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**Summary of the Fiscal Actions of the 2007 Legislature**

**Minnesota's General Fund Budget for  
the FY 2008-09 Biennium**

**Money Matters 07.05**  
**August 2007**

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**Fiscal Analysis Department**  
Minnesota House of Representatives

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# The Overall Budget Picture

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*The enacted general fund budget for the FY 2008-09 biennium anticipates \$33.9 billion in revenues and \$34.5 billion of spending. When the Legislature adjourned in May 2007, the projected general fund budget for the FY 2008-09 biennium showed a \$373 million balance. This section provides additional detail on the overall budget picture.*

The February 2007 forecast projected that general fund revenue would exceed expenditures by \$1.15 billion for the FY 2008-09 biennium. In addition, the forecast projected that the FY 2006-07 biennium would have a balance of \$1.013 billion. The sum of these amounts - \$2.163 billion – was available for the 2007 Legislature.

The 2007 Legislature spent an additional \$20 million in FY 2006-07 for deficiency appropriations, a reduced cancellation estimate and disaster funding, reducing the projected FY 2006-07 balance from \$1.013 billion to \$993 million. In addition, a tax bill enacted early in the 2007 conforming certain Minnesota tax policies with federal policies reduced general fund revenue in FY 2007 by \$24 million. This revenue change was already accounted for in the February 2007 forecast so it does not show up in figures in this summary that compare to the February forecast projections.

After accounting for legislation enacted in the 2007 session, including line item vetoes in bills and vetoes of bills, the general fund budget for FY 2008-09 shows a balance of \$373 million. Total projected revenues for the FY 2008-09 biennium are \$33.812 billion, and total projected expenditures are \$34.512 billion. Revenues carried forward from FY 2006-07 are \$993 million and also \$110 million in the tax relief account that is transferred to the general fund under 2006 legislation.

The general fund revenues of \$33.812 billion are an increase of \$1.601 billion or 5.0 percent over revenues in the FY 2006-07 biennium. The revenue amount of \$33.812 billion is \$134 million higher or 0.4 percent higher than the FY 2008-09 revenue projected in the February 2007 forecast.

The general fund spending of \$34.542 billion is an increase of \$3.044 billion or 9.7 percent over spending in the FY 2006-07 biennium. The spending amount of \$34.542 billion is \$1.904 billion higher or 5.8 percent higher than the FY 2008-09 spending projected in the February 2007 forecast.

The general fund balance of \$373 million projected for June 30, 2009 is largely a result of vetoed bills. The vetoed Capital Expenditure bill would have spent \$164 million in general fund appropriations as well as \$12 million in additional debt service. The vetoed Tax Bill would have transferred \$150 million to increase the budget reserve.

Table 1 (on the next page) summarizes the general fund resources available and spending amounts for the FY 2006-07 biennium and the FY 2008-09 biennium and projections for the FY 2010-11 biennium.

<b>Table 1: General Fund Biennial Summary: Fiscal Years 2006-2011 Enacted Budget, Change from Feb. Forecast Base</b>					
	<b>FY 2006-07</b>	<b>FY 2008-09</b>	<b>Percent Change</b>	<b>FY 2010-11</b>	<b>Percent Change</b>
<b>Balance Forward</b>	<b>\$390</b>	<b>\$1,103</b>		<b>\$373</b>	
Revenues - Base	\$32,211	\$33,678		\$36,707	
Revenues - Changes	\$0	\$134		\$136	
Current Revenues	\$32,211	\$33,812	5.0%	\$36,844	9.0%
<b>Total Resources Available</b>	<b>\$32,601</b>	<b>\$34,915</b>		<b>\$37,217</b>	
Expenditures & Transfers - Base	\$31,478	\$32,638		\$33,908	
Expenditures - Changes	\$20	\$1,904		\$1,791	
<b>Total Expenditures</b>	<b>\$31,498</b>	<b>\$34,542</b>	<b>9.7%</b>	<b>\$35,698</b>	<b>3.3%</b>
Balance Before Reserve Changes	\$1,103	\$373		\$1,519	
Change in Reserves					
<b>Balance After Reserves *</b>	<b>\$1,103</b>	<b>\$373</b>		<b>\$1,519</b>	

