679
<i>Fund: MATERIALS DISTRIBUTION</i>				
Planned Statutory Spending	7,710	7,805	7,962	15,767
Total Governor's Recommendations	7,710	7,805	7,962	15,767
<i>Fund: CENTRAL MAILING</i>				
Planned Statutory Spending	8,231	8,494	8,759	17,253
Total Governor's Recommendations	8,231	8,494	8,759	17,253

ADMINISTRATION DEPT

Program: STATE FACILITIES SERVICES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	3,058	3,058	3,058	3,058	6,116
Subtotal - Forecast Base	3,058	3,058	3,058	3,058	6,116
Governor's Recommendations					
Real Property Enterprise System		0	5,579	1,134	6,713
Energy Conservation Re-Commissioning		0	250	250	500
Compensation Adjustment		0	165	262	427
HSEM Relocation		0	885	0	885
Total	3,058	3,058	9,937	4,704	14,641
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	3,023	3,128	9,937	4,704	14,641
Statutory Appropriations					
General	19	1,091	1,090	0	1,090
Misc Special Revenue	4,117	10,243	9,178	8,958	18,136
Federal	4	134	19	0	19
Gift	0	2	0	0	0
Plant Management	37,999	49,507	44,408	45,377	89,785
Total	45,162	64,105	64,632	59,039	123,671
<u>Expenditures by Category</u>					
Total Compensation	15,298	15,950	17,047	17,681	34,728
Other Operating Expenses	20,425	33,434	34,678	28,468	63,146
Capital Outlay & Real Property	1,107	399	17	0	17
Other Financial Transactions	8,332	14,636	13,230	13,230	26,460
Transfers	0	(314)	(340)	(340)	(680)
Total	45,162	64,105	64,632	59,039	123,671
<u>Expenditures by Activity</u>					
State Architects Office	2,330	3,908	3,556	2,025	5,581
Plant Management	42,457	59,817	54,175	55,424	109,599
Real Estate Management	375	380	6,901	1,590	8,491
Total	45,162	64,105	64,632	59,039	123,671
Full-Time Equivalents (FTE)	275.0	292.0	297.2	297.3	

ADMINISTRATION DEPT

Change Item: HSEM Relocation

Preliminary Proposal

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$885	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$885	0	0	0

Recommendation

The Governor recommends funding for the relocation of the Homeland Security and Emergency Management (HSEM) Division of Public Safety. This appropriation would be made to the Department of Administration which will manage the relocation on behalf of the Department of Public Safety.

Background

The HSEM Division is now located in a downtown St. Paul building, and the current location is out of compliance with federal Homeland Security recommendations. Requirements set by Homeland Security for HSEM and which cannot be met with the current location include:

- ◆ Location away from high-rise or mid-rise structures
- ◆ Location away from congested areas where traffic could impede response/recovery
- ◆ Need for high frequency communication capability
- ◆ At least 80 feet away from parking facilities.
- ◆ Security

The Division's current lease runs through fall of 2008 but lease negotiations for a new location cannot begin until the agency has secured relocation funding.

Relationship to Base Budget

This is a one-time appropriation.

Key Measures

This proposal will allow the Division to receive national accreditation as an Emergency Operating Center. Future FEMA funding could be tied to this accreditation.

Statutory Change: Not Applicable.

ADMINISTRATION DEPT
Program: STATE FACILITIES SERVICES
 Activity: REAL ESTATE MANAGEMENT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Real Property Enterprise System		0	5,579	1,134	6,713
Compensation Adjustment		0	62	81	143
HSEM Relocation		0	885	0	885
Total	0	0	6,526	1,215	7,741
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	375	380	6,901	1,590	8,491
Total	375	380	6,901	1,590	8,491
<u>Expenditures by Category</u>					
Total Compensation	299	315	372	387	759
Other Operating Expenses	76	65	6,529	1,203	7,732
Total	375	380	6,901	1,590	8,491
Full-Time Equivalent (FTE)	4.4	4.4	4.9	4.9	

ADMINISTRATION DEPT

Program: ADMINISTRATIVE MGMT SERVICES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	4,562	4,562	4,562	4,562	9,124
Subtotal - Forecast Base	4,562	4,562	4,562	4,562	9,124
Governor's Recommendations					
Office of Grants Management		0	250	250	500
P/T Contract Savings Negotiations Unit		0	285	276	561
Small Agency Resource Team (SMART)		0	250	250	500
Targeted Group Disparity Study		0	850	0	850
Compensation Adjustment		0	9	89	98
Veteran-Owned Business Procurement Pref.		0	185	171	356
Total	4,562	4,562	6,391	5,598	11,989
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	4,352	4,894	6,391	5,598	11,989
Statutory Appropriations					
Misc Special Revenue	29	195	0	0	0
Federal	2,663	2,722	1,888	1,623	3,511
Management Analysis	1,551	1,755	1,828	1,903	3,731
Materials Distribution	7,027	7,710	7,805	7,962	15,767
Total	15,622	17,276	17,912	17,086	34,998
<u>Expenditures by Category</u>					
Total Compensation	7,421	8,321	9,447	9,757	19,204
Other Operating Expenses	3,082	4,157	4,396	3,445	7,841
Local Assistance	1,708	1,434	869	684	1,553
Other Financial Transactions	3,411	3,364	3,200	3,200	6,400
Total	15,622	17,276	17,912	17,086	34,998
<u>Expenditures by Activity</u>					
Executive Support	427	509	455	495	950
Financial Mgmt And Reporting	733	1,103	953	968	1,921
Star	1,274	1,297	530	398	928
Developmental Disabilities Cnl	1,463	1,499	1,432	1,299	2,731
Human Resources	413	525	564	589	1,153
Materials Management	9,059	9,858	11,459	10,743	22,202
Management Analysis	1,907	2,111	2,184	2,259	4,443
Office Of Strat Plan/Perf Mgmt	346	374	335	335	670
Total	15,622	17,276	17,912	17,086	34,998
Full-Time Equivalents (FTE)	101.5	113.0	122.9	122.3	

ADMINISTRATION DEPT

Change Item: Veteran-Owned Business Procurement Pref.

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$185	\$171	\$90	\$90
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$185	\$171	\$90	\$90

Recommendation

The Governor recommends funding to expand the Minnesota targeted group purchasing program to include veteran-owned businesses.

Background

The Materials Management Division of the Department of Administration administers the state's targeted group procurement preference program, which allows eligible businesses to receive a bid preference of up to 6% in competing for state contracts. Currently, targeted groups include minority- and female-owned small businesses. This proposal would expand that preference to include veteran-owned small businesses.

Certification of businesses involves a due diligence process to verify that the veteran is both the owner and day-to-day operator of the business and that the businesses' annual revenues fall within the definition of "small business" for the relevant industry. This involves examination of the formal business records of each applicant, follow-up on missing paperwork, and often requires a site visit to the applicant business. Businesses are re-certified on an ongoing basis.

Currently, 1.5 FTE administer this program and they process an average of 85 new certifications and up to 440 recertifications annually. This proposal would fund an additional 2 FTE for the first two years of the veteran preference program and 1 FTE on an ongoing basis. The Small Business Administration has identified over 600 veteran-owned small businesses that would be eligible to apply for certification. This proposal assumes that most of those 600 who are interested in competing for state business would apply within the first two years of the program's existence, requiring 2 FTE. That staff need would drop to one position in the following biennium, as the need turns from new certifications to re-certifications.

Relationship to Base Budget

This appropriation represents about a 1% increase in the Department of Administration's base budget.

Key Measures

The Materials Management Division will track number of businesses certified under this program.

Statutory Change: Changes to 16C.16 will be required.

ADMINISTRATION DEPT
Program: ADMINISTRATIVE MGMT SERVICES
Activity: MATERIALS MANAGEMENT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Office of Grants Management		0	250	250	500
P/T Contract Savings Negotiations Unit		0	285	276	561
Targeted Group Disparity Study		0	850	0	850
Veteran-Owned Business Procurement		0	185	171	356
Pref.					
Total	0	0	1,570	697	2,267
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,032	2,148	3,654	2,781	6,435
Statutory Appropriations					
Materials Distribution	7,027	7,710	7,805	7,962	15,767
Total	9,059	9,858	11,459	10,743	22,202
<u>Expenditures by Category</u>					
Total Compensation	3,836	4,369	5,248	5,346	10,594
Other Operating Expenses	1,812	2,289	3,011	2,197	5,208
Other Financial Transactions	3,411	3,200	3,200	3,200	6,400
Total	9,059	9,858	11,459	10,743	22,202
Full-Time Equivalents (FTE)	53.5	60.8	69.1	68.1	

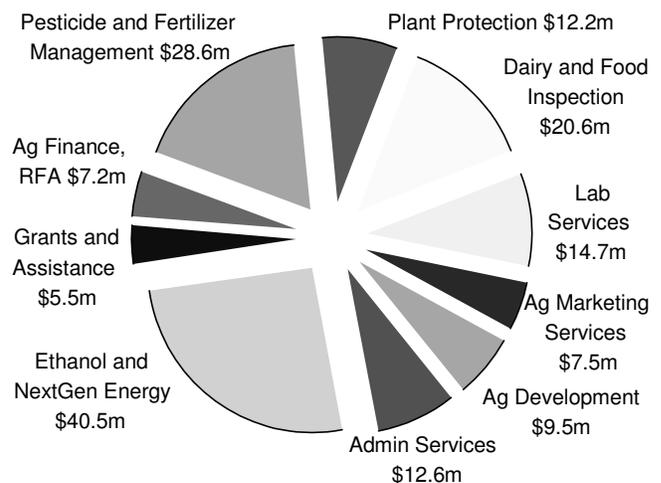
January 22, 2007

To the 2007 Legislature

On behalf of Governor Pawlenty, I am pleased to submit the budget recommendation for the Minnesota Department of Agriculture (MDA) for the 2008-09 biennium. This budget includes \$93.5 million from the state General Fund, \$35.2 million from the Agricultural Fund (money collected from ag-related fees), \$12 million in Federal money and \$18.2 million from a variety of other sources. This budget is 7.6% larger than 2006-07 spending and 13.1% larger than the 2008-2009 forecast base level.

This budget represents a strongly renewed commitment to Minnesota's agricultural economy by encouraging significant new investment in the next generation of energy development. The NextGen Initiative is designed to spur the development of facilities to produce fuels derived from biomass or cellulosic materials such as grasses, wood products, straw, and corn stover. As the ethanol producer payment program ends its ten-year cycle soon, the NextGen initiative looks to the next wave of successful energy-producing businesses benefiting more rural producers and more areas of the state. The Governor's budget proposes \$10 million from the General Fund for this initiative, on top of the \$30 million currently budgeted for the ethanol program. NextGen is a multi-agency initiative in which the MDA, ag communities and ag industries can work together with other agencies and groups to provide exciting new growth for the state's economy.

**Department of Agriculture
\$158.9 million 2008-09 Budget**



The Governor's General Fund budget also adds \$4.5 million to advance the Clean Water Legacy initiative. Building on the work of previous years, this initiative includes \$1.25 million per year for the Ag Best Management Practices loan program and \$1 million per year for impaired waters research and scientific advice. Clean Water Legacy is another multi-agency initiative, which will provide significant benefits to the entire state.

Looking out for the state's waters is only one way the MDA addresses its core protection function. MDA's protection programs span the range of activities from the farm to your family. Because both natural and man-made threats have increased in recent years, the Governor's budget provides funding to keep our protection programs strong. This budget includes an initiative to bolster the state's ability to keep harmful invasive species out of the state. The budget includes an initiative to improve the responsiveness of food inspection activities by collecting inspection information electronically. Also included are initiatives on emergency management and premise identification that will help provide needed planning and preparation work so if emergencies do arise, whether they are natural or man-made, we will be able to react quickly and effectively.

In all these ways and more, this budget will allow MDA to continue to work to make agriculture in Minnesota a safe, diverse, economically strong industry that enhances the lives of all Minnesotans. We look forward to discussing our budget, our programs and our mission with you as the session proceeds.

Sincerely,

A handwritten signature in black ink, appearing to read "Gene Hugoson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Gene Hugoson
Commissioner

AGRICULTURE DEPT

Program: VALUE-ADDED AG PRODUCTS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	18,745	15,268	15,268	15,268	30,536
Subtotal - Forecast Base	18,745	15,268	15,268	15,268	30,536
Governor's Recommendations					
NextGen BioEnergy Initiative		0	5,000	5,000	10,000
Total	18,745	15,268	20,268	20,268	40,536
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	17,388	16,625	20,268	20,268	40,536
Total	17,388	16,625	20,268	20,268	40,536
<u>Expenditures by Category</u>					
Other Operating Expenses	500	0	0	0	0
Local Assistance	16,888	16,625	20,268	20,268	40,536
Total	17,388	16,625	20,268	20,268	40,536
<u>Expenditures by Activity</u>					
Ethanol Payments/Assistance	17,388	16,625	20,268	20,268	40,536
Total	17,388	16,625	20,268	20,268	40,536

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	694	694	694	694	1,388
Recommended	694	844	708	722	1,430
Change		150	14	28	42
% Biennial Change from 2006-07					-7%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	681	734	708	722	1,430
Open Appropriations					
General	0	0	220	3,850	4,070
Statutory Appropriations					
Misc Special Revenue	132	5,474	5	5	10
Total	813	6,208	933	4,577	5,510
<u>Expenditures by Category</u>					
Total Compensation	588	603	605	617	1,222
Other Operating Expenses	93	131	103	105	208
Payments To Individuals	73	5,328	5	2,906	2,911
Local Assistance	59	146	0	146	146
Transfers	0	0	220	803	1,023
Total	813	6,208	933	4,577	5,510
<u>Expenditures by Program</u>					
Campaign Finance	813	6,208	933	4,577	5,510
Total	813	6,208	933	4,577	5,510
Full-Time Equivalent (FTE)	8.5	8.8	8.8	8.8	

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	694	694	694	1,388
Subtotal - Forecast Base	694	694	694	1,388
Change Items				
Campaign Finance Board Operations	0	2	4	6
Compensation Adjustment	0	12	24	36
FY07 Deficiency Appropriation	150	0	0	0
Total Governor's Recommendations	844	708	722	1,430
Fund: GENERAL				
Planned Open Spending	0	220	3,850	4,070
Total Governor's Recommendations	0	220	3,850	4,070
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	5,474	5	5	10
Total Governor's Recommendations	5,474	5	5	10

CAMPAIGN FIN & PUB DISCL BD

Change Item: FY07 Deficiency Appropriation

Fiscal Impact (\$000s)	FY 2007	FY 2008	FY 2009	FY 2010
General Fund				
Expenditures	\$150	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$150	0	0	0

Recommendation

The Governor recommends \$150,000 in supplemental funding in FY 2007 to pay attorney fees and expenses for an adverse ruling in a court case that was decided in February 2007.

Background

The US District Court has ruled that the Campaign Finance and Public Disclosure Board is responsible for the plaintiff's attorneys fees and expenses in the Minnesota Citizens Concerned for Life (MCCL), et. Al v. Kelley, et al. case. The fees are to cover attorney's costs at the District Court level in which the MCCL prevailed on issues under Chapter 211B, the Fair Campaign Practices Act.

Although all provisions relating to Minnesota Statutes Chapter 10A, the Ethics in Government Act, were upheld by the court, the Board appears to be liable for the fees. The Board is unable to pay the fees out of its FY 2007 fiscal year budget.

Relationship to Base Budget

This is a one-time appropriation.

Statutory Change: Not Applicable.

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	800	800	800	800	1,600
Recommended	800	800	0	0	0
Change		0	(800)	(800)	(1,600)
% Biennial Change from 2006-07					-100%
General					
Current Appropriation	20,146	20,146	20,146	20,146	40,292
Recommended	20,146	20,146	32,726	21,075	53,801
Change		0	12,580	929	13,509
% Biennial Change from 2006-07					33.5%
Petroleum Tank Release Cleanup					
Current Appropriation	1,084	1,084	1,084	1,084	2,168
Recommended	1,084	1,084	1,084	1,084	2,168
Change		0	0	0	0
% Biennial Change from 2006-07					0%
Workers Compensation					
Current Appropriation	835	835	835	835	1,670
Recommended	835	835	835	835	1,670
Change		0	0	0	0
% Biennial Change from 2006-07					0%
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	93	1,507	0	0	0
General	18,694	21,514	32,726	21,075	53,801
Petroleum Tank Release Cleanup	880	1,288	1,084	1,084	2,168
Workers Compensation	766	904	835	835	1,670
Open Appropriations					
Petroleum Tank Release Cleanup	12,430	14,667	15,145	15,145	30,290
Statutory Appropriations					
State Government Spec Revenue	0	412	0	0	0
Misc Special Revenue	15,553	19,644	36,625	37,216	73,841
Federal	93,741	97,959	96,377	96,164	192,541
Federal Tanf	13,399	0	0	0	0
Miscellaneous Agency	128	178	0	0	0
Gift	0	78	0	0	0
Total	155,684	158,151	182,792	171,519	354,311
<u>Expenditures by Category</u>					
Total Compensation	22,514	25,580	25,467	25,997	51,464
Other Operating Expenses	28,268	34,973	42,803	43,233	86,036
Local Assistance	104,902	97,392	114,522	102,289	216,811
Transfers	0	206	0	0	0
Total	155,684	158,151	182,792	171,519	354,311

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Program</u>					
Financial Examinations	9,409	9,811	9,724	9,841	19,565
Petroleum Tank Cleanup Fund	13,310	15,955	16,229	16,229	32,458
Administrative Services	5,076	5,945	5,362	5,448	10,810
Market Assurance	6,473	8,854	10,368	10,467	20,835
Energy & Telecommunications	112,695	107,032	131,293	119,070	250,363
Tam	5,754	7,423	6,608	7,182	13,790
Weights & Measures	2,967	3,131	3,208	3,282	6,490
Total	155,684	158,151	182,792	171,519	354,311
Full-Time Equivalent (FTE)	303.1	313.2	323.5	319.9	

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: ENVIRONMENT & NATURAL RESOURCE				
FY 2007 Appropriations	800	800	800	1,600
Technical Adjustments				
One-time Appropriations		(800)	(800)	(1,600)
Subtotal - Forecast Base	800	0	0	0
Total Governor's Recommendations	800	0	0	0
Fund: GENERAL				
FY 2007 Appropriations	20,146	20,146	20,146	40,292
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
Transfers Between Agencies		(562)	(562)	(1,124)
Subtotal - Forecast Base	20,146	19,584	19,584	39,168
Change Items				
Residential Mortgage Lending Reform	0	200	200	400
Senior Team	0	600	600	1,200
E85 Everywhere	0	12,000	0	12,000
Compensation Adjustment	0	342	691	1,033
Total Governor's Recommendations	20,146	32,726	21,075	53,801
Fund: PETROLEUM TANK RELEASE CLEANUP				
FY 2007 Appropriations	1,084	1,084	1,084	2,168
Subtotal - Forecast Base	1,084	1,084	1,084	2,168
Total Governor's Recommendations	1,084	1,084	1,084	2,168
Fund: WORKERS COMPENSATION				
FY 2007 Appropriations	835	835	835	1,670
Subtotal - Forecast Base	835	835	835	1,670
Total Governor's Recommendations	835	835	835	1,670
Fund: PETROLEUM TANK RELEASE CLEANUP				
Planned Open Spending	14,667	15,145	15,145	30,290
Total Governor's Recommendations	14,667	15,145	15,145	30,290

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	412	0	0	0
Total Governor's Recommendations	412	0	0	0
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	19,644	19,225	19,816	39,041
Change Items				
25x25 Grants	0	2,500	2,500	5,000
NextGen Energy Research	0	5,000	5,000	10,000
Demand Efficiency Program	0	9,900	9,900	19,800
Total Governor's Recommendations	19,644	36,625	37,216	73,841
Fund: FEDERAL				
Planned Statutory Spending	97,959	96,377	96,164	192,541
Total Governor's Recommendations	97,959	96,377	96,164	192,541
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	178	0	0	0
Total Governor's Recommendations	178	0	0	0
Fund: GIFT				
Planned Statutory Spending	78	0	0	0
Total Governor's Recommendations	78	0	0	0
<u>Revenue Change Items</u>				
Fund: GENERAL				
Change Items				
Credit Service Organizations	0	10	10	20
Residential Mortgage Lending Reform	0	152	152	304
Senior Team	0	600	600	1,200
Compensation Adjustment	0	188	380	568
Fund: MISC SPECIAL REVENUE				
Change Items				
25x25 Grants	0	2,500	2,500	5,000
NextGen Energy Research	0	5,000	5,000	10,000
Demand Efficiency Program	0	9,900	9,900	19,800

COMMERCE DEPT**Program: FINANCIAL EXAMINATIONS****Change Item: Residential Mortgage Lending Reform**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$200	\$200	\$200	\$200
Revenues	(152)	(152)	(152)	(152)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$48	\$48	\$48	\$48

Recommendation

The Governor recommends that regulation of licensed residential mortgage loan originators be strengthened and intensified, including empowering the department to examine these entities for compliance with laws and regulations and to charge the entities for the costs of the examinations. In addition, the Governor supports a change in the licensing fees that will have an overall reduction in collection of \$48,000.

Background

Residential mortgage lenders are currently licensed by the department under chapter 58, but fraud is rampant in the industry and there are many “fly by night” operators, who commit fraud and then leave town. The current system is ineffective. Examinations would target the entities that are the subject of complaints. The strategy of on-site examinations, coupled with other legislative changes, e.g. making mortgage fraud a specific crime in Minnesota and imposing net worth requirements, should improve compliance, reduce fraud and foreclosures, and assure ongoing availability of mortgage credit in Minnesota. This change would allow the department to hire three full-time auditors to conduct these examinations.

This change item also proposes changes to the initial and renewal rates for licensees. Currently, all new license fees are set at \$850--we propose to raise that rate to \$2,550. In addition, the renewal rates are set at \$450—we propose to raise that rate to \$1,350. Based on these changes, we expect to see fewer new and renewing licensees and expect a net reduction of \$48,000 in licensing revenue.

Relationship to Base Budget

This is an immaterial change to the base budget.

Key Measures

Reducing the level of fraud and mortgage foreclosures are long-term goals that would be very difficult to measure.

Alternatives Considered

One alternative that was considered is the licensing of all individuals who function as mortgage loan officers, which would create a lot of work, increase expense, but not correct the problems.

Statutory Change: Chapter 58, Chapter 609

COMMERCE DEPT

Program: ENERGY & TELECOMMUNICATIONS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	3,812	3,812	3,812	3,812	7,624
Subtotal - Forecast Base	3,812	3,812	3,812	3,812	7,624
Governor's Recommendations					
E85 Everywhere		0	12,000	0	12,000
Compensation Adjustment		0	69	141	210
Total	3,812	3,812	15,881	3,953	19,834
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	93	1,507	0	0	0
General	3,700	4,297	15,881	3,953	19,834
Statutory Appropriations					
State Government Spec Revenue	0	412	0	0	0
Misc Special Revenue	1,762	2,779	19,035	18,953	37,988
Federal	93,741	97,959	96,377	96,164	192,541
Federal Tanf	13,399	0	0	0	0
Gift	0	78	0	0	0
Total	112,695	107,032	131,293	119,070	250,363
<u>Expenditures by Category</u>					
Total Compensation	5,362	5,840	5,572	5,651	11,223
Other Operating Expenses	2,556	3,828	12,799	12,730	25,529
Local Assistance	104,777	97,158	112,922	100,689	213,611
Transfers	0	206	0	0	0
Total	112,695	107,032	131,293	119,070	250,363
<u>Expenditures by Activity</u>					
Energy & Telecommunications	112,695	107,032	131,293	119,070	250,363
Total	112,695	107,032	131,293	119,070	250,363
Full-Time Equivalents (FTE)	66.2	69.8	69.7	67.9	

COMMERCE DEPT**Program: ENERGY & TELECOMMUNICATIONS**

Change Item: Demand Efficiency Program

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures				
Revenues				
Other Fund				
Expenditures	9,900	9,900	9,900	9,900
Revenues	9,900	9,900	9,900	9,900
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends implementation of the Demand Efficiency program. This program replaces the energy Conservation Improvement Program (CIP) and transitions the requirements of the program from a spending requirement to an energy savings goal. This change will significantly increase the energy savings achieved through utility programs in Minnesota. To ensure that low income energy efficiency programs and research and development projects continue to be a priority, the Governor supports an annual statewide utility assessment of approximately \$5.9 million for low-income programs and up to \$3.5 million for research and development projects and technical assistance contracts. In addition, the Governor recommends a continuation of the \$500,000 annual utility assessment supporting the sustainable building guidelines and Building, Benchmarking and Beyond (B3) program. These assessments will ensure that these important elements continue to be a part of the state's efforts to promote energy efficiency and conservation.

