MINNESOTA Management & Budget

2009 Report of Fastest Growing Expenditures

Based on November 2008 Economic Forecast

February 12, 2009

Fastest Growing Expenditures

Reporting Requirement

This report identifies the fastest growing elements in Minnesota's state budget and reviews factors that have led to the growth. Information is based on the November, 2008 economic and budget forecast.

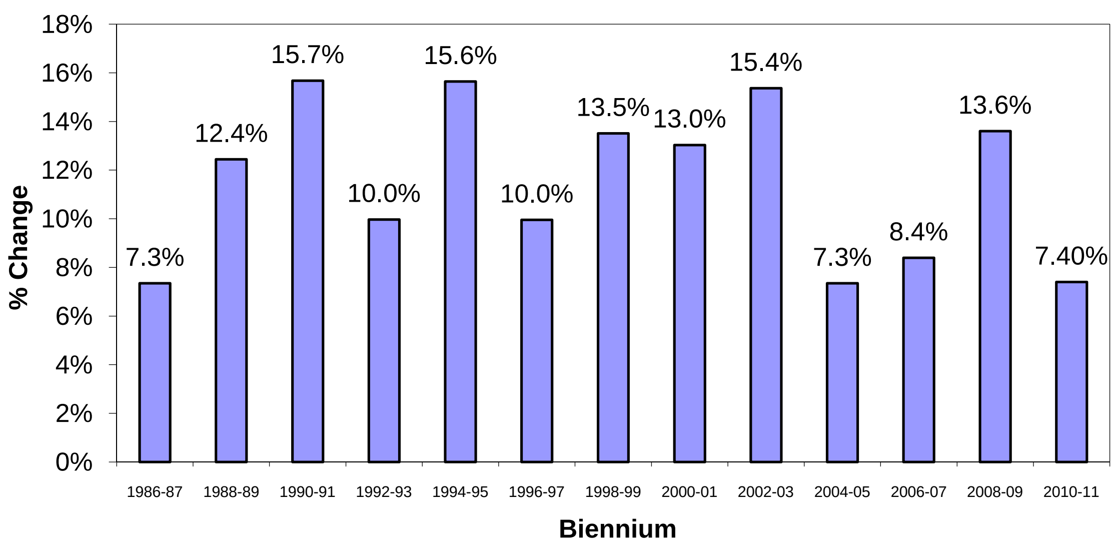
"Fastest Growing Expenditures" is required under Minnesota statutes 16A.103, subdivision 4, first enacted in the 2005 legislative session

> *Subd. 4.* ***Report on expenditure increases.*** *By January 10 of an odd-numbered year, the commissioner of finance must report on those programs or components of programs for which expenditures for the next biennium according to the forecast issued the previous November are projected to increase more than 15 percent over the expenditures for that program in the current biennium. The report must include an analysis of the factors that are causing the increases in expenditures.*

Background

The current forecast for the budget for the FY 2008-09 biennium reflects a 13.6 percent increase over the previous biennium. Over the last decade, the growth in state spending has averaged 10.3 percent per biennium, and 11.6 percent over the last twenty years.

All Funds Spending: Biennial Increase



Many factors can contribute to growth in spending. In the last decade human services program costs have been among the most prominent - driven largely by health care enrollment growth and increasing medical costs. Legislative budget decisions to spend more on particular programs are another primary factor. Increases in other areas may be less apparent, often representing a much smaller share of the overall budget.

Timing and Reporting Period

For this report, the biennial comparison includes FY 2008-09 and FY 2010-11 current law projections as shown in the November 2008 expenditure forecast.

"Fast growing" items were identified if the change in expenditures was 15 percent or more, biennium to biennium. This should not be confused with 15% *annual* increases. For a program to grow 15% biennium to biennium, its average annual growth rates would be closer to seven to eight percent.

Program Identification and Selection Criteria

Total state spending, excluding federal funds, involves approximately 4,294 separate appropriation accounts, of which 1,044 are general fund. Generally, these represent program-level spending authorizations. To identify initial data on expenditure increases, information from the statewide accounting system on actual spending for FY 2006-07 and FY 2008-09 was used and compared to budgeted spending for FY 2010-11.

The following criteria were applied:

- All state operating funds – excluding federal accounts - were included.
- Program or components to be reported were determined by information available in the enacted appropriation, the statewide accounting system, and budgetary-based fund statements.
- All programs were initially reviewed – this report covers forecast and non-forecast spending changes.

Please note that this report organizes data by specific programs and does not attempt to identify individual general cost items. Some specific expenditure categories may grow rapidly but are not reported because they are components of larger activities. For example, the cost of prescription drugs is included in the spending for health care programs, state operated services, and correctional facilities. While these costs contribute to overall program growth, they are not identified separately in this report.

Report Format

The report is divided into two parts: *Part One* provides an analysis of the largest and fastest growing programs in the state budget. Information is provided for fifteen programs that account for over $2.5 billion of biennial spending growth, or over 60% of total growth. Each analysis identifies how much was spent and discusses some of the factors contributing to the growth, including economic, demographic and socio-economic factors, as well as policy choices.

Part Two is a listing of all programs that met the initial threshold of 15 percent growth. Abbreviated comments are provided to explain the nature of the expenditure growth. In a number of instances, the explanation points to a technical or accounting issue that distorts spending growth.

Additional Information

Information in this report has been prepared by Minnesota Management and Budget (MMB). In some instances, data presented is based on other state agency reports.

For further information, contact Marsha Battles-Jenks (marsha.battles-jenks@state.mn.us) for additional statewide information or the Executive Budget Officer listed in the analysis for specific program questions.

DEPARTMENT OF EDUCATION

Charter School Lease Aid

Expenditures ($000s)	2006-07	2008-09	2010-11	% Change FY 08-09 vs. FY 06-07	% Change FY10-11 vs. FY 08-09
General Fund	$52,714	$69,253	$85,785	31.3%	23.9%

Charter School Lease Aid is expected to grow by 24 percent over the next biennium. This is primarily due to projected growth in the number of students enrolled in charter schools. Total average daily membership (ADM) in charter schools is anticipated to grow from 36,049 in FY 2009 to 44,149 in FY 2011.

Charter Schools receive Charter School Lease Aid based on the lesser of 90 percent of lease costs or the product of the number of pupil units times $1,200 or the allowance grandfathered in the 2002 legislative session for specific schools with high costs per pupil unit. The growth in the Charter School Lease Aid program is driven primarily by the growth in the number of charter schools.

In FY 1998, there were just 27 charter schools in the state. By FY 2009, that number had reached more than 140. The growth of charter schools has slowed somewhat, but the total number is still increasing. For FY 2009, the average lease aid per pupil is $1,032. Projections for future years include very little growth in lease costs. The growth in aid is primarily due to the total number of charter school pupil units increasing at a significant rate.

EBO contact: Britta Reitan #651-201-8028, britta.reitan@state.mn.us

DEPARTMENT OF EDUCATION

Interdistrict Desegregation Transportation

Expenditures ($000s)	2006-07	2008-09	2010-11	% Change FY 08-09 vs. FY 06-07	% Change FY 10-11 vs. FY 08-09
General Fund	14,201	23,978	34,524	68.8%	43.9%

Interdistrict Desegregation Transportation Aid is forecasted to grow over 40 percent in the next biennium. This program provides transportation for public school students to attend interdistrict desegregation and integration school and low-income Minneapolis students to attend suburban schools through the "Choice Is Yours" program. Transportation is provided between the student's home or school and the interdistrict program.

Program expansion and growth in participation are the primary factors in the rising cost of this program. For the FY 2010-11 biennium, the number of transported students increases by 4,303 or 44 percent.

Projected increases in costs are driven primarily by growth in the number of bus routes needed to transport these additional students.

EBO contact: Britta Reitan #651-201-8028, britta.reitan@state.mn.us

DEPARTMENT OF EDUCATION

Expenditures ($000s)	2006-07	2008-09	2010-11	% Change FY 08-09 vs. FY 06-07	% Change FY 10-11 vs. FY 08-09
General Fund	55,256	100,379	120,145	81.7%	19.7%

Alternative Teacher Compensation (Q-Comp)

Q-Comp is a component of the general education formula that is forecasted to grow by 19.7% percent from this biennium to the next. The Q-Comp program allows school districts and charter schools with an approved alternative teacher professional pay system to receive up to $260 per pupil enrolled at participating sites to implement the alternative teacher professional pay system. Participating school districts receive basic state aid of $190 per pupil and are authorized to make an equalized levy of up to $70 per pupil. Beginning in FY 2010, the basic state aid will be $169 per pupil, and the equalized levy will be $91 per pupil.

