



March 18, 2009

Senator Lawrence Pogemiller
235 State Capitol
St. Paul, MN 55155

Speaker Margaret Anderson Kelliher
463 State Office Building
St. Paul, MN 55155

Senator Richard Cohen
121 State Capitol
St. Paul, MN 55155

Representative Loren Solberg
443 State Office Building
St. Paul, MN 55155

Senator David Senjem
147 State Office Building
St. Paul, MN 55155

Representative Lyn Carlson
479 State Office Building
St. Paul, MN 55155

Minority Leader Marty Seifert
267 State Office Building
St. Paul, MN 55155

RE: Revisions to the Governor's FY 2010-11 Budget Recommendations

Dear Senators and Representatives:

The purpose of this letter is to officially transmit additional details on the Governor's recommended revisions to the FY 2010-11 budget that was released on January 27, 2009.

Attached for your information are comparative summary financial statements for both FY 2010-11 and FY 2012-13 and a table comparing the FY 2008-09 budget to the proposed budget revisions for FY 2010-11. We have also provided a more detailed listing that highlights changes made to specific items by agency, item and funding source.

We expect that we will be able to provide updated detailed budget book information within the next week. As we move forward through the session, MMB staff remains available to provide additional information as needed.

Sincerely,

A handwritten signature in black ink that reads "Tom J. Hanson".

Tom J. Hanson
Commissioner

cc: Matt Massman, Senate Fiscal Analysis
Bill Marx, House Fiscal Analysis

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

FY 2010 FY 2011 FY 2012 FY 2013

K-12 Education

Education Dept

State Stabilization - General Ed

ARRA Fiscal Stabilization	Expenditures	320,650	0	0	0
General	Expenditures	(256,521)	(64,129)	0	0

In order to access federal state stabilization dollars for general fund relief, state funding for K-12 is reduced and replaced with the federal stabilization dollars in FY 2010. This change item reduces general education revenue by 5% in FY 2010 only and uses the federal stabilization funds to replace the state funding. Both the education specific and flexible portions of the federal state stabilization funds are used to restore education funding.

State Stabilization - K-12 Restoration

ARRA Fiscal Stabilization	Expenditures	28,154	0	0	0
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This change item uses a portion of the 81.8% of the federal state fiscal stabilization fund that is required to be spent on education. The total amount of education specific dollars allocated to Minnesota is \$667.8 million, and the funding must be used to restore K-12 and higher education funding to the greater of the FY 2008 or FY 2009 level. This funding brings primary K-12 formula entitlements in FY 2010 to the FY 2009 level.

State Stabilization - Special Ed

ARRA Fiscal Stabilization	Expenditures	13,990	61,309	0	0
General	Expenditures	(11,267)	(51,936)	(12,096)	0

The education portion of state stabilization funding can be used to pay for already scheduled primary formula increases. This change item funds the planned inflationary growth in special education with the available federal dollars instead of general fund dollars.

Aid Payment Shift

General	Expenditures	419	(344)	(501)	52
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Property Tax Shift

General	Expenditures	(900)	(3,800)	1,600	2,000
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

SOD Advance Payment

General	Expenditures	(2)	23	2	1
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Pay for Progress

General	Expenditures	142	181	200	218
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

FY 2010 FY 2011 FY 2012 FY 2013

K-12 Education

Education Dept

Q Comp Expansion

General	Expenditures	0	774	1,370	1,316
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

FY 2010 FY 2011 FY 2012 FY 2013

Higher Education

Office of Higher Education

State Grant Program Changes

General	Expenditures	0	0	0	0
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The federal stimulus bill is increasing federal Pell grants in Minnesota. This provides an opportunity to modify Minnesota State Grant program parameters, within current appropriation limits, in a way that increases assistance available for post-secondary students. Factors being increased are the living and miscellaneous expense (LME) allowance and the tuition maximum assumptions for various types of institutions.

Increase Tuition Reciprocity for ND

General	Expenditures	0	(400)	(400)	(400)
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This change reduces the governor's original reciprocity increase request by \$400 thousand in FY 2011-2013. Based on new OHE estimates.

State Colleges & Universities

Base Reduction

ARRA Fiscal Stabilization	Expenditures	65,189	65,189	0	0
General	Expenditures	(7,903)	(7,903)	0	0

Funds MnSCU at \$665.883 million (FY 2008 levels) in FY 2009, 2010 and 2011 using a combination of state general funds and ARRA fiscal stabilization funds in order to maximize general fund savings possible through the stabilization funds. Governor's recommendation for FY 2012 and 2013 remains unchanged. Stabilization funds necessary to replace FY 2009 reductions - \$3.5 million - are not listed on this report.