Background

Under Minnesota Statute, section 216B.241, utilities are required to spend a percentage of their gross operating revenue to provide energy conservation improvement programs. Utility investments in energy efficiency and conservation through CIP totaled approximately \$99 million in 2005. As part of the spending requirements, utilities are allowed to spend up to 10 percent of their required spending on research and development. In 2005, investor-owned utilities spent approximately \$3.6 million on individual research and development projects. In addition, utilities are required to spend for low-income energy conservation programs. In 2005, Minnesota utilities invested approximately \$4.7 million on programs specifically designed to serve low income persons.

Relationship to Base Budget

This change item will be a 10% increase to the program's base budget. However, the revenue collected via these assessments will be passed through to contractors or grantees to carry out the goals of this program—not to support activities in the department.

Key Measures

- Increased number of low-income persons served through energy efficiency and conservation programs.
- Creation of statewide regulatory tool for tracking energy savings achieved through the Demand Efficiency program.
- Increased number of statewide research and development projects focused on energy efficiency and conservation.
- Regular revisions to the sustainable building guidelines and B3 tool.

Statutory Change: Repeal of Minn. Stat. §216B.241. Enactment of Minn. Stat. §216B.2412.

COMMERCE DEPT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm.		Biennium 2008-09
			FY2008	FY2009	
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	152,058	96,963	99,486	99,453	198,939
Other Revenues:					
General	100	4	4	4	8
Petroleum Tank Release Cleanup	1,096	332	332	332	664
Other Sources:					
General	3	1	1	1	2
Petroleum Tank Release Cleanup	5	1	1	1	2
Total Non-Dedicated Receipts	153,262	97,301	99,824	99,791	199,615
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Misc Special Revenue	19,224	12,865	28,545	29,240	57,785
Grants:					
State Government Spec Revenue	151	251	0	0	0
Misc Special Revenue	263	762	7,513	7,500	15,013
Federal	93,741	98,082	96,254	96,164	192,418
Federal Tanf	13,399	0	0	0	0
Other Revenues:					
Misc Special Revenue	1,258	1,473	1,344	1,344	2,688
Miscellaneous Agency	1	-1	0	0	0
Gift	3	0	0	0	0
Other Sources:					
Misc Special Revenue	341	195	195	195	390
Miscellaneous Agency	30	138	0	0	0
Total Dedicated Receipts	128,411	113,765	133,851	134,443	268,294
Agency Total Revenue	281,673	211,066	233,675	234,234	467,909

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	8,189	8,189	8,189	8,189	16,378
Recommended	8,189	8,189	8,677	9,046	17,723
Change		0	488	857	1,345
% Biennial Change from 2006-07					8.2%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	8,052	8,326	8,677	9,046	17,723
Total	8,052	8,326	8,677	9,046	17,723
<u>Expenditures by Category</u>					
Total Compensation	6,861	7,143	7,143	7,143	14,286
Other Operating Expenses	1,191	1,183	1,534	1,903	3,437
Total	8,052	8,326	8,677	9,046	17,723
<u>Expenditures by Program</u>					
Court Of Appeals	8,052	8,326	8,677	9,046	17,723
Total	8,052	8,326	8,677	9,046	17,723
Full-Time Equivalent (FTE)	79.9	81.6	81.6	81.6	

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	8,189	8,189	8,189	16,378
Subtotal - Forecast Base	8,189	8,189	8,189	16,378
Change Items				
Judicial Branch Increase	0	488	857	1,345
Total Governor's Recommendations	8,189	8,677	9,046	17,723

COURT OF APPEALS

Change Item: Judicial Branch Increase

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$488	\$857	\$857	\$857
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$488	\$857	\$857	\$857

Recommendation

The Governor recommends a general funding increase for the major judicial branch agencies to recognize compensation-related, caseload, and other cost pressures in the criminal justice area. The Governor makes no specific recommendations on judicial branch agency change requests.

Background

The Governor respects the separation of powers and the desire of officials in the judicial branch and legislative branches and other constitutional officers to independently present their requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete and balanced budget.

Relationship to Base Budget

Base funding for state courts in the judicial branch in the FY 2008-09 biennium is \$563 million. The funding increase recommended is about 8.2% for the biennium.

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☞ Designates that this item is a change item

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	6,867,094	6,484,760	6,485,010	6,484,760	12,969,770
Recommended	6,867,094	6,460,471	6,759,282	6,959,829	13,719,111
Change		(24,289)	274,272	475,069	749,341
% Biennial Change from 2006-07					2.9%
State Government Spec Revenue					
Current Appropriation	96	96	96	96	192
Recommended	96	192	96	96	192
Change		96	0	0	0
% Biennial Change from 2006-07					-33.3%
Federal Tanf					
Current Appropriation	0	0	0	0	0
Recommended	0	0	500	500	1,000
Change		0	500	500	1,000
% Biennial Change from 2006-07					n.m.
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	6,855,079	6,471,727	6,759,182	6,959,729	13,718,911
State Government Spec Revenue	0	96	96	96	192
Federal Tanf	0	0	500	500	1,000
Statutory Appropriations					
Misc Special Revenue	11,060	10,023	8,625	8,598	17,223
Endowment School	21,099	25,109	25,758	26,401	52,159
Federal	587,350	649,342	662,176	661,758	1,323,934
Miscellaneous Agency	527	618	354	354	708
Gift	462	579	134	125	259
Total	7,475,577	7,157,494	7,456,825	7,657,561	15,114,386
<u>Expenditures by Category</u>					
Total Compensation	31,744	37,321	38,509	38,800	77,309
Other Operating Expenses	35,681	59,789	55,046	58,605	113,651
Payments To Individuals	3,606	4,459	3,591	3,581	7,172
Local Assistance	7,404,210	7,055,573	7,359,430	7,556,326	14,915,756
Other Financial Transactions	336	352	352	352	704
Transfers	0	0	(103)	(103)	(206)
Total	7,475,577	7,157,494	7,456,825	7,657,561	15,114,386

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<i>Expenditures by Program</i>					
General Education	5,849,421	5,487,506	5,624,943	5,736,671	11,361,614
Other General Programs	38,589	40,501	41,994	42,065	84,059
Ed. Exc. Choice Programs	100,290	116,105	127,929	130,671	258,600
Ed. Exc. Indian Programs	5,740	6,330	6,508	6,705	13,213
Ed. Exc. Innov/Accountability	8,210	14,592	111,581	154,352	265,933
Ed. Exc. Sp. Student/Teacher	198,243	221,461	232,110	230,474	462,584
Special Education	847,264	817,539	830,278	844,197	1,674,475
Facilities & Technology	52,100	41,818	60,383	56,007	116,390
Nutrition Programs	186,934	194,045	202,989	211,741	414,730
Library Programs	13,340	13,318	12,663	12,638	25,301
Early Chldhood & Fam Support	51,942	54,828	62,013	90,665	152,678
Community Ed & Prevention	2,843	2,728	2,088	1,597	3,685
Self Sufficiency & Lifelong Lr	43,743	48,140	46,321	46,572	92,893
Dept Of Education Operations	72,397	94,942	95,025	93,206	188,231
Discontinued Programs	4,521	3,641	0	0	0
Total	7,475,577	7,157,494	7,456,825	7,657,561	15,114,386
<i>Full-Time Equivalentents (FTE)</i>	410.5	438.9	439.8	438.6	

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	6,484,760	6,485,010	6,484,760	12,969,770
Technical Adjustments				
Current Law Base Change		976	2,534	3,510
End-of-session Estimate		496	(58,566)	(58,070)
February Forecast Adjustment		5,265	9,630	14,895
November Forecast Adjustment	(24,289)	14,817	24,694	39,511
One-time Appropriations		(3,921)	(3,671)	(7,592)
Program/agency Sunset		0	(1,250)	(1,250)
Subtotal - Forecast Base	6,460,471	6,502,643	6,458,131	12,960,774
Change Items				
General Education Funding Changes	0	106,122	263,847	369,969
Funding Realignment	0	0	0	0
Modify Abatement Aid Formula	0	510	702	1,212
Inflate Categoricals 2% and 2%	0	526	1,099	1,625
3R High Schools	0	19,148	55,418	74,566
Expand AP/IB Program	0	7,300	8,111	15,411
Successful Schools Program	0	75,000	75,000	150,000
Math & Science Teacher Academies	0	2,000	4,000	6,000
Collaborative Urban Educator	0	773	773	1,546
Alternative School Calendar	0	0	2,000	2,000
Mandarin Chinese Expansion	0	250	250	500
Minnesota Reading Corps	0	1,000	1,000	2,000
Minnesota First Five Teacher Induction	0	2,220	2,220	4,440
EPAS Expansion	0	464	464	928
Statewide Assessment Funding	0	2,883	6,214	9,097
Computer Based Formative Assessment	0	2,340	3,510	5,850
Special Education Funding Changes	0	11,079	24,156	35,235
School Technology Funding	0	19,000	19,000	38,000
JOBZ Definitions for Debt Service	0	0	(1)	(1)
Libraries-Basic Support	0	155	330	485
Comprehensive Library Study	0	200	0	200
Early Childhood Scholarship Program	0	392	28,509	28,901
ECFE Accountability	0	211	196	407
Early Childhood Teacher Training	0	155	70	225
School Readiness Improvement	0	4,183	4,183	8,366
Rulemaking authority for GRAD	0	204	0	204
Rulemaking for Career & Tech Ed	0	204	0	204
Compensation Adjustment	0	320	647	967
MN Library for the Blind - Technology	0	0	0	0
Total Governor's Recommendations	6,460,471	6,759,282	6,959,829	13,719,111
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	96	96	96	192
Technical Adjustments				
Current Law Base Change		(96)	(96)	(192)
Subtotal - Forecast Base	96	0	0	0
Change Items				
Parenting Time Centers	96	96	96	192
Total Governor's Recommendations	192	96	96	192
Fund: FEDERAL TANF				
FY 2007 Appropriations	0	0	0	0
Subtotal - Forecast Base	0	0	0	0
Change Items				

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fatherhood Leadership Initiative	0	500	500	1,000
Total Governor's Recommendations	0	500	500	1,000
<i>Fund: MISC SPECIAL REVENUE</i>				
Planned Statutory Spending	10,023	8,625	8,598	17,223
Total Governor's Recommendations	10,023	8,625	8,598	17,223
<i>Fund: ENDOWMENT SCHOOL</i>				
Planned Statutory Spending	25,109	25,758	26,401	52,159
Total Governor's Recommendations	25,109	25,758	26,401	52,159
<i>Fund: FEDERAL</i>				
Planned Statutory Spending	649,342	662,176	661,758	1,323,934
Total Governor's Recommendations	649,342	662,176	661,758	1,323,934
<i>Fund: MISCELLANEOUS AGENCY</i>				
Planned Statutory Spending	618	354	354	708
Total Governor's Recommendations	618	354	354	708
<i>Fund: GIFT</i>				
Planned Statutory Spending	579	134	125	259
Total Governor's Recommendations	579	134	125	259

DEPT OF EDUCATION

Program: GENERAL EDUCATION

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	5,828,353	5,480,942	5,480,942	5,480,942	10,961,884
Technical Adjustments					
End-of-session Estimate			(9,406)	(68,899)	(78,305)
February Forecast Adjustment		0	4,938	10,027	14,965
November Forecast Adjustment		(22,915)	16,589	24,353	40,942
Subtotal - Forecast Base	5,828,353	5,458,027	5,493,063	5,446,423	10,939,486
Governor's Recommendations					
General Education Funding Changes		0	106,122	263,847	369,969
Funding Realignment		0	0	0	0
Total	5,828,353	5,458,027	5,599,185	5,710,270	11,309,455
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	5,828,322	5,462,397	5,599,185	5,710,270	11,309,455
Statutory Appropriations					
Endowment School	21,099	25,109	25,758	26,401	52,159
Total	5,849,421	5,487,506	5,624,943	5,736,671	11,361,614
<u>Expenditures by Category</u>					
Local Assistance	5,849,421	5,487,506	5,624,943	5,736,671	11,361,614
Total	5,849,421	5,487,506	5,624,943	5,736,671	11,361,614
<u>Expenditures by Activity</u>					
General Education	5,840,252	5,478,802	5,616,239	5,727,967	11,344,206
Referendum Tax Replacement	9,169	8,704	8,704	8,704	17,408
Total	5,849,421	5,487,506	5,624,943	5,736,671	11,361,614

DEPT OF EDUCATION

Program: GENERAL EDUCATION

Change Item: General Education Funding Changes

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
1a Basic Formula - Inflate 2% & 2%	\$ 93,348	\$198,418	\$208,913	\$209,269
1b Shared Time – Impact of 2% & 2% on Formula	-0-	76	153	153
1c Contract Alternative – Impact of 2% & 2% on Formula	214	453	477	477
2 Link Q Comp Allowance to Formula Allowance	1,709	3,957	4,724	5,214
3 Q Comp Expansion @ 10% per Year	-0-	6,868	15,100	24,152
4a Limited English Proficiency – Inflate 2% & 2%	706	1,550	1,635	1,635
4b Extended Time – Inflate 2% & 2%	1,102	2,331	2,442	2,447
5 Extended Time – Increase Maximum ADM from .2 to .5	7,209	7,877	7,797	7,790
6 Equity Revenue Simplification / Hold Harmless	157	228	27	(232)
7 Transportation Sparsity Formula Update	1,683	1,908	1,922	1,929
8 Wind Energy Tax Receipts Adjustment	-0-	-0-	(160)	(176)
9 JOBZ Exemption – Pre 2004 Operating Referendums	-0-	29	23	13
10 Operating Capital – Increase Equalizing Factor to \$17,590	-0-	40,163	45,795	46,407
11 Permanent School Fund Earnings Change	(6)	(11)	(16)	(22)
12 Eliminate Separate Tax Base Replacement Appropriation	7,834	8,704	8,704	8,704
Total Appropriation Basis	\$113,956	\$272,551	\$297,536	\$307,760
Aid Entitlement Basis				
1a Basic Formula - Inflate 2% & 2%	\$103,719	\$208,941	\$208,910	\$209,308
1b Shared Time – Impact of 2% & 2% on Formula	-0-	76	153	153
1c Contract Alternative – Impact of 2% & 2% on Formula	237	477	477	477
2 Link Q Comp Allowance to Formula Allowance	1,898	4,186	4,784	5,262
3 Q Comp Expansion @ 10% per Year	-0-	7,631	15,930	25,065
4a Limited English Proficiency – Inflate 2% & 2%	784	1,635	1,635	1,635
4b Extended Time – Inflate 2% & 2%	1,224	2,454	2,441	2,447
5 Extended Time – Increase Maximum ADM from .2 to .5	8,009	7,863	7,790	7,789
6 Equity Revenue Simplification / Hold Harmless	174	234	4	(257)
7 Transportation Sparsity Formula Update	1,870	1,912	1,923	1,929
8 Wind Energy Tax Receipts Adjustment	-0-	-0-	(160)	(176)
9 JOBZ Exemption – Pre 2004 Operating Referendums	-0-	32	22	12
10 Operating Capital – Increase Equalizing Factor to \$17,590	-0-	44,625	45,925	46,461
Total Aid Entitlement	\$117,915	\$280,066	\$289,834	\$301,105
Property Tax Levy Impact				
1a Basic Formula - Inflate 2% & 2%	\$ (14)	\$ (17)	\$ (15)	\$ (7)
2 Link Q Comp Allowance to Formula Allowance	14	14	16	16
3 Q Comp Expansion @ 10% per Year	0	2,095	4,494	7,124
6 Equity Revenue Simplification / Hold Harmless	161	682	28	(763)
9 JOBZ Exemption – Pre 2004 Operating Referendums	-0-	(32)	(22)	(12)
10 Operating Capital – Increase Equalizing Factor to \$17,590	-0-	(44,625)	(45,925)	(46,461)
Total Levy Impact	\$ 161	\$ (41,883)	\$ (41,424)	\$ (40,103)
Total District Revenue	\$118,076	\$238,183	\$248,410	\$260,002

Recommendation

The Governor recommends changes to the general education program to increase the basic formula and other general education funding, expand participation in the alternative teacher compensation (Q Comp) program, allow more time for students participating in extended time programs, and make education funding more understandable and more fair.

The Governor recommends the following changes in the general education program:

1. Increase the basic formula allowance by 2% in FY 2008 and an additional 2% in FY 2009.
2. Beginning in FY 2008, link the allowance for Q Comp to the formula allowance and increase the limit on state total basic Q Comp revenue by a corresponding amount. This will provide a 2% increase in the Q Comp allowance for FY 2008 and an additional 2% for FY 2009.
3. Beginning in FY 2009, increase the limit on state total basic Q Comp aid by an additional 10% each year to enable more school districts and charter schools to participate, and eliminate the separate limit on the aid for charter schools.
4. Increase the allowances for limited English proficiency (LEP) and extended time by 2% for FY 2008 and an additional 2% for FY 2009.
5. Beginning in FY 2008, increase the maximum additional average daily membership (ADM) for a student in grades 1-12 participating in an extended time program from 0.2 ADM to 0.5 ADM.
6. Beginning in FY 2008, simplify the equity formula, include the low referendum equity revenue in the sliding scale formula, and adjust the transition revenue formula to ensure that no district receives less revenue as a result of changes in the equity formula. Changes to simplify the equity formula include:
 - a. using 27% of the formula allowance instead of the regional 95th percentile of referendum revenue per pupil unit in the sliding scale calculations,
 - b. using each district's referendum revenue per resident marginal cost pupil unit, instead of the district's referendum revenue per adjusted marginal cost pupil unit in the sliding scale calculations, and
 - c. using 1.5% of the formula allowance instead of 10% of the state average referendum revenue per pupil unit in the low referendum allowance formula.
7. Beginning in FY 2008, update the transportation sparsity formula to reflect changes in the relationship between average pupil transportation cost per pupil unit and population density occurring since the formula was enacted in 1995. Increase the coefficient for the density index from 0.26 to 0.30, increase the coefficient for the sparsity index from 0.13 to 0.15, increase the formula allowance multiplier from 0.1469 to 0.1493, and reduce the portion of the basic formula attributed to pupil transportation from 4.85% to 4.16%.
8. Beginning in FY 2009, include wind energy tax receipts in the county apportionment deduction from general education aid.
9. Beginning in FY 2009, make property in job opportunity building zones exempt from operating referendum levies authorized before 2004.
10. Beginning in FY 2009, increase the equalizing factor for the operating capital levy from \$10,700 to \$17,590.
11. Beginning in FY 2008, adjust general education appropriations for a change in the DNR budget, which will slightly increase the earnings from the Permanent School Fund.
12. Beginning in FY 2008, eliminate the separate appropriation for tax base replacement aid (TBRA) and add the same amount to the general education appropriation.

Background

1. Increase the basic formula allowance by 2% in FY 2008 and an additional 2% in FY 2009.

For FY 2008, the formula allowance will equal \$5,074 per pupil unit, a \$100 increase over current law. For FY 2009, the formula allowance will equal \$5,176 per pupil unit, an additional \$102 over current law. The 2% increase per year parallels the projected rate of growth in the Consumer Price Index (CPI) for the period, which is estimated in the February forecast at 2.1% for FY 2008 and 1.9% for FY 2009.

2. Beginning in FY 2008, link the allowance for Q Comp to the formula allowance.

Under current law, the allowance for Q Comp is fixed at \$260 per pupil. Linking the Q Comp allowance to the formula allowance will help ensure that the buying power of the program is maintained. Several other general education formulas, including compensatory revenue, sparsity revenue, and transportation sparsity revenue, are already linked to

the formula allowance. This will provide a 2% increase for FY 2008 and an additional 2% for FY 2009, increasing the Q Comp allowance to \$266 for FY 2008 and to \$272 for FY 2009 and later. The equalized levy share of the Q Comp allowance will be fixed at \$70 and the increase will be funded with state aid. The limit on state total basic Q Comp revenue will be increased by a corresponding amount.

3. **Beginning in FY 2009, increase the limit on state total basic Q Comp aid by an additional 10% each year, and eliminate the separate limit on the aid for charter schools.** For FY 2007 and later, the state total basic Q Comp aid is limited to \$75,636,000. For FY 2007, the actual basic Q Comp aid will be approximately 51% of the statutory limit. However, a survey conducted as part of the November 2006 forecast indicated that there is considerable interest in the program among school districts not currently participating. The November forecast projected that the total demand will slightly exceed the available funds in FY 2008 and that the number of districts choosing to participate will continue to grow in later years. Increasing the Q Comp basic aid limit by an additional 10% each year will enable continued gradual expansion of the program. The initial limit on the aid for charter schools is set at \$3,374,000 for FY 2007, with an adjustment for charter school enrollment growth in later years. The separate cap for charter schools was established to prevent charter schools from accessing more than their proportionate share of total Q Comp funds, given the first come, first served application process and an expectation that charter schools would be able to apply more quickly than school districts due to the flexibility afforded them in law. However, the actual rate of participation by charter schools has been lower than that for school districts; for FY 2007, charter schools used only 28% of their initial cap, versus 52% for school districts.
4. **Increase the allowances for limited English proficiency (LEP) and extended time by 2% for FY 2008 and an additional 2% for FY 2009.** Increasing the LEP and extended time allowances by the same percentage as the general education formula allowance will help ensure that the buying power of these programs is maintained. The basic LEP allowance will be increased from \$700 in FY 2007 to \$714 in FY 2008 and to \$729 in FY 2009 and later. The LEP concentration allowance will be increased from \$250 in FY 2007 to \$255 in FY 2008 and to \$261 in FY 2009 and later. The extended time allowance will be increased from \$4,601 in FY 2007 to \$4,694 in FY 2008 and to \$4,788 in FY 2009 and later.
5. **Beginning in FY 2008, increase the maximum additional ADM for a student in an extended time program from 0.2 to 0.5 ADM.** Since FY 1990, students attending school more than full-time in an extended time program at an area learning center, state approved alternative program, or learning year program have generated more than one ADM. For FY 1990 – FY 2002, there was no limit on the additional ADM, except that kindergarten students were limited to an additional 0.2 ADM. For FY 2003, students in grades 1-12 were limited to an additional 0.5 ADM. Beginning in FY 2004, students in grades 1-12 were limited to an additional 0.2 ADM and extended time revenue was established as a separate category of general education revenue. Increasing the maximum additional ADM for a student in grades 1-12 participating in extended time programs from 0.2 to 0.5 will enable school districts to provide additional learning time for at-risk students, thereby reducing the achievement gap. It will also allow students enrolled in optional learning year programs to accelerate attainment of credits toward graduation.
6. **Beginning in FY 2008, simplify the equity formula, include the low referendum equity revenue in the sliding scale formula, and adjust the transition revenue formula to ensure that no district receives less revenue as a result of the changes in the equity formula.** Under current law, separate formulas are used to calculate equity revenue for metro and non-metro districts, based on the regional 95th percentiles of basic plus referendum revenue per adjusted marginal cost pupil unit. A portion of the revenue depends on the extent to which a district's referendum revenue per pupil unit falls below 10% of the state average referendum revenue per pupil unit. The use of regional 95th percentiles and the state average referendum revenue per pupil unit creates instability and unpredictability, depending on annual referendum election results. The use of *adjusted* pupil units (reflects enrollment options adjustments) adds to the instability, as referendum authorities are expressed as an allowance per *resident* marginal cost pupil unit, and the ratio of resident to adjusted pupil units varies each year depending on the number of students participating in enrollment options programs. Converting to a uniform statewide formula substituting 27% of the formula allowance for the regional 95th percentiles, substituting 1.5% of the formula allowance for 10% of the state

average referendum revenue per pupil unit, and using *resident* marginal cost pupil units, will improve predictability and stability. Including the low referendum equity revenue in the sliding scale calculations will eliminate a quirk in the formula which currently results in a slight decrease in total referendum plus equity revenue per pupil as a district's referendum allowance increases from \$1 to about \$60 per pupil.