*\*\$110 million of this FY 2006-07 amount was carried forward in the tax relief account.*

**Table 2** illustrates a fiscal year by fiscal year comparison of revenues and expenditures for FY 2006-09 using the same format as Table 1. Revenues in FY 2008 are \$16.608 billion, \$359 million or 2.2 percent more than revenues in FY 2007. Revenues in FY 2009 are \$17.204 billion, \$596 million or 3.6 percent greater than revenues in FY 2008.

Spending in FY 2008 is \$17.100 billion, \$1.144 billion or 7.2 percent greater than spending in FY 2007. Spending in FY 2009 is \$17.441 billion, \$341million or 2.0 percent greater than spending in FY 2008.

<b>Table 2: General Fund Summary By Fiscal Years 2006-2011 Enacted Budget, Change from Feb. Forecast Base</b>							
	<b>FY 2006</b>	<b>FY 2007</b>	<b>Percent Change</b>	<b>FY 2008</b>	<b>Percent Change</b>	<b>FY 2009</b>	<b>Percent Change</b>
<b>Balance Forward</b>	<b>\$390</b>	<b>\$810</b>		<b>\$1,103</b>		<b>\$610</b>	
Revenues - Base	\$15,962	\$16,249		\$16,551		\$17,127	
Revenues - Changes		\$0		\$57		\$77	
Current Revenues	\$15,962	\$16,249	1.8%	\$16,607	2.2%	\$17,204	3.6%
<b>Total Resources Available</b>	<b>\$16,352</b>	<b>\$17,059</b>		<b>\$17,711</b>		<b>\$17,814</b>	
Expenditures & Transfers - Base	\$15,542	\$15,936		\$16,143		\$16,494	
Expenditures - Changes		\$20		\$957		\$947	
<b>Total Expenditures</b>	<b>\$15,542</b>	<b>\$15,956</b>	<b>2.7%</b>	<b>\$17,100</b>	<b>7.2%</b>	<b>\$17,441</b>	<b>2.0%</b>
Balance Before Reserve Changes	\$810	\$1,103		\$610		\$373	
Change in Reserves							
<b>Balance After Reserves</b>	<b>\$810</b>	<b>\$1,103</b>		<b>\$610</b>		<b>\$373</b>	