University of Minnesota

Base Reduction

ARRA Fiscal Stabilization	Expenditures	115,731	115,731	0	0
General	Expenditures	(35,901)	(35,901)	0	0

Funds U of M at \$706.922 million (FY 2008 levels) in FY 2009, 2010 and 2011 using a combination of state general funds and ARRA fiscal stabilization funds in order to maximize general fund savings possible through the stabilization funds. Governor's recommendation for FY 2012 and 2013 remains unchanged. Stabilization funds necessary to replace FY 2009 reductions - \$27.1 million - are not shown in this report.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

FY 2010 FY 2011 FY 2012 FY 2013

Tax Policy, Aids and Credits

Revenue Dept - Other

Reduction in Business Franchise Tax Rate

General	Revenues	10,000	10,000	10,000	10,000
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Angel and Venture Capital Initiatives

General	Revenues	0	0	6,250	0
Special Revenue	Revenues	48	31	20	20
Special Revenue	Expenditures	48	31	20	20

The cost of this item has been adjusted from the original Governor's recommendation to correct an error in the estimated General Fund impact and incorporate a program operations fee that was omitted.

Capital Equipment Upfront Exemption

Arts and Cultural Heritage	Revenues	55	67	41	(2)
Clean Water Fund	Revenues	92	112	70	(3)
General	Revenues	2,860	(3,090)	2,430	(70)
Outdoor Heritage Fund	Revenues	92	112	70	(3)
Parks and Trails Fund	Revenues	40	49	30	(2)

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Section 179 Business Expensing

General	Revenues	(3,650)	1,350	775	575
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The cost of this item has been adjusted from the original Governor's recommendation to conform with Section 179 Business Expensing changes contained in the American Recovery and Reinvestment Act of 2009.

County Program Aid Reduction

General	Expenditures	40	450	0	0
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Local Government Aid Reduction

General	Expenditures	500	400	0	0
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

FY 2010 FY 2011 FY 2012 FY 2013

Tax Policy, Aids and Credits

Revenue Dept - Other

Reduce Market Value Homestead Credit

General	Expenditures	1,080	(1,020)	(1,270)	(1,530)
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change as well as correction of an error in the Governor's January budget submission related to township aid. The proposal now caps reductions at no more than 5% of a township's levy plus aid.

Reduce Market Value Agriculture Credit

General	Expenditures	3,540	1,270	1,280	1,320
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change as well as correction of an error in the Governor's January budget submission related to township aid. The proposal now caps reductions at no more than 5% of a township's levy plus aid.

Renter's PTR: Change Formula

General	Expenditures	0	(100)	300	(200)
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Eliminate Political Contribution Refund

General	Expenditures	500	700	600	700
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Reduce Taconite State Aid Appropriation

Iron Range Resources and Rehab	Revenues	(2,940)	(2,940)	(2,940)	(2,940)
NE MN Economic Protection	Revenues	(2,883)	(2,883)	(2,883)	(2,883)
General	Expenditures	(2,854)	422	422	422
Iron Range Resources and Rehab	Expenditures	(2,940)	(2,940)	(2,940)	(2,940)
NE MN Economic Protection	Expenditures	(2,883)	(2,883)	(2,883)	(2,883)

The General Fund cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change. Changes to the Iron Range Resources and Rehab Fund (Fund 240) and NE MN Economic Protection Fund (Fund 580) are added to show the impacts of this recommendation on those funds.

Federal Conformity

General	Revenues	(28,300)	0	0	0
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The Governor's federal conformity proposal has been updated to include partial conformity to the American Recovery and Reinvestment Act of 2009. This change will exclude up to \$2,400 of unemployment compensation received in tax year 2009 from state income taxes.

PTR Interaction

General	Expenditures	0	(2,460)	(1,880)	(2,880)
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

FY 2010 FY 2011 FY 2012 FY 2013

Tax Policy, Aids and Credits

Revenue Dept - Other

Income Tax Interaction

General	Revenues	0	2,520	2,050	3,140
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Education Aid Payments Shift

General	Expenditures	(45)	(19)	(27)	(33)
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Charitable Gambling Tax Simplification

General	Revenues	0	0	0	0
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The Governor recommends establishing a single tax rate on all forms of charitable gambling in order to reduce complexity and provide a more fair distribution. Under this revenue-neutral proposal, a single tax on gross receipts would replace four different tax rates currently assessed on five forms of lawful gambling: pull tabs, tip boards, raffles, bingo, and paddle wheels.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

FY 2010 FY 2011 FY 2012 FY 2013

Health and Human Services

Health Dept

Electronic Health Care Record Loan Prog

General	Expenditures	4,000	0	0	0
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Provides additional state match required to draw down federal stimulus funds to facilitate the adoption of electronic health record technology. Loans would be available to physicians and hospitals to finance the installation or support of interoperable electronic health record systems.

State Loan Repayment Program

General	Expenditures	128	0	0	0
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Provides additional funding for state match required to draw federal stimulus funds available through the National Health Service Corps for loan repayments to health care professionals that provide services in federally designated primary care health professional shortage areas.

Human Services Dept

Adjust Special Transportation Rates

General	Expenditures	80	92	102	114
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Eliminate Add'l Renewal Notice Mailings

Health Care Access	Revenues	19	9	0	0
General	Expenditures	112	56	0	0
Health Care Access	Expenditures	48	24	0	0

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and a delay in implementation that is related to receiving the ARRA enhanced FMAP.