- 7. Beginning in FY 2008, update the transportation sparsity formula to reflect changes in the relationship between average pupil transportation cost per pupil unit and population density.** The transportation sparsity formula provides additional funding for school districts with low population density, based on analysis of the relationship between average transportation cost per pupil unit and the number of pupils per square mile. The coefficients included in the current formula were established during the 1995 legislative session, when pupil transportation funding was rolled into the general education program. In the 12 years since 1995, the relationship between average pupil transportation cost and population density has gradually changed and the cost differential between isolated rural districts and higher density urban and suburban districts has increased. To more accurately reflect the current relationship between transportation cost per pupil unit and population density, the coefficients in the transportation sparsity formula will be updated to reflect analysis completed using FY 2005 data. The changes will include increasing the coefficient for the density index from 0.26 to 0.30, increasing the coefficient for the sparsity index from 0.13 to 0.15 increasing the formula allowance multiplier from 0.1469 to 0.1493, and reducing the portion of the basic formula attributed to pupil transportation from 4.85% to 4.16%.
- 8. Beginning in FY 2009, include wind energy tax receipts in the county apportionment deduction from general education aid.** Under current law, miscellaneous revenues received by school districts from the county, such as power line taxes, liquor licenses, and fines, are subtracted from general education aid. However, the school district share of wind energy tax receipts is not currently included in the county apportionment deduction, creating a revenue advantage for the affected school districts. To facilitate equity and uniformity in access to school revenues, wind energy tax receipts will be included in the county apportionment deduction from general education aid beginning in FY 2009. Because the adjustments are taken from the final payment for the fiscal year, which takes place in the fall of the following fiscal year, the state appropriation is not affected until FY 2010.
- 9. Beginning in FY 2009, make property in job opportunity building zones exempt from operating referendum levies authorized before 2004.** Under current law, property in JOB zones is included in the tax base for operating referendum authorities that were approved by the voters prior to the designation of job zones in 2003, but is excluded from the tax base for newer authorities. The requirement for separate calculation of referendum equalization aid and property taxes for pre-2004 referendum levies complicates the school levy process significantly, but has virtually no impact on actual referendum aids and levies due to the very small amount of JOB zone valuation in school districts with pre-2004 operating referendum authorities. Beginning in FY 2009 (taxes payable in 2008), property in job opportunity building zones will be exempt from all operating referendum levies, including those authorized before 2004.
- 10. Beginning in FY 2009, increase the equalizing factor for the operating capital levy from \$10,700 to \$17,590.** The equalizing factor for the operating capital levy was set at \$22,222 for FY 2006 and is set at \$10,700 for FY 2007 and later. Increasing the equalizing factor for the operating capital levy to \$17,590 will reduce average tax rate for operating capital from 1.83% of Adjusted Net Tax Capacity (ANTC) to 1.16% of ANTC. This will provide nearly uniform property tax relief statewide, with 328 of the state's 340 districts receiving a levy reduction.
- 11. Beginning in FY 2008, adjust general education appropriations for a change in the DNR budget which will slightly increase the earnings from the Permanent School Fund.**
- 12. Beginning in FY 2008, eliminate the separate appropriation for tax base replacement aid (TBRA) and add to the general education appropriation.** A separate change item follows outlining the appropriation reduction for TBRA.

DEPT OF EDUCATION**Program: GENERAL EDUCATION****Change Item: General Education Funding Changes****Relationship to Base Budget**

The proposed increases in state appropriations are 1.9% of the base budget for FY 2008 and 4.9% of the base budget for FY 2009. The proposed revenue increases (general education aid entitlement plus levy including referendum) on a per pupil basis are 1.9% of current law revenue for FY 2008 and 3.8% of current law revenue for FY 2009.

Key Measures

The table below shows school district general operating resources for FY 2002-09 (general operating resources includes other revenue sources such as special education, but excludes non-general fund items such as debt service, community education, and nutrition programs). This table takes into account the Governor's budget recommendations across all aid and levy programs that affect districts' general funds. Under the Governor's budget, district revenue general fund per pupil will be \$9,282 in FY 2008 and \$9,633 in FY 2009.

**Total District General Fund Revenue from State Aids and Property Taxes
Governor's Budget Recommendations**

Revenue Per Pupil*

Fiscal Year	Operating Referendum Revenue		Other Revenue		Total Revenue Per Pupil	
	Amount	% Change	Amount	% Change	Amount	% Change
2002	653		6,594		7,247	
2003	349	(46.6)%	7,363	11.7%	7,712	6.4%
2004	514	47.3%	7,384	0.3%	7,898	2.4%
2005	611	18.9%	7,385	0.0%	7,996	1.2%
2006	646	5.7%	7,673	3.9%	8,319	4.0%
2007	726	12.4%	8,068	5.1%	8,794	5.6%
2008	777	7.0%	8,505	5.4%	9,282	5.5%
2009	882	13.5%	8,751	2.9%	9,633	3.8%

*Current year average daily membership

The table below is a subset of the district general fund table above. This shows district revenue from the general education program only.

**General Education Revenue Only From State Aids and Property Taxes
Governor's Budget Recommendations**

Revenue Per Pupil

Fiscal Year	Operating Referendum Revenue		Other Revenue		Total Revenue Per Pupil	
	Amount	% Change	Amount	% Change	Amount	% Change
2002	653		5,440		6,093	
2003	349	(46.6)%	6,076	11.7%	6,425	5.4%
2004	514	47.3%	6,075	0.0%	6,589	2.6%
2005	611	18.9%	6,108	0.5%	6,719	2.0%
2006	646	5.7%	6,383	4.5%	7,029	4.6%
2007	726	12.4%	6,729	5.4%	7,455	6.1%
2008	777	7.0%	6,951	3.3%	7,728	3.7%
2009	882	13.5%	7,085	1.9%	7,967	3.1%

DEPT OF EDUCATION

Program: GENERAL EDUCATION

Change Item: General Education Funding Changes

Statutory Changes: Amend M.S. 126C.10, Subdivision 2, to increase the basic formula allowance. Amend M.S. 122A.415, subdivisions 1 and 3, and M.S. 126C.10, subdivision 34, to adjust the alternative teacher compensation (Q Comp) formula and statewide revenue limits. Amend M.S. 126C.10, Subdivision 2a, to increase the extended time allowance. Amend M.S. 124D.65, Subd. 5, to increase the basic LEP allowance, and M.S. 126C.10, subdivision 4, to increase the LEP concentration allowance. Amend M.S. 126C.05, Subdivision 15, to increase the maximum number of pupil units for students in extended time programs. Amend M.S. 126C.10, subdivisions 24, 26, and 27 for changes in the equity revenue formula. Amend M.S. 126C.10, subdivision 31, for changes in the transition revenue formula. Amend M.S. 126C.10, subdivision 18, M.S. 124D.11, subdivisions 1 and 2, and M.S. 127A.47, subdivision 8 for changes in the transportation sparsity formula. Amend M.S. 126C.21, subdivision 3, and M.S. 272.09, to include wind energy tax receipts in the apportionment deduction. Amend M.S. 272.02, subdivision 64, to exclude JOB zone property from the tax base for pre-2004 operating referendum levies. Amend M.S. 126C.10, subdivision 13a, to increase the operating capital equalizing factor.

Repeal M.S. 126C.10, subdivisions 25 and 28, relating to regional calculations for equity revenue.

Preliminary Proposal

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
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

The Governor recommends two zero fiscal impact funding realignments. The first eliminates Tax Base Replacement Aid (TRBA) as a stand-alone budget activity and rolls funding into the General Education appropriation. The second moves Value Added Index Assessment base funding from Agency Operations to the Statewide Testing budget activity.

Background

Tax Base Replacement Aid entitlements are currently funded with a separate categorical appropriation. Since TBRA calculations are dependent upon changes within the General Education program, it is appropriate to roll the funding together.

Movement of the Value Added Index Assessment appropriation from the agency budget to the Statewide Testing budget activity is consistent with the use of the funds.

Relationship to Base Budget

TBRA base funding is \$8,704,000 per year and Value Added Index Assessment base funding is \$1,150,000 per year. There are no changes to the agency's overall base budget resulting from this change item.

Key Measures

None.

Statutory Change:

Not Applicable.

DEPT OF EDUCATION
Program: GENERAL EDUCATION
Activity: GENERAL EDUCATION

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recommendation		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2008-09
Direct Appropriations by Fund					
General Fund					
1 Current Program Appropriation	5,257,798	5,472,238	5,472,238	5,472,238	10,944,476
2 Tax Shift Buyback Appropriation	252,367				
3 Aid Payment Buyback	305,199				
4 Technical Adjustments					
a. End of Session Estimate			(9,406)	(68,899)	(78,305)
b. Open Appropriation	3,789	5,955			
c. November Forecast		(19,803)	16,589	24,353	40,942
d. February Forecast		(3,112)	4,938	10,027	14,965
e. Cancellation		(1,585)			
5 Forecast Base	5,819,153	5,453,693	5,484,359	5,437,719	10,907,113
6 Governor's Recommendation					
a. Increase Basic Formula 2% and 2%			93,348	198,418	291,766
b. Shared Time - Impact of Basic Formula			-	76	76
c. Contract Alternative - Impact of Basic Formula			214	453	667
d. Link Q Comp Allowance to Basic Formula			1,709	3,957	5,666
e. Q Comp Expansion at 10%			-	6,868	6,868
f. Limited English Proficiency 2% and 2%			706	1,550	2,256
g. Extended Time - 2% and 2%			1,102	2,331	3,433
h. Extended Time - Increase .2 Maximum ADM to .5			7,209	7,877	15,086
i. Equity Revenue Simplification/Hold Harmless			157	228	385
j. Transportation Sparsity Formula Update			1,683	1,908	3,591
k. Wind Energy Tax Adjustment (Begins FY 2010)			-	-	-
l. JOBZ Exemption - Pre 2004 Operating Referendum			-	29	29
m. Operating Capital Increase Equalizing Factor			-	40,163	40,163
n. Permanent School Fund Earnings Change			(6)	(11)	(17)
o. Eliminate Separate Tax Base Replacement Approp			7,834	8,704	16,538
Subtotal Governor's Appropriation Recommendation			113,956	272,551	386,507
7 Governor's Recommended Appropriation	5,819,153	5,453,693	5,598,315	5,710,270	11,293,620
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
8 Statutory Formula Aid	5,380,665	5,554,864	5,556,573	5,505,713	11,062,286
9 Statutory Excess/(Shortfall)					
10 Appropriated Entitlement	5,380,665	5,554,864	5,556,573	5,505,713	11,062,286
11 Adjustments					
a. TRA Adjustment	(46,808)	(47,008)	(30,801)	(30,943)	(61,744)
b. Endowment Adjustment	(21,099)	(25,110)	(25,752)	(26,390)	(52,142)
c. County Apportionment	(15,243)	(14,670)	(14,670)	(14,670)	(29,340)
d. Other Adjustments including Taconite	(1,268)	(868)	(1,040)	(1,248)	(2,288)
12 State Aid Current Law	5,296,247	5,467,208	5,484,310	5,432,462	10,916,772
13 Governor's Recommendation (Entitlement)					
a. Increase Basic Formula 2% and 2%			103,719	208,941	312,660
b. Shared Time - Impact of Basic Formula			-	76	76
c. Contract Alternative - Impact of Basic Formula			237	477	714
d. Link Q Comp Allowance to Basic Formula			1,898	4,186	6,084
e. Q Comp Expansion at 10%			-	7,631	7,631
f. Limited English Proficiency 2% and 2%			784	1,635	2,419
g. Extended Time - 2% and 2%			1,224	2,454	3,678
h. Extended Time - Increase .2 Maximum ADM to .5			8,009	7,863	15,872
i. Equity Revenue Simplification/Hold Harmless			174	234	408
j. Transportation Sparsity Formula Update			1,870	1,912	3,782
k. Wind Energy Tax Adjustment (Begins FY 2010)			-	-	-
l. JOBZ Exemption - Pre 2004 Operating Referendum			-	32	32
m. Operating Capital Increase Equalizing Factor			-	44,625	44,625
Subtotal Governor's Entitlement Recommendation			117,915	280,066	397,981
14 Governor's Recommendation (Adjustments)			(6)	(11)	(17)
15 Governor's Total Aid Recommendation	5,296,247	5,467,208	5,602,219	5,712,517	11,314,736

DEPT OF EDUCATION
Program: GENERAL EDUCATION
Activity: GENERAL EDUCATION

Budget Activity Summary

<i>plus</i>						
LEVY	Levy					
	16 Local Levy Current Law	500,603	678,779	758,474	879,086	1,637,560
	17 Governor's Levy Recommendation					
	a. Increase Basic Formula 2% and 2%			(14)	(17)	(31)
	b. Link Q Comp Allowance to Basic Formula			14	14	28
	c. Q Comp Expansion at 10%			-	2,095	2,095
	d. Equity Revenue Simplification/Hold Harmless			161	682	843
	e. JOBZ Exemption - Pre 2004 Referendums			-	(32)	(32)
	f. Operating Capital Increase Equalizing Factor			-	(44,625)	(44,625)
	Subtotal Governor's Levy Recommendation			161	(41,883)	(41,722)
	18 Governor's Levy Recommendation	500,603	678,779	758,635	837,203	1,595,838
<i>equals</i>						
REVENUE						
	19 Current Law Revenue (State Aid & Levy)	5,796,850	6,145,987	6,242,784	6,311,548	12,554,332
	20 Governor's Aid and Levy Recommendation			118,070	238,172	356,242
	21 Governor's Revenue Recommendation	5,796,850	6,145,987	6,360,854	6,549,720	12,910,574
	22 Other State and Local Revenue					
	a. School Endowment (state)	21,099	25,110	25,752	26,390	52,142
	b. County Apportionment (local)	15,243	14,670	14,670	14,670	29,340
	c. Taconite (local)	1,268	868	1,040	1,248	2,288
	23 Total All Sources Governor's Revenue	5,834,460	6,186,635	6,402,316	6,592,028	12,994,344
	Appropriations Basis for State Aid					
	Prior Year (15.7%/10%)	787,978	519,803	531,733	544,340	1,076,073
	Transfer per M.S. 127A.41					
	Current Year (90%)	5,031,175	4,935,475	5,066,582	5,165,930	10,232,512
	Cancellation - Prior Year		(1,585)			
	Total State Aid - General Fund	5,819,153	5,453,693	5,598,315	5,710,270	11,308,585
	Other State Funding Sources					
	School Endowment Fund	21,099	25,110	25,758	26,401	52,142

DEPT OF EDUCATION

Program: GENERAL EDUCATION

Activity: GENERAL EDUCATION Aid
 Referendum Tax Replacement Aid

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09
Direct Appropriations by Fund					
General Fund					
1 Appropriation Excluding Buyback	8,704				
2 Aid Payment Buyback	496				
3 Total Current Appropriation	9,200	8,704	8,704	8,704	17,408
a. Cancellation	(31)				
4 Forecast Base	9,169	8,704	8,704	8,704	17,408
5 Governor's Initiatives					
a. Roll Program into General Education			(7,834)	(8,704)	(16,538)
6 Governor's Recommended Appropriation	9,169	8,704	870	0	870
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
7 Statutory Formula Aid	8,673	8,704	8,704	8,704	17,408
8 Statutory Excess/(Shortfall)	31				0
9 Appropriated Entitlement	8,704	8,704	8,704	8,704	17,408
10 Adjustments					
a. Cancellation	(31)				
11 State Aid Entitlement Current Law	8,673	8,704	8,704	8,704	17,408
12 Governor's Initiatives					
a. Roll Program into General Education			(8,704)	(8,704)	(17,408)
13 Governor's Aid Recommendation	8,673	8,704	0	0	0
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	1,366	870	870	0	870
Current Year (90%)	7,834	7,834			0
Cancellation	(31)				
Total State Aid - General Fund	9,169	8,704	870	0	870

DEPT OF EDUCATION

Program: OTHER GENERAL PROGRAMS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	39,943	40,592	40,592	40,592	81,184
Technical Adjustments					
End-of-session Estimate			840	147	987
February Forecast Adjustment		0	509	376	885
November Forecast Adjustment		(91)	(957)	(796)	(1,753)
Subtotal - Forecast Base	39,943	40,501	40,984	40,319	81,303
Governor's Recommendations					
Modify Abatement Aid Formula		0	510	702	1,212
Inflate Categoricals 2% and 2%		0	500	1,044	1,544
Total	39,943	40,501	41,994	42,065	84,059
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	38,589	40,501	41,994	42,065	84,059
Total	38,589	40,501	41,994	42,065	84,059
<u>Expenditures by Category</u>					
Local Assistance	38,589	40,501	41,994	42,065	84,059
Total	38,589	40,501	41,994	42,065	84,059
<u>Expenditures by Activity</u>					
Enrollment Options Transportat	68	93	95	97	192
Abatement Revenue	909	765	1,343	1,347	2,690
Consolidation Transition	0	388	565	212	777
Nonpublic Pupil Aid	14,010	15,972	16,290	16,678	32,968
Nonpublic Transportation	21,454	21,133	21,551	21,581	43,132
Special Provisions	50	50	50	50	100
Compensatory Pilot Grants	2,098	2,100	2,100	2,100	4,200
Total	38,589	40,501	41,994	42,065	84,059

DEPT OF EDUCATION

Program: OTHER GENERAL PROGRAMS

Change Item: Modify Abatement Aid Formula

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$510	\$702	\$693	\$716
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$510	\$702	\$693	\$716

Recommendation

The Governor recommends the abatement aid/levy calculation and tax increment financing (TIF) adjustment calculation be amended to include all equalized levies. This will improve taxpayer equity by updating the abatement statute to reflect the original intent of holding districts harmless for abatements. The fiscal impact is \$510,000 in FY 2008, \$702,000 in FY 2009, \$693,000 in FY 2010, and \$716,000 in FY 2011. The proposal will reduce school district property taxes by \$1,283,000 for taxes payable in 2008, \$691,000 for taxes payable in 2009, and \$718,000 for taxes payable in 2010.

Background

Abatement aid and levy enable school districts to recover tax revenue lost when the assessed valuation of property is reduced due to taxpayer appeals after taxes have been spread by the county auditor. The intent is to provide approximately the same mix of aid and levy that the district would have received if the adjusted net tax capacity had been adjusted to reflect the change.

TIF adjustments reduce district aid and levy in an amount equal to district receipts of distributions of excess tax increment or residual receipts upon decertification of a tax increment district. The reduction is calculated to approximate the aid/levy mix of equalized programs in the year the school district receives the tax increment funds.

However, due to the introduction of new equalized levy categories over the years without corresponding amendments to the abatement aid and TIF statutes, the aid calculations do not currently include all equalized levies. This proposal adds the following equalized levies to the computations of abatement revenue and TIF adjustments: operating capital, equity, transition, debt service, deferred maintenance, alternative teacher compensation, and school-age care.

Relationship to Base Budget

This initiative will increase the state base budget for this program by \$510,000 in FY 2008 and \$702,000 in FY 2009. The current base budget for abatement aid is \$833,000 in FY 2008 and \$645,000 in FY 2009.

Key Measures

School districts will recover lost revenues in the same aid/levy ratio as if property values had been adjusted prior to the county auditors spread of levies on individual properties.

Statutory Change: M.S. 127A.49, subdivisions 2 and 3.

DEPT OF EDUCATION**Program: OTHER GENERAL PROGRAMS****Change Item: Inflate Categoricals 2% and 2%**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures				
Nonpublic Pupil Aid	\$116	\$243	\$144	\$13
Nonpublic Pupil Transport	384	801	469	42
Tribal Contract Aid	26	55	58	59
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$526	\$1,099	\$671	\$114

Recommendation

The Governor recommends providing a 2% increase for the nonpublic pupil, nonpublic pupil transportation, and tribal contract schools formulas, consistent with the increase provided in the general education formula.

Background

The formulas for nonpublic pupil (textbook and individualized instructional materials portion), nonpublic transportation, and tribal contract aids are linked to the general education formula allowance. The proposed changes would keep the funding for these programs in line with the Governor's general education changes as provided for in current law.

Relationship to Base Budget

FY 2008 changes represent an increase from base of 0.7% for nonpublic pupil aid, 1.8% for nonpublic pupil transportation aid, and 1.1% for tribal contract school aid. FY 2009 changes represent an increase from base of 1.5% for nonpublic pupil aid, 3.8% for nonpublic pupil transportation aid, and 2.3% for tribal contract school aid.