Q-Comp began in FY 2006 and the program is still ramping up. Districts and charter schools must apply to participate in the program. Applications must meet program standards in order to receive funding. The application and approval process makes this program difficult to forecast, as growth in the program depends on the number of districts that apply and the quality of the applications.

Q-Comp has been growing steadily since the program began in FY 2006. As of the November 2008 forecast, 31% of students in the state are enrolled in a Q-Comp school. By FY 2011, it is projected that 44% of students statewide will be in schools with Q-Comp.

EBO contact: Britta Reitan #651-201-8028, britta.reitan@state.mn.us

DEPARTMENT OF HUMAN SERVICES

Medical Assistance (MA) Basic Care for Families and Children

Expenditures ($000s)	2006-07	2008-09	2010-11	% Change FY 08-09 vs. FY 06-07	% Change FY 10-11 vs. FY 08-09
General Fund	1,283,620	1,675,686	2,221,205	30.5%	32.6%

Spending on MA Basic Care for Families and Children for FY 20010-11 is estimated to reach $2.2 billion, an increase of $545.5 million (32.6 percent) over FY 2008-09. Expenditures are expected to reach $2.7 billion in FY 2012-13, an increase of $451.2 million (20.3 percent) from FY 2010-11.

Medical Assistance is Minnesota's Medicaid program, which provides health care coverage for low-income individuals. Children, parents, and pregnant women make up 70 percent of MA enrollees and account for 25 percent of expenditures.

Projected costs reflect increases in both enrollment and average costs. Enrollment growth in this segment is larger than in previous forecasts due to worsening economic conditions and a federally mandated change to the Minnesota health programs application form. The mandated change is expected to shift some enrollees from MinnesotaCare to MA. Monthly average enrollment is expected to increase by about 67,400 enrollees (17.6 percent) from FY 2008-09 to FY 2010-11, and by another 10,200 (2.3 percent) in FY 2012-13. Monthly average payments are expected to increase by 14.4 percent from FY 2008-09 to FY 2010-11 and 16.4 percent from FY 2010-11 to FY 2012-13. Much of this growth is due to cost pressures similar to the private health care market, including medical inflation and the utilization of health care services. Table 1 sets out average monthly payments and enrollment through FY 2013.

Table 1

MA Basic Care for Families and Children Enrollment and Cost Growth

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Annual Avg.
Average Monthly Payment	361	400	418	454	491	524	441
Average Monthly Enrollment	369,112	397,331	441,182	459,974	462,082	459,390	431,512
% Annual Change Payment		10.9%	4.3%	8.6%	8.2%	6.7%	7.7%
% Annual Change-Enrollment		7.6%	11.0%	4.3%	0.5%	(0.6%)	4.6%

EBO contact: Katharine Barondeau #651-201-8026, katharine.barondeau@state.mn.us

DEPARTMENT OF HUMAN SERVICES

Medical Assistance Basic Care for Elderly and Disabled

Expenditures ($000s)	2006-2007	2008-2009	2010-2011	% Change FY 08-09 vs. 06-07	% Change FY 10-11 vs. 08-09
General Fund	1,674,997	2,055,131	2,568,518	22.7%	25%

Medical Assistance (MA) Elderly and Disabled Basic Care spending is estimated to reach $2.5 billion in FY 2010-11, up 23.8 percent over FY 2008-09 spending. Expenditures are projected to reach $ 3.1 billion in FY 2012-13, up 22.5 percent over estimated FY 2010-11 costs.

Medical Assistance is Minnesota’s Medicaid program, which provides health care coverage for low-income individuals. Persons who are elderly or have a disability account for 75 percent of program expenditures and make up 30 percent of enrollees.

The growth in MA Elderly and Disabled Basic Care is due to both increasing enrollment and average cost. Public health care programs face many similar cost pressures as the private health care market, including medical inflation and the changing utilization of health care services. However, public health care programs differ from the private market in that public programs must also accommodate higher enrollment when demand increases.

TABLE 1

MA Basic Care for Elderly and Disabled Annual Enrollment Growth

Average Monthly Enrollment	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Elderly	55,209	55,880	56,567	57,104	57,671	58,245
Disabled	102,267	106,169	109,707	113,103	116,458	119,799
Elderly & Disabled	157,476	162,049	166,274	170,207	174,129	178,044

Total average monthly enrollment is projected to grow by almost 8,500 (5.3 percent) in FY 2010-11 over the current biennium and by approximately 7,800 (4.7 percent) in FY 2012-13 over FY 2010-11. For the elderly population, growth in average monthly enrollment is at a rate of 1.1 percent from FY 2008 through FY 2013. Enrollment for the disabled population is expected to increase at an average rate of 3.2 percent on an annual basis from FY 2008 through FY 2013. Table 1 sets out the average monthly enrollment through FY 2013 for the elderly and disabled populations.

TABLE 2

MA Basic Care for Elderly and Disabled Average Monthly Payments

Average Monthly Payment	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Elderly	979	1,054	1,172	1,314	1,469	1,591
Disabled	815	900	990	1,047	1,139	1,210
Elderly & Disabled	873	953	1,052	1,137	1,249	1,335

Monthly average payments for MA Elderly and Disabled Basic Care are expected to increase by 19.9 percent from FY 2008-09 to FY 2010-11. Average payments are expected to increase 18 percent from FY 2010-11 to FY 2012-13. The cost growth represents an average annual increase of 10.2 percent for the elderly population and 8.2 percent for the disabled population from FY 2008 through FY 2013. Table 2 sets out the average monthly payments for the elderly and disabled populations through FY 2013.

EBO contact: Katharine Barondeau #651-201-8026, Katharine.barondeau@state.mn.us

DEPARTMENT OF HUMAN SERVICES

General Assistance Medical Care (GAMC)

Expenditures ($000s)	2006-07	2008-09	2010-11	% Change FY 08-09 vs. FY 06-07	% Change FY 10-11 vs. FY 08-09
General Fund	569,847	555,043	731,451	-2.6%	31.8%

Spending for GAMC is estimated to reach $731.5 million in FY 2010-11, up $176.4 million (31.8 percent) over FY 2008-09 spending. Expenditures are projected to reach $896.3 million in FY 2012-13, up $164.9 million (22.5 percent) over estimated FY 2010-11 costs. GAMC expenditures are growing due to increased enrollment and increasing average costs.

This program provides health care coverage for individuals who are recipients of General Assistance or who do not meet the categorical requirements of medical assistance and are unable to afford necessary health care. Generally, recipients are adults under the age of 65 who are not disabled or caring for children. GAMC enrollment is expected to increase with the worsening economic outlook. Monthly average enrollment for GAMC is expected to increase by about 4,400 enrollees (15.2 percent) from FY 2008-09 to FY 2010-11. For FY 2012-13, GAMC monthly enrollment is expected to increase by 2.4%.

Similar to cost pressures experienced in the private health care market, average costs for GAMC recipients are also increasing. Average monthly costs per enrollee are expected to increase 14.5 percent from FY 2008-09 to FY 2010-11. For FY 2012-13, monthly average costs per enrollee are expected to increase by 19.7 percent from FY 2010-11. Average monthly enrollment and costs per recipient are set out in Table 1.

Table 1

GAMC Average Monthly Cost/Enrollee and Enrollment

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Annual Average .
Avg. Monthly Cost/Enrollee	778	810	865	951	1,054	1,120	930
Avg. Monthly Enrollment	28,165	30,080	33,128	33,959	34,228	34,485	32,341
%Annual Change—Cost/Enrollee		4.0%	6.9%	9.9%	10.7%	6.3%	7.6%
%Annual Change—Monthly Enrollment		6.8%	10.1%	2.5%	0.8%	0.8%	4.2%

DEPARTMENT OF HUMAN SERVICES

MinnesotaCare

Expenditures ($000s)	2006-07	2008-09	2010-11	% Change FY 08-09 vs. FY 06-07	% Change FY 10-11 vs. FY 08-09
Health Care Access	518,207	668,555	1,012,054	29%	51.4%

MinnesotaCare spending is estimated to reach $1.01 billion in FY 2010-11, up 51.4 percent over FY 2008-09 spending. Expenditures are projected to reach $1.28 billion in FY 2012-13, up 26.2 percent over estimated FY 2010-11 costs.