Federal Compliance: Limit MERC

General	Expenditures	(29,563)	(21,416)	(24,410)	(26,499)
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

MnDHO Limits

General	Expenditures	(2,229)	(7,461)	(12,986)	(14,693)
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Implements limits on openings for the Minnesota Disability Health Options (MnDHO) program and reduces payment rates for the long-term care portion.

Restructure GAMC

General	Expenditures	(39,777)	(131,969)	(177,997)	(193,289)
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Reconfigures the General Assistance Medical Care (GAMC) program so care is provided in clinics, where appropriate, and not in emergency rooms. Current inpatient coverage would also be replaced with a more straight-forward subsidy to hospitals through an uncompensated care pool. This pool would be augmented with a more limited set of outpatient benefits including physician, pharmacy, laboratory and mental health services. Care coordination will also be piloted. These services are intended to reduce emergency room visits and hospitalizations.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

FY 2010 FY 2011 FY 2012 FY 2013

Health and Human Services

Human Services Dept

SOS Operations Reduction

General	Revenues	(70)	(70)	(70)	(70)
General	Expenditures	(770)	(770)	(770)	(770)

Reduces State Operated Services operations by a net of \$700,000 per fiscal year due to efficiencies gained through the use of technology.

TANF Emergency Funds

Federal TANF	Expenditures	0	0	0	0
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Provides \$16 million in one-time federal stimulus funding from Temporary Assistance to Needy Families (TANF) Emergency Funds to counties and uses current state and county spending as the state match component for this funding.

Temp Reduction - Community Action Grants

General	Expenditures	(1,964)	(1,964)	0	0
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Replaces general fund spending with federal stimulus funds for community services grants and produces a one-time savings in FY 10-11.

Merge HCAF with General Fund

General	Revenues	13,132	(16,694)	(22,255)	(27,071)
Health Care Access	Revenues	0	0	0	0
General	Expenditures	(49,469)	11,457	(21,391)	(22,864)
Health Care Access	Expenditures	0	0	0	0

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Modify 20% Income Withholding

General	Expenditures	1	3	0	0
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Limit Retroactive Eligibility for CCAP

General	Expenditures	0	(13)	(11)	(9)
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Diversionsary Work Program Changes

Federal TANF	Expenditures	0	(9)	(8)	(7)
General	Expenditures	0	0	0	0

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

FY 2010 FY 2011 FY 2012 FY 2013

Health and Human Services

Human Services Dept

Invest in Early Learning

General	Expenditures	(2,731)	0	0	0
Special Revenue	Expenditures	3,494	1,750	0	0

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change, and the recognition of additional underspending in the basic sliding fee (BSF) program in the Child Care Development Fund (CCDF).

AA/RCA Funding Adjustment

General	Expenditures	(3,057)	(2,246)	(1,412)	(1,584)
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and to recognize additional federal stimulus funding.

Child Permanency - Northstar Care

Federal TANF	Expenditures	0	12	109	147
General	Expenditures	0	274	363	788

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and a reduction in rates that will be paid for the single care benefit for children in foster care, relative custody assistance and adoption assistance.

Group Residential Housing Modifications

General	Revenues	653	1,306	1,306	1,306
General	Expenditures	0	0	0	0

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Child Care Assistance Program Reductions

General	Expenditures	4,930	1,399	78	99
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and a delay in implementation to maximize federal stimulus funding.

MFIP Reduction

Federal TANF	Expenditures	4,090	2,295	(727)	(617)
General	Expenditures	(5)	(28)	(5)	(1)

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and a delay in implementation to maximize federal stimulus funding.

Work Participation Cash Benefit Changes

General	Expenditures	9	39	61	62
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

	FY 2010	FY 2011	FY 2012	FY 2013
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Health and Human Services

Human Services Dept

Decrease MFIP Exit Level to 110% FPG

Federal TANF	Expenditures	829	198	(94)	(83)
General	Expenditures	0	84	48	(7)

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

TANF Refinancing

Federal	Revenues	(9,415)	25,531	0	(1,329)
Federal	Expenditures	4,585	34,131	0	(1,329)
Federal TANF	Expenditures	(9,415)	12,536	0	(1,329)
General	Expenditures	(4,585)	(21,136)	0	1,329

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and to maximize federal stimulus funding.

Correct Base Level Adjustments

Federal TANF	Expenditures	0	(100)	(100)	(100)
General	Expenditures	0	0	0	0

The cost of this item has been adjusted from the original Governor's recommendation due to correction of an error.