Statutory Change: Not Applicable

DEPT OF EDUCATION

Program: GENERAL EDUCATION

Activity: OTHER GENERAL PROGRAMS
 Enrollment Options Transprotation

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09 FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Current Appropriation	55	55	55	55	110
a. Transfer per M.S. 127A.41	13				
b. November Forecast Adjustment		30	33	35	68
c. February Forecast Adjustment		8	7	7	14
2 Governor's Recommended Appropriation	68	93	95	97	192
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
3 Statutory Formula Aid	68	93	95	97	192
4 Statutory Excess/(Shortfall)	(13)	(38)			0
5 Appropriated Entitlement	55	55	95	97	192
6 Adjustments					
a. Transfer per M.S. 127A.41	13				
b. Supplemental Appropriation		38			
7 State Aid Entitlement Current Law	68	93	95	97	192
Appropriations Basis for State Aid					
Transfer per M.S. 127A.41	13				
Current Year	55	93	95	97	192
Total State Aid - General Fund	68	93	95	97	192

DEPT OF EDUCATION

Program: GENERAL EDUCATION

Activity: Other General Education Programs
Abatement

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Appropriation Excluding Buyback	861				
2 Aid Payment Buyback	48				
3 Total Current Appropriation	909	1,026	1,026	1,026	2,052
a. End of Session Estimate			184	(195)	(11)
b. November Forecast Adjustment		(262)	(381)	(177)	(558)
c. February Forecast Adjustment		1	4	(9)	(5)
4 Forecast Base	909	765	833	645	1,478
5 Governor's Recommendation					0
a. Abatement Formula Change			510	702	1,212
6 Governor's Recommended Appropriation	909	765	1,343	1,347	1,478
District Revenue Summary (Entitlement Basis)					
AID	State Aid				
7 Statutory Formula Aid	802	761	841	623	1,464
8 Statutory Excess/(Shortfall)		290			0
9 Appropriated Entitlement	802	1,051	841	623	1,464
10 Adjustments					
a. Appropriation Reduction		(290)			
11 State Aid Entitlement Current Law	802	761	841	623	1,464
12 <i>Governor's Recommendation</i>					
a. Abatement Formula Change			566	717	1,283
13 Governor's Aid Recommendation	802	761	1,407	1,340	2,747
<i>plus</i>	LEVY				
14 Local Levy Current Law	6,415	5,353	4,657	5,219	9,876
15 <i>Governor's Recommendation</i>					
a. Abatement Formula Change			(566)	(717)	(1,283)
16 Governor's Levy Recommendation	6,415	5,353	4,091	4,502	8,593
<i>equals</i>	REVENUE				
17 Current Law Revenue (State Aid & Levy)	7,217	6,114	5,498	5,842	11,340
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	187	80	76	140	216
Current Year (90%)	722	685	1,267	1,207	2,474
Total State Aid - General Fund	909	765	1,343	1,347	2,690

DEPT OF EDUCATION

Program: GENERAL EDUCATION

Activity: Other General Education Programs
Consolidation Transition

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09 FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Current Appropriation	0	527	527	527	1,054
a. End of Session Estimate			245	(69)	176
b. November Forecast Adjustment		(139)	(207)	(244)	(451)
c. February Forecast Adjustment				(2)	(2)
2 Governor's Recommended Appropriation	0	388	565	212	777
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
3 Statutory Formula Aid	0	431	579	172	751
4 Statutory Excess/(Shortfall)		154			0
5 Appropriated Entitlement	0	585	579	172	751
6 Adjustments					
a. Appropriation Reduction		(154)			
7 State Aid Entitlement Current Law	0	431	579	172	751
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	0	0	43	57	100
Current Year (90%)	0	388	522	155	677
Total State Aid - General Fund	0	388	565	212	777

DEPT OF EDUCATION

Program: GENERAL EDUCATION

Activity: Other General Education Programs
Nonpublic Pupil Aid

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium 2008-09
	FY 2006	FY 2007	FY 2008	FY 2009	FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Appropriation Excluding Buyback	14,574				
2 Aid Payment Buyback	884				
3 Total Current Appropriation	15,458	15,991	15,991	15,991	31,982
a. End of Session Estimate			417	726	1,143
b. Transfer per M.S. 127A.41	(778)				
c. February Forecast Adjustment		(19)	(234)	(282)	(516)
d. Cancellation	(670)				0
4 Forecast Base	14,010	15,972	16,174	16,435	32,609
5 Governor's Recommendation					
a. 2.0% inflation factor			116	243	359
6 Governor's Recommended Appropriation	14,010	15,972	16,290	16,678	32,968
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
7 Statutory Formula Aid	13,656	16,068	16,186	16,463	32,649
8 Statutory Excess/(Shortfall)	1,448	19			0
9 Appropriated Entitlement	15,104	16,087	16,186	16,463	32,649
10 Adjustments					
a. Transfer per M.S. 127A.41	(778)				
b. Appropriation Reduction		(19)			
c. Cancellation	(670)				
11 State Aid Entitlement Current Law	13,656	16,068	16,186	16,463	32,649
12 Governor's Recommendation					
a. 2.0% inflation factor			128	256	384
13 Governor's Aid Recommendation	13,656	16,068	16,314	16,719	33,033
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	1,864	1,510	1,606	1,630	3,236
Current Year (90%)	13,594	14,462	14,684	15,048	29,732
Transfer per M.S. 127A.41	(778)				
Cancellation	(670)				
Total State Aid - General Fund	14,010	15,972	16,290	16,678	32,968

DEPT OF EDUCATION

Program: GENERAL EDUCATION

Activity: Other General Education Programs
 Nonpublic Pupil Transportation

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium 2008-09
	FY 2006	FY 2007	FY 2008	FY 2009	FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Appropriation Excluding Buyback	20,142				
2 Aid Payment Buyback	1,229				
3 Total Current Appropriation	21,371	20,843	20,843	20,843	41,686
a. End of Session Estimate			(6)	(315)	(321)
b. November Forecast Adjustment		(352)	(402)	(410)	(812)
c. Transfer per M.S. 127A.41	83				0
d. February Forecast Adjustment		642	732	662	1,394
4 Forecast Base	21,454	21,133	21,167	20,780	41,947
5 Governor's Recommendation					
a. 2.0% inflation factor			384	801	1,185
6 Governor's Recommended Appropriation	21,454	21,133	21,551	21,581	43,132
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
7 Statutory Formula Aid	20,190	21,247	21,158	20,738	41,896
8 Statutory Excess/(Shortfall)	(83)	352			0
9 Appropriated Entitlement	20,107	21,599	21,158	20,738	41,896
10 Adjustments					
a. Appropriation Reduction		(352)			
b. Transfer per M.S. 127A.41	83				
11 State Aid Entitlement Current Law	20,190	21,247	21,158	20,738	41,896
12 Governor's Recommendation					
a. 2.0% inflation factor			426	843	1,269
13 Governor's Aid Recommendation	20,190	21,247	21,584	21,581	43,165
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	3,274	2,010	2,124	2,157	4,281
Current Year (90%)	18,097	19,123	19,427	19,424	38,851
Transfer per M.S. 127A.41	83				
Total State Aid - General Fund	21,454	21,133	21,551	21,581	43,132

Activity Description

This program addresses specific and unique financial circumstances for the impacted district.

Population Served

All students and communities in selected school districts benefit from this funding.

One-Room Schoolhouse

Citation: Laws 2005 1st Special Session, Chapter 5, Article 1, Section 54, Subd. 9

This program provides additional revenue to the Warroad school district to assist with expenses related to the Angle Inlet school. This program was implemented in FY 1995 for the Warroad school district to open and operate a one-room schoolhouse at Angle Inlet. This program provides aid of \$50,000 in each year.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8851.

Activity at a Glance

- ◆ Warroad School District Independent School District 660 – Angle Inlet

DEPT OF EDUCATION
Program: OTHER GENERAL PROGRAMS
 Activity: SPECIAL PROVISIONS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	50	50	50	50	100
Subtotal - Forecast Base	50	50	50	50	100
Total	50	50	50	50	100
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	50	50	50	50	100
Total	50	50	50	50	100
<u>Expenditures by Category</u>					
Local Assistance	50	50	50	50	100
Total	50	50	50	50	100

DEPT OF EDUCATION**Program: ED. EXC. INNOV/ACCOUNTABILITY****Change Item: 3R High Schools**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$19,148	\$55,418	\$54,400	\$53,547
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$19,148	\$55,418	\$54,400	\$53,547

Recommendation

The Governor recommends \$19.148 million in FY 2008 and \$55.418 million in FY 2009 for the establishment of *3R High Schools*. The three Rs stand for rigor, relevance and results. This program will encourage systemic high school redesign through the implementation of six key components. All schools are required to implement the first component (one year of post-secondary education for all students), but in order to access funding to support their redesign efforts, schools must implement all six components. Participating schools will receive \$68 per student enrolled in grades 9-12 on October 1 of the previous school year for FY 2008 and \$200 per student enrolled in grades 9-12 on October 1 of the previous school year for FY 2009 and later.

Background

The current high school structure is not designed to meet the demands of a new global reality. This initiative encourages high schools to implement new policies, programs, and practices that prepare students for a more complex and competitive global economy.

All schools will be required to ensure students earn at least one year of post-secondary education while in high school (component one). In order to access funding, schools must implement the features of all six components as identified in the following bulleted items:

Component 1: One Year of Post-Secondary Education for All Students (required of all high schools)

- ⇒ Students will be required to take at least one year of post-secondary education while in high school. The credit will serve as “dual credit” for high school and post-secondary education. This requirement begins with this year’s fourth graders (fourth-graders during the 2006-07 school year or graduating class of 2015).
- ⇒ High schools must offer programs that support post-secondary access that may include Advanced Placement (AP), International Baccalaureate (IB), Post-Secondary Education Options (PSEO), College in the Schools (CIS), Concurrent Enrollment, and College Level Examination Program (CLEP).
- ⇒ High schools must offer rigorous programs of study that include career and technical (CTE) courses that are offered in high demand fields, leading to certification or other industry-recognized credentials.
- ⇒ High schools must collaborate in partnerships that create opportunities for students to pursue meaningful work-based learning and internships.

Component 2: College Access Programs for Students (required if high school accepts funding)

- ⇒ Access to a Minnesota Department of Education list of approved program partners to guide and prepare students for post-secondary education. These programs may include AVID, MCAN, Admissions Possible, Princeton, Gear Up, etc.

Component 3: Personal Graduation Plan (PGP) (required if high school accepts funding)

- ⇒ PGP begins by 8th grade and is updated at least one time per year.
- ⇒ PGP includes academics, extracurricular activities, and opportunities to provide service and leadership in the school and community.
- ⇒ Annual contract must be signed by parent(s) or guardian(s) and includes a commitment from parent(s) or guardian(s) to support student and school.

Component 4: High Quality Teacher and Principal Leadership (required if high school accepts funding)

- ⇒ Principal strongly supports and leads the school's continuous improvement efforts.
- ⇒ School provides high quality, real time professional development for licensed staff, and provides opportunities for leadership positions among teachers.
- ⇒ District gives the principal added autonomy and authority to make meaningful decisions

Component 5: Rigorous and relevant course taking for all students (required if high school accepts funding)

- ⇒ All students have access to a rigorous, standards-based core academic curriculum.
- ⇒ All students have access to accelerated learning opportunities such as AP, IB, or other kinds of rigorous coursework.
- ⇒ The curriculum is connected to real-world contexts.
- ⇒ The curriculum includes opportunities for service learning.
- ⇒ Structures/programs are in place to ensure that students stay on track for graduation.

Component 6: Use of Data for School Improvement (required if high school accepts funding)

- ⇒ The school uses a systemic, data-driven school improvement planning process.
- ⇒ All staff use data to improve curriculum and instruction.
- ⇒ All staff use data to improve school culture, organization and management.

Relationship to Base Budget

This is a new program.

Key Measures

Some key measures to be used at each school could include the following:

- ◆ percentage of students earning at least one year of dual credit;
- ◆ percentage of students participating in CTE courses associated with rigorous programs of study that lead to certification or other industry-recognized credentials;
- ◆ numbers of students participating in college access programs;
- ◆ percentage of students with a PGP;
- ◆ principal observations/walkthroughs to ensure congruence in intended curriculum and taught curriculum;
- ◆ staff survey regarding alignment of professional development funds and activities with school and classroom improvement goals;
- ◆ "advanced course" enrollment figures, course grades, and state test results analyzed by student subgroup;
- ◆ student surveys about the extent to which the curriculum reflects their needs and interests; and
- ◆ school improvement goals initiated as a result of data analysis.

Statutory Change: Not Applicable

DEPT OF EDUCATION

Program: ED. EXC. SP. STUDENT/TEACHER

Change Item: Expand AP/IB Program

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$7,300	\$8,111	\$8,111	\$8,111
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$7,300	\$8,111	\$8,111	\$8,111

Recommendation

The Governor recommends \$7.3 million in FY 2008 and \$8.111 million in FY 2009 for schools to implement and expand Advanced Placement (AP), pre-Advanced Placement (pre-AP) and International Baccalaureate (IB) programs in schools. This funding will allow schools to offer equal access to AP, pre-AP and IB courses and programs.

Background

This state program will provide financial incentives for schools to begin or expand their AP, pre-AP and IB programs that will promote rigorous, challenging courses of study as part of the regular offerings for students in elementary, middle and secondary schools.

In FY 2006, 233 public schools and 40 nonpublic schools participated in the AP programs. The IB program participation included eleven schools in the Diploma Program, four schools in the Middle Years Program, and six schools in the Primary Years Program.

These programs provide rigorous academic opportunities for elementary, middle, and high school students. In addition, high school students in the program are better prepared for college and have the opportunity to earn college credit and/or advanced standing, thus saving students and their parent's time and money during post-secondary education. The Minnesota College and State Universities are required to offer college credit if students obtain a three or higher on an AP exam and a four or higher on the IB exam. Minnesota's private colleges and the University of Minnesota have credit awarding policies for AP and IB course credits for exams taken by students.

These programs provide increased academic rigor, offer sound curricular design, accountability, comprehensive external assessment, feedback to students and teachers, and the opportunity for high school students to compete academically on a global level.

Schools have benefited from an AP or IB program in that it revitalizes teachers and departments, and indicates to the public that the school values intellectual achievement and academic excellence.

Relationship to Base Budget

This initiative will increase the state base budget \$7.3 million in FY 2008 and \$8.111 million in FY 2009. The current base funding for AP/IB is \$4.5 million in FY 2008 and \$4.5 million in FY 2009.

Key Measures

- ⇒ The number of AP and IB students testing and the number of exams taken will increase each year.
- ⇒ The number of schools offering these programs will increase.
- ⇒ The number of students earning college credit through AP and IB will increase.
- ⇒ The percentage of minority and low-income students participating in these programs and taking exams will increase each year.

DEPT OF EDUCATION

Program: ED. EXC. SP. STUDENT/TEACHER

Change Item: Expand AP/IB Program

Advanced Placement

Based on FY 2006 data

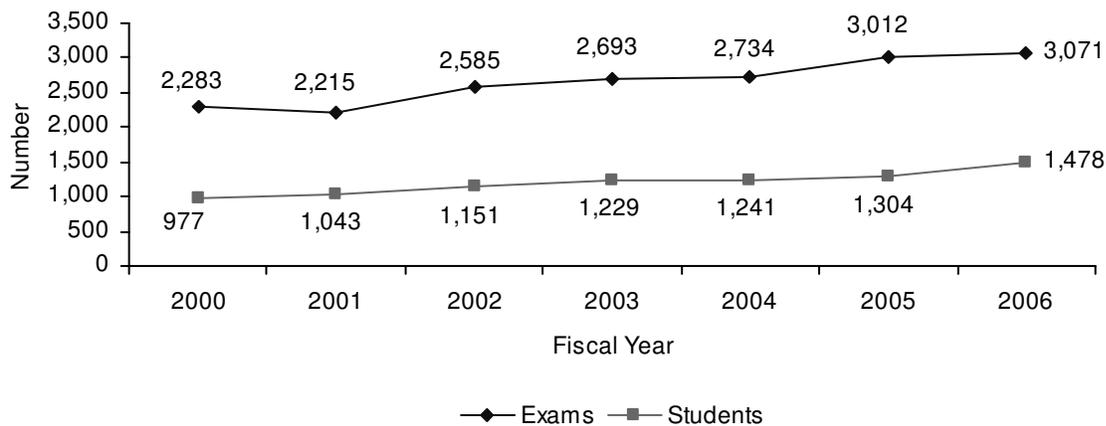
- ⇒ Students of color represent 14% of all Minnesota students testing in AP in FY 2006.
- ⇒ Low income students represent 11% of students testing and take 16% of the exams. This demonstrates a 3% increase of students testing and 7% increase in exams taken from the previous year.

International Baccalaureate

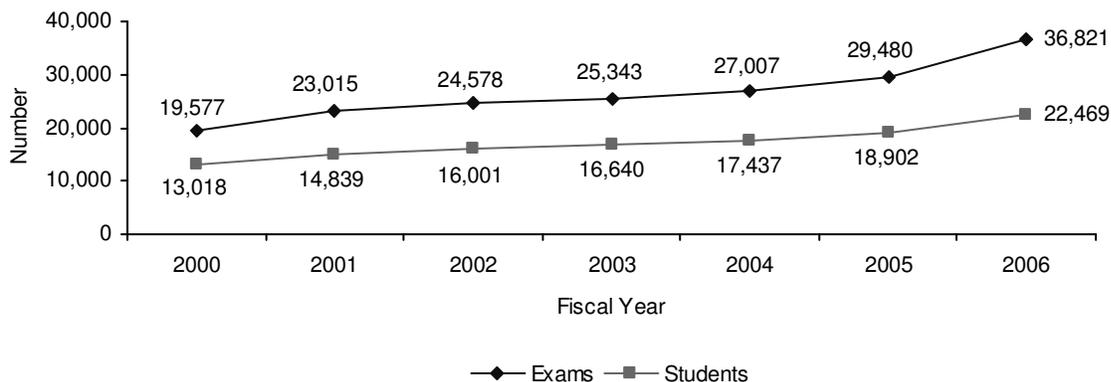
Based on FY 2006 data

- ⇒ Students of color represent 38% of all Minnesota students testing in IB - slightly less than students of color testing in 2005.
- ⇒ Low income students represent 24% of students testing and take 29% of the exams. This demonstrates a significant increase in low-income students testing and number of exams taken.

International Baccalaureate



Advanced Placement



Statutory Change: New statute will be proposed (M.S. 120B.132).

DEPT OF EDUCATION

Program: ED. EXC. CHOICE PROGRAMS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	92,808	99,442	99,442	99,442	198,884
Technical Adjustments					
End-of-session Estimate			3,267	8,142	11,409
February Forecast Adjustment		0	459	65	524
November Forecast Adjustment		(2,337)	2,761	4,022	6,783
Subtotal - Forecast Base	92,808	97,105	105,929	111,671	217,600
Governor's Recommendations					
Alternative School Calendar		0	0	2,000	2,000
Total	92,808	97,105	105,929	113,671	219,600
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	91,064	97,105	105,929	113,671	219,600
Statutory Appropriations					
Federal	9,226	19,000	22,000	17,000	39,000
Total	100,290	116,105	127,929	130,671	258,600
<u>Expenditures by Category</u>					
Local Assistance	100,290	116,105	127,929	130,671	258,600
Total	100,290	116,105	127,929	130,671	258,600
<u>Expenditures by Activity</u>					
Charter School Lease	24,946	35,795	40,875	40,193	81,068
Charter School Start Up	10,484	13,316	14,896	15,161	30,057
Integration Revenue	58,078	58,075	61,769	61,000	122,769
Magnet School Grants	750	750	750	750	1,500
Interdistrict Deseg Transp	6,032	8,169	9,639	11,567	21,206
Alternate School Calendar	0	0	0	2,000	2,000
Total	100,290	116,105	127,929	130,671	258,600

DEPT OF EDUCATION

Program: EDUCATION EXCELLENCE

Activity: Choice Programs
Charter School Lease

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09 FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Appropriation Excluding Buyback	23,834				
2 Aid Payment Buyback	1,497				
3 Total Current Appropriation	25,331	27,806	27,806	27,806	55,612
a. End of Session Estimate			3,820	7,984	11,804
b. November Forecast Adjustment		(7)	289	480	769
c. February Forecast Adjustment		(4)	(40)	(77)	(117)
d. Cancellation	(416)				
4 Governor's Recommended Appropriation	24,915	27,795	31,875	36,193	68,068
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
5 Statutory Formula Aid	24,204	28,147	32,290	36,626	68,916
6 Statutory Excess/(Shortfall)	416	12			0
7 Appropriated Entitlement	24,620	28,159	32,290	36,626	68,916
8 Adjustments					
a. Cancellation	(416)				
c. Appropriation Reduction		(12)			
9 State Aid Entitlement Current Law	24,204	28,147	32,290	36,626	68,916
10 Other Revenue					
a. Federal	31	8,000	9,000	4,000	13,000
11 Total All Sources Current Law	24,235	36,147	41,290	40,626	81,916
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	3,324	2,462	2,814	3,229	6,043
Current Year (90%)	22,141	25,333	29,061	32,964	62,025
Cancellation Prior Year Account	(151)				
Cancellation Current Year Account	(399)				
Total State Aid - General Fund	24,915	27,795	31,875	36,193	68,068

DEPT OF EDUCATION

Program: EDUCATION EXCELLENCE

Activity: Choice Programs
Charter School Startup Aid

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09 FY2008-09
<i>Direct Appropriations by Fund</i>					
General Fund					
1 Appropriation Excluding Buyback	1,197				
2 Aid Payment Buyback	94				
3 Total Current Appropriation	1,291	2,347	2,347	2,347	4,694
a. End of Session Estimate			(653)	(736)	(1,389)
b. November Forecast Adjustment		(58)	194	550	744
c. Cancellation	(2)				
d. February Forecast Adjustment		27	8		8
4 Governor's Recommended Appropriation	1,289	2,316	1,896	2,161	4,057
<i>District Revenue Summary (Entitlement Basis)</i>					
AID					
State Aid					
5 Statutory Formula Aid	1,432	2,414	1,838	2,197	4,035
6 Statutory Excess/(Shortfall)	2	34			0
7 Appropriated Entitlement	1,434	2,448	1,838	2,197	4,035
8 Adjustments					
a. Cancellation	(2)				
b. Appropriation Reduction		(34)			
9 State Aid Entitlement Current Law	1,432	2,414	1,838	2,197	4,035
<i>Appropriations Basis for State Aid</i>					
Prior Year (15.7%/10%)	0	143	241	183	424
Current Year (90%)	1,291	2,173	1,655	1,978	3,633
Cancellation	(2)				
Total State Aid - General Fund	1,289	2,316	1,896	2,161	4,057

DEPT OF EDUCATION
Program: EDUCATION EXCELLENCE
 Activity: Choice Programs
 Integration Revenue

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09
Direct Appropriations by Fund					
General Fund					
1 Appropriation Excluding Buyback	56,073				
2 Aid Payment Buyback	3,331				
3 Total Current Appropriation	59,404	58,405	58,405	58,405	116,810
a. End of Session Estimate			(650)	(1,542)	(2,192)
b. November Forecast Adjustment		(460)	4,186	4,791	8,977
c. Cancellation	(1,326)				
d. February Forecast Adjustment		130	(172)	(654)	(826)
4 Governor's Recommended Appropriation	58,078	58,075	61,769	61,000	122,769
District Revenue Summary (Entitlement Basis)					
AID	State Aid				
5 Statutory Formula Aid	55,183	58,249	62,161	60,871	123,032
6 Statutory Excess/(Shortfall)	1,326	367			0
7 Appropriated Entitlement	56,509	58,616	62,161	60,871	123,032
8 Adjustments					
a. Cancellation	(1,326)				
b. Appropriation Reduction		(367)			
9 State Aid Entitlement Current Law	55,183	58,249	62,161	60,871	123,032
<i>plus</i>					
LEVY	Levy				
10 Local Levy Current Law	24,841	25,994	27,607	26,938	54,545
<i>equals</i>					
REVENUE	80,024	84,243	89,768	87,809	177,577
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	8,545	5,650	5,824	6,216	12,040
Current Year (90%)	50,859	52,425	55,945	54,784	110,729
Cancellation	(1,326)				
Total State Aid - General Fund	58,078	58,075	61,769	61,000	122,769

DEPT OF EDUCATION

Program: EDUCATION EXCELLENCE

Activity: Choice Programs
Magnet School Startup Grants

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09 FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Current Appropriation	0	0	0	177	177
a. End of Session Estimate				(177)	(177)
2 Governor's Recommended Appropriation	0	0	0	0	0
District Revenue Summary (Entitlement Basis)					
AID	State Aid				
3 Statutory Formula Aid	0	0	0	0	0
4 Statutory Excess/(Shortfall)		0			0
5 Appropriated Entitlement	0	0	0	0	0
6 Adjustments					
7 State Aid Entitlement Current Law	0	0	0	0	0
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	0	0	0	0	0
Current Year (90%)	0	0	0	0	0
Total State Aid - General Fund	0	0	0	0	0

DEPT OF EDUCATION

Program: EDUCATION EXCELLENCE

Activity: Choice Programs

Interdistrict Desegregation Transportation

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09
Direct Appropriations by Fund					
General Fund					
1 Current Appropriation	6,032	10,134	10,134	10,134	20,268
a. End of Session Estimate			750	2,259	3,009
b. November Forecast Adjustment		(2,504)	(1,908)	(1,622)	(3,530)
c. February Forecast Adjustment		539	663	796	1,459
2 Governor's Recommended Appropriation	6,032	8,169	9,639	11,567	21,206
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
3 Statutory Formula Aid	6,032	8,169	9,639	11,567	21,206
4 Statutory Excess/(Shortfall)		1,965			0
5 Appropriated Entitlement	6,032	10,134	9,639	11,567	21,206
6 Adjustments					
c. Appropriation Reduction		(1,965)			
7 State Aid Entitlement Current Law	6,032	8,169	9,639	11,567	21,206
Appropriations Basis for State Aid					
Current Year	6,032	8,169	9,639	11,567	21,206
Total State Aid - General Fund	6,032	8,169	9,639	11,567	21,206

DEPT OF EDUCATION

Program: ED. EXC. INDIAN PROGRAMS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	6,711	6,627	6,627	6,627	13,254
Technical Adjustments					
End-of-session Estimate			100	203	303
February Forecast Adjustment		0	6	7	13
November Forecast Adjustment		(297)	(251)	(187)	(438)
Subtotal - Forecast Base	6,711	6,330	6,482	6,650	13,132
Governor's Recommendations					
Inflate Categoricals 2% and 2%		0	26	55	81
Total	6,711	6,330	6,508	6,705	13,213
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	5,740	6,330	6,508	6,705	13,213
Total	5,740	6,330	6,508	6,705	13,213
<u>Expenditures by Category</u>					
Payments To Individuals	1,867	1,875	1,875	1,875	3,750
Local Assistance	3,873	4,455	4,633	4,830	9,463
Total	5,740	6,330	6,508	6,705	13,213
<u>Expenditures by Activity</u>					
Success For The Future	2,239	2,137	2,137	2,137	4,274
Indian Scholarships	1,867	1,875	1,875	1,875	3,750
Indian Teacher Prep Grants	190	190	190	190	380
Tribal Contract Schools	1,376	2,060	2,238	2,435	4,673
Early Childhood Prgs At Tribal	68	68	68	68	136
Total	5,740	6,330	6,508	6,705	13,213

DEPT OF EDUCATION
Program: EDUCATION EXCELLENCE
 Activity: Indian Programs
 Success for the Future