MinnesotaCare provides reduced-cost health insurance for Minnesota residents who do not have access to affordable health coverage. Enrollees are required to pay premiums that are determined according to a sliding fee scale based on family size and income.

The growth in MinnesotaCare spending is largely due to increasing enrollment and increased costs. MinnesotaCare enrollees are in managed care. The managed care contracts are negotiated on a calendar year basis and the rates paid to the health plans are modified based on the agreement. The 2009 rate increase for adults without children is 19 percent higher than the 2008 rate. For families with children, the 2009 rate increase is 13.5 percent higher than the 2008 rate.

MinnesotaCare enrollment is increasing due to recently enacted policy changes and worsening economic conditions. Monthly average enrollees increase by 15.7% from FY 2008-09 to FY 2010-11 and 9.3% from FY 2010-11 to FY 2012-13. The increase in enrollment is partially mitigated by a shift in enrollment to MA due to a federally mandated change to the Minnesota health programs application form that was implemented in January 2009. The change will require more Minnesota health care program applicants to be considered for eligibility in the MA program. Table 1 shows total state costs and monthly enrollment through FY 2013.

Table 1

MinnesotaCare Annual Cost and Enrollment Growth							
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Annual Average
Total State Cost ($000s)	303,929	364,626	465,001	547,053	613,457	663,320	492,898
Total Avg. Monthly Enrollment	114,359	120,765	129,168	142,943	149,028	148,442	134,118
% Annual Change State Cost		19.9%	27.5%	17.6%	12.1%	8.1%	17.0%
% Annual Change Enrollment			7%	10.7%	4.3%	0.4%	5.6%

EBO contact: Katharine Barondeau #651-201-8026, katharine.barondeau@state.mn.us

DEPARTMENT OF HUMAN SERVICES

Medical Assistance Long-Term Care Waivers

Expenditures ($000s)	2006-07	2008-09	2010-11	% Change FY FY08-09 vs. FY 06-07	% Change FY 10-11 vs. FY 08-09
General Fund	1,635,173	1,928,892	2,377,386	18%	23.3%

Medical Assistance (MA) Long-Term Care (LTC) Waiver expenditures are expected to grow $448.5 million or 23.3 percent in FY 2010-11 over the current biennium. The planning estimates for FY 2012-13 show an increase of $420.8 million or 17.7 percent over FY 2010-11. From FY 2008 to FY 2013, this equates to an average annual increase in the program of 9.8 percent.

The MA-LTC Waiver program consists of five waiver programs, home health agency (HHA) services, personal care assistance, and private duty nursing (PCA/PDN). The waiver programs include the Developmentally Disabled (DD) Waiver, Elderly Waiver (EW), Community Alternative for Disabled Individuals (CADI), Community Alternative Care (CAC) and Traumatic Brain Injury (TBI) Waiver
These services enable individuals with chronic care needs to receive care in home and community-based settings as opposed to institutional facilities. The following table shows the state share of spending within the individual programs:

Expenditures ($000s)	2008-09	2010-11	2012-13	% Change 10-11 vs. 08-09	% Change 12-13 vs. 10-11
Developmentally Disabled	957,121	1,101,936	1,181,310	15.1%	9.6%
Elderly Waiver	70,833	43,025	47,620	-39.3%	10.7%
Community Alternative for Disabled Indvls	326,834	497,147	673,092	52.1%	35.4%
Community Alternative Care	18,050	21,374	24,598	18.4%	15.1%
Traumatic Brain Injury	91,514	118,443	144,975	29.4%	22.4%
Home Health Agency	25,188	26,237	27,290	4.2%	4.0%
Personal Care Attendants/ Private Duty Nurse	439,606	535,127	631,005	21.7%	17.9%

The following details by waiver program explain most of the increase:

- Developmentally Disabled (DD) expenditures account for nearly one-half of total waiver spending, and are projected to increase $144.8 million (15.1 percent) over the current biennium. Approximately 800 recipients will added to the program in FY 2010-11 compared to the previous biennium. The average cost per recipient rises as well, increasing by just over $6,000 (9.3 percent) per recipient.

- Communitylternative for Disabled Individuals (CADI) expenditures are estimated to reach $497.1 million in FY 2010-11, a 52.1 percent increase from the current biennium. Current law limits CADI growth in the current and upcoming biennium. Even with limits, it is estimates that 7500 more CADI recipients will receive services in FY 2010-11. The average cost per recipient increases 22.3 percent, approximately $2,200, over the previous biennium.

- Traumatic Brain Injury (TBI) spending is estimated to increase $26.9 million (29.4 percent) over the previous biennium, totaling $118.4 million in FY 2010-11. The estimated number of TBI recipients is expected to exceed the previous biennium by 16.7 percent, or approximately 266 recipients.

- Elderly Waiver (EW) is the one area where expenditures are lower than the previous biennium. EW spending is $27.8 million below FY 2008-09 (39.3 percent). EW services are provided both on a fee for service basis and under managed care. Expenditures for fee for service recipients are reflected in this activity while expenditures for managed care recipients are accounted for under Elderly and Disabled Basic Care. Approximately 2,700 fewer recipients will receive EW services in this activity than did in the previous biennium. Those recipients that remained were more expensive than those in FY 2008-09, average cost increased 10.8 percent.

- Chronically ill and disabled individuals also receive services outside these waiver programs, as part of this activity. The bulk of this spending is for personal care assistant (PCA) and private duty nurse (PDN) services. PCA/PCN services account for almost all of the home care spending. PCA/PDN expenditures are projected to reach $535.1 million in FY 2010, a 21.7 percent increase over the current biennium. In the past, limits on the growth in the waiver programs resulted in significantly higher PCA/PDN use, especially within the disabled population.

EBO contact: Craig Wieber #651-201-8029, craig.wieber@state.mn.us

DEPARTMENT OF HUMAN SERVICES

Continuing Care—Alternative Care

Expenditures ($000s)	2006-07	2008-09	2010-11	% Change FY 08-09 vs. FY 06-07	% Change FY 10-11 vs. FY 08-09
General Fund	64,744	79,573	104,397	22.9%	31.2%

Alternative Care expenditures are expected to grow $24.8 million or 31.2% percent in FY 2010-11 over the current biennium. The planning estimates for FY 2012-13 show an increase of $157,000 or 0.2 percent over FY 2010-11.

This program provides for in-home supportive care and services in the home of an elderly person who is at risk of requiring facility care. Expenditures are growing due to increased caseloads and higher costs per recipient. Table 1 shows the average number of recipients and average costs per recipient from FY 2008 through FY 2013.

Alternative Care Monthly Cost/Recipient and Average Recipients

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Annual Average
Monthly Cost Per Recipient	736	766	820	861	903	948	839
Total Avg. Monthly Enrollment	3,395	3,716	4,136	4,556	4,749	4,749	4,217
% Change Cost/Recipient		4.1%	7.0%	5.0%	5.0%	5.0%	5.2%
% Change Monthly Recipients		9.5%	11.3%	10.2%	4.2%	0%	7.0%

EBO contact: Craig Wieber #651-201-8029, craig.wieber@state.mn.us

DEPARTMENT OF HUMAN SERVICES

Group Residential Housing

Expenditures ($000s)	2006-07	2008-09	2010-11	% Change FY 08-09 vs. FY 06-07	% Change FY 10-11 vs. FY 08-09
General Fund	153,386	182,564	221,795	19%	21.5

Group Residential Housing (GRH) expenditures are expected to grow $39.2 million or 21.5 percent in FY 2010-11 over the current biennium. The planning estimates for FY 2012-13 show an increase of $30.5 million or 13.8 percent over FY 2010-11.

GRH is a state funded program that pays for room and board in a number of licensed settings including adult foster care, boarding and lodging establishments, and other supervised living facilities. In addition to room and board payments, GRH makes payments for services provided to individuals if the person cannot access service payments from another source, such as home and community-based waiver programs.

Both increased caseloads and average costs are contributing to the growth in the program. From FY 2008 through FY 2013, the average annual increase for the number of monthly recipients is 4.5%. The average annual increase for monthly payments per recipient is 4.3%. Table 1 sets out the average monthly payment per recipient and the average monthly recipients through FY 2013.