Modify NF Level of Care Thresholds

General	Expenditures	1,320	4,018	(85)	(40)
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

PCA Redesign and Provider Standards

Special Revenue	Revenues	0	0	0	0
General	Expenditures	1,562	2,443	(1,405)	(1,562)
Special Revenue	Expenditures	0	0	0	0

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Limit Disabilities Waiver Growth

General	Expenditures	667	2,659	4,403	8,067
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Limit Customized Living Service Rates

General	Expenditures	21	178	(30)	(18)
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

FY 2010 FY 2011 FY 2012 FY 2013

Health and Human Services

Human Services Dept

Eliminate Nursing Facility Rebasing

General	Expenditures	1,052	809	98	171
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Reduce LTC Provider Rates and Grants

General	Expenditures	6,872	5,821	1,328	1,534
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Change MA Single-Bed Payment Policy

General	Expenditures	445	293	12	9
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Simplify Planned Closure Rate Adjustment

General	Expenditures	14	34	3	4
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Children's MH Residential Treatment

General	Expenditures	509	322	0	0
Health Care Access	Expenditures	(1)	(1)	0	0

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Reform Payment Method for CD Providers

General	Revenues	750	0	0	0
General	Expenditures	0	0	(3,369)	0
Special Revenue	Expenditures	750	0	0	0

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and correction of an error.

Delay New Mental Health Services

General	Expenditures	(1,631)	(579)	(5,200)	(1,851)
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change; an additional delay in coverage of assertive community treatment for adolescents for an additional six months (May 2009 until November 2010); and further reductions in funding for adult mental health grants.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

	FY 2010	FY 2011	FY 2012	FY 2013
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Health and Human Services

Human Services Dept

Federal Compliance: Reasonable Limits

General	Expenditures	(279)	(353)	(333)	(333)
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Basic Care Rateable Reduction

General	Expenditures	(841)	7,450	1,192	514
Health Care Access	Expenditures	(281)	1,239	774	729

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and changing from January 1, 2010 to October 1, 2009 the implementation date for managed care rateable reductions.

Elim. HC Elig. for Adults w/o Children

Health Care Access	Revenues	0	0	0	0
General	Expenditures	(1,982)	(5,423)	(4,789)	(4,578)
Health Care Access	Expenditures	4,085	6,242	2,164	274

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Elim. MNCare Eligibility for Parents

Health Care Access	Revenues	0	453	161	127
General	Expenditures	0	(13,075)	(3,528)	(3,980)
Health Care Access	Expenditures	0	53,731	12,402	13,214

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and a delay in implementation that is related to receiving the ARRA enhanced FMAP.

Eliminate Chiropractic Service Coverage

General	Expenditures	62	88	10	12
Health Care Access	Expenditures	36	(15)	(36)	(37)

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Eliminate Dental Coverage for Adults

General	Expenditures	2,051	2,422	(636)	(653)
Health Care Access	Expenditures	488	(476)	(1,100)	(1,063)

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

FY 2010 FY 2011 FY 2012 FY 2013

Health and Human Services

Human Services Dept

Eliminate Podiatry Service Coverage

General	Expenditures	64	92	11	13
Health Care Access	Expenditures	1	(15)	(36)	(37)

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Eliminate Rehab. Service Coverage

General	Expenditures	115	211	(405)	(425)
Health Care Access	Expenditures	54	(56)	(138)	(142)

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Maintain Current MinnesotaCare Premiums

Health Care Access	Revenues	30	5	(4)	(6)
Health Care Access	Expenditures	2,960	2,634	1,451	1,022

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and a delay in implementation that is related to receiving the ARRA enhanced FMAP.

MnCare Rolling Month and Grace Month

Health Care Access	Expenditures	1,756	(327)	375	230
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Increase MA-EPD Premiums

General	Expenditures	538	557	0	0
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and a delay in implementation that is related to receiving the ARRA enhanced FMAP.

Eliminate Additional Two Months Coverage

Health Care Access	Revenues	0	(166)	(475)	(643)
General	Expenditures	3,806	2,720	3,129	3,246
Health Care Access	Expenditures	1,420	9,121	10,477	11,538

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and a delay in implementation that is related to receiving the ARRA enhanced FMAP.

Align Managed Care Withhold

General	Expenditures	944	2,599	834	966
Health Care Access	Expenditures	695	598	121	15

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and correction of an error.

March 2009 Governor's Revised Recommendations

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(\$ in Thousands)

FY 2010 FY 2011 FY 2012 FY 2013

Health and Human Services

Human Services Dept

Alter 2011 Inpatient Hospital Rebasing

General	Expenditures	0	2,060	0	0
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

HC Provider Payment Delay

General	Expenditures	20,891	(22,122)	1,231	0
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and a delay in implementation to comply with the prompt payment requirements of the ARRA.

Inpatient June Payment Delay

General	Expenditures	23,507	(24,118)	612	0
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and a delay in implementation to comply with the prompt payment requirements of the ARRA.

Eliminate Critical Access Dental

General	Expenditures	1,176	925	200	200
Health Care Access	Expenditures	(560)	(1,006)	(717)	(813)

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

MH Inpatient Ratable Reduction

General	Expenditures	4,135	10,172	10,945	11,776
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and correction of an error.