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09 FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Appropriation Excluding Buyback	2,118				
2 Aid Payment Buyback	122				
3 Total Current Appropriation	2,240	2,137	2,137	2,137	4,274
a. Cancellation	(1)				
4 Governor's Recommended Appropriation	2,239	2,137	2,137	2,137	4,274
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
5 Statutory Formula Aid	2,136	2,137	2,137	2,137	4,274
6 Statutory Excess/(Shortfall)	1				0
7 Appropriated Entitlement	2,137	2,137	2,137	2,137	4,274
8 Adjustments					
a. Cancellation	(1)				
9 State Aid Entitlement Current Law	2,136	2,137	2,137	2,137	4,274
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	316	213	213	213	426
Cancellation	(1)				
Current Year (90%)	1,924	1,924	1,924	1,924	3,848
Total State Aid - General Fund	2,239	2,137	2,137	2,137	4,274

DEPT OF EDUCATION

Program: EDUCATION EXCELLENCE

Activity: Indian Programs
Tribal Contract Schools

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09 FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Appropriation Excluding Buyback	2,200				
2 Aid Payment Buyback	138				
3 Total Current Appropriation	2,338	2,357	2,357	2,357	4,714
a. End of Session Estimate			100	203	303
b. November Forecast Adjustment		(301)	(251)	(187)	(438)
c. Cancellation	(962)				
d. February Forecast Adjustment		4	6	7	13
4 Forecast Base	1,376	2,060	2,212	2,380	4,592
5 Governor's Recommendation					
a. 2.0% inflation factor			26	55	81
6 Governor's Recommended Appropriation	1,376	2,060	2,238	2,435	4,673
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
7 Statutory Formula Aid	1,249	2,043	2,231	2,396	4,627
8 Statutory Excess/(Shortfall)	962	297			0
9 Appropriated Entitlement	2,211	2,340	2,231	2,396	4,627
10 Adjustments					
a. Cancellation	(962)				
b. Appropriation Reduction		(297)			
11 State Aid Entitlement Current Law	1,249	2,043	2,231	2,396	4,627
12 Governor's Recommendation					
a. 2.0% inflation factor			28	58	86
13 Governor's Aid Recommendation	1,249	2,043	2,259	2,454	4,713
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	348	221	204	225	429
Current Year (90%)	1,990	1,839	2,034	2,210	4,244
Cancellation	(962)				
Total State Aid - General Fund	1,376	2,060	2,238	2,435	4,673

DEPT OF EDUCATION

Program: ED. EXC. INNOV/ACCOUNTABILITY

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	11,460	11,410	11,410	11,410	22,820
Technical Adjustments					
Current Law Base Change			(1,200)	(1,200)	(2,400)
Subtotal - Forecast Base	11,460	11,410	10,210	10,210	20,420
Governor's Recommendations					
Funding Realignment		0	1,150	1,150	2,300
3R High Schools		0	19,148	55,418	74,566
Successful Schools Program		0	75,000	75,000	150,000
Math & Science Teacher Academies		0	2,000	4,000	6,000
Statewide Assessment Funding		0	2,883	6,214	9,097
Computer Based Formative Assessment		0	2,340	3,510	5,850
Total	11,460	11,410	112,731	155,502	268,233
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	8,210	14,592	111,581	154,352	265,933
Total	8,210	14,592	111,581	154,352	265,933
<u>Expenditures by Category</u>					
Other Operating Expenses	7,492	13,659	14,599	19,100	33,699
Local Assistance	718	933	96,982	135,252	232,234
Total	8,210	14,592	111,581	154,352	265,933
<u>Expenditures by Activity</u>					
Statewide Testing	7,528	12,932	14,223	18,724	32,947
Best Practices	682	1,660	1,210	1,210	2,420
Successful Schools	0	0	75,000	75,000	150,000
21st Century High Schools	0	0	19,148	55,418	74,566
Math & Science Academies	0	0	2,000	4,000	6,000
Total	8,210	14,592	111,581	154,352	265,933

DEPT OF EDUCATION
Program: ED. EXC. INNOV/ACCOUNTABILITY
 Activity: STATEWIDE TESTING

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	10,200	10,200	10,200	10,200	20,400
Technical Adjustments					
Current Law Base Change			(1,200)	(1,200)	(2,400)
Subtotal - Forecast Base	10,200	10,200	9,000	9,000	18,000
Governor's Recommendations					
Funding Realignment		0	1,150	1,150	2,300
Statewide Assessment Funding		0	2,883	6,214	9,097
Computer Based Formative Assessment		0	2,340	3,510	5,850
Total	10,200	10,200	15,373	19,874	35,247
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	7,528	12,932	14,223	18,724	32,947
Total	7,528	12,932	14,223	18,724	32,947
<u>Expenditures by Category</u>					
Other Operating Expenses	7,492	12,932	14,223	18,724	32,947
Local Assistance	36	0	0	0	0
Total	7,528	12,932	14,223	18,724	32,947

DEPT OF EDUCATION

Program: ED. EXC. SP. STUDENT/TEACHER

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	15,807	16,382	16,632	16,382	33,014
Technical Adjustments					
One-time Appropriations			(250)	0	(250)
Subtotal - Forecast Base	15,807	16,382	16,382	16,382	32,764
Governor's Recommendations					
Expand AP/IB Program		0	7,300	8,111	15,411
Collaborative Urban Educator		0	773	773	1,546
Mandarin Chinese Expansion		0	250	250	500
Minnesota Reading Corps		0	1,000	1,000	2,000
Minnesota First Five Teacher Induction		0	2,220	2,220	4,440
EPAS Expansion		0	464	464	928
Total	15,807	16,382	28,389	29,200	57,589
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	14,026	18,167	28,389	29,200	57,589
Statutory Appropriations					
Federal	184,217	203,294	203,721	201,274	404,995
Total	198,243	221,461	232,110	230,474	462,584
<u>Expenditures by Category</u>					
Total Compensation	13	19	19	19	38
Other Operating Expenses	921	935	935	935	1,870
Payments To Individuals	1,488	2,345	1,660	1,650	3,310
Local Assistance	195,821	218,162	229,496	227,870	457,366
Total	198,243	221,461	232,110	230,474	462,584
<u>Expenditures by Activity</u>					
First Grade Preparedness	7,250	7,250	7,250	7,250	14,500
Advanced Placement/lb	3,074	5,926	4,500	4,500	9,000
Collaborative Urban Educator	403	653	1,301	1,301	2,602
Youthworks	900	900	900	900	1,800
Student Organizations	710	744	725	725	1,450
Get Ready, Get Credits-Clep	825	1,650	1,650	1,650	3,300
Get Ready, Get Credits-Epas	829	829	829	829	1,658
Site Based Governance Grants	35	215	0	0	0
Nclb Programs	174,388	193,649	196,048	195,408	391,456
Miscellaneous Federal Programs	9,829	9,645	7,673	5,866	13,539
Ap/lb Expansion	0	0	7,300	8,111	15,411
Mandarin Chinese Expansion	0	0	250	250	500
Epas Expansion	0	0	464	464	928
Serve Minnesota	0	0	1,000	1,000	2,000
New Teacher Mentorship	0	0	2,220	2,220	4,440
Total	198,243	221,461	232,110	230,474	462,584
Full-Time Equivalent (FTE)	0.2	0.2	0.2	0.2	

DEPT OF EDUCATION

Program: ED. EXC. SP. STUDENT/TEACHER

Activity: MISCELLANEOUS FEDERAL PROGRAMS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Federal	9,829	9,645	7,673	5,866	13,539
Total	9,829	9,645	7,673	5,866	13,539
<u>Expenditures by Category</u>					
Payments To Individuals	663	695	10	0	10
Local Assistance	9,166	8,950	7,663	5,866	13,529
Total	9,829	9,645	7,673	5,866	13,539

DEPT OF EDUCATION
Program: SPECIAL EDUCATION

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	677,259	643,359	643,359	643,359	1,286,718
Technical Adjustments					
End-of-session Estimate			377	592	969
February Forecast Adjustment		0	(400)	(381)	(781)
November Forecast Adjustment		985	1,512	1,492	3,004
Subtotal - Forecast Base	677,259	644,344	644,848	645,062	1,289,910
Governor's Recommendations					
Special Education Funding Changes		0	11,506	25,211	36,717
Total	677,259	644,344	656,354	670,273	1,326,627
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	677,910	644,344	656,354	670,273	1,326,627
Statutory Appropriations					
Federal	169,354	173,195	173,924	173,924	347,848
Total	847,264	817,539	830,278	844,197	1,674,475
<u>Expenditures by Category</u>					
Local Assistance	847,264	817,539	830,278	844,197	1,674,475
Total	847,264	817,539	830,278	844,197	1,674,475
<u>Expenditures by Activity</u>					
Regular Special Education	728,514	701,275	719,998	732,115	1,452,113
Excess Costs-Sped	106,453	104,333	106,521	108,979	215,500
Children With Disabilities	1,529	1,410	1,538	1,729	3,267
Travel For Home-Based Services	218	224	254	284	538
Transition Disabled Students	9,308	8,800	879	0	879
Court Placed Sped Revenue	48	70	72	74	146
Out Of State Tuition	406	250	250	250	500
Other Federal Sped Programs	788	1,177	766	766	1,532
Total	847,264	817,539	830,278	844,197	1,674,475

DEPT OF EDUCATION

Program: SPECIAL EDUCATION

Change Item: Special Education Funding Changes

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
1a Sp Ed–Regular – Inflate 2% & 2%	\$ 9,527	\$20,302	\$21,420	\$21,476
1b Sp Ed– Exs Cost– Inflate 2% & 2%	1,394	3,517	4,237	4,246
1c Transition Disabled–Inflate 2% & 2%	159	337	355	356
2a Eliminate Separate Target for Transition Disabled	(8,066)	(9,115)	(9,148)	(9,173)
2b Add Transition-Disabled Target to Sp Ed –Regular Target	8,066	9,115	9,148	9,173
4a Eliminate Separate Categorical for Part C Expansion	(427)	(1,055)	(1,562)	(2,011)
4b Add Part C Expansion to Sp Ed Regular Target		293	723	1,134
4c Add Part C Expansion to Sp Ed Excess Cost Target	427	762	839	877
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$11,080	\$24,156	\$26,012	\$26,078

Recommendation

The Governor recommends changes to increase, simplify, and improve the equity of special education funding.

Specifically the Governor recommends the following changes:

1. Increase the statewide funding targets for special education aid, transition-disabled aid, and special education excess cost aid by 2% for FY 2008 and an additional 2% for FY 2009.
2. Beginning in FY 2008, combine the statewide funding targets for special education-regular and transition-disabled aid, and include transition-disabled expenditures in the calculation of excess cost aid.
3. Beginning in FY 2008, calculate special education-regular and transition-disabled aid using current year data instead of second prior year data.
4. Beginning in FY 2008, eliminate the separate appropriation for expansion of special education and related services for children from birth through age two related to IDEA Part C and include this funding in the special education-regular and excess cost programs.

Background

1. Increase special education funding by 2% in FY 2008 and an additional 2% in FY 2009.

Under current law, there is no inflationary increase in special education funding. As program costs increase, the cross subsidy of unreimbursed special education costs with general education funds increases significantly each year. Increasing the statewide funding targets for special education programs by the same percentage as the general education formula allowance will reduce the growth of special education cross subsidies, and will ensure that districts with varying special education needs are treated equitably.

2. Provide uniform, consistent funding for special education and transition-disabled programs.

Transition-disabled programs are part of the state’s overall program of special education and related services for children with a disability. The funding mechanism for transition-disabled programs largely parallels the special education-regular formula, providing base revenue including 68% of salaries for essential personnel providing direct instructional services to students, 52% of contract costs, and 47% of special equipment and supplies. However, the effective rate of reimbursement varies between the two programs because 1) transition disabled expenditures do not generate excess cost aid, and 2) the caps have had a more significant impact on special education-regular funding due to a higher rate of growth in special education expenditures. Combining the statewide funding targets for the special education-regular and transition-disabled programs, and including transition-disabled program costs in the calculation of excess cost aid beginning in FY 2008 will ensure uniform, consistent funding for the two programs.

3. Calculate special education-regular and transition-disabled aid using current year data instead of second prior year data.

Special education and transition-disabled programs have been funded using second prior year data since the mid-1990s. Funding based on second prior year data was initiated in an effort to contain the growth of special education costs. While there is no evidence that base year funding has been successful in containing costs, it is clear that this approach has increased the complexity of special education funding and created inequities among districts. Converting back to current year funding will simplify special education funding and better align funding with current costs.

4. Beginning in FY 2008, eliminate the separate appropriation for expansion of special education and related services for children from birth through age two related to IDEA Part C and include this funding in the special education-regular and excess cost programs.

The federal Office of Special Education Programs (OSEP) informed Minnesota after a site visit in 2004 that Minnesota's eligibility criteria for serving children from birth through age two were out of compliance with federal law because it must allow eligibility for a child with only one area of developmental delay, and a child with a high probability of delay does not need further evidence to receive Part C services. Minnesota rules must be revised to include these children as eligible for services to allow the state to continue receiving federal Part C funding. The 2006 legislature appropriated funding for these children as a separate categorical without a formula for distribution. Under current law, these children are considered "children with a disability" and are eligible for general education and special education revenue. Therefore, the November 2006 forecast included the estimated pupil units attributable to children newly eligible for Part C services in the calculation of general education revenue, and included the funding for special education and related services for these children in the separate categorical. The amounts forecasted for the separate categorical were based on the amounts that would have been generated for special education and related services under the special education-regular and excess cost formulas if the expanded Part C services had been included in these formulas. To simplify the funding calculations for FY 2008 and later, the separate categorical appropriation will be eliminated, and the statewide caps and appropriations for special education-regular and special education excess cost aid will be increased by the February 2006 forecast amounts for the Part C categorical aid. This will have no net fiscal impact on the state budget.

Relationship to Base Budget

The proposed increase in state appropriations is 1.7% of the total special education regular, transition-disabled, excess cost, and Part C base budget for FY 2008 and 3.8% of the base budget for FY 2009.

Key Measures

Special education cross subsidies from general education revenue will be reduced by \$12.9 million for FY 2008 and \$26.0 million for FY 2009, compared with current law.

Statutory Changes: Amend M.S. 124D.454 for changes in the transition-disabled formula, M.S. 125A.76 for changes in the special education-regular formula, and M.S. 125A.79 for changes in the special education excess cost formula.

DEPT OF EDUCATION

Program: Special Programs

Activity: Special Education

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09 FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Appropriation Excluding Buyback	529,344				
2 Aid Payment Buyback	30,141				
3 Total Current Appropriation	559,485	528,106	528,106	528,106	1,056,212
a. End of Session Estimate			(138)	(138)	(276)
b. November Forecast Adjustment		1,520	1,689	1,689	3,378
c. Transfer per M.S. 127A.41	463				
d. February Forecast Adjustment		(369)	(410)	(410)	(820)
4 Forecast Base	559,948	529,257	529,247	529,247	1,058,494
5 Governor's Recommendation					
a. Increase caps 2% & 2%			9,527	20,302	29,829
b. Roll-in Transition-Disabled; Increase cap 2% & 2%			8,066	9,115	17,181
c. Roll in separate Part C funding			0	293	293
6 Governor's Recommended Appropriation	559,948	529,257	546,840	558,957	1,105,797
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
7 Statutory Formula Aid	529,804	529,247	529,247	529,247	1,058,494
8 Statutory Excess/(Shortfall)	(463)	(1,151)			0
9 Appropriated Entitlement	529,341	528,096	529,247	529,247	1,058,494
10 Adjustments					
a. Excess Funds Transferred In/(Out)	463				
b. Supplemental Appropriation		1,151			
11 State Aid Entitlement Current Law	529,804	529,247	529,247	529,247	1,058,494
12 Governor's Recommendation					
a. Increase caps 2% & 2%			10,585	21,382	31,967
b. Combine cap with Transition-Disabled			8,962	9,132	18,094
c. Roll in separate Part C funding			0	325	325
13 Governor's Aid Recommendation	529,804	529,247	548,794	560,086	1,108,880
14 Other Revenue					
a. Federal	168,678	172,018	173,158	173,158	346,316
15 Total All Sources Current Law	698,482	701,265	721,952	733,244	1,404,810
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	83,078	52,934	52,924	54,878	107,802
Current Year (90%)	476,407	476,323	493,916	504,079	997,995
Transfer per M.S. 124A.41	463				
Total State Aid - General Fund	559,948	529,257	546,840	558,957	1,105,797

DEPT OF EDUCATION

Program: Special Programs

Activity: Special Education – Excess Costs

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09 FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Appropriation Excluding Buyback	102,083				
2 Aid Payment Buyback	4,370				
3 Total Current Appropriation	106,453	104,333	104,333	104,333	208,666
a. End of Session Estimate			367	367	734
4 Forecast Base	106,453	104,333	104,700	104,700	209,400
5 Governor's Recommendation					
a. Increase caps 2% & 2%			1,394	3,517	4,911
b. Roll in separate Part C funding			427	762	1,189
6 Governor's Recommended Appropriation	106,453	104,333	106,521	108,979	215,500
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
7 Statutory Formula Aid	103,600	104,700	104,700	104,700	209,400
8 Statutory Excess/(Shortfall)					0
9 Appropriated Entitlement	103,600	104,700	104,700	104,700	209,400
10 Adjustments					
11 State Aid Entitlement Current Law	103,600	104,700	104,700	104,700	209,400
12 <i>Governor's Recommendation</i>					
a. Increase caps 2% & 2%			2,094	4,230	6,324
b. Roll in separate Part C funding			641	823	1,464
13 Governor's Aid Recommendation	103,600	104,700	107,435	109,753	217,188
Appropriations Basis for State Aid					
Prior Year	37,455	34,602	34,969	35,883	70,852
Current Year	68,998	69,731	71,552	73,096	144,648
Total State Aid - General Fund	106,453	104,333	106,521	108,979	215,500

DEPT OF EDUCATION

Program: Special Programs

Activity: Children with Disabilities

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09
<i>Direct Appropriations by Fund</i>					
General Fund					
1 Current Appropriation	1,527	1,624	1,624	1,624	3,248
a. End of Session Estimate			141	346	487
b. Transfer per M.S. 127A.41	2				
c. November Forecast Adjustment		(215)	(229)	(243)	(472)
d. February Forecast Adjustment		1	2	2	4
2 Governor's Recommended Appropriation	1,529	1,410	1,538	1,729	3,267
<i>District Revenue Summary (Entitlement Basis)</i>					
AID					
State Aid					
3 Statutory Formula Aid	1,529	1,410	1,538	1,729	3,267
4 Statutory Excess/(Shortfall)	(2)	214			0
5 Appropriated Entitlement	1,527	1,624	1,538	1,729	3,267
6 Adjustments					
b. Transfer per M.S. 127A.41	2				
c. Appropriation Reduction		(214)			
7 State Aid Entitlement Current Law	1,529	1,410	1,538	1,729	3,267
<i>Appropriations Basis for State Aid</i>					
Transfer per M.S. 127A.41	2				
Current Year	1,527	1,410	1,538	1,729	3,267
Total State Aid - General Fund	1,529	1,410	1,538	1,729	3,267

DEPT OF EDUCATION

Program: Special Programs

Activity: Home Based Travel

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09
<i>Direct Appropriations by Fund</i>					
General Fund					
1 Appropriation Excluding Buyback	187				
2 Aid Payment Buyback	11				
3 Total Current Appropriation	198	195	195	195	390
a. November forecast		27	34	37	71
b. End of Session			8	16	24
c. Transfer per M.S. 124A.41	20				
d. February Forecast Adjustment		2	17	36	53
4 Governor's Recommended Appropriation	218	224	254	284	538
<i>District Revenue Summary (Entitlement Basis)</i>					
AID					
State Aid					
5 Statutory Formula Aid	208	228	257	287	544
6 Statutory Excess/(Shortfall)	(20)	(32)			0
7 Appropriated Entitlement	188	196	257	287	544
8 Adjustments					
a. Excess Funds Transferred In/(Out)	20				
b. Supplemental Appropriation		32			
9 State Aid Entitlement Current Law	208	228	257	287	544
<i>Appropriations Basis for State Aid</i>					
Prior Year (15.7%/10%)	28	18	22	25	47
Transfer per M.S. 127A.41	20				
Current Year (90%)	170	206	232	259	491
Total State Aid - General Fund	218	224	254	284	538

DEPT OF EDUCATION

Program: Special Programs

Activity: Transition for Disabled Students

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09 FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Appropriation Excluding Buyback	8,799				
2 Aid Payment Buyback	501				
3 Total Current Appropriation	9,300	8,781	8,781	8,781	17,562
a. End of Session Estimate		25	(3)	(3)	(6)
b. November Forecast Adjustment			18	9	27
c. Transfer per M.S. 127A.41	8				
d. February Forecast Adjustment		(6)	(9)	(9)	(18)
4 Forecast Base	9,308	8,800	8,787	8,778	17,565
5 Governor's Initiatives					
a. Special Education Program Combination			(7,908)	(8,778)	(16,686)
6 Governor's Recommended Appropriation	8,807	8,800	879	0	879
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
7 Statutory Formula Aid	8,808	8,799	8,786	8,777	17,563
8 Statutory Excess/(Shortfall)	(8)	(21)			0
9 Appropriated Entitlement	8,800	8,778	8,786	8,777	17,563
10 Adjustments					
a. Excess Funds Transferred In/(Out)	8				
b. Supplemental Appropriation		21			
11 State Aid Entitlement Current Law	8,808	8,799	8,786	8,777	17,563
12 Governor's Initiatives					
a. Special Education Program Combination			(8,786)	(8,777)	(17,563)
13 Governor's Total Revenue Recommendation	8,808	8,799	0	0	0
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	1,380	880	879		879
Transfer per M.S. 127A.41	8				
Current Year (90%)	7,920	7,920			0
Total State Aid - General Fund	9,308	8,800	879	0	879

DEPT OF EDUCATION

Program: Special Programs

Activity: Court Placed Special Education Revenue Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Current Appropriation	46	70	70	70	140
a. End of Session Estimate			2	4	6
b. Transfer per M.S. 127A.41	2				
2 Governor's Recommended Appropriation	48	70	72	74	146
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
3 Statutory Formula Aid	48	70	72	74	146
4 Statutory Excess/(Shortfall)	(2)				0
5 Appropriated Entitlement	46	70	72	74	146
6 Adjustments					
a. Transfer per M.S. 127A.41	2				
7 State Aid Entitlement Current Law	48	70	72	74	146
Appropriations Basis for State Aid					
Transfer per M.S. 127A.41	2				
Current Year	46	70	72	74	146
Total State Aid - General Fund	48	70	72	74	146

Budget Activities

- ⇒ Health and Safety Revenue
- ⇒ Debt Service Equalization
- ⇒ Alternative Facilities Aid
- ⇒ Telecommunications Access
- ⇒ Deferred Maintenance
- ⇒ Miscellaneous Facility Levies
- ⇒ Rocori School District Grant

DEPT OF EDUCATION

Program: FACILITIES & TECHNOLOGY

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	52,166	41,936	41,936	41,936	83,872
Technical Adjustments					
Current Law Base Change			(84)	(137)	(221)
End-of-session Estimate			4,866	552	5,418
February Forecast Adjustment		0	(212)	(704)	(916)
November Forecast Adjustment		(103)	(5,123)	(4,639)	(9,762)
Subtotal - Forecast Base	52,166	41,833	41,383	37,008	78,391
Governor's Recommendations					
School Technology Funding		0	19,000	19,000	38,000
JOBZ Definitions for Debt Service		0	0	(1)	(1)
Total	52,166	41,833	60,383	56,007	116,390
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	52,100	41,818	60,383	56,007	116,390
Total	52,100	41,818	60,383	56,007	116,390
<u>Expenditures by Category</u>					
Local Assistance	52,100	41,818	60,383	56,007	116,390
Total	52,100	41,818	60,383	56,007	116,390
<u>Expenditures by Activity</u>					
Health & Safety Revenue	770	249	190	179	369
Debt Service Equalization	27,193	18,395	14,813	11,124	25,937
Alternative Facilities Aid	20,387	19,287	19,287	19,287	38,574
Telecommunications Access	3,750	3,750	3,750	3,750	7,500
Deferred Maintenance	0	0	3,290	2,667	5,957
School Technology Funding	0	0	19,000	19,000	38,000
Rocori School District Grant	0	137	53	0	53
Total	52,100	41,818	60,383	56,007	116,390

DEPT OF EDUCATION**Program: FACILITIES & TECHNOLOGY**

Change Item: School Technology Funding

Preliminary Proposal

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$19,000	\$19,000	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$19,000	\$19,000	\$0	\$0

Recommendation

The Governor recommends \$19 million in FY 2008 and \$19 million in FY 2009 to improve school technology capacity and increase use of online technology in providing education curriculum. Of these amounts, \$16.5 million each year is directed to School Technology Grants and \$2.5 million each year is directed to Online Learning Expansion Grants. Funds will be available through a competitive grant process administered by the Minnesota Department of Education. To be eligible, applicants will demonstrate that funding is directed to achieve the following goals:

- ◆ obtain minimum, statewide standards of technology infrastructure and capacity,
- ◆ incorporate technology standards within the district curriculum,
- ◆ use data-driven decision-making models in the classroom, school, and district,
- ◆ demonstrate innovation in student learning and teacher professional development, and
- ◆ encourage development of online courses and encourage districts to use online courses as a classroom resource to provide students a full range of courses.