GRH Monthly Payment/Recipient and Average Recipients

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Annual Average
Monthly Payment/Recipient	454	506	523	534	547	559	521
Total Monthly Recipients	15,699	16,522	17,333	18,091	18,864	19,586	17,683
% Change—Payment/Recipient		11.4%	3.4%	2.2%	2.4%	2.2%	4.3%
% Change—Monthly Recipients		5.2%	4.9%	4.4%	4.3%	3.8%	4.5%

EBO contact: Craig Wieber #651-201-8029, craig.wieber@state.mn.us

DEPARTMENT OF HUMAN SERVICES

Minnesota Family Investment Program (MFIP)/Diversionary Work Program Grants

Expenditures ($000s)	**2006-07**	**2008-09**	**2010-11**	**% Change FY 08-09 vs. FY 06-07**	**% Change FY 10-11 vs. FY 08-09**
General Fund	86,192	95,508	144,855	10.8%	51.7%

General fund spending on MFIP/Diversionary Work Program grants is expected to be $144.9 million in FY 2010-11, an increase of $49.3 million (51.7 percent) from FY 2008-09. Part of this change is explained by changes in the 2008 legislative session that replaced general fund expenditures with TANF funds to achieve a one-time savings in FY 2008-09. At the same time, monthly caseload increases 17.5 percent over the previous biennium, driven by worsening economic conditions. Also, the Work Participation Cash Benefit program begins in FY 2010, adding $5.7 million of spending.

This program provides a monthly benefit to MFIP recipients who meet certain work requirements. Generally, the program assists low-income parents for four months with work search and related activities. The program also provides assistance for basic needs and is intended to assist families temporarily so that they do not require longer term public assistance.

Through FY 2013, monthly average cases are expected to increase at an average rate of 5.9% each year and average payments per case are expected to decrease by 1.9%. The changes in monthly caseloads and average payments per case are set out in Table 1.

DWP Monthly Payment/Case and Average Cases

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Annual Average
Monthly Payment/Case	614	635	624	583	555	557	595
Total Avg. Monthly Cases	35,644	36,923	40,277	44,984	47,724	47,207	42,127
% Annual Change—Payment/Case		3.4%	(1.7%)	(6.5%)	(4.8%)	0.3%	(1.9%)
% Annual Change—Monthly Cases		3.5%	9.0%	11.7%	6	(1%)	5.9%

EBO contact: Craig Wieber #651-201-8029, craig.wieber@state.mn.us

DEPARTMENT OF HUMAN SERVICES

Minnesota Family Investment Program (MFIP) Child Care Assistance Grants

Expenditures ($000s)	2006-07	2008-09	2010-11	% Change FY 08-09 vs. FY 06-07	% Change FY 10-11 vs. FY 08-09
General Fund	81,579	110,376	129,735	35.3%	17.5%

MFIP Child Care Assistance expenditures are expected to grow $19.4 million or 17.5% percent in FY 2010-11 over the current biennium. The planning estimates for FY 2012-13 show an increase of $1.7 million or 1.3 percent over FY 2010-11.

MFIP consolidates several assistance programs including Temporary Assistance to Families (TANF), Family General Assistance, and food support. The MFIP child care assistance program provides child care assistance to MFIP families when they are employed or engaged in other work or training activities as part of their employment plan. The program also provides transition year child care assistance to former MFIP families.

The increase in child care assistance expenditures in the next biennium is attributed to increased enrollment in the entire MFIP program due to worsening economic conditions that are expected to result in increased unemployment. Cost growth for this program is less in FY 2012-13. Table 1 shows the average monthly cost per family and the number of families served.

MFIP Child Care Assistance Monthly Cost/Family and Families Served

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Annual Average
Monthly Avg. Cost/Family	1,086	1,134	1,135	1,151	1,166	1,179	1,142
Total Avg. Monthly Families	7,791	8,202	8,358	8,355	8,291	8,184	8,197
Annual Change—Payment/Family		4.4%	.08%	1.4%	1.3%	1.1%	1.7%
Annual Change—Monthly Families		5.3%	1.9%	(0.04%)	(0.89%)	(1.3%)	1.2%

EBO contact: Craig Wieber #651-201-8029, craig.wieber@state.mn.us

DEPARTMENT OF REVENUE

Homeowner's Property Tax Refund Program

Expenditures ($000s)	2006-2007	2008-2009	2010-2011	% Change FY 08 – 09 vs. FY 06 – 07	% Change FY 10 – 11 vs. FY 08 – 09
General Fund	$381,549	$494,980	$586,300	29.7%	18.5%

Spending for the homeowners property tax refund program in FY 2010-2011 is expected to increase $91.3 million, or 18.5%, over expenditures for the program in the current biennium.

The homeowner property tax refund program provides tax relief to homeowners whose property taxes are high relative to their incomes due to a combination of property tax levy increases and increases in property values. The following factors have contributed to the growth in this program:

- The 2008 tax law expanded the homeowner's property tax refund program effective for refunds based on property taxes payable in 2009. The 2008 law lowered the maximum threshold percentage for eligibility to 3.5 percent of income—the previous threshold was 4 percent. The 2008 tax law change also increased the maximum refund allowed from $1,800 to $2,310.
- Household income, the broad measure used by the program that includes most types of income, has shown slow growth as the economy as a whole has moved into recession in 2008.

Future growth in the homeowner's property tax refund program will depend on future household income growth relative to property values and the impact of local property tax levies.

EBO contact: Bryan Dahl, bryan.dahl@state.mn.us

DEPARTMENT OF CORRECTIONS

Minnesota Correctional Facility (MCF)-Faribault

Expenditures ($000s)	2006-2007	2008-2009	2010-2011	% Change FY 08-09 vs. FY 06-07	% Change FY 10-11 vs. FY 08-09
General Fund	58,394	67,429	80,857	15.5%	19.9%

Expenditures for the Minnesota Correctional Facility (MCF)-Faribault, which houses adult male offenders, are projected to grow $13.428 million, or 19.9%, from FY 2008-09 to FY 2010-11. These are costs incurred directly at the institution. Other support costs, including medical care, are included within other budgets at the Department of Corrections.

MCF-Faribault is now the state's largest correctional facility, housing over 1,600 offenders. Originally operated as a state hospital, the facility was authorized as a correctional facility in 1989 and has experienced ongoing conversion and expansion activities since that time. The first phase of a significant expansion was authorized in 2005, which added three new housing units and support space. An additional housing unit was authorized in 2006, and a new receiving complex was authorized in 2008. When these projects are completed, the capacity of the facility is projected to be 2,088. Planning for a fifth housing unit, which has not yet been approved, would increase the capacity to 2,289.

The increased expenditures at MCF-Faribault correspond to the increase in offenders housed there. For the FY 2006-07 biennium, the population ranged from 1,150-1,200. During FY 2008-09, the population started at 1,157 and is now at just over 1,600. By the end of the FY 2010-11 biennium, the population is expected to exceed 2,000. As the population increases at the facility, the average cost per offender declines due to economies of scale in staffing and other services that must be provided for offenders.

EBO contact: Jim King, jim.king@state.mn.us

MINNESOTA MANAGEMENT & BUDGET

Debt Service Transfer

Expenditures ($000s)	FY 2006-07	FY 2008-09	FY 2010-11	% Change FY 08-09 vs. FY 06-07	% Change FY 10-11 vs. FY 08-09
General Fund	752,098	862,038	1,067,311	14.6%	23.8%

Debt service payments on general obligation (GO) bonds must be transferred from the state's general fund. These transfers are projected to grow rapidly in the next several years as depicted in the table above.

In producing debt service cost estimates for GO bonds, MMB factors in three specific categories of GO bonds: bonds that have already been authorized and sold, bonds that have been authorized but will be sold in the future, and bonds that will be both authorized and sold in the future. For the first group, interest rates charged, premiums earned and repayment terms are set. For the other two groups, assumptions must be made about size and timing of GO bond sales, interest rates charged, and bond premiums received.

The debt service transfer to pay for GO bonds is anticipated to grow rapidly in the next few years for three primary reasons:

- bond authorizations in recent years have been greater than forecasted,
- the state now anticipates higher interest costs on future bond sales, and
- the state also anticipates a reduction in premiums received on future in bond sales.

Other factors such as project timing, bond sale timing issues of how much and when to sell, and interest earnings on balances in the debt service and bond proceeds funds, account balances, but only the three above will be discussed below.

Future GO bond authorizations are estimated by looking at the most recent ten-year history of bond authorizations. In November of 2005, the on-going biennial GO bond authorization assumption was $695 million. By the November 2008 forecast that number had grown by 21.6% to $845 million.