Reduce Pharmacy Reimbursements

General	Expenditures	(9)	(13)	(16)	(17)
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Rural Hospital Inpatient DRG Payments

General	Expenditures	641	426	(195)	(220)
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Eliminate Inpatient Quarterly Payments

General	Expenditures	2,759	13,754	1,173	991
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and correction of an error.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

	FY 2010	FY 2011	FY 2012	FY 2013
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Health and Human Services

Human Services Dept

Eliminate Outreach Incentive Program

Health Care Access	Revenues	0	(72)	(125)	(127)
General	Expenditures	2,851	6,046	1,033	(3,403)
Health Care Access	Expenditures	1,076	1,012	198	(722)

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and a delay in implementation that is related to receiving the ARRA enhanced FMAP.

Align Medical Assistance Asset Limits

General	Expenditures	5,368	(2,599)	(2,541)	(649)
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and a delay in implementation that is related to receiving the ARRA enhanced FMAP.

Align Medicare Savings Pgm. Asset Limits

General	Expenditures	301	301	150	0
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and a delay in implementation that is related to receiving the ARRA enhanced FMAP.

Homestead / Estate Recovery

General	Revenues	(357)	(231)	0	0
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Modify MA Asset Reduction Policy

General	Expenditures	7,314	4,868	0	0
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and a delay in implementation that is related to receiving the ARRA enhanced FMAP.

Regulation of Some Trusts and Transfers

General	Expenditures	229	432	335	125
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change and a delay in implementation that is related to receiving the ARRA enhanced FMAP.

Non-Emergency Medical Transportation

General	Expenditures	410	286	248	239
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

FY 2010 FY 2011 FY 2012 FY 2013

Health and Human Services

Human Services Dept

MSOP/SOS Pension Reform

General	Revenues	0	0	0	0
General	Expenditures	(5)	(7)	(7)	(7)

The cost of this item has been adjusted from the original Governor's recommendation due to correction of an error.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

FY 2010 FY 2011 FY 2012 FY 2013

Public Safety

Corrections Dept

County Relief for Short-Term Offenders

General	Expenditures	4,089	4,149	4,189	4,229
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Repeals requirement that short-term offenders serve their sentence at the local level. Instead, such offenders would serve their time at Department of Corrections facilities. Current payments to counties for short-term offenders of would be eliminated.

Court of Appeals

Operating Budget Reduction

General	Expenditures	176	176	0	0
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General reduction for operating costs of the courts is reduced by \$10 million to 3.3%, down from 5%, in the FY 10-11 biennium. Planning estimates for the FY 12-13 biennium still include a 5% reduction for all court funding.

District Courts

Operating Budget Reduction

General	Expenditures	4,269	4,269	0	0
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General reduction for operating costs of the courts is reduced by \$10 million to 3.3%, down from 5%, in the FY 10-11 biennium. Planning estimates for the FY 12-13 biennium still include a 5% reduction for all court funding.

Supreme Court

Operating and Grants Reduction

General	Expenditures	555	555	0	0
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General reduction for operating costs of the courts is reduced by \$10 million to 3.3%, down from 5%, in the FY 10-11 biennium. The Civil Legal Services reduction remains at 5%. Planning estimates for the FY 12-13 biennium still include a 5% reduction for all court funding.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

FY 2010 FY 2011 FY 2012 FY 2013

Transportation

Metropolitan Council

Heritage Constitutional Amendment

Parks and Trails Fund	Expenditures	0	0	(532)	(1,140)
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FY 2012 and 2013 appropriation levels were reduced to the level recommended for FY 2011. This makes the recommendation consistent MS 16A.11, subd. 3, paragraph (b).

Water Supply Planning

Clean Water Fund	Expenditures	0	0	(50)	(50)
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FY 2012 and 2013 appropriation levels were reduced to the level recommended for FY 2011. This makes the recommendation consistent MS 16A.11, subd. 3, paragraph (b).

Public Safety Dept

Emergency Communications Network Grants

State Government Special Rev	Expenditures	5,000	0	0	0
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Provides grants to assist local units of governments with costs associated with the transition to the Allied Radio Matrix for Emergency Response (ARMER) public safety communications system. Funds would be available to local units of governments that are not eligible for the local enhancement grants provided by the 2005 legislature.

NextGeneration 911

State Government Special Rev	Expenditures	3,431	6,490	2,965	0
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Uses 911 special revenue funding to build a Next Generation Internet Protocol based network to replace the current 30 year old system. The updated system will allow high speed data services such as text messaging, Voice over Internet calling and video relay.

Transportation Dept

Trunk Highway Funding Changes

Trunk Highway	Expenditures	(48,000)	(98,000)	2,000	2,000
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Reduces the current trunk highway appropriation by \$48 million in FY 2010 and \$98 million in FY 2011 to address the trunk highway fund balance resulting from lower revenue projections in the February 2009 forecast. This reduction is in addition to the reduction proposed based on the November 2008 forecast.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

FY 2010 FY 2011 FY 2012 FY 2013

Environment, Energy & Natural Resources

Natural Resources Dept

Land Sales Extension

General	Revenues	2,000	0	0	0
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Extends the deadline in Laws 2007, Chapter 148, article 2, section 73 to June 30, 2011. It would also focus the remaining statewide land sale requirement on DNR lands. DNR had a plan to meet land sale targets this year, but market conditions have deteriorated so they need more time. This is a one-time shift in that it recognizes reduced revenues in FY 2009 and equal new revenues in the FY10-11 biennium.