Background

School Technology Grant funding is driven by Minnesota's desire to lead educational reform in the 21st century. This goal is hampered by a lack of school district standardization in technology. Any technology initiative proposed at a state level cannot be evenly implemented because districts span a continuum of technology capacity and infrastructure. This means teachers in school districts do not have comparable efficient access to use student data to inform their instruction. Student access to computers cannot be equally guaranteed across all schools in Minnesota, limiting the access to learning opportunities for students and assessment opportunities for teachers. A disparity exists across districts as some can obtain student learning data easily from their computers while others use boxes of paper because they lack the infrastructure to support a data management system.

With this initiative, Minnesota will develop a set of minimum standards for technology infrastructure and capacity. Districts will use this money first to reach those standards. Thus, any statewide technology initiative in schools will have a common set of specifications that are equal among all schools. Once achieved, districts will then use the funds to integrate student technology standards into their curriculum as districts work with the revised Minnesota Academic Standards that are required by statute to be a part of the revision of the Minnesota Academic Standards (M.S. 120B.023 Subd. 2a). Once integrated student technology standards exist within the district curriculum, districts may then use the dollars to promote a data-driven decision-making model for curriculum and instructional decisions. Finally, districts may use the funds for innovation in student learning in the classroom or computer lab as well as professional development in technology, or using technology to engage in professional development (e.g., online, interactive classes to advance teaching and learning strategies).

Online Learning Expansion Grants are recommended to encourage the development and use of online courses as a means of providing a full range of course offerings to expand academic opportunities, increase graduation rates and college eligibility, to provide any necessary remediation through innovative online courses or programming. A clearinghouse of courses available from 23 approved providers will be created and provided online for school district users. School districts could purchase online courses for use as part of the district-offered curriculum. Developers of online courses would be rewarded for creating quality products.

Relationship to Base Budget

This initiative will increase the state base budget by \$19 million in FY 2008 and \$19 million in FY 2009.

Key Measures

- ⇒ Minnesota clearly identifies technology infrastructure and capacity standards and moves districts toward those standards.
- ⇒ Students have greater opportunity to learn technology standards that are required by statute to be a part of the revision of the Minnesota Academic Standards (M.S. 120B.023 Subd. 2a).
- ⇒ Educators are focused on data-driven decision-making that incorporates the use of database information at the teacher's computer.
- ⇒ Teachers have new methods of instruction available to them and students are able to engage their curriculum in novel ways.
- ⇒ Online courses from approved providers will be available to school districts to assist them in providing a full range of curriculum.

Statutory Change: Not Applicable

DEPT OF EDUCATION

Program: **FACILITIES & TECHNOLOGY**

Change Item: **JOBZ Definitions for Debt Service**

Preliminary Proposal

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures		(1)	(1)	(1)
Revenues				
Other Fund				
Expenditures				
Revenues				
Net Fiscal Impact		(1)	(1)	(1)

Recommendation

The Governor recommends simplifying the calculation of debt equalization aid and debt service fund levies by using one consistent tax base for the calculations. Additionally, the Governor recommends that levies for alternative facilities projects funded on an annual pay-as-you-go basis be equalized as part of the health and safety formula instead of the debt service equalization formula.

The fiscal impact of these changes is an annual reduction of \$1,000 in debt service aid for the period FY 2008-11 and a corresponding annual increase in levy.

Background

JOBZ properties are excluded from property taxation for all levy categories excluding pre-existing school district operating referendum levies and school district bonded debt levies by M.S. 272.02, subdivision 64. Currently, the school district debt service equalization aid formula includes some levy categories for which JOBZ properties are exempt (e.g., bonded debt), and other categories for which JOBZ properties are not exempt (e.g., energy loan levies, pay-as-you-go alternative facilities levies, lease purchase levies, maximum effort levies). This requires the debt service aid and corresponding levies to be calculated using two separate tax bases, one including JOBZ property values, and a second excluding JOBZ values, and complicates the calculation of tax rates for the debt service fund. This proposal would make JOBZ property nonexempt from all debt service fund levies, and would exclude alternative facilities levies for projects funded on an annual pay-as-you-go basis, which are levied in the school districts' general fund, from the debt service equalization aid formula. This would greatly simplify the debt service aid and levy calculations and have very little fiscal impact, since the great majority of debt service fund levies are for bonded debt, the impact of the remaining levies on JOBZ properties is minimal.

Alternative facilities levies for projects funded on an annual pay-as-you-go basis are currently equalized in the debt service equalization aid formula, but are included in the school district's general fund, adding further complexity to the school levy process. This proposal would simplify the calculations by equalizing these levies within the health and safety formula, which is also included in the school district's general fund. There would be no fiscal impact, as the equalizing factors for both health & safety and Tier 1 debt equalization are set at a very low level, and none of the districts making these levies currently qualify for equalization under either formula.

These changes are needed as the calculation for debt service levies has become extremely cumbersome and very difficult for school district staff to understand and to explain to taxpayers. In addition, the spread of school district levies to individual properties has become needlessly complex.

The small change in fiscal impact from this proposal will result in significant simplification.

Relationship to Base Budget

The base budget decrease is negligible.

Key Measures

The levy process at MDE, school districts and counties will be simplified.

DEPT OF EDUCATION

Program: FACILITIES & TECHNOLOGY

Change Item: JOBZ Definitions for Debt Service

Statutory Change:

M.S. 123B.53

M.S. 123B.57

M.S. 272.02

DEPT OF EDUCATION
Program: Facilities & Technology
Activity: Health & Safety

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09 FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Appropriation Excluding Buyback	784				
2 Aid Payment Buyback	39				
3 Total Current Appropriation	823	352	352	352	704
a. End of Session Estimate		(103)	(91)	(133)	(224)
b. November Forecast Adjustment			(71)	(40)	(111)
c. Cancellation	(53)				
4 Governor's Recommended Appropriation	770	249	190	179	369
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
5 Statutory Formula Aid	628	201	188	178	366
6 Statutory Excess/(Shortfall)	53	114			0
7 Appropriated Entitlement	681	315	188	178	366
8 Adjustments					
a. Appropriation Reduction		(114)			
b. Cancellation	(53)				
9 State Aid Entitlement Current Law	628	201	188	178	366
<i>plus</i>					
LEVY					
Levy					
10 Local Levy Current Law	64,756	55,279	57,793	58,963	116,756
<i>equals</i>					
REVENUE					
11 Current Law Revenue (State Aid & Levy)	65,384	55,480	57,981	59,141	117,122
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	211	69	21	18	39
Current Year (90%)	612	180	170	161	331
Cancellation	(53)				
Total State Aid - General Fund	770	249	191	179	370

DEPT OF EDUCATION

Program: Facilities & Technology

Activity: Debt Service Equalization

Budget Activity Summary

Dollars in Thousands

		Current		Governor's Rec.		Biennium
		FY 2006	FY 2007	FY 2008	FY 2009	2008-09
						FY2008-09
Direct Appropriations by Fund						
General Fund						
1	Appropriation Excluding Buyback	25,785				
2	Aid Payment Buyback	1,421				
3	Total Current Appropriation	27,206	18,410	18,410	18,410	36,820
	a. End of Session Estimate			1,555	(2,312)	(757)
	b. November Forecast Adjustment		(15)	(5,052)	(4,314)	(9,366)
	c. February Forecast Adjustment			(100)	(659)	(759)
	d. Cancellation	(13)				0
4	Forecast Base	27,193	18,395	14,813	11,125	25,938
5	Governor's Recommendation					
	a. JOBZ Definitions for Debt Service				(1)	(1)
6	Governor's Recommended Appropriation	27,193	18,395	14,813	11,124	25,937
District Revenue Summary (Entitlement Basis)						
AID						
State Aid						
7	Statutory Formula Aid	25,044	17,656	14,497	10,751	25,248
8	Statutory Excess/(Shortfall)	13	15			
9	Appropriated Entitlement	25,057	17,671	14,497	10,751	25,248
10	Adjustments					
	a. Appropriation Reduction		(15)			
	b. Cancellation	(13)				
11	State Aid Entitlement Current Law	25,044	17,656	14,497	10,751	25,248
12	Governor's Recommendation					
	a. JOBZ Definitions for Debt Service				(1)	(1)
13	Governor's Aid Recommendation	25,044	17,656	14,497	10,750	25,247
<i>plus</i>						
LEVY						
Levy						
14	Local Levy Current Law	569,019	620,489	643,617	675,241	1,318,858
15	Governor's Recommendation					
	a. JOBZ Definitions for Debt Service				1	1
16	Governor's Levy Recommendation	569,019	620,489	643,617	675,242	1,318,859
<i>equals</i>						
REVENUE	17 Current Law Revenue (State Aid & Levy)	594,063	638,145	658,114	685,992	1,344,106
Appropriations Basis for State Aid						
	Prior Year (15.7%/10%)	4,653	2,504	1,765	1,449	3,214
	Current Year (90%)	22,553	15,891	13,048	9,675	22,723
	Cancellation	(13)				
	Total State Aid - General Fund	27,193	18,395	14,813	11,124	25,937

DEPT OF EDUCATION
Program: Facilities & Technology
Activity: Alternative Facilities

Budget Activity Summary

Dollars in Thousands

		Current		Governor's Rec.		Biennium
		FY 2006	FY 2007	FY 2008	FY 2009	2008-09
						FY2008-09
Direct Appropriations by Fund						
General Fund						
	1	19,287				
	2	1,100				
	3	20,387	19,287	19,287	19,287	38,574
	4	20,387	19,287	19,287	19,287	38,574
District Revenue Summary (Entitlement Basis)						
AID	State Aid					
	5	19,287	19,287	19,287	19,287	38,574
	6					0
	7	19,287	19,287	19,287	19,287	38,574
	8					
	9	19,287	19,287	19,287	19,287	38,574
<i>plus</i>						
LEVY	Levy					
	10	41,628	49,308	61,926	73,683	135,609
<i>equals</i>						
REVENUE	11	60,915	68,595	81,213	92,970	174,183
Appropriations Basis for State Aid						
		3,028	1,928	1,928	1,928	3,856
		17,359	17,359	17,359	17,359	34,718
	Total State Aid - General Fund	20,387	19,287	19,287	19,287	38,574

DEPT OF EDUCATION

Program: Facilities & Technology

Activity: Deferred Maintenance

Budget Activity Summary

Dollars in Thousands

		Current		Governor's Rec.		Biennium
		FY 2006	FY 2007	FY 2008	FY 2009	2008-09
						FY2008-09
Direct Appropriations by Fund						
General Fund						
1	Current Appropriation	0	0	0	0	0
	a. End of Session Estimate			3,402	2,997	6,399
	b. November Forecast Adjustment				(285)	(285)
	c. February Forecast Adjustment			(112)	(45)	(157)
2	Governor's Recommended Appropriation	0	0	3,290	2,667	5,957
District Revenue Summary (Entitlement Basis)						
AID						
State Aid						
3	Statutory Formula Aid	0	0	3,655	2,557	6,212
4	Statutory Excess/(Shortfall)					0
5	Appropriated Entitlement	0	0	3,655	2,557	6,212
6	Adjustments					
7	State Aid Entitlement Current Law	0	0	3,655	2,557	6,212
<i>plus</i>						
LEVY						
Levy						
8	Local Levy Current Law	0	0	22,584	24,097	46,681
<i>equals</i>						
REVENUE	9 Current Law Revenue (State Aid & Levy)	0	0	26,239	26,654	52,893
Appropriations Basis for State Aid						
	Prior Year (10%)	0	0	0	365	365
	Current Year (90%)	0	0	3,290	2,302	5,592
	Total State Aid - General Fund	0	0	3,290	2,667	5,957

Activity Description

This program addresses specific and unique financial circumstances for the impacted district.

Population Served

All students and communities in the school district benefit from this funding.

Rocori Grant

Citation: Laws 2006, Chapter 282, Article 5, Section 5

The grant is for a continuation of district activities that were developed in concert with the Rocori school district's federal School Emergency Response to Violence, or Project SERV, grant. The state grant may be used to continue the district's recovery efforts, and uses include:

- ◆ an academic program and impact of tragedy or program assessment of educational adequacy;
- ◆ an organizational analysis;
- ◆ a strategic planning overview;
- ◆ a district assessment survey;
- ◆ continued recovery support;
- ◆ staff development initiatives; and
- ◆ any other activities developed in response to the federal Project SERV grant.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8851.

Activity at a Glance

- ◆ Grant funding for Rocori Independent School District 750

DEPT OF EDUCATION

Program: FACILITIES & TECHNOLOGY

Activity: ROCORI SCHOOL DISTRICT GRANT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	0	137	137	137	274
Technical Adjustments					
Current Law Base Change			(84)	(137)	(221)
Subtotal - Forecast Base	0	137	53	0	53
Total	0	137	53	0	53
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	137	53	0	53
Total	0	137	53	0	53
<u>Expenditures by Category</u>					
Local Assistance	0	137	53	0	53
Total	0	137	53	0	53

DEPT OF EDUCATION

Program: NUTRITION PROGRAMS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	14,766	15,585	15,585	15,585	31,170
Technical Adjustments					
End-of-session Estimate			211	425	636
February Forecast Adjustment		0	63	183	246
November Forecast Adjustment		131	270	297	567
Subtotal - Forecast Base	14,766	15,716	16,129	16,490	32,619
Total	14,766	15,716	16,129	16,490	32,619
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	14,691	15,716	16,129	16,490	32,619
Statutory Appropriations					
Federal	172,243	178,329	186,860	195,251	382,111
Total	186,934	194,045	202,989	211,741	414,730
 <u>Expenditures by Category</u>					
Local Assistance	186,934	194,045	202,989	211,741	414,730
Total	186,934	194,045	202,989	211,741	414,730
 <u>Expenditures by Activity</u>					
School Lunch	103,610	108,841	112,853	117,584	230,437
School Breakfast/Milk	26,997	28,088	29,087	30,385	59,472
Summer Food Replacement Aid	2,072	2,079	2,974	3,103	6,077
Community Nutrition Programs	54,255	55,037	58,075	60,669	118,744
Total	186,934	194,045	202,989	211,741	414,730

DEPT OF EDUCATION
Program: Nutrition Programs
Activity: School Lunch

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09
Direct Appropriations by Fund					
General Fund					
1 Current Appropriation	9,760	10,391	10,391	10,391	20,782
a. Cancellation	(83)				
b. November Forecast Adjustment			125	251	376
c. February Forecast Adjustment			3	3	6
2 Governor's Recommended Appropriation	9,677	10,391	10,519	10,645	21,164
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
3 Statutory Formula Aid	9,677	10,391	10,519	10,645	21,164
4 Statutory Excess/(Shortfall)	83				0
5 Appropriated Entitlement	9,760	10,391	10,519	10,645	21,164
6 Adjustments					
a. Cancellation	(83)				
7 State Aid Entitlement Current Law	9,677	10,391	10,519	10,645	21,164
8 Other Revenue					
a. Federal	93,933	98,450	102,334	106,939	209,273
b. Dedicated Receipts	3,099	3,190	3,264	3,220	6,484
9 Total All Sources Current Law	106,709	112,031	116,117	120,804	236,921
Appropriations Basis for State Aid					
Current Year	9,760	10,391	10,519	10,645	21,164
Cancellation	(83)				
Total State Aid - General Fund	9,677	10,391	10,519	10,645	21,164

DEPT OF EDUCATION

Program: Nutrition Programs

Activity: School Breakfast/Milk

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09 FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Current Appropriation	4,856	5,044	5,044	5,044	10,088
a. Transfer per M.S. 127A.41	31				
b. November Forecast Adjustment		106	270	297	567
c. February Forecast Adjustment		25	60	180	240
2 Governor's Recommended Appropriation	4,887	5,175	5,460	5,695	11,155
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
3 Statutory Formula Aid	4,887	5,175	5,460	5,695	11,155
4 Statutory Excess/(Shortfall)	(31)	(131)			0
5 Appropriated Entitlement	4,856	5,044	5,460	5,695	11,155
6 Adjustments					
a. Transfer per M.S. 127A.41	31				
b. Supplemental Appropriation		131			
7 State Aid Entitlement Current Law	4,887	5,175	5,460	5,695	11,155
8 Other Revenue					
a. Federal	22,110	22,913	23,627	24,690	48,317
9 Total All Sources Current Law	26,997	28,088	29,087	30,385	59,472
Appropriations Basis for State Aid					
Transfer per M.S. 127A.41	31				
Current Year	4,856	5,175	5,460	5,695	11,155
Total State Aid - General Fund	4,887	5,175	5,460	5,695	11,155

DEPT OF EDUCATION

Program: Library Programs

Activity: Basic Support for Libraries

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09
Direct Appropriations by Fund					
General Fund					
1 Appropriation Excluding Buyback	8,570				
2 Aid Payment Buyback	488				
3 Total Current Appropriation	9,058	8,570	8,570	8,570	17,140
4 Forecast Base	9,058	8,570	8,570	8,570	17,140
5 Governor's Initiatives					
a. 2% Inflation			155	330	485
6 Governor's Recommended Appropriation	9,058	8,570	8,725	8,900	17,625
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
7 Statutory Formula Aid	8,570	8,570	8,570	8,570	17,140
8 Statutory Excess/(Shortfall)					0
9 Appropriated Entitlement	8,570	8,570	8,570	8,570	17,140
10 Adjustments					
11 State Aid Entitlement Current Law	8,570	8,570	8,570	8,570	17,140
12 <i>Governor's Initiatives</i>					
a. 2% Inflation			172	347	519
13 Governor's Aid Recommendation	8,570	8,570	8,742	8,917	17,659
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	1,345	857	857	874	1,731
Current Year (90%)	7,713	7,713	7,868	8,026	15,894
Total State Aid - General Fund	9,058	8,570	8,725	8,900	17,625

DEPT OF EDUCATION

Program: Library Programs

Activity: Multicounty, Multitype Library Systems

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09 FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Appropriation Excluding Buyback	903				
2 Aid Payment Buyback	51				
3 Total Current Appropriation	954	903	903	903	1,806
4 Governor's Recommended Appropriation	954	903	903	903	1,806
District Revenue Summary (Entitlement Basis)					
AID	State Aid				
5 Statutory Formula Aid	903	903	903	903	1,806
6 Statutory Excess/(Shortfall)					0
7 Appropriated Entitlement	903	903	903	903	1,806
8 Adjustments					
9 State Aid Entitlement Current Law	903	903	903	903	1,806
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	141	90	90	90	180
Current Year (90%)	813	813	813	813	1,626
Total State Aid - General Fund	954	903	903	903	1,806

DEPT OF EDUCATION

Program: Library Programs

Activity: Regional Library Telecommunication Aid Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09 FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Appropriation Excluding Buyback	1,200				
2 Aid Payment Buyback	68				
3 Total Current Appropriation	1,268	1,200	1,200	1,200	2,400
4 Governor's Recommended Appropriation	1,268	1,200	1,200	1,200	2,400
District Revenue Summary (Entitlement Basis)					
AID	State Aid				
5 Statutory Formula Aid	1,200	1,200	1,200	1,200	2,400
6 Statutory Excess/(Shortfall)					0
7 Appropriated Entitlement	1,200	1,200	1,200	1,200	2,400
8 Adjustments					
9 State Aid Entitlement Current Law	1,200	1,200	1,200	1,200	2,400
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	188	120	120	120	240
Current Year (90%)	1,080	1,080	1,080	1,080	2,160
Total State Aid - General Fund	1,268	1,200	1,200	1,200	2,400

DEPT OF EDUCATION

Program: EARLY CHLDHOOD & FAM SUPPORT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	46,733	49,676	49,676	49,676	99,352
Technical Adjustments					
Current Law Base Change			2,260	3,871	6,131
End-of-session Estimate			909	1,459	2,368
February Forecast Adjustment		0	(106)	38	(68)
November Forecast Adjustment		(603)	(2,105)	(3,147)	(5,252)
One-time Appropriations			(30)	(30)	(60)
Subtotal - Forecast Base	46,733	49,073	50,604	51,867	102,471
Governor's Recommendations					
Special Education Funding Changes		0	(427)	(1,055)	(1,482)
Early Childhood Scholarship Program		0	392	28,509	28,901
ECFE Accountability		0	211	196	407
Early Childhood Teacher Training		0	155	70	225
School Readiness Improvement		0	4,183	4,183	8,366
Total	46,733	49,073	55,118	83,770	138,888
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	46,078	49,191	55,118	83,770	138,888
Statutory Appropriations					
Misc Special Revenue	29	30	30	30	60
Federal	5,835	5,607	6,865	6,865	13,730
Total	51,942	54,828	62,013	90,665	152,678
<u>Expenditures by Category</u>					
Total Compensation	0	99	681	681	1,362
Other Operating Expenses	0	268	432	367	799
Local Assistance	51,942	54,461	60,900	89,617	150,517
Total	51,942	54,828	62,013	90,665	152,678
<u>Expenditures by Activity</u>					
Early Childhood/Family Educ	15,029	17,669	18,516	18,980	37,496
School Readiness	9,499	9,087	9,095	9,095	18,190
Kindergarten Entrance Exam	0	287	287	287	574
Hlth & Development Screening	2,597	2,880	3,159	3,330	6,489
Infants & Toddlers-Part C	5,835	5,607	6,865	6,865	13,730
Head Start Program	18,982	19,218	19,100	19,100	38,200
Educate Parents Partnership	0	80	50	50	100
Early Childhood Scholarship	0	0	392	28,509	28,901
Ecfe Accountability	0	0	211	196	407
Early Childhood Tchr Training	0	0	155	70	225
School Readiness Improvement	0	0	4,183	4,183	8,366
Total	51,942	54,828	62,013	90,665	152,678
Full-Time Equivalents (FTE)	0.0	1.0	7.0	7.0	

DEPT OF EDUCATION

Program: **EARLY CHILDHOOD & FAM SUPPORT**

Change Item: Early Childhood Scholarship

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$392	\$28,509	\$28,509	\$28,509
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$392	\$28,509	\$28,509	\$28,509

Recommendation

The Governor recommends \$392,000 for FY 2008 for the development and \$28,509,000 for FY 2009 and later years for the implementation of an early childhood scholarship fund to improve the school readiness of pre-kindergarten children at risk of being unprepared for kindergarten.

Background

Minnesota School Readiness Study: Developmental Assessment at Kindergarten Entrance data demonstrates the relationship between developmental assessment by domains in the “not yet” category of readiness levels and total household yearly incomes. In all developmental domains of social development, language and literacy, mathematical thinking, the arts, and physical development, the percentage of kindergarteners “not yet” showing the skills, areas of knowledge, or specific sets of behaviors or accomplishments is highest in the lowest income areas as compared to higher income levels. In language and literacy overall 12% of children rated “not yet.” In mathematical thinking 11% of children rated “not yet.”

In the July 2006 Minnesota Governor’s Summit on School Readiness, ten program elements well grounded in research were identified as critical to improving the readiness of children most at-risk for school failure including instruction that accelerates literacy and language development and mathematical thinking, and instructional content and activities that are of sufficient length and intensity.