Another primary factor driving debt service estimates is interest rate assumptions. Recent history shows the state selling its GO bonds between 4.1% and 4.3%. With the turmoil and uncertainty in the credit markets, MMB projects that beginning in FY 2012, interest rates associated with GO bond sales could exceed 5 %. This expectation of increased interest rates also drives up the estimated cost of future debt service.

The final driving factor – premiums – is related to interest rates. Premiums are received on bond sales when interest rates are lower than five percent. When bonds carry a coupon rate (interest rate) of less than 5%, they are less attractive to investors. In these cases, the state is offered bond premiums – upfront payments representing prepaid interest. Investment banks paying premiums make their offering more attractive to the market. In recent bond sales, the State of Minnesota has been the beneficiary of significant bond premiums, which by law are directed to the debt service account. Bond premiums going toward debt service reduces the amount of general fund money needed to pay debt service. With future state GO bond offerings estimated at greater than 5%, no premiums are expected bond sales beginning in FY 2012 and beyond. The impact of this lost revenue will increase the amount required from the general fund for debt service payments.

Debt Service Cost Factors ($000's)

Fiscal Year	Bond Authorizations	Biennial Total	% Change	Debt Service Transfer	Biennial Total	% Change	Bond Interest Rate	Premiums Received	Biennial Total	% Change	Biennial Refunding Savings
2002	570,127			285,553			4.2%	17,555			
2003	189,281	759,408	34%	295,446	580,999	4%	3.2%	34,216	51,771		240
2004	0			265,706			4.0%	22,036			
2005	885,892	885,892	17%	323,453	589,160	1%	3.9%	33,918	55,955	8%	56,547
2006	948,637			352,447			3.8%	23,902			
2007	56,255	1,004,800	13.4%	399,651	752,098	27.6%	4.1%	35,335	59,237	5.9%	16,303
2008	882,500			409,276			4.3%	34,710			
2009	120,000	1,002,500	-0.002%	452,761	862,038	14.6%	4.1%	16,410	51,120	-13.7%	22,716
2010	725,000			533,014			4.4%	37,288			
2011	120,000	845,000	-15.7%	534,296	1,067,310	23.8%	4.3%	31,608	68,896	34.7%	5,000

MMB contact: Sue Gurrola, Sue.Gurrola@state.mn.us

TAX AIDS & CREDITS
($000s)

Section Sequence Name	Program Name	2008 Actual	2009 Budgeted	2008-09	2010 Base Budget	2011 Base Budget	2010-11	$ CHANGE 08-09 vs. 10-11	% CHANGE 08-09 vs. 10-11	Comments
TAX AIDS & CREDITS	REGULAR HOMEOWNERS	239,080	255,900	494,980	284,600	301,700	586,300	91,320	18.45%	Increase results from 2008 legislative actions increase property tax relief beginning in FY 2010. Slower personal income growth also contributes to PTR increases
TAX AIDS & CREDITS	FOREST LAND CREDITS	4,854	6,618	11,472	7,546	8,716	16,262	4,790	41.75%	Out year increases due to higher payment rate caused by rising land values for timberland and increases in acreage enrolled.
TAX AIDS & CREDITS	AID TO SCHOOL DISTRICTS (BORDER CITY DISPARITY)	817	932	1,749	994	1,045	2,039	290	16.58%	Total program grows at 5%, higher school share balanced with reductions in non-school share.
TAX AIDS & CREDITS	AID TO SCHOOL DISTRICTS (PRIOR YEAR CREDITS)	32	226	258	221	221	442	184	71.32%	Prior year adjustments are highly variable.
TAX AIDS & CREDITS	FINANCE DEPT-CJ AID-PUBLIC DEF/LOCAL NOTES	454	714	1,168	714	714	1,428	260	22.26%	Amounts are defined in statute. Actual 2008 expenditures must have been lower.
TAX AIDS & CREDITS	SENIOR DEFERRAL REIMBURSEMENT	390	504	894	630	787	1,417	523	58.50%	The growth in the senior deferral program is due to increases in both both participation and the average deferred payment amount.
TAX AIDS & CREDITS	REMAINING SCHOOL AID (MAHNOMEN)	0	70	70	70	70	140	70	100.00%	New Program

K-12 EDUCATION
($000s)

Section Sequence Name	Program Name	Budget Activity Name	2008 Actual	2009 Budgeted	2008-09	2010 Base Budget	2011 Base Budget	2010-11	$ CHANGE 08-09 vs. 10-11	% CHANGE 08-09 vs. 10-11	Comments
General Fund											
DEPT OF EDUCATION	GENERAL EDUCATION	ALTERNATIVE COMPENSATION (Q-COMP)	47,988	52,389	100,377	56,937	63,208	120,145	19,768	19.69%	Increased number of districts and schools participating in the program
DEPT OF EDUCATION	AGENCY OPERATING	IMPROVEMENT & ACCOUNTIBILITY	1,606	2,867	4,473	2,725	2,749	5,474	1,001	22.4%	
DEPT OF EDUCATION	OTHER GENERAL EDUCATION	CONSOLIDATION TRANSITION	237	21	258	304	719	1,023	765	296.5%	Funding can be sporadic because it is based on the number and size of school districts that voluntarily decide to consolidate.
DEPT OF EDUCATION	ED EX CHOICE PROGRAMS	CHARTER SCHOOL LEASE AID	32,481	36,772	69,253	40,682	45,103	85,785	16,532	23.9%	Growth in the number of students in charter schools and a slight increase in lease costs.
DEPT OF EDUCATION	ED EX CHOICE PROGRAMS	INTERDIS DESEG TRANSPORTATION	10,900	13,078	23,978	15,693	18,831	34,524	10,546	44.0%	Increased number of students paricipating in integration programming at more sites.
DEPT OF EDUCATION	SPECIAL EDUCATION	SP ED CHILD W DISABILITY	2,086	2,282	4,368	2,519	2,779	5,298	930	21.3%	3% increase in cost along with increase in number of children served
DEPT OF EDUCATION	SPECIAL EDUCATION	SP ED TRAVEL HOME BASED SVS	208	229	437	249	272	521	84	19.2%	3% increase in cost along with increase in number of children served
DEPT OF EDUCATION	NUTRITION PROGRAMS	KINDERGARTEN MILK	739	1,076	1,815	1,098	1,120	2,218	403	22.2%	2008 Legislative change - increased milk reimbursement from 14 to 20 cents per carton
DEPT OF EDUCATION	LIBRARIES	BASIC SUPPPORT	9,182	13,138	22,320	13,570	13,570	27,140	4,820	21.6%	2007 Legislative change - first increase to basic support in 15 yrs, intended to cover regional operating costs so they are not billed to local operations. Funding increase started in 2009
DEPT OF EDUCATION	EARLY CHILDHOOD & FAMILY SUPP	HEALTH & DEVELOPMENTAL SCREEN	2,624	3,592	6,216	3,853	3,972	7,825	1,609	25.9%	2008 Legislative change - increased developmental screening reimbursement for three year olds by $25 and four to six year olds by $10

HIGHER EDUCATION
($000s)

Section Sequence Name	Program Name	Budget Activity Name	2008 Actual	2009 Budgeted	2008-09	2010 Base Budget	2011 Base Budget	2010-11	$ CHANGE 08-09 vs. 10-11	% CHANGE 08-09 vs. 10-11	Comments
General Fund											
OFFICE OF HIGHER EDUCATION	STUDENT FINANCIAL AID-OUTREACH	MN COLLEGE SAVINGS PROGRAM	368	652	1,020	1,020	1,020	2,040	1,020	100.0%	The 2009 appropriation was reduced by 100% during the 2008 session and the program used carryforward from 2008 in the amount of $652. This was a one time reduction and funding wasn't reduced in 2010-11.
Non-General Fund											
OFFICE OF HIGHER EDUCATION	STATE STUDENT LOANS	OTHER LOAN PROGRAMS	5	10	15	10	10	20	5	33.3%	OHE pays lenders the amount borrowed by students and then collects loan repayments. When students pay off lenders faster or slower this affects expenditures for the program.
UNIVERSITY OF MINNESOTA	PERMANENT UNIVERSITY FUND	PERMANENT UNVERSITY FUND	9,271	9,042	18,313	11,206	10,921	22,127	3,814	20.8%	These numbers have been updated in BBS and 2009 should be 9,030; 2010 should be 9,211; and 2011-13 should be 8,926. The decrease is due to decreased revenues in the Mineral Management Acct.