Lottery in Lieu Appropriation Increase

Natural Resources	Expenditures	425	425	425	425
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Provides \$425,000 each year from the Natural Resources fund to the Division of Parks and Trails. This appropriation includes \$375,000 annually for the DNR to partner with Explore Minnesota Tourism in order to better promote state parks and trails to gain new visitors and bring former visitors back. This also includes an additional \$50,000 for local trails grants. Additional funds possible because of higher than expected receipts from the Minnesota Lottery.

Parks and Trails Grants

Parks and Trails Fund	Expenditures	0	0	(336)	(720)
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FY 2012 and 2013 appropriation levels were reduced to the level recommended for FY 2011. This makes the recommendation consistent MS 16A.11, subd. 3, paragraph (b).

State Parks and Trails Legacy

Parks and Trails Fund	Expenditures	0	0	(532)	(1,140)
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FY 2012 and 2013 appropriation levels were reduced to the level recommended for FY 2011. This makes the recommendation consistent MS 16A.11, subd. 3, paragraph (b).

Pollution Control Agency

EQB Transfer to PCA

General	Expenditures	250	250	250	250
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In January, Governor recommended moving the remaining responsibilities of the Environmental Quality Board to the Pollution Control Agency. While some savings were recognized in Dept of Administration, no new resources were recognized coming to PCA for continuing duties. This revision corrects that omission.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

FY 2010 FY 2011 FY 2012 FY 2013

Agriculture & Veterans

Agriculture Dept

Rural Finance Authority Loans

General	Expenditures	0	0	0	0
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Governor recommends \$35 million in user-financed bond proceeds for the Rural Finance Authority loan programs. Because the principal and interest on these bonds is totally covered by the users through loan repayments, there is no general fund debt service impact.

Military Affairs Dept

Re-enlistment Incentives

General	Expenditures	1,500	1,500	1,500	1,500
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Based on recent program demand, the Governor recommends an additional \$1.5 million annually beginning in FY 2010 for Military Affairs to continue providing tuition reimbursement to eligible National Guard members at the statutorily-authorized 100% reimbursement level.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

FY 2010 FY 2011 FY 2012 FY 2013

Economic Development

Employment & Economic Dev Dept

Universal Job Seekers/Workforce Centers

Workforce Development	Expenditures	(3,000)	(1,500)	0	0
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Approximately \$7 million in federal stimulus funding is available to DEED for Employment Service Operations in FY10 and FY11. These funds will provide re-employment services to unemployed workers through trained specialists at WorkForce Centers. Because of the federal stimulus money, the Governor's original request for increased appropriations for similar purposes can be reduced by \$4.5 million in FY 2010-2011. The Governor's FY 2012 and FY 2013 recommendation remain the same at \$3 million annually.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

FY 2010 FY 2011 FY 2012 FY 2013

State Government

Administration Dept

Transfer EQB to PCA

General	Expenditures	(400)	(400)	(400)	(400)
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Reduces the Department of Administration's budget to reflect the transfer of the Environmental Quality Board (EQB) to the Pollution Control Agency. The Governor's original recommendation indicated a \$153 thousand reduction per year to EQB in anticipation of the transfer. The additional \$400 thousand per year removes the EQB from Administration's budget entirely. The \$553 thousand per year reduction to Administration's appropriation is included in the state government budget bill.

Enterprise Technology Office

Minnesota Electronic Licensing System

Special Revenue	Revenues	1,050	1,150	1,050	1,150
Special Revenue	Expenditures	1,050	1,150	1,050	1,150

Revised proposal condenses the project into six years rather than eight and modifies the surcharge to be 10% of the license fee with a minimum of \$5 and a maximum of \$150. This reduces the cost of the project to \$35 million over six years.

Gambling Control Board

Gambling Control Fee

Special Revenue	Revenues	25	5	5	5
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Revenue from imposing a \$50 fee for expedited processing of "exempt" gambling permits when the application is received less than 30 days prior to the event as required in law. This amount would be added to the lawful gambling regulation account in the special revenue fund. The provision was included in the Gambling Control Board technical/policy bill (SF 1284 / HF 1511).

Minnesota Management & Budget

Stimulus Funds Reporting and Oversight

General	Expenditures	1,600	0	0	0
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The Governor recommends funds for staff and/or systems enhancements to coordinate the receipt and distribution of federal stimulus dollars to ensure these amounts are spent in accordance with state and federal laws and are tracked and reported in a transparent manner. These funds would be available in FY 2009, FY 2010, FY 2011 and FY 2012.