The commissioner will establish an early childhood scholarship program for parents or guardians of four-year-old children with a household income that does not exceed 185% of the federal poverty guidelines. Beginning in FY 2009, scholarship funds up to \$4,000 per eligible child will be available to support participation in an approved public or private early childhood program the year prior to kindergarten entrance in order to positively impact the K-12 achievement gap.

Based on three years of the *Minnesota School Readiness Study: Developmental Assessment at Kindergarten Entrance* and national research, quality early childhood programs improve student outcomes for low-income children most at-risk for not being fully prepared for kindergarten. This proposal supports parents’ access to rigorous kindergarten readiness programs the year prior to kindergarten entrance so that the percentage of low-income kindergarteners demonstrating skills, knowledge, and behaviors is more comparable to children from higher income families.

For additional information on the *Minnesota School Readiness Study* visit the following link: <http://education.state.mn.us/mdeprod/groups/EarlyLearning/documents/Report/004620.pdf>.

Relationship to Base Budget

This is a new program.

Key Measures

- ⇒ The number of approved kindergarten readiness programs.
- ⇒ The number of scholarships awarded.
- ⇒ An increase in the number of at-risk children demonstrating proficiency in skills, knowledge and behaviors necessary for school success.

DEPT OF EDUCATION

Program: EARLY CHILDHOOD & FAM SUPPORT

Change Item: Early Childhood Scholarship

Statutory Change: New section established within M.S. 124D.

DEPT OF EDUCATION

Program: Early Childhood Family Support

Activity: Early Childhood & Family Education

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium		
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09 FY2008-09		
Direct Appropriations by Fund							
General Fund							
1 Appropriation Excluding Buyback	14,260						
2 Aid Payment Buyback	845						
3 Total Current Appropriation	15,105	17,792	17,792	17,792	35,584		
a. End of Session Estimate			700	1,132	1,832		
b. Cancellation	(104)				0		
c. Transfer per M.S. 127A.41	(1)						
d. November Forecast Adjustment		(110)	(50)	(53)	(103)		
f. February Forecast Adjustment		(43)	44	79	123		
4 Governor's Recommended Appropriation	15,000	17,639	18,486	18,950	37,436		
District Revenue Summary (Entitlement Basis)							
AID							
State Aid							
5 Statutory Formula Aid	14,612	17,964	18,544	18,995	37,539		
6 Statutory Excess/(Shortfall)	170	170			0		
7 Appropriated Entitlement	14,782	18,134	18,544	18,995	37,539		
8 Adjustments							
a. Appropriation Reduction		(170)					
b. Cancellation	(104)						
c. Transfer per M.S. 127A.41	(1)						
9 State Aid Entitlement Current Law	14,677	17,964	18,544	18,995	37,539		
<i>plus</i>							
LEVY							
Levy							
10 Local Levy Current Law	21,765	21,957	22,046	22,101	44,147		
<i>equals</i>							
REVENUE	11	Current Law Revenue (State Aid & Levy)	36,442	39,921	40,590	41,096	81,686
Appropriations Basis for State Aid							
		Prior Year (15.7%/10%)	1,859	1,471	1,796	1,854	3,650
		Current Year (90%)	13,246	16,168	16,690	17,096	33,786
		Transfer per M.S. 127A.41	(1)				
		Cancellation	(104)				
		Total State Aid - General Fund	15,000	17,639	18,486	18,950	37,436
Additional ECFE Revenue-Fund 200							
		ECFE Partnership-Ucare	29	30	30	30	60

DEPT OF EDUCATION

Program: Early Childhood Family Support

Activity: School Readiness

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09 FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Appropriation Excluding Buyback	9,014				
2 Aid Payment Buyback	514				
3 Total Current Appropriation	9,528	9,020	9,020	9,020	18,040
a. End of Session Estimate		67	67	75	142
b. November Forecast Adjustment			8		8
c. Cancellation	(29)				0
4 Governor's Recommended Appropriation	9,499	9,087	9,095	9,095	18,190
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
5 Statutory Formula Aid	8,985	9,095	9,095	9,095	18,190
6 Statutory Excess/(Shortfall)	29	(74)			0
7 Appropriated Entitlement	9,014	9,021	9,095	9,095	18,190
8 Adjustments					
a. Supplemental Appropriation		74			
b. Cancellation	(29)				
9 State Aid Entitlement Current Law	8,985	9,095	9,095	9,095	18,190
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	1,415	901	909	909	1,818
Current Year (90%)	8,113	8,186	8,186	8,186	16,372
Cancellation	(29)				
Total State Aid - General Fund	9,499	9,087	9,095	9,095	18,190

DEPT OF EDUCATION

Program: Early Childhood Family Support

Activity: Health & Developmental Screening

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09 FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Appropriation Excluding Buyback	2,820				
2 Aid Payment Buyback	180				
3 Total Current Appropriation	3,000	2,997	2,997	2,997	5,994
a. End of Session Estimate		(64)	142	252	394
b. November Forecast Adjustment			68	122	190
c. Cancellation	(403)				
d. February Forecast Adjustment		(53)	(48)	(41)	(89)
4 Governor's Recommended Appropriation	2,597	2,880	3,159	3,330	6,489
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
5 Statutory Formula Aid	2,467	2,881	3,190	3,345	6,535
6 Statutory Excess/(Shortfall)	403	130			0
7 Appropriated Entitlement	2,870	3,011	3,190	3,345	6,535
8 Adjustments					
a. Cancellation	(403)				
b. Appropriation Reduction		(130)			
9 State Aid Entitlement Current Law	2,467	2,881	3,190	3,345	6,535
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	417	287	288	319	607
Current Year (90%)	2,583	2,593	2,871	3,011	5,882
Cancellation	(403)				
Total State Aid - General Fund	2,597	2,880	3,159	3,330	6,489

DEPT OF EDUCATION

Program: Early Childhood Family Support

Activity: Infants & Toddlers – Part C

Budget Activity Summary

Dollars in Thousands

		Current		Governor's Rec.		Biennium
		FY 2006	FY 2007	FY 2008	FY 2009	2008-09
						FY2008-09
Direct Appropriations by Fund						
General Fund						
1	Current Appropriation		400	400	400	800
	a. End of Session Estimate			2,260	3,871	6,131
	b. November Forecast Adjustment		(197)	(2,131)	(3,216)	(5,347)
	c. February Forecast Adjustment		(203)	(102)		(102)
2	Forecast Base	0	0	427	1,055	1,482
3	Governor's Initiatives					
	a. Special Education Combined Programs			(427)	(1,055)	(1,482)
4	Governor's Recommended Appropriation	0	0	0	0	0
District Revenue Summary (Entitlement Basis)						
AID						
State Aid						
5	Statutory Formula Aid	0	305	641	1,148	1,789
6	Statutory Excess/(Shortfall)		95			0
7	Appropriated Entitlement	0	400	641	1,148	1,789
8	Adjustments					
	a. Appropriation Reduction		(400)			
9	State Aid Entitlement Current Law	0	0	641	1,148	1,789
10	Governor's Initiatives					
	a. Special Education Combined Programs			(641)	(1,148)	(1,789)
11	Governor's Aid Recommendation	0	0	0	0	0
12	Other Revenue					
	a. Federal	5,896	6,371	6,972	6,974	13,946
13	Total All Sources Current Law	5,896	6,371	6,972	6,974	13,946
Appropriations Basis for State Aid						
Current Year (90%)						
Prior Year (10%)						
Total State Aid - General Fund						
		0	0	0	0	0

DEPT OF EDUCATION

Program: COMMUNITY ED & PREVENTION

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	2,880	2,733	2,733	2,733	5,466
Technical Adjustments					
End-of-session Estimate			(659)	(1,174)	(1,833)
February Forecast Adjustment		0	8	19	27
November Forecast Adjustment		(5)	6	19	25
Subtotal - Forecast Base	2,880	2,728	2,088	1,597	3,685
Total	2,880	2,728	2,088	1,597	3,685
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,843	2,728	2,088	1,597	3,685
Total	2,843	2,728	2,088	1,597	3,685
<u>Expenditures by Category</u>					
Local Assistance	2,843	2,728	2,088	1,597	3,685
Total	2,843	2,728	2,088	1,597	3,685
<u>Expenditures by Activity</u>					
Community Education	2,009	1,942	1,307	816	2,123
Adults With Disabilities Prog	746	710	710	710	1,420
Hearing Impaired Adults	70	70	70	70	140
School Age Care Revenue	18	6	1	1	2
Total	2,843	2,728	2,088	1,597	3,685

DEPT OF EDUCATION

Program: Community Education & Prevention

Activity: Community Education

Budget Activity Summary

Dollars in Thousands

		Current		Governor's Rec.		Biennium
		FY 2006	FY 2007	FY 2008	FY 2009	2008-09
						FY2008-09
Direct Appropriations by Fund						
General Fund						
1	Appropriation Excluding Buyback	1,940				
2	Aid Payment Buyback	103				
3	Total Current Appropriation	2,043	1,949	1,949	1,949	3,898
	a. End of Session Estimate			(656)	(1,171)	(1,827)
	b. Cancellation	(34)				0
	c. November Forecast Adjustment		(3)	6	19	25
	d. February Forecast Adjustment		(4)	8	19	27
4	Governor's Recommended Appropriation	2,009	1,942	1,307	816	2,123
District Revenue Summary (Entitlement Basis)						
AID						
State Aid						
5	Statutory Formula Aid	1,808	1,953	1,235	770	2,005
6	Statutory Excess/(Shortfall)	34	8			0
7	Appropriated Entitlement	1,842	1,961	1,235	770	2,005
8	Adjustments					
	a. Appropriation Reduction		(8)			
	b. Cancellation	(34)				
9	State Aid Entitlement Current Law	1,808	1,953	1,235	770	2,005
<i>plus</i>						
LEVY						
Levy						
10	Local Levy Current Law	34,523	35,939	37,289	38,494	75,783
<i>equals</i>						
REVENUE	11 Current Law Revenue (State Aid & Levy)	36,331	37,892	38,524	39,264	77,788
Appropriations Basis for State Aid						
	Prior Year (15.7%/10%)	385	184	195	123	318
	Current Year (90%)	1,658	1,758	1,112	693	1,805
	Cancellation	(34)				
	Total State Aid - General Fund	2,009	1,942	1,307	816	2,123

DEPT OF EDUCATION

Program: Community Education & Prevention

Activity: Adults with Disabilities

Budget Activity Summary

Dollars in Thousands

		Current		Governor's Rec.		Biennium
		FY 2006	FY 2007	FY 2008	FY 2009	2008-09
						FY2008-09
Direct Appropriations by Fund						
General Fund						
1	Appropriation Excluding Buyback	710				
2	Aid Payment Buyback	40				
3	Total Current Appropriation	750	710	710	710	1,420
a.	Cancellation	(4)				
4	Governor's Recommended Appropriation	746	710	710	710	1,420
District Revenue Summary (Entitlement Basis)						
AID						
State Aid						
5	Statutory Formula Aid	710	710	710	710	1,420
6	Statutory Excess/(Shortfall)					0
7	Appropriated Entitlement	710	710	710	710	1,420
8	Adjustments					
9	State Aid Entitlement Current Law	710	710	710	710	1,420
<i>plus</i>						
LEVY						
Levy						
10	Local Levy Current Law	670	670	670	670	1,340
<i>equals</i>						
REVENUE	11 Current Law Revenue (State Aid & Levy)	1,380	1,380	1,380	1,380	2,760
Appropriations Basis for State Aid						
	Prior Year (15.7%/10%)	111	71	71	71	142
	Current Year (90%)	639	639	639	639	1,278
	Cancellation Prior Year Account	(4)				
	Total State Aid - General Fund	746	710	710	710	1,420

DEPT OF EDUCATION

Program: Community Education & Prevention

Activity: School Age Care

Budget Activity Summary

Dollars in Thousands

		Current		Governor's Rec.		Biennium
		FY 2006	FY 2007	FY 2008	FY 2009	2008-09
						FY2008-09
Direct Appropriations by Fund						
General Fund						
	1	16				
	2	1				
	3	17	4	4	4	8
	a.			(3)	(3)	(6)
	b.		3	0	0	0
	c.		(1)			0
	d.	1				
	4	18	6	1	1	2
District Revenue Summary (Entitlement Basis)						
AID						
State Aid						
	5	15	5	1	1	2
	6	(1)	(2)			0
	7	14	3	1	1	2
	8					
	a.		2			
	b.	1				
	9	15	5	1	1	2
<i>plus</i>						
LEVY						
Levy						
	10	10,019	10,882	11,812	12,816	24,628
<i>equals</i>						
REVENUE	11	10,034	10,887	11,813	12,817	24,630
Appropriations Basis for State Aid						
		4	1	0	0	0
		13	5	1	1	2
		1				0
	Total State Aid - General Fund	18	6	1	1	2

DEPT OF EDUCATION

Program: Self Sufficiency & Lifelong Learning

Activity: Adult Basic Education

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Rec.		Biennium
	FY 2006	FY 2007	FY 2008	FY 2009	2008-09 FY2008-09
Direct Appropriations by Fund					
General Fund					
1 Appropriation Excluding Buyback	36,518				
2 Aid Payment Buyback	2,084				
3 Total Current Appropriation	38,602	37,564	37,564	37,564	75,128
a. End of Session Estimate			1,120	2,273	3,393
b. November Forecast		(78)	(38)	(30)	(68)
c. Cancellation	(196)				
4 Governor's Recommended Appropriation	38,406	37,486	38,646	39,807	78,453
District Revenue Summary (Entitlement Basis)					
AID					
State Aid					
5 Statutory Formula Aid	36,397	37,591	38,763	39,923	78,686
6 Statutory Excess/(Shortfall)	196	82			0
7 Appropriated Entitlement	36,593	37,673	38,763	39,923	78,686
8 Adjustments					
a. Cancellation	(196)				
b. Appropriation Reduction		(82)			
9 State Aid Entitlement Current Law	36,397	37,591	38,763	39,923	78,686
10 Other Revenue					
a. Federal	5,240	9,279	5,800	6,140	11,940
11 Total All Sources Current Law	41,637	46,870	44,563	46,063	90,626
Appropriations Basis for State Aid					
Prior Year (15.7%/10%)	5,707	3,654	3,759	3,876	7,635
Cancellation (15.7%)	(44)				
Cancellation (90%)	(14)				
Current Year (90%)	32,757	33,832	34,887	35,931	70,818
Total State Aid - General Fund	38,406	37,486	38,646	39,807	78,453

DEPT OF EDUCATION

Program: DEPT OF EDUCATION OPERATIONS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	21,997	22,847	22,847	22,847	45,694
Subtotal - Forecast Base	21,997	22,847	22,847	22,847	45,694
Governor's Recommendations					
Funding Realignment		0	(1,150)	(1,150)	(2,300)
Rulemaking authority for GRAD		0	204	0	204
Rulemaking for Career & Tech Ed		0	204	0	204
Compensation Adjustment		0	320	647	967
Total	21,997	22,847	22,425	22,344	44,769
State Government Spec Revenue					
Current Appropriation	96	96	96	96	192
Technical Adjustments					
Current Law Base Change			(96)	(96)	(192)
Subtotal - Forecast Base	96	96	0	0	0
Governor's Recommendations					
Parenting Time Centers		96	96	96	192
Total	96	192	96	96	192
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	20,758	24,763	23,575	23,494	47,069
State Government Spec Revenue	0	96	96	96	192
Statutory Appropriations					
Misc Special Revenue	10,575	9,993	8,595	8,568	17,163
Federal	40,075	58,893	62,271	60,569	122,840
Miscellaneous Agency	527	618	354	354	708
Gift	462	579	134	125	259
Total	72,397	94,942	95,025	93,206	188,231
<u>Expenditures by Category</u>					
Total Compensation	31,731	37,110	37,759	38,050	75,809
Other Operating Expenses	27,268	44,270	39,080	38,203	77,283
Payments To Individuals	251	239	56	56	112
Local Assistance	12,811	12,971	17,881	16,648	34,529
Other Financial Transactions	336	352	352	352	704
Transfers	0	0	(103)	(103)	(206)
Total	72,397	94,942	95,025	93,206	188,231
<u>Expenditures by Activity</u>					
School Improvement	26,474	39,617	35,726	34,365	70,091
Finance, Compliance & Spec Educ	19,387	23,685	22,599	23,021	45,620
Academic Excellence & Innovation	11,213	12,753	19,395	18,545	37,940
Administration	14,266	17,573	16,228	16,187	32,415
Pass Through Funding	1,057	1,314	1,077	1,088	2,165
Total	72,397	94,942	95,025	93,206	188,231
Full-Time Equivalents (FTE)	410.3	437.3	432.6	431.4	

DEPT OF EDUCATION

Change Item: Parenting Time Centers

Fiscal Impact (\$000s)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
General Fund					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Other Fund					
Expenditures	\$192	\$96	\$96	\$96	\$96
Revenues	0	0	0	0	0
Net Fiscal Impact	\$192	\$96	\$96	\$96	\$96

Recommendation

The Governor recommends allocating \$192,000 for FY 2007 and ongoing funding of \$96,000 in FY 2008 and FY 2009, in order to provide a safe and neutral site for parent and child interaction and visitation. The Governor recommends appropriating the funding directly to the Department of Public Safety in the future.

Background

Parenting Time Centers provide a healthy interactive parenting time and visitation environment for parents who are separated/divorced and for parents with children in foster homes. Parenting Time Center programs are available for use as a drop-off site, so parents who are under court order to not have contact with each other can exchange children for visitation at a neutral site.

The funding for Parenting Time Centers is used for grants to three nonprofit organizations that operate the centers. The Department of Public Safety administers the grants. The funding is transferred from MDE to the Department of Public Safety through an interagency agreement.

The appropriation language for this program was inadvertently omitted from the recommendations for FY 2006-2007. This proposal provides funding for FY 2007 and establishes ongoing funding for FY 2008-09 and a continuing base.

Relationship to Base Budget

Parenting Time Centers are funded through marriage license fee receipts in the State Government Special Revenue fund. Three dollars from each marriage license fee is statutorily designated for Parenting Time Centers. This proposal reinstates the ongoing appropriation for this program.

Statutory Change: Not Applicable.

DEPT OF EDUCATION

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Governor's Recomm. FY2008 FY2009		Biennium 2008-09
<i>Non Dedicated Revenue:</i>					
Departmental Earnings:					
General	1,913	1,804	1,804	1,804	3,608
Other Revenues:					
General	158	0	1	1	2
Total Non-Dedicated Receipts	2,071	1,804	1,805	1,805	3,610
<i>Dedicated Receipts:</i>					
Departmental Earnings:					
Misc Special Revenue	3,323	3,329	3,590	3,783	7,373
Grants:					
Misc Special Revenue	3,188	2,205	1,114	1,114	2,228
Federal	587,062	649,160	662,175	661,758	1,323,933
Miscellaneous Agency	200	200	0	0	0
Gift	150	0	0	0	0
Other Revenues:					
Misc Special Revenue	3,916	3,602	3,766	3,676	7,442
Federal	299	0	0	0	0
Maximum Effort School Loan	2,254	1,000	1,000	1,000	2,000
Miscellaneous Agency	338	354	354	354	708
Gift	147	136	20	66	86
Other Sources:					
Misc Special Revenue	1	69	2	2	4
Miscellaneous Agency	53	0	0	0	0
Gift	0	50	50	50	100
Total Dedicated Receipts	600,931	660,105	672,071	671,803	1,343,874
Agency Total Revenue	603,002	661,909	673,876	673,608	1,347,484

Appropriation Unit Name	Primary Purpose	Dollars in Thousands			
		2006 Actual	2007 Budgeted	2008 Base Budget	2009 Base Budget
CHARTER SCHOOL FACILITIES	GPS	91	8,176	9,181	4,182
SCHOOL CHOICE	GPS	5,242	11,550	13,607	13,607
PUBLIC CHARTER SCHOOLS	GPS	4,469	0	0	0
VOLUNTARY SCHOOL CHOICE	GPS	2,398	3,646	2,240	0
		12,200	23,372	25,028	17,789
HURRICANE IMPACT AID	GPS	851	536	0	0
TEACHER INCENTIVE FUND	GPS	0	0	8,179	7,853
MIGRANT EDUCATION	GPS	3,291	3,020	1,810	1,816
FOREIGN LANGUAGE ASST	SO	140	0	0	0
RURAL & LOW INCOME SCHOOL	GPS	70	64	75	75
BYRD SCHOLARSHIPS	GI	663	695	10	0
DRUG & VIOLENCE PREVENT	GPS	3,450	3,667	4,214	4,220
DRUG & VIOL PREV-GOV	GPS	1,634	1,618	1,669	1,671
HOMELESS CHILDREN	GPS	405	466	517	522
TITLE V	GPS	2,980	2,614	2,623	2,633
TITLE I	GPS	93,071	115,669	115,100	115,108
TECH LITERACY CHALLENGE	GPS	5,865	6,156	4,197	4,205
COMP SCHOOL REFORM	GPS	2,472	1,130	750	0
21 CENTURY COMM LRNG	GPS	9,537	10,200	10,392	10,409
ENGLISH LANGUAGE ACQUISITION	GPS	5,283	6,608	7,220	7,330
IMPROVING TEACHER QUALITY	GPS	33,051	37,893	41,980	42,027
READING FIRST	GPS	14,060	9,579	9,716	9,740
TEACHER QUALITY ENHANCE	SO	3,852	1,942	895	0
SCHOOL HEALTH PROG	GPS	310	221	290	306
VOC ED - PERKINS	GPS	7,628	6,955	6,494	6,494
REFUGEE RESETTLEMENT	GPS	147	0	0	0
SERV AMER-ACH BASED 2000	SO	297	238	238	238
MATH & SCIENCE PARTNERSHIPS	GPS	1,273	1,359	1,489	1,490
		190,330	210,630	217,858	216,137
SPED - STATE IMPRV GRT	GPS	237	1,635	1,020	1,031
DEAF BLIND CTR	GPS	214	113	171	171
CHILD W/DISABILITIES	GPS	170,092	181,205	181,923	182,246
SPEC ED PROG IMPROVEMENT	GPS	842	55	0	0
		171,385	183,008	183,114	183,448
FOOD & NUTR BREAKFAST	GPS	2,387	284	0	0
FOOD & NUTR BREAKFAST	GPS	18,941	2,458	0	0
FOOD & NUTR BREAKFAST	GPS	0	19,350	22,791	23,816
FOOD & NUTR LUNCH	GPS	11,127	524	0	0
FOOD & NUTR LUNCH	GPS	82,806	11,461	0	0
FOOD & NUTR LUNCH	GPS	0	86,465	102,334	106,939
FOOD & NUTR SPEC MILK	GPS	183	21	0	0
FOOD & NUTR SPEC MILK	GPS	599	189	0	0