HEALTH & HUMAN SERVICES
($000s)

Section Sequence Name	Program Name	Budget Activity Name	2008 Actual	2009 Budgeted	2008-09	2010 Base Budget	2011 Base Budget	2010-11	$ CHANGE 08-09 vs. 10-11	% CHANGE 08-09 vs. 10-11	Comments
General Fund											
HUMAN SERVICES DEPT	AGENCY MANAGEMENT	COMPLIANCE OPERATIONS	10,751	11,575	22,326	13,355	13,355	26,710	4,384	19.6%	Intra-fund reallocation--technical.
HUMAN SERVICES DEPT	CHILDREN & ECONOMIC ASSIST GR	MFIP/DWP GRANTS	61,046	42,114	103,160	72,605	80,850	153,455	50,295	48.8%	One-time replacement in 08-09 of GF expenditures with TANF, caseload increases and implementation of Work Participation Cash Benefit program.
HUMAN SERVICES DEPT	CHILDREN & ECONOMIC ASSIST GR	MFIP CHILD CARE ASSISTANCE GR	45,833	64,543	110,376	64,474	65,261	129,735	19,359	17.5%	Caseload increases and slightly higher average costs.
HUMAN SERVICES DEPT	CHILDREN & ECONOMIC ASSIST GR	BSF CHILD CARE ASSISTANCE GR	40,843	35,781	76,624	45,098	44,852	89,950	13,326	17.4%	Base increase for FY 10-11 in 2008 session.
HUMAN SERVICES DEPT	CHILDREN & ECONOMIC ASSIST GR	GROUP RESIDENTIAL HOUSING GR	85,505	100,432	185,937	108,998	116,197	225,195	39,258	21.1%	Caseload increases and slightly higher average costs.
HUMAN SERVICES DEPT	CHILDREN & ECONOMIC ASSIST GR	CHILDRENS MENTAL HEALTH GRANTS	0	0	0	16,885	16,882	33,767	33,767	100.0%	Reallocation (technical) of appropriations to accommodate mental health grants as a separate budget activity.
HUMAN SERVICES DEPT	CHILDREN & ECONOMIC ASST MGMT	CHILDREN & FAMILIES OPERATIONS	3,569	3,649	7,218	33,424	33,424	66,848	59,630	826.1%	Intra-fund reallocation--technical.
HUMAN SERVICES DEPT	HEALTH CARE GRANTS	MA BASIC HEALTH CARE GRANT-F&C	797,073	952,914	1,749,987	1,099,600	1,238,422	2,338,022	588,035	33.6%	Average cost and enrollment increases.
HUMAN SERVICES DEPT	HEALTH CARE GRANTS	MA BASIC HEALTH CARE GRANT-E&D	967,080	1,090,142	2,057,222	1,223,444	1,345,074	2,568,518	511,296	24.9%	Average cost and enrollment increases.
HUMAN SERVICES DEPT	HEALTH CARE GRANTS	GAMC GRANTS	262,835	292,208	555,043	343,920	387,532	731,452	176,409	31.8%	Average cost and enrollment increases.
HUMAN SERVICES DEPT	HEALTH CARE GRANTS	OTHER HEALTH CARE GRANTS	150	796	946	786	786	1,572	626	66.2%	Lower spending in 08-09 due to lower appropriation and inter-agency transfers.
HUMAN SERVICES DEPT	HEALTH CARE MANAGEMENT	HEALTH CARE ADMIN	3,657	4,691	8,348	6,219	6,219	12,438	4,090	49.0%	Intra-fund reallocation--technical.
HUMAN SERVICES DEPT	HEALTH CARE MANAGEMENT	HEALTH CARE OPERATIONS	8,449	10,369	18,818	22,661	21,980	44,641	25,823	137.2%	Intra-fund reallocation--technical.
HUMAN SERVICES DEPT	CONTINUING CARE GRANTS	ALTERNATIVE CARE GRANTS	29,726	33,411	63,137	40,112	46,456	86,568	23,431	37.1%	Caseload and average cost increases.
HUMAN SERVICES DEPT	CONTINUING CARE GRANTS	MA LTC WAIVERS & HOME CARE GR	914,019	1,030,064	1,944,083	1,136,801	1,240,585	2,377,386	433,303	22.3%	Caseload and average cost increases.
HUMAN SERVICES DEPT	CONTINUING CARE GRANTS	CD ENTITLEMENT GRANTS	0	0	0	115,206	128,216	243,422	243,422	100.0%	Intra-fund reallocation--technical.
HEALTH DEPT	POLICY QUALITY & COMPLIANCE	COMPLIANCE MONITORING	165	171	336	2,994	2,994	5,988	5,652	1,682.1%	Intra-fund reallocation--technical.
Non-General Fund											
HUMAN SERVICES DEPT	HEALTH CARE GRANTS	MINNESOTACARE GRANTS	374,362	541,028	915,390	654,131	773,848	1,427,979	512,589	56.0%	Average cost and enrollment increases.
HUMAN SERVICES DEPT	CONTINUING CARE GRANTS	DEAF & HARD OF HEARING GRANTS	143	231	374	240	240	480	106	28.3%	Expenditures for current and upcoming biennium based on inter-agency agreement w/ Dept. of Commerce. Funding depends on level of receipts derived from surcharge on telephone access lines.

HEALTH & HUMAN SERVICES
($000s)

Section Sequence Name	Program Name	Budget Activity Name	2008 Actual	2009 Budgeted	2008-09	2010 Base Budget	2011 Base Budget	2010-11	$ CHANGE 08-09 vs. 10-11	% CHANGE 08-09 vs. 10-11	Comments
HUMAN SERVICES DEPT	STATE OPERATED SERVICES	MENTAL HEALTH	10,998	19,740	30,738	17,966	17,966	35,932	5,194	16.9%	Dedicated receipts--increase in shared services provided at Willmar facility starting in FY 09 and other one-time receipts in the current biennium.
HEALTH DEPT	COMMUNITY & FAMILY HLTH PROM0	HEALTH PROMO & CHRONIC DISEASE	18,535	21,287	39,822	38,387	45,229	83,616	43,794	110.0%	Increased one-time spending in 10-11 primarily for Statewide Health Improvement Program.

AGRICULTURE, ENVIRONMENT AND ECONOMIC DEVELOPMENT
($000s)

Section Sequence Name	Program Name	Budget Activity Name	2008 Actual	2009 Budgeted	2008-09	2010 Base Budget	2011 Base Budget	2010-11	$ CHANGE 08-09 vs. 10-11	% CHANGE 08-09 vs. 10-11	Comments
General Fund											
POLLUTION CONTROL AGENCY	LAND	LAND	24	176	200	500	500	1,000	800	400.0%	Legislative base set at $500,000 for Env Health and Biomonitoring
NATURAL RESOURCES DEPT	LAND & MINERALS RESOURCE MGMT	LAND & MINERALS RESOURCE MGMT	5,346	7,010	12,356	27,015	27,133	54,148	41,792	338.2%	Majority of increase is due to PILT payments
WATER & SOIL RESOURCES BOARD	WATER & SOIL RESRCS BD	WETLAND CONSERVATION ACT	280	920	1,200	810	810	1,620	420	35.0%	Increase in state WCA oversight, monitoring, and rulemaking
WATER & SOIL RESOURCES BOARD	WATER & SOIL RESRCS BD	DITCHES	58	592	650	500	500	1,000	350	53.8%	Cost share grants to local governments for public drainage records modernization
AGRICULTURE DEPT	AGENCY SVCS & FINANCIAL ASSIST	AGENCY SERVICES	2,020	2,253	4,273	3,698	3,698	7,396	3,123	73.1%	Realigning 6 programs to roll up into this budget activity starting in FY 2010, which doubles the appropriation. Shuffles money btwn appropriations.
HOUSING FINANCE AGENCY	APPROPRIATED PROGRAMS	RE/DEVELOPMENT	0	0	0	9,802	9,802	19,604	19,604	100.0%	Technical accounting issue.
HOUSING FINANCE AGENCY	APPROPRIATED PROGRAMS	SUPPORTIVE HOUSING	0	0	0	18,658	18,658	37,316	37,316	100.0%	Technical accounting issue.
HOUSING FINANCE AGENCY	APPROPRIATED PROGRAMS	HOMEOWNERSHIP LOAN	0	0	0	2,100	2,100	4,200	4,200	100.0%	Technical accounting issue.
HOUSING FINANCE AGENCY	APPROPRIATED PROGRAMS	PRESERVATION	0	0	0	13,283	13,283	26,566	26,566	100.0%	Technical accounting change
HOUSING FINANCE AGENCY	APPROPRIATED PROGRAMS	RESIDENT & ORGANIZATIONAL SUPP	0	0	0	1,115	1,115	2,230	2,230	100.0%	Technical accounting change
COMMERCE DEPT	TELECOMMUNICATIONS	TELECOMMUNICATIONS	0	0	0	1,010	1,010	2,020	2,020	100.0%	Technical accounting change
Non General Fund											
POLLUTION CONTROL AGENCY	LAND	LAND	1,839	1,880	3,719	2,450	5,295	7,745	4,026	108.3%	Legislative increase in the Landfill Cleanup Construction Program as well as the closed landfill Admin appropriation
POLLUTION CONTROL AGENCY	ADMINISTRATIVE SUPPORT	ADMINISTRATIVE SUPPORT	663	5,595	6,258	5,232	5,232	10,464	4,206	67.2%	Increase in indirect cost allocations (Federal, Agency, Statewide)
NATURAL RESOURCES DEPT	FOREST MANAGEMENT	SUSTAIN RES ACT IMPLEMENTATION	0	442	442	342	342	684	242	54.8%	Cooperative agreement funding/firefighting equipment
AGRICULTURE DEPT	AG MARKETING & DEVELOPMENT	AG DEVELOP & FINANCIAL ASSIST	363	700	1,063	5,966	6,812	12,778	11,715	1,102.1%	MDA is expecting increased loan volume because banks aren't making as many loans.
AGRICULTURE DEPT	AGENCY SVCS & FINANCIAL ASSIST	AGENCY SERVICES	2,067	2,581	4,648	3,208	3,284	6,492	1,844	39.7%	Technical accounting change.
ANIMAL HEALTH BOARD	LIVESTOCK AND POULTRY HEALTH	BOVINE TB ERADICATION PROGRAM	107	368	475	368	368	736	261	54.9%	The increase is due to stepped up efforts for control of Bovine T.B .