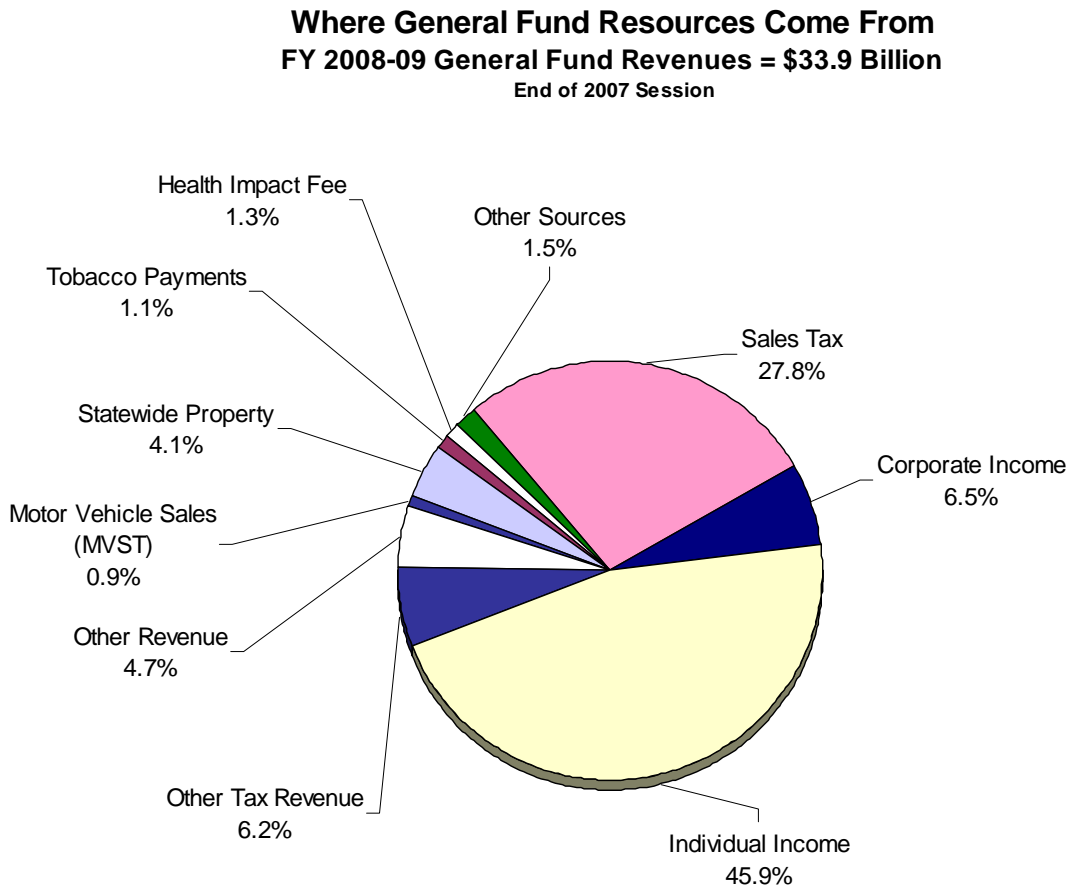
## General Fund Revenues Increased by \$134 Million

General fund revenues for the FY 2008-09 biennium are \$33.812 billion, \$134 million higher than projected in the February 2007 forecast. These revenues include tax changes, fee changes and transfers into the general fund from other funds.

Table 3 shows the sources of general fund revenue for the FY 2008-09 biennium. Revenues from the individual income tax and state sales tax make up almost 46 percent of the total general fund revenue. (Note: this chart includes the transfer in FY 2008-09 from the tax relief account – that \$110 million accounts for the difference between the \$33.812 billion of revenue shown in Table 1 and the \$33.921 billion shown on Table 3.)

<u>Revenue Type</u>	<u>Total Dollars</u>	<u>% of Total</u>
Individual Income	\$15,567.4	45.9%
Corporate income	\$2,208.9	6.5%
Sales Tax	\$9,432.3	27.8%
Motor Vehicle Sales Tax (MVST)	\$316.7	0.9%
Statewide Property Tax	\$1,401.7	4.1%
Estate Tax	\$227.0	0.7%
Liquor, Wine & Beer	\$150.7	0.4%
Cigarette & Tobacco Products Tax	\$383.2	1.1%
Mortgage Registry Tax	\$233.4	0.7%
Deed Transfer Tax	\$212.3	0.6%
Insurance Gross Earnings & Fire Marshal	\$582.2	1.7%
Lawful Gambling Taxes	\$110.1	0.3%
Medical Assistance Surcharges	\$424.3	1.3%
Income Tax Reciprocity	\$140.2	0.4%
New Compliance Revenue	\$102.4	0.3%
Investment Income	\$90.8	0.3%
Lottery Revenue	\$104.1	0.3%
Tobacco Settlements	\$363.3	1.1%
Fees - Departmental Earnings	\$457.6	1.3%
Fines & Surcharges	\$204.0	0.6%
DHS SOS Collections	\$137.5	0.4%
County Nursing Home Public Hospital IGT	\$51.2	0.2%
Other Including Refunds	\$64.7	0.2%
Dedicated Revenues	\$157.0	0.5%
Transfers In	\$195.9	0.6%
Transfer In - Health Impact Fee	\$442.7	1.3%
Transfer In - Tax Relief Account	\$109.7	0.3%
Prior Year Adjustments	\$50.0	0.1%
<b>Total</b>	<b>\$33,921.2</b>	<b>100.0%</b>

Graph 1 illustrates the major sources of general fund revenue – the same information as shown in Table 3.