Appropriation Unit Name	Primary Purpose	Dollars in Thousands			
		2006 Actual	2007 Budgeted	2008 Base Budget	2009 Base Budget
FOOD & NUTR SPEC MILK	GPS	0	611	836	874
FOOD & NUTR CACFP COMMOD	GPS	155	9	0	0
FOOD & NUTR CACFP COMMOD	GPS	536	160	0	0
FOOD & NUTR CACFP COMMOD	GPS	0	509	681	695
FOOD & NUTR CACFP FD SERV	GPS	11,837	156	0	0
FOOD & NUTR CACFP FD SERV	GPS	35,787	12,335	0	0
FOOD & NUTR CACFP FD SERV	GPS	0	34,932	49,255	51,468
FOOD & NUTR CACFP SP ADMIN	GPS	795	147	0	0
FOOD & NUTR CACFP SP ADMIN	GPS	5,145	819	0	0
FOOD & NUTR CACFP SP ADMIN	GPS	0	5,970	8,139	8,506
FOOD & NUTR SFSP SPONSOR	GPS	161	5	0	0
FOOD & NUTR SFSP SPONSOR	GPS	28	166	0	0
FOOD & NUTR SFSP SPONSOR	GPS	0	4	415	434
FOOD & NUTR SFSP OPER	GPS	1,593	77	0	0
FOOD & NUTR SFSP OPER	GPS	163	1,641	0	0
FOOD & NUTR SFSP OPER	GPS	0	36	2,409	2,519
		172,243	178,329	186,860	195,251
LSTA TITLE I	GPS	2,883	3,954	3,000	3,000
		2,883	3,954	3,000	3,000
PRESCHOOL GRANT	GPS	7,939	7,755	7,986	8,031
INFANTS & TODDLERS PT H	GPS	6,175	6,953	7,568	7,587
EVEN START	GPS	2,031	968	962	966
		16,145	15,676	16,516	16,584
ADULT BASIC EDUC	GPS	5,983	10,724	7,002	7,362
		5,983	10,724	7,002	7,362
READING EXCELLENCE	GPS	46	0	0	0
		46	0	0	0
LONGITUDINAL DATA SYSTEM	SO	56	1,085	775	518
IDEA GSEG	SO	0	0	154	154
GEN SUPVR ENHNCMNT GRNT	SO	0	199	199	0
SAFE & DRUG FREE SCH &	SO	500	883	457	468
HEAD START FEDL	SO	125	125	125	125
FOOD & NUTR CACFP AUDIT	SO	133	0	0	0
FOOD & NUTR CACFP AUDIT	SO	379	128	0	0
FOOD & NUTR CACFP AUDIT	SO	0	379	828	852
SUMMER FOOD SAE	SO	52	0	0	0
SUMMER FOOD SAE	SO	65	21	0	0
SUMMER FOOD SAE	SO	0	55	88	91

Appropriation Unit Name	Primary Purpose	Dollars in Thousands			
		2006 Actual	2007 Budgeted	2008 Base Budget	2009 Base Budget
FOOD & NUTRITION SAE	SO	1,532	0	0	0
FOOD & NUTRITION SAE	SO	1,215	1,544	0	0
FOOD & NUTRITION SAE	SO	0	2,083	3,099	3,189
CONSOLIDATED ADMIN	SO	2,821	4,051	3,581	3,689
NEGLECTED & DELINQUENT	SO	202	260	260	260
SCH DROPOUT PREV	SO	152	1,645	1,678	1,713
STATE ASSESSMENT	SO	8,271	10,990	9,904	9,941
EDUC TASK ORDER	SO	115	130	128	132
ENHANCE ASSESSMENT COMPE	SO	426	0	1,496	1,043
COMMON CORE DATA	SO	91	12	12	12
FNS LOCAL WELLNESS	SO	0	59	14	0
		16,135	23,649	22,798	22,187
			587,350	649,342	662,176
					661,758

Key:
 Primary Purpose
 SO = State Operations
 GPS = Grants to Political Subdivision
 GI = Grants to Individuals
 GCBO = Grants to Community Based Organizations

EMERGENCY MEDICAL SVCS

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	2,481	2,481	2,481	2,481	4,962
Recommended	2,481	2,481	2,623	2,641	5,264
Change		0	142	160	302
% Biennial Change from 2006-07					6.1%
State Government Spec Revenue					
Current Appropriation	546	596	596	596	1,192
Recommended	546	596	687	704	1,391
Change		0	91	108	199
% Biennial Change from 2006-07					21.8%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,339	2,736	2,623	2,641	5,264
State Government Spec Revenue	516	626	687	704	1,391
Open Appropriations					
General	896	934	900	900	1,800
State Government Spec Revenue	6	6	12	12	24
Statutory Appropriations					
Misc Special Revenue	1,417	1,557	1,418	1,418	2,836
Federal	302	414	300	300	600
Gift	0	13	1	1	2
Total	5,476	6,286	5,941	5,976	11,917
<u>Expenditures by Category</u>					
Total Compensation	1,405	1,459	1,792	1,906	3,698
Other Operating Expenses	648	1,284	847	765	1,612
Payments To Individuals	306	385	385	385	770
Local Assistance	2,621	2,676	2,542	2,545	5,087
Other Financial Transactions	496	482	375	375	750
Total	5,476	6,286	5,941	5,976	11,917
<u>Expenditures by Program</u>					
Emergency Medical Services Bd	5,476	6,286	5,941	5,976	11,917
Total	5,476	6,286	5,941	5,976	11,917
Full-Time Equivalents (FTE)	22.4	23.0	26.1	26.1	

EMERGENCY MEDICAL SVCS

Change Summary

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	2,481	2,481	2,481	4,962
Subtotal - Forecast Base	2,481	2,481	2,481	4,962
Change Items				
State EMS Medical Director	0	50	50	100
Emergency Preparedness Coordinator	0	75	75	150
EMS Compensation Adjustment	0	17	35	52
Total Governor's Recommendations	2,481	2,623	2,641	5,264
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2007 Appropriations	596	596	596	1,192
Subtotal - Forecast Base	596	596	596	1,192
Change Items				
HPSP Case Manager	0	75	75	150
HPSP Compensation Adjustment	0	16	33	49
Total Governor's Recommendations	596	687	704	1,391
Fund: GENERAL				
Planned Open Spending	934	900	900	1,800
Total Governor's Recommendations	934	900	900	1,800
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	6	12	12	24
Total Governor's Recommendations	6	12	12	24
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	1,557	1,418	1,418	2,836
Total Governor's Recommendations	1,557	1,418	1,418	2,836
Fund: FEDERAL				
Planned Statutory Spending	414	300	300	600
Total Governor's Recommendations	414	300	300	600
Fund: GIFT				
Planned Statutory Spending	13	1	1	2
Total Governor's Recommendations	13	1	1	2

EMERGENCY MEDICAL SERVICES REGULATORY BOARD

Change Item: EMS Compensation Adjustment

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	\$17	\$35	\$35	\$35
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$17	\$35	\$35	\$35

Recommendation

The Governor recommends additional funding of \$17,000 in FY 2008 and \$35,000 in FY 2009 for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 2% for general funded personnel costs and 3.25% for other funds.

Background

Each year compensation costs rise due to labor contract settlements, growing insurance costs, and other items such as pension obligations and step increases.

For the General Fund, the Governor recommends adding an amount that totals 2% of each agency's employee wage and benefit costs, based on projected cost increases for FY 2008-09. Agencies were directed to budget for 3.25% each year, based upon projections of the .25% increase in pension obligations, projected annual increases of 10% in health insurance, increased costs of steps and progression in existing collective bargaining agreements and an allowance for wage increases in those agreements. The legislature's response to this recommendation will establish the parameters for the upcoming labor discussions; the Governor seeks to ensure that the overall wage and benefit agreements stay within the funding provided, rather than relying on state agencies to absorb the costs to any greater degree than reflected in his recommendations.

For direct care activities, such as the State Operated Services in the Department of Human Services and the Veterans' Homes, adjustments of 3.25% per year are recommended, fully funding the projected costs in FY 2008-09 and reflecting the need to maintain mandated service and care levels. For correctional and probation officers in the Department of Corrections and the State Patrol Division in the Department of Public Safety, the Governor's budget also includes the full cost of funding the projected compensation increases, with higher percentages as needed to fund the pension costs enacted in the 2006 legislative session.

For non-General Fund activities, the Governor's budget recommendations include an adjustment up to 3.25%, if this amount can be sustained by the revenue stream.

Relationship to Base Budget

This proposal is an increase to the operating funds for each agency. Detailed fiscal pages in the budget reflect this increase as it relates to specific activities and programs of the agency. Such changes are not reflected in the agency "base," but instead, are shown as a change item for specific discussion and decision.

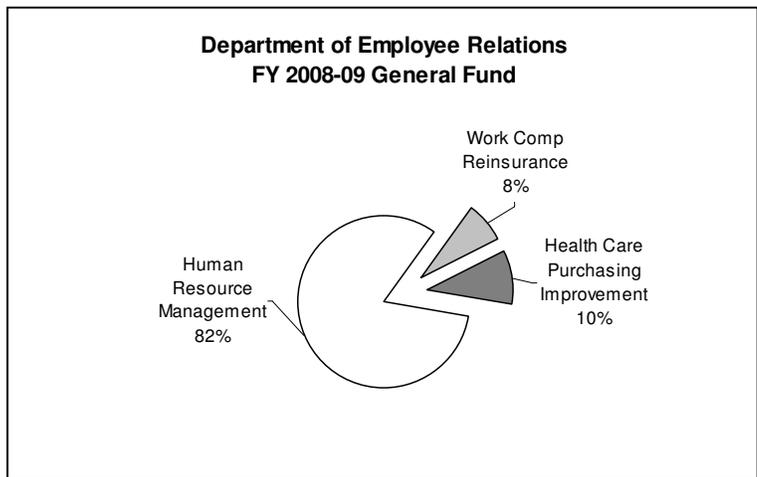
Statutory Change: Not Applicable

January 22, 2007

To the 2007 Minnesota Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Department of Employee Relations' recommendation for the FY 2008-09 biennial budget. This consists of an operating budget of \$12,593,000 from the state's general fund, an open appropriation of \$1,029,000 from the general fund for the state's required Workers' Compensation Reinsurance Association (WCRA) premium and \$1,443,044,000 from other funds. This is an 11.2% increase from DOER's FY 2006-07 general fund operating budget (not including the WCRA open appropriation). For the agency overall from all funding sources, it represents an increase of 0.09% from the FY2008-09 forecast base.

The general fund appropriation primarily supports DOER's Human Resource Management Program which consists of the state's new Center for Health Care Purchasing Improvement, as well as existing labor relations, compensation, state agency and job applicant services, human resource technology and analytics, and internal administrative support activities. The recommended general fund appropriation represents less than 1% of DOER's total budget. The remainder is principally money collected from employees, state agencies, public employers and others for benefits such as health care and workers' compensation claims, insurance coverage and employees' pre-tax spending accounts.



As the human resource management agency for the administration, DOER provides centralized personnel and labor relations services to 90 Executive Branch agencies with approximately 52,100 employees. In addition, DOER designs and administers benefits for all of state service, covering over 120,000 employees, retirees and dependents. The agency's core strategic mission is to:

- Establish an enterprise orientation to employment policy and maintain a single employer stance, which places the state - not each agency - at manageable risk for employment and workplace issues.
- Maximize return on the state's human capital investment by negotiating labor agreements and designing and purchasing benefits that are cost effective yet comparable to the labor market in which agencies must compete to attract and retain quality employees.
- Oversee and enhance the state's human resource infrastructure.

The single most significant demand on programs and services is health care. The impact reaches far beyond the cost of the benefit itself and is felt throughout the agency - from collective bargaining by Labor Relations to Workers' Compensation to support for employees and agencies dealing with benefit choices and problems. The proposed increase for the Center for Health Care Purchasing Improvement is designed to address health care

quality and cost issues, not only for DOER but more broadly for Minnesota. The Center was created in 2006 to align performance measurement and purchasing efforts to provide greater value for the State's more than \$4 billion in annual spending on health care. The Center focuses on adopting common best practices and mutually reinforcing improvement strategies across state agencies and in concert with the private sector and other partners. The Center acts primarily as a catalyst for change, working with and complementing other public and private sector resources. The recommended budget will broaden and intensify the Center's impact and accelerate changes to more rapidly improve the value to taxpayers.

I look forward to working with you on the proposed budget.

Sincerely,



Patricia Anderson
Acting Commissioner

EMPLOYEE RELATIONS DEPT

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	5,667	5,656	5,656	5,656	11,312
Recommended	5,667	5,656	6,249	6,344	12,593
Change		0	593	688	1,281
% Biennial Change from 2006-07					11.2%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	5,271	6,057	6,249	6,344	12,593
Open Appropriations					
General	535	464	497	532	1,029
Statutory Appropriations					
Misc Special Revenue	24,642	25,754	25,915	26,058	51,973
State Employees Insurance	521,315	574,211	634,603	710,482	1,345,085
Miscellaneous Agency	20,264	21,493	22,493	23,493	45,986
Total	572,027	627,979	689,757	766,909	1,456,666
<u>Expenditures by Category</u>					
Total Compensation	10,624	11,219	11,898	12,366	24,264
Other Operating Expenses	561,365	616,760	677,859	754,543	1,432,402
Capital Outlay & Real Property	38	0	0	0	0
Total	572,027	627,979	689,757	766,909	1,456,666
<u>Expenditures by Program</u>					
Human Resource Mgmt	6,375	7,382	7,561	7,664	15,225
Employee Insurance Division	565,652	620,597	682,196	759,245	1,441,441
Total	572,027	627,979	689,757	766,909	1,456,666
Full-Time Equivalent (FTE)	138.5	143.3	146.3	146.3	

EMPLOYEE RELATIONS DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	5,656	5,656	5,656	11,312
Subtotal - Forecast Base	5,656	5,656	5,656	11,312
Change Items				
Ctr for Health Care Purchasing Improvemt	0	500	500	1,000
Compensation Adjustment	0	93	188	281
Total Governor's Recommendations	5,656	6,249	6,344	12,593
Fund: GENERAL				
Planned Open Spending	464	497	532	1,029
Total Governor's Recommendations	464	497	532	1,029
Fund: MISC SPECIAL REVENUE				
Planned Statutory Spending	25,754	25,915	26,058	51,973
Total Governor's Recommendations	25,754	25,915	26,058	51,973
Fund: STATE EMPLOYEES INSURANCE				
Planned Statutory Spending	574,211	634,603	710,482	1,345,085
Total Governor's Recommendations	574,211	634,603	710,482	1,345,085
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	21,493	22,493	23,493	45,986
Total Governor's Recommendations	21,493	22,493	23,493	45,986

EMPLOYEE RELATIONS DEPT

Program: EMPLOYEE INSURANCE DIVISION

Program Summary

	<i>Dollars in Thousands</i>				
	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Open Appropriations					
General	535	464	497	532	1,029
Statutory Appropriations					
Misc Special Revenue	23,538	24,429	24,603	24,738	49,341
State Employees Insurance	521,315	574,211	634,603	710,482	1,345,085
Miscellaneous Agency	20,264	21,493	22,493	23,493	45,986
Total	565,652	620,597	682,196	759,245	1,441,441
<u>Expenditures by Category</u>					
Total Compensation	5,592	5,947	6,267	6,457	12,724
Other Operating Expenses	560,022	614,650	675,929	752,788	1,428,717
Capital Outlay & Real Property	38	0	0	0	0
Total	565,652	620,597	682,196	759,245	1,441,441
<u>Expenditures by Activity</u>					
Employee Insurance Administrat	7,966	9,798	7,938	8,514	16,452
Peip	14,704	15,000	16,800	19,200	36,000
Workers Compensation	2,979	3,056	3,149	3,226	6,375
Insurance Div Non-Operatng	540,003	592,743	654,309	728,305	1,382,614
Total	565,652	620,597	682,196	759,245	1,441,441
Full-Time Equivalent (FTE)	77.3	79.2	82.5	82.5	

EMPLOYEE RELATIONS DEPT
Program: EMPLOYEE INSURANCE DIVISION
 Activity: INSURANCE DIV NON-OPERATNG

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Open Appropriations					
General	535	464	497	532	1,029
Statutory Appropriations					
Misc Special Revenue	19,255	20,001	20,056	20,116	40,172
State Employees Insurance	499,949	550,785	611,263	684,164	1,295,427
Miscellaneous Agency	20,264	21,493	22,493	23,493	45,986
Total	540,003	592,743	654,309	728,305	1,382,614
<u>Expenditures by Category</u>					
Other Operating Expenses	539,965	592,743	654,309	728,305	1,382,614
Capital Outlay & Real Property	38	0	0	0	0
Total	540,003	592,743	654,309	728,305	1,382,614

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
Fund: GENERAL				
FY 2007 Appropriations	65,417	65,417	65,417	130,834
Technical Adjustments				
One-time Appropriations		(27,744)	(27,744)	(55,488)
Subtotal - Forecast Base	65,417	37,673	37,673	75,346
Change Items				
BioBusiness Alliance	0	1,000	0	1,000
University Enterprise Laboratories	0	250	0	250
Minnesota Investment Fund	0	7,000	0	7,000
Redevelopment Grants Funding	0	2,000	0	2,000
Small Community Technical Assistance	0	100	100	200
Urban Initiative Program	0	1,000	0	1,000
Extended Employment Basic Program	0	500	500	1,000
Extended Employment Mental Illness	0	400	400	800
SSB Communication Center	0	1,000	1,000	2,000
Vocational Rehab State Match	0	1,500	1,500	3,000
Minn Youth Career Guides	0	500	500	1,000
Unemployment Fund Reimbursements	0	192	0	192
Local Labor Market Information	0	150	150	300
Positively MN Marketing	0	200	0	200
Compensation Adjustment	0	189	382	571
Total Governor's Recommendations	65,417	53,654	42,205	95,859
Fund: WORKFORCE DEVELOPMENT				
FY 2007 Appropriations	16,327	16,327	16,327	32,654
Technical Adjustments				
One-time Appropriations		(6,857)	(6,857)	(13,714)
Subtotal - Forecast Base	16,327	9,470	9,470	18,940
Total Governor's Recommendations	16,327	9,470	9,470	18,940
Fund: REMEDIATION FUND				
FY 2007 Appropriations	700	700	700	1,400
Subtotal - Forecast Base	700	700	700	1,400
Total Governor's Recommendations	700	700	700	1,400
Fund: PETROLEUM TANK RELEASE CLEANUP				
Planned Open Spending	6,836	6,200	6,200	12,400
Total Governor's Recommendations	6,836	6,200	6,200	12,400

<i>Dollars in Thousands</i>				
	FY2007	Governor's Recomm.		Biennium
		FY2008	FY2009	2008-09
<i>Fund: CLEAN WATER REVOLVING FUND</i>				
Planned Statutory Spending	229,685	207,575	205,915	413,490
Total Governor's Recommendations	229,685	207,575	205,915	413,490
<i>Fund: DRINKING WATER REVOLVING FUND</i>				
Planned Statutory Spending	66,311	64,291	64,435	128,726
Total Governor's Recommendations	66,311	64,291	64,435	128,726
<i>Fund: GENERAL</i>				
Planned Statutory Spending	5	5	5	10
Total Governor's Recommendations	5	5	5	10
<i>Fund: MISC SPECIAL REVENUE</i>				
Planned Statutory Spending	41,312	8,233	6,751	14,984
Change Items				
Dedicating the Contamination Tax	0	156	156	312
Total Governor's Recommendations	41,312	8,389	6,907	15,296
<i>Fund: WORKFORCE DEVELOPMENT</i>				
Planned Statutory Spending	36,884	32,426	30,188	62,614
Total Governor's Recommendations	36,884	32,426	30,188	62,614
<i>Fund: TRANSPORTATION REVOLVING FUND</i>				
Planned Statutory Spending	26,547	8,944	8,994	17,938
Total Governor's Recommendations	26,547	8,944	8,994	17,938
<i>Fund: FEDERAL</i>				
Planned Statutory Spending	57,612	26,698	26,632	53,330
Total Governor's Recommendations	57,612	26,698	26,632	53,330
<i>Fund: FEDERAL DEED</i>				
Planned Statutory Spending	200,947	214,651	204,806	419,457
Total Governor's Recommendations	200,947	214,651	204,806	419,457
<i>Fund: GIFT</i>				
Planned Statutory Spending	948	1,324	369	1,693
Total Governor's Recommendations	948	1,324	369	1,693
<u>Revenue Change Items</u>				
<i>Fund: GENERAL</i>				
Change Items				
Dedicating the Contamination Tax	0	(156)	(156)	(312)
<i>Fund: MISC SPECIAL REVENUE</i>				
Change Items				
Dedicating the Contamination Tax	0	156	156	312

EMPLOYMENT & ECONOMIC DEV DPT**Program: BUSINESS & COMMUNITY DEVELOPMENT****Change Item: Dedicating the Contamination Tax**

Fiscal Impact (\$000s)	FY 2008	FY 2009	FY 2010	FY 2011
General Fund				
Expenditures	(\$156)	(\$156)	(\$156)	(\$156)
Revenues	(\$156)	(\$156)	(\$156)	(\$156)
Special Revenue Fund				
Expenditures	\$156	\$156	\$156	\$156
Revenues	\$156	\$156	\$156	\$156
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends dedicating the proceeds of the contamination tax (M.S. 270.97) to the Contamination Cleanup Grant Program (M.S. 116J.551 – 558).

Background

The contamination tax was created to fund the Contamination Cleanup Grant Program, but never delivered the amount of resources originally expected. Proceeds from the tax were dedicated to the contaminated site cleanup and development account in the General Fund, but were never appropriated to the program. Funds had been collecting in the account in the Revenue Department for more than 10 years before the legislature cancelled it in the 2006 session. The amount collected over that period of time was \$1.3 million.

This initiative dedicates the proceeds of the contamination tax to the contaminated grant program for which it was originally intended.

Relationship to Base Budget

The General Fund base budget for the contaminated grant program is \$1,481,000 per year. It also has a base budget in the Petroleum Tank Cleanup Fund of \$6.2 million per year. This represents to a 10% increase to the General Fund budget, or 2% increase over both funds.

Key Measures

To date, the Contamination Cleanup Grant Program has created over 17,000 jobs, retained over 8,700 jobs, induced a private investment of over \$2 billion and cleaned up over 2,000 acres of land.

Statutory Change: A statutory change is needed to M.S. 270.97 to dedicate the proceeds of the contamination tax to an account in the special revolving fund, for the Contamination Cleanup Grant Program.

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,803	3,703	3,703	3,703	7,406
Recommended	1,803	3,703	36,025	18,892	54,917
Change		0	32,322	15,189	47,511
% Biennial Change from 2006-07					897.4%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,557	3,961	36,025	18,892	54,917
Statutory Appropriations					
Misc Special Revenue	0	1,000	500	500	1,000
Federal	450	300	0	0	0
Enterprise Technology Fund	70,709	85,108	85,246	86,835	172,081
Total	72,716	90,369	121,771	106,227	227,998
<u>Expenditures by Category</u>					
Total Compensation	25,478	30,684	36,840	39,594	76,434
Other Operating Expenses	47,238	57,185	84,931	66,633	151,564
Other Financial Transactions	0	2,500	0	0	0
Total	72,716	90,369	121,771	106,227	227,998
<u>Expenditures by Program</u>					
Enterprise Technology Services	57,579	63,688	72,910	71,546	144,456
Enterprise Planning & Mgmt	11,545	18,611	18,256	18,188	36,444
Enterprise Application Devlpmt	1,390	1,605	16,663	1,725	18,388
Enterprise It Security	2,202	4,865	12,342	13,168	25,510
Isrm	0	1,600	1,600	1,600	3,200
Total	72,716	90,369	121,771	106,227	227,998
Full-Time Equivalents (FTE)	293.1	347.6	399.9	404.9	

ENTERPRISE TECHNOLOGY OFFICE

Program: ENTERPRISE TECHNOLOGY SERVICES

Program Summary

	Current		Governor Recomm.		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<i>Dollars in Thousands</i>					
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	0	7,049	4,455	11,504
Statutory Appropriations					
Enterprise Technology Fund	57,579	63,688	65,861	67,091	132,952
Total	57,579	63,688	72,910	71,546	144,456
<u>Expenditures by Category</u>					
Total Compensation	20,844	23,820	25,605	27,628	53,233
Other Operating Expenses	36,735	39,868	47,305	43,918	91,223
Total	57,579	63,688	72,910	71,546	144,456
<u>Expenditures by Activity</u>					
Computing Services	22,656	29,684	38,409	36,655	75,064
Telecommunication Services	34,923	34,004	34,501	34,891	69,392
Total	57,579	63,688	72,910	71,546	144,456
Full-Time Equivalent (FTE)	243.0	272.6	285.5	293.5	

ENTERPRISE TECHNOLOGY OFFICE
Program: ENTERPRISE TECHNOLOGY SERVICES
Activity: COMPUTING SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2006	FY2007	FY2008	FY2009	2008-09
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	0	7,049	4,455	11,504
Statutory Appropriations					
Enterprise Technology Fund	22,656	29,684	31,360	32,200	63,560
Total	22,656	29,684	38,409	36,655	75,064
<u>Expenditures by Category</u>					
Total Compensation	11,607	13,791	15,555	17,118	32,673
Other Operating Expenses	11,049	15,893	22,854	19,537	42,391
Total	22,656	29,684	38,409	36,655	75,064
Full-Time Equivalents (FTE)	135.8	159.9	176.8	184.8	