AGRICULTURE, ENVIRONMENT AND ECONOMIC DEVELOPMENT
($000s)

Section Sequence Name	Program Name	Budget Activity Name	2008 Actual	2009 Budgeted	2008-09	2010 Base Budget	2011 Base Budget	2010-11	$ CHANGE 08-09 vs. 10-11	% CHANGE 08-09 vs. 10-11	Comments
General Fund											
EXPLORE MINNESOTA TOURISM	EXPLORE MINNESOTA TOURISM	EXPLORE MINNESOTA TOURISM	1,183	2,244	3,427	1,983	1,983	3,966	539	15.7%	Technical-accounting issue.
HOUSING FINANCE AGENCY	NON APPROPRIATED PROGRAMS	HOMEOWNERSHIP LOAN	8	4,000	4,008	4,250	4,250	8,500	4,492	112.1%	Technical accounting issue.
COMMERCE DEPT	PETROLEUM TANK CLEANUP FUND	PETROLEUM TANK CLEANUP FUND	11,632	16,569	28,201	16,270	16,270	32,540	4,339	15.4%	Commerce budgets $15 million for petro fund clean activity each fiscal year because that is historically close to expenditures. FY08 expenditures were so low that Commerce expects an increase in expenditures over the next few years.
COMMERCE DEPT	MARKET ASSURANCE	MARKET ASSURANCE	4,645	6,307	10,952	7,523	7,213	14,736	3,784	34.6%	Technical-accounting issue .
COMMERCE DEPT	OFFICE OF ENERGY SECURITY	OFFICE OF ENERGY SECURITY	116,674	226,811	343,485	217,308	217,055	434,363	90,878	26.5%	These numbers include Commerce's low income home energy assistance program expenditures (LIHEAP). LIHEAP funding of $101M was received in FY08. During FY09 Commerce has been awarded $190M in funding. This higher level of funding is expected to continue
COMBATIVE SPORTS COMMISSION	BOXING COMM FEES	BOXING COMM FEES	21	156	177	155	155	310	133	75.1%	FY08 increase in revenues from holding its first ever mixed martial arts event at the Target Center. The Commission assumes this will be an on-goin event.
PUBLIC UTILITIES COMM	PUBLIC UTILITIES COMM	PUBLIC UTILITIES COMM	1,975	2,461	4,436	2,661	2,861	5,522	1,086	24.5%	Increase due to more people qualifying and utilizing the Telephone Assistance Plan (TAP). This program provides a credit on land phone bills for those who qualify.
IRON RANGE RESOURCES & REHAB	HR & STRATEGIC RESULTS	HR & STRATEGIC RESULTS	0	0	0	728	728	1,456	1,456	100.0%	New program beginning in FY10
ARTS BOARD	GRANT PROGRAMS	ARTISTS IN EDUCATION	160	296	456	294	294	588	132	28.9%	2007 legislative change- Arts Board's base appropriation was increased in FY09. Some of the increase will go towards this grant program.
MILITARY AFFAIRS DEPT	MAINT TRAINING FACILITIES	AIR BASE MAINT-TWIN CITIES	1,513	2,801	4,314	2,801	2,801	5,602	1,288	29.9%	Increase is due to redirecting general maintenance funds to the metro area from other locations.
MILITARY AFFAIRS DEPT	GENERAL SUPPORT	ADMINISTRATIVE SERVICES	25	47	72	47	47	94	22	30.6%	Increase due to redirecting funds for administration to the central office.
MILITARY AFFAIRS DEPT	GENERAL SUPPORT	CR TIMBER SALES	0	100	100	100	100	200	100	100.0%	Legislative action-new authority to sell timber at Camp Ripley provided in the 2008 legislative session.

TRANSPORTATION

($000s)

Section Sequence Name	Program Name	Budget Activity Name	2008 Actual	2009 Budgeted	2008-09	2010 Base Budget	2011 Base Budget	2010-11	$ CHANGE 08-09 vs. 10-11	% CHANGE 08-09 vs. 10-11	Comments
General Fund											
None											
Non-General Funds											
TRANSPORTATION DEPT	MULTIMODAL SYSTEMS	AERONAUTICS	88,598	118,488	207,086	121,739	121,739	243,478	36,392	17.6%	Assumes significant increase in federal funds.
TRANSPORTATION DEPT	MULTIMODAL SYSTEMS	COMMERCIAL VEHICLES	0	850	850	850	850	1,700	850	100.0%	New emphasis on bridge inspection started in 2009. Base budget is static.
TRANSPORTATION DEPT	LOCAL ROADS	MUNICIPAL STATE AID ROADS	116,340	135,120	251,460	140,331	150,724	291,055	39,595	15.7%	Reflects increased spending passed in '08 Chap 152, and increased percent of MVST dedicated to DOT.
METROPOLITAN COUNCIL	TRANSIT	MET COUNCIL TRANSIT	123,048	112,499	235,547	127,680	158,997	286,677	51,130	21.7%	Assumes an increasing percent of MVST revenue appropriated in current statute, and reflected in current forecast.
911 REVENUE BONDS	STATE ROADS	ELECTRONIC COMMUNICATIONS	0	33,575	33,575	33,575	33,575	67,150	33,575	100.0%	Reflects expected sale of revenue bonds to finance construction of the statewide 800 megahertz radio system.