The single largest change in general fund revenues enacted in the 2007 session is more state tax compliance. An additional appropriation of \$20.5 million to the Department of Revenue for additional auditing and other compliance activity is expected to result in the collection of an additional \$102 million in unpaid taxes. Table 4 shows changes in general fund revenue by conference committee bill.

The information in Table 4 is for the general fund only and includes all revenue sources (fees, transfers, taxes). Revenue from many fees is deposited in funds other than the general fund. (For example, revenue from most agriculture related fee programs is deposited in the agricultural fund.) A list of the changes in fees for all funds is included in Appendix 1. Appendix 1 shows information for each of the four years in the FY 2008-09 and FY 2010-11 biennia. The final column shows the fund that is affected by the fee change. The FY 2008-09 biennial change in

fees is \$64.75 million, \$5.9 million of that is general fund, \$51.8 million is in other state funds and \$7.0 million in statutory assessments deposited in a non-state fund.

	<u><b>FY 2008-09</b></u>	<u><b>FY 2010-11</b></u>
Education	\$0	\$0
Higher Education	\$0	\$0
Taxes	\$0	\$0
Health & Human Services	\$31,048	\$13,586
Economic Development	-\$5,630	-\$5,692
Environment & Energy	\$4,747	\$5,272
Agriculture & Veterans	\$0	\$0
Public Safety	-\$676	-\$708
Transportation	\$0	\$0
State Government	\$104,411	\$123,440
Other Bills	\$220	\$400
<b>Total</b>	<b>\$134,120</b>	<b>\$136,298</b>

### **General Fund Spending is \$1.9 billion Higher than in the February Forecast**

Total FY 2008-09 general fund expenditures are \$34.542 billion, \$1.904 billion higher than the expenditure level projected in the February 2007 forecast. Table 5 shows expenditures in the enacted budget by conference committee bill for FY 2008-09 and compares those to expenditures for the FY 2006-07 biennium and to FY 2008-09 base level expenditures as projected by the February 2007 forecast.

Total general fund spending in FY 2008-09 increases by 9.7 percent over spending in FY 2006-07. While the increases in many budget areas are substantial, increases in two large areas, Education and Tax Aids & Credits, are under 4.0 percent, holding the overall total down. The Education change of 3.2 percent is a bit misleading, the base amount for this comparison, the FY 2006-07 appropriation, includes \$609 million of pay backs of shifts in education aid payments. If that amount is removed from the FY 2006-07 spending, the increase in Education spending is more than 8.0 percent.

The final column on Table 5 shows the change in the enacted budget versus the base budget for FY 2008-09. This shows where the Legislature made changes from the "current law" or base level of spending. No change in the Tax Aids and Credits reflects the veto of the Tax Bill. The decrease in Debt Service reflects the veto of the Capital Expenditure Bill. The base level budget assumed new bond authorizations of \$135 million so the final debt service spending with no increase in bonding is lower than the forecasted or base level.