March 2009 Governor's Revised Recommendations

By Omnibus Bill and Agency

(\$ in Thousands)

	FY 2010	FY 2011	FY 2012	FY 2013
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State Government

MMB Non-Operating

Federal Stimulus Match Contingency

General	Expenditures	5,000	0	0	0
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The Governor recommends setting aside funding in the statewide contingency account to ensure that Minnesota can meet match requirements for various formula and competitive grants authorized in the federal stimulus package. Since guidance regarding some of this funding is still being developed at the federal level, it is unclear exactly how much will be needed from the state to fully leverage federal resources. Funds in the contingency account would be released in consultation with the Legislative Advisory Commission (LAC). These funds would be available in FY 2009, FY 2010 and FY 2011.

Federal Stimulus Package

General	Revenues	(920,000)	0	0	0
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The placeholder carried in the original Governor's recommendations is replaced by the higher FMAP reimbursement estimated in the forecast as well as more specific recommendations for use of stimulus funds.

Tobacco Appropriation Bonds

Debt Service	Revenues	0	0	0	0
Debt Service	Expenditures	(13,123)	14,781	0	0
General	Expenditures	4,794	(18,426)	10,729	10,858

The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change. The revised cost also incorporates the cost of issuance and higher interest rate assumptions.

Debt Service Savings

General	Expenditures	83	(2,444)	106	381
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The cost of this item has been adjusted from the original Governor's recommendation due to underlying forecast change.

Revenue Dept

DOR Technical/Policy Fee Changes

General	Revenues	0	110	255	405
Special Revenue	Revenues	14	14	14	14
Special Revenue	Expenditures	14	14	14	14

These two items were omitted from the Governor's January budget submission, but are included in the Department of Revenue Technical/Policy bill (HF885/SF681). The first creates a penalty deposited to the General Fund for employers and construction contractors who fail to withhold any tax from an employee or independent contractor. The second is a provision affecting the Special Revenue Fund that requires local governments to pay a \$250 application fee when applying for a conditional use deed from DOR.

March Gov Recs Detail

3/18/09 1:19 PM

Selected Agencies:

*All Agencies

Selected Bills:

*All Bills

General Fund (*including Federal Stabilization funding)

	1-09 Gov Rec FY 2010-11	3-09 Gov Rec* FY 2010-11	Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	583,933	568,824	(15,109)
Current Resources:			
Tax Revenues	29,589,108	28,474,593	(1,114,515)
Non-Tax Revenues	1,480,987	1,430,184	(50,803)
Subtotal - Non-Dedicated Revenue	31,070,095	29,904,777	(1,165,318)
Dedicated Revenue	164,514	164,514	0
Transfers In	581,281	580,993	(288)
Prior Year Adjustments	50,000	50,000	0
Subtotal - Other Revenue	795,795	795,507	(288)
Budget Changes - Taxes	822,310	804,500	(17,810)
Budget Changes - Non-Taxes*	949,360	1,105,725	156,365
Subtotal-Current Resources	33,637,560	32,610,509	(1,027,051)
Total Resources Available	34,221,493	33,179,333	(1,042,160)
<u>Actual & Estimated Spending</u>			
K-12 Education	14,059,256	14,086,100	26,844
K-12 Ptx Rec Shift/Aid Payment Shift	(1,294,398)	(1,293,628)	770
Subtotal K-12 Education	12,764,858	12,792,472	27,614
Higher Education	2,844,550	3,148,938	304,388
Property Tax Aids & Credits	2,896,555	2,921,205	24,650
Health & Human Services	11,323,887	9,899,548	(1,424,339)
Public Safety	1,675,813	1,694,091	18,278
Transportation	381,646	381,646	0
Environment, Energy & Natural Resources	344,302	344,936	634
Agriculture & Veterans	263,438	266,438	3,000
Economic Development	247,682	247,682	0
State Government	642,019	650,277	8,258
Debt Service	109,673	97,700	(11,973)
Capital Projects	4,800	4,800	0
Deficiencies/Other	0	0	0
Estimated Cancellations	(20,000)	(20,000)	0
Subtotal Expenditures & Transfers	33,479,223	32,429,733	(1,049,490)
Dedicated Expenditures	131,327	131,327	0
Total Expenditures & Transfers	33,610,550	32,561,060	(1,049,490)
Balance Before Reserves	610,943	618,273	7,330
Cash Flow Account	350,000	350,000	0
Budget Reserve	250,000	250,000	0
Budgetary Balance	10,943	18,273	7,330

General Fund (*including Federal Stabilization funding)