STATE GOVERNMENT
($000s)

Section Sequence Name	Program Name	Budget Activity Name	2008 Actual	2009 Budgeted	2008-09	2010 Base Budget	2011 Base Budget	2010-11	$ CHANGE 08-09 vs. 10-11	% CHANGE 08-09 vs. 10-11	Comments
General Fund											
LEGISLATURE	LEGISLATIVE COORDINATING CMSN	LCC-PENSIONS & RETIREMENTS	351	530	881	525	525	1,050	169	19.2%	Legislative action-increase in LCC base budget for pension actuarial services. So this is a shift of expenditure from local pension aids to the central pension commission.
CAMPAIGN FIN & PUB DISCL BD	CAMPAIGN FINANCE	PUBLIC FINANCING	0	0	0	135	3,885	4,020	4,020	100.0%	This funding occurs on a multi-year cycle because it is related to election years for all elected officials and is tied to the tax checkoff on citizen tax forms. Budgeted amount is based upon an estimate by the department of revenue and the executive director of the Campaign Finance Board. Once the department of revenue determines which parties will receive the money, the amounts are transferred to special revenue funds to be tracked. The amounts in 2008 and 2009 are not reflected in the general fund after transfer.
ADMINISTRATION DEPT	GOVT AND CITIZEN SERVICES	RISK MANAGEMENT	408	625	1,033	655	688	1,343	310	30.0%	This estimate is determined by the worker's compensation reinsurance rates. In 2008, a previously unaccounted for group of claims was discovered. In order to appropriately build the reserve, rates will be raised.
CONTINGENT ACCOUNTS	FINANCE NON-DEDICATED	FINANCE NON-OPERATING	0	434	434	500	0	500	66	15.2%	Spending has increased short-term due to 35W bridge emergency claims fund. Typically we don't spend much if any of the GF contingent account.
Non-General Fund											
ATTORNEY GENERAL	ATTORNEY GENERAL	CIVIL PROTECTION	926	1,227	2,153	1,249	1,258	2,507	354	16.4%	Increased spending is the result of the increasing complexity of cases related to litigation in the residential small business, and utilities division.
INVESTMENT BOARD	REFUNDS/RETIRE FUNDS	EXTERNAL MONEY MANAGERS	686	1,000	1,686	1,000	1,000	2,000	314	18.6%	Increased spending due to the renewal of the 5 year contracts SBI uses for this program.
ENTERPRISE TECHNOLOGY OFFICE	ENTERPRISE PLANNING & MGMT	ENTERPRISE PLANNING & MGMT	19,441	34,319	53,760	32,640	31,498	64,138	10,378	19.3%	Increased spending relates to projected increases in equipment purchase through the master lease program and projected increases in agency purchased services..
ENTERPRISE TECHNOLOGY OFFICE	INFO STDS & RESOURCE MGMT	ISRM	567	722	1,289	917	943	1,860	571	44.3%	This program is ramping up to match projected revenues from fees added to state master contracts for IT purchases
ADMINISTRATION DEPT	GOVT AND CITIZEN SERVICES	MATERIALS MANAGEMENT	15,041	17,598	32,639	18,859	19,279	38,138	5,499	16.8%	Increase is a result of a legislative support for strategic sourcing such that procurement can become more efficient. Vendors return non-dedicated receipts to the general fund as a result of this program. In addition, the pharmaceutical business has increased with more state participation.

STATE GOVERNMENT
($000s)

Section Sequence Name	Program Name	Budget Activity Name	2008 Actual	2009 Budgeted	2008-09	2010 Base Budget	2011 Base Budget	2010-11	$ CHANGE 08-09 vs. 10-11	% CHANGE 08-09 vs. 10-11	Comments
ADMINISTRATION DEPT	GOVT AND CITIZEN SERVICES	OFFICE OF STATE ARCHAEOLOGIST	2	4	6	4	4	8	2	33.3%	
ADMINISTRATION DEPT	GOVT AND CITIZEN SERVICES	SMART	10	25	35	25	25	50	15	42.9%	SMART was established first in FY 2008 and has gradually added more 'customers' to its base. This unit provides finance and HR assistance to small agencies.
MINNESOTA MANAGEMENT & BUDGET	STATEWIDE INSURANCE	STATE EMPLOYEE GROUP INS PGRM	613,477	680,669	1,294,146	717,943	774,305	1,492,248	198,102	15.3%	Increase due to medical insurance cost increases.

PUBLIC SAFETY
($000s)

Section Sequence Name	Program Name	Budget Activity Name	2008 Actual	2009 Budgeted	2008-09	2010 Base Budget	2011 Base Budget	2010-11	$ CHANGE 08-09 vs. 10-11	% CHANGE 08-09 vs. 10-11	Comments
General Fund											
PUBLIC SAFETY DEPT	ADMIN & RELATED SERVICES	PUBLIC SAFETY - SUPPORT	2,178	2,781	4,959	3,296	3,296	6,592	1,633	32.9%	Family members of police officers slain in the line of duty are entitled to continue family health benefits, as if their spouse were still on active duty. This increase assumes rising health insurance costs paid to local governments for this benefit.
CORRECTIONS DEPT	CORRECTIONAL INSTITUTIONS	MCF-FARIBAULT	30,564	36,865	67,429	40,205	40,652	80,857	13,428	19.9%	Increased operating costs as a result of the Faribault prison expansion.
CORRECTIONS DEPT	CORRECTIONAL INSTITUTIONS	EDUCATION	226	339	565	339	339	678	113	20.0%	Increased administrative support for education programs.
CORRECTIONS DEPT	OPERATIONS SUPPORT	FINANCIAL SERVICES	982	1,077	2,059	4,932	4,932	9,864	7,805	379.1%	Centralization of financial services for correctional institutions.
CORRECTIONS DEPT	OPERATIONS SUPPORT	EMPLOYEE DEVELOPMENT	615	693	1,308	789	789	1,578	270	20.6%	Increased employee development efforts.
PUBLIC SAFETY DEPT	ADMIN & RELATED SERVICES	PUBLIC SAFETY - SUPPORT	4,822	5,205	10,027	6,440	6,471	12,911	2,884	28.8%	Technical accounting issue; actual spending is flat. T
PUBLIC SAFETY DEPT	EMERGENCY MANAGEMENT	NUCLEAR PLANT PREPAREDNESS	1,962	2,497	4,459	2,972	2,976	5,948	1,489	33.4%	Increase related to program growth and increased federal requirements. Agency provides federally mandated inspections and tests, then bills Excel Energy for costs incurred.
PUBLIC SAFETY DEPT	FIRE MARSHAL	FIRE PREVENTION PROTECTION & I	4,463	6,115	10,578	6,172	6,228	12,400	1,822	17.2%	This is a new program started in 2008 and includes transfers that distort how costs are displayed.
PUBLIC SAFETY DEPT	FIRE MARSHAL	FIRE SAFETY ACCOUNT	0	0	0	3,613	3,613	7,226	7,226	100.0%	Technical accounting issue.
PUBLIC SAFETY DEPT	DRIVER & VEHICLE SERVICES	VEHICLE SERVICES	28,853	40,544	69,397	45,483	50,619	96,102	26,705	38.5%	Legislature increased the '10-11 base budget for this program.
PUBLIC SAFETY DEPT	TRAFFIC SAFETY	TRAFFIC SAFETY & RESEARCH	12,572	35,311	47,883	28,905	27,489	56,394	8,511	17.8%	Increase results from increased federal revenues.
PUBLIC SAFETY DEPT	EMERG. COMMUNICATION NETWORK	911 EMERGENCY SERVICES	35,390	42,724	78,114	60,916	65,183	126,099	47,985	61.4%	Increase due to increased debt service on the construction of the 80 megahertz radio system, which is financed by revenue bonds.
SUPREME COURT	SUPREME COURT OPERATIONS	SUPREME COURT OPERATIONS	271	330	601	318	523	841	240	39.9%	Dedicated receipts-reimbursement from Health Dept. for quarantine review and indirect cost receipts.

PUBLIC SAFETY
($000s)

Section Sequence Name	Program Name	Budget Activity Name	2008 Actual	2009 Budgeted	2008-09	2010 Base Budget	2011 Base Budget	2010-11	$ CHANGE 08-09 vs. 10-11	% CHANGE 08-09 vs. 10-11	Comments
LEGAL PROFESSIONS BOARDS	LAWYERS BOARD	LAWYER ASSISTANCE	245	395	640	395	395	790	150	23.4%	Increased funding for lawyer assistance programs paid for through attorney licensing fees.
TRIAL COURTS	TRIAL COURTS	TRIAL COURTS	2,579	9,455	12,034	17,350	17,348	34,698	22,664	188.3%	Change in accounting treatment for funds held in trust by the courts.
CORRECTIONS DEPT	CORRECTIONAL INSTITUTIONS	MCF-FARIBAULT	4,406	6,516	10,922	7,468	6,952	14,420	3,498	32.0%	Dedicated receipts-offender funds and dedicated funding increases related to Faribault prison expansion.
CORRECTIONS DEPT	CORRECTIONAL INSTITUTIONS	MCF-WILLOW RIVER-CIP	2	8	10	8	8	16	6	60.0%	NA--reimbursements for staff meals and law library.
CORRECTIONS DEPT	CORRECTIONAL INSTITUTIONS	MCF-TOGO-CIP	1	2	3	2	2	4	1	33.3%	NA--reimbursements from offenders for cost of care.
CORRECTIONS DEPT	COMMUNITY SERVICES	SENTENCING TO SERVICE	1,745	3,459	5,204	3,459	3,459	6,918	1,714	32.9%	Increased payments from local partners to match state funds for sentencing for service programs.