**Table 5**  
**General Fund Expenditures - By Conference Committee FY 2008-09**  
 (all dollars in thousands)

	<b>FY 2006-07</b>	<b>Base FY 2008-09</b>	<b>Enacted Budget FY 2008-09</b>	<b>% Change Enacted FY 2008-09 vs. FY 2006-07</b>	<b>% Change Enacted Bdgt vs. Base FY 2008-09</b>
Education	\$13,362,303	\$12,995,952	\$13,784,477	3.2%	6.1%
Higher Education	\$2,762,911	\$2,802,020	\$3,163,258	14.5%	12.9%
Higher Ed - U/M Gopher Stadium	\$0	\$20,500	\$20,500	NA	0.0%
Taxes and Tax Aids	\$2,994,721	\$3,107,742	\$3,107,742	3.8%	0.0%
Health & Human Services	\$8,242,104	\$9,459,654	\$9,726,113	18.0%	2.8%
Economic Development	\$297,255	\$252,548	\$335,866	13.0%	33.0%
Environment & Energy	\$358,505	\$346,306	\$444,360	23.9%	28.3%
Agriculture & Veterans	\$136,707	\$134,646	\$168,284	23.1%	25.0%
Public Safety	\$1,713,704	\$1,723,372	\$1,876,924	9.5%	8.9%
Transportation	\$216,139	\$223,380	\$249,402	15.4%	11.6%
State Government	\$569,937	\$549,122	\$656,095	15.1%	19.5%
Debt Service	\$752,098	\$918,620	\$906,254	20.5%	-1.3%
Dedicated Expenditures	\$91,234	\$122,198	\$122,198	33.9%	0.0%
Other	-\$7,176	-\$20,000	-\$19,949		
<b>Total</b>	<b>\$31,490,442</b>	<b>\$32,636,060</b>	<b>\$34,541,524</b>	<b>9.7%</b>	<b>5.8%</b>

*FY 2006-07 amounts include changes from 2007 session.*

Graph 2 on the next page is a pie chart showing general fund expenditures for the FY 2008-09 biennium by conference committee bill.



**Allocation of General Fund Resources FY 2008-09 By Bill**  
**FY 2008-09 General Fund = \$34.5 Billion**  
**End of 2007 Session**