	3-09 Gov Rec*	3-09 Gov Rec*	Difference	% Change
	FY 2008-09	FY 2010-11		
<u>Actual & Estimated Resources</u>				
Balance Forward From Prior Year	2,244,935	568,824	(1,676,111)	-74.7%
Current Resources:				
Tax Revenues	29,646,194	28,474,593	(1,171,601)	-4.0%
Non-Tax Revenues	1,561,353	1,430,184	(131,169)	-8.4%
Subtotal - Non-Dedicated Revenue	31,207,547	29,904,777	(1,302,770)	-4.2%
Dedicated Revenue	162,908	164,514	1,606	1.0%
Transfers In	815,685	580,993	(234,692)	-28.8%
Prior Year Adjustments	46,569	50,000	3,431	7.4%
Subtotal - Other Revenue	1,025,162	795,507	(229,655)	-22.4%
Budget Changes - Taxes	90	804,500	804,410	nm
Budget Changes - Non-Taxes*	30,146	1,105,725	1,075,579	nm
Subtotal-Current Resources	32,262,945	32,610,509	347,564	1.1%
Total Resources Available	34,507,880	33,179,333	(1,328,547)	-3.8%
<u>Actual & Estimated Spending</u>				
K-12 Education	13,788,000	14,086,100	298,100	2.2%
K-12 Ptx Rec Shift/Aid Payment Shift	(10,525)	(1,293,628)	(1,283,103)	nm
Subtotal K-12 Education	13,777,475	12,792,472	(985,003)	nm
Higher Education	3,150,015	3,148,938	(1,077)	0.0%
Property Tax Aids & Credits	3,064,166	2,921,205	(142,961)	-4.7%
Health & Human Services	9,049,517	9,899,548	850,031	9.4%
Public Safety	1,686,529	1,694,091	7,562	0.4%
Transportation	452,062	381,646	(70,416)	-15.6%
Environment, Energy & Natural Resources	422,515	344,936	(77,579)	-18.4%
Agriculture & Veterans	269,937	266,438	(3,499)	-1.3%
Economic Development	396,235	247,682	(148,553)	-37.5%
State Government	695,023	650,277	(44,746)	-6.4%
Debt Service	862,071	97,700	(764,371)	-88.7%
Capital Projects	20,495	4,800	(15,695)	-76.6%
Deficiencies/Other	16,030	0	(16,030)	-100.0%
Estimated Cancellations	(23,700)	(20,000)	3,700	-15.6%
Subtotal Expenditures & Transfers	33,838,370	32,429,733	(1,408,637)	-4.2%
Dedicated Expenditures	100,686	131,327	30,641	30.4%
Total Expenditures & Transfers	33,939,056	32,561,060	(1,377,996)	-4.1%
Balance Before Reserves	568,824	618,273	49,449	
Cash Flow Account	350,000	350,000	0	
Budget Reserve	0	250,000	250,000	
Budgetary Balance	218,824	18,273	(200,551)	

FY 2012-13 Planning Estimates
General Fund (*including Federal Stabilization funding)

	1-09 Gov Plng FY 2012-13	3-09 Gov Plng FY 2012-13	Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	610,943	618,273	7,330
Current Resources:			
Tax Revenues	32,290,180	32,028,979	(261,201)
Non-Tax Revenues	1,501,371	1,438,301	(63,070)
Subtotal - Non-Dedicated Revenue	33,791,551	33,467,280	(324,271)
Dedicated Revenue	150,514	150,514	0
Transfers In	565,874	575,913	10,039
Prior Year Adjustments	50,000	50,000	0
Subtotal - Other Revenue	766,388	776,427	10,039
Budget Changes - Taxes	806,970	809,020	2,050
Budget Changes - Non-Taxes*	2,493	(3,801)	(6,294)
Subtotal-Current Resources	35,367,402	35,048,926	(318,476)
Total Resources Available	35,978,345	35,667,199	(311,146)
<u>Actual & Estimated Spending</u>			
K-12 Education	14,546,725	14,547,881	1,156
K-12 Ptx Rec Shift/Aid Payment Shift	(143,077)	(147,240)	(4,163)
Subtotal K-12 Education	14,403,648	14,400,641	(3,007)
Higher Education	2,847,420	2,846,620	(800)
Property Tax Aids & Credits	2,953,045	3,003,355	50,310
Health & Human Services	12,715,041	12,383,407	(331,634)
Public Safety	1,698,137	1,706,555	8,418
Transportation	381,646	381,646	0
Environment, Energy & Natural Resources	344,429	345,157	728
Agriculture & Veterans	264,938	267,938	3,000
Economic Development	237,150	237,144	(6)
State Government	625,688	627,451	1,763
Debt Service	1,288,795	1,318,802	30,007
Capital Projects	45,219	45,219	0
Deficiencies/Other	0	0	0
Estimated Cancellations	(20,000)	(20,000)	0
Subtotal Expenditures & Transfers	37,785,156	37,543,935	(241,221)
Dedicated Expenditures	117,864	117,864	0
Total Expenditures & Transfers	37,903,020	37,661,799	(241,221)
Balance Before Reserves	(1,924,675)	(1,994,600)	(69,925)
Cash Flow Account	350,000	350,000	0
Budget Reserve	250,000	250,000	0
Budgetary Balance	(2,524,675)	(2,594,600)	(69,925)
Structural Balance	(2,535,618)	(2,612,873)	(77,255)