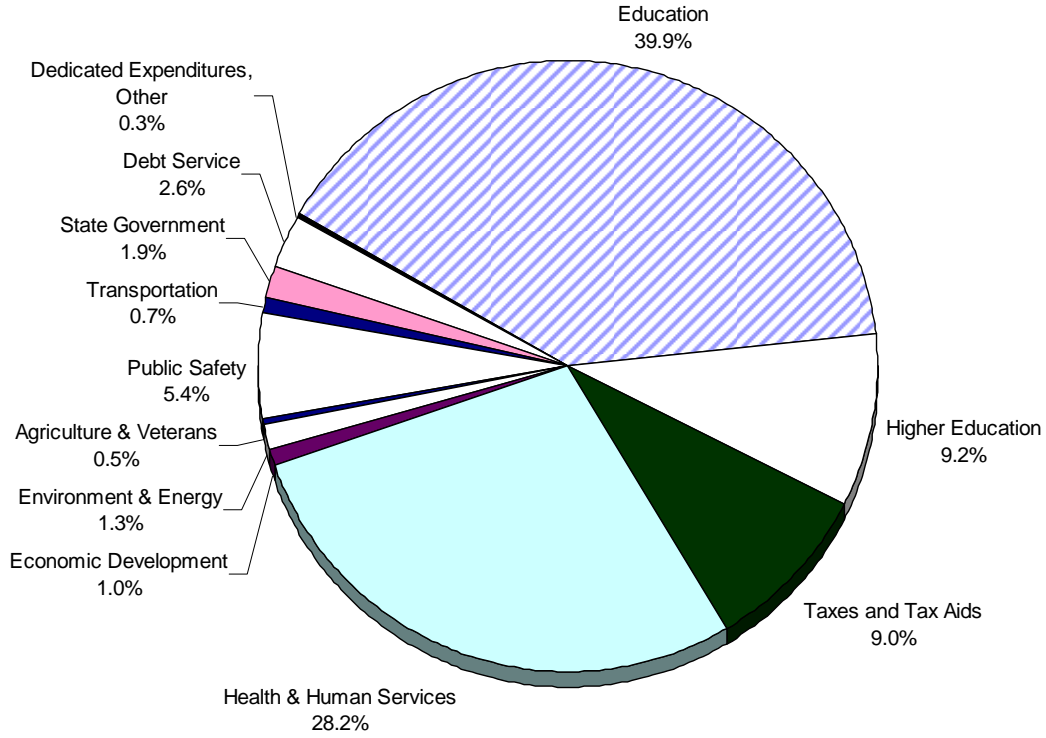


Table 6 shows the new base level general fund expenditures for the FY 2010-11 biennium with the enacted budget and compares those to the base level projected in the February 2007 forecast. These base levels do not include any overall allowance for inflation other than amounts that are built into projections under current law.

<i>Table 6</i>			
<b>General Fund Expenditures - By Conference Committee FY 2010-11</b>			
(all dollars in thousands)			
	<b>Base FY 2010-11</b>	<b>Enacted Budget FY 2010-11</b>	<b>Percentage Change Enacted Budget vs. Base FY 2010-11</b>
Education	\$12,875,511	\$13,705,375	6.4%
Higher Education	\$2,803,350	\$3,199,130	14.1%
Higher Ed - U/M Gopher Stadium	\$20,500	\$20,500	0.0%
Taxes and Tax Aids	\$3,119,975	\$3,119,975	0.0%
Health & Human Services	\$10,788,426	\$11,066,096	2.6%
Economic Development	\$252,548	\$281,272	11.4%
Environment & Energy	\$347,851	\$375,534	8.0%
Agriculture & Veterans	\$134,080	\$154,304	15.1%
Public Safety	\$1,744,014	\$1,906,291	9.3%
Transportation	\$208,548	\$212,054	1.7%
State Government	\$551,010	\$621,406	12.8%
Debt Service	\$1,025,807	\$1,001,813	-2.3%
Dedicated Expenditures	\$54,626	\$54,626	0.0%
Other	-\$20,000	-\$20,000	0.0%
<b>Total</b>	<b>\$33,906,246</b>	<b>\$35,698,376</b>	<b>5.3%</b>

### **No Changes in Reserves**

The budget reserve is maintained at \$653 million and the cash flow account remains at \$350 million. Legislation to increase the budget reserve by \$150 million to \$803 million was included in the vetoed Tax Bill.

For more information on general budget issues, contact Bill Marx at 651.296.7176 or email: [bill.marx@house.mn](mailto:bill.marx@house.mn).

# Agriculture, Rural Economies & Veterans Affairs

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The Agriculture, Rural Economies and Veterans Affairs budget provides funding for the state activity related to the agricultural sector of the economy, and for the delivery of veterans services. Agencies funded by this House finance division include the Veterans Affairs Department, the Agriculture Department, the Animal Health Board, and the Agriculture Utilization Research Institute. This summary is for Laws 2007, Chapter 45, which was signed into law by the Governor on May 4. Chapter 45 also included funding for the Military Affairs Department. The total general fund appropriation for fiscal years 2008 and 2009 contained in Chapter 45 was \$168.3 million dollars. This was an increase of \$33.6 million over the base amount.

<b>Agriculture, Rural Economies and Veterans Affairs Finance</b>						
<b>Total General Fund Spending</b>						
<i>(all dollars in thousands)</i>						
	Forecast FY 06-07	Forecast Base FY 08-09	Appropriations Chapter 48 FY 08-09	Percentage Change FY 08-09 vs. FY 06-07	Percentage Change FY 08-09 vs. Base FY 08-09	Tails Chapter 48 FY 10-11
Veterans Affairs	\$ 12,485	\$ 14,530	\$ 24,750	98.2%	70.3%	21,766
Agriculture	79,891	75,140	89,712	12.3%	19.4%	81,408
Animal Health Board	7,266	5,922	7,029	-3.3%	18.7%	6,502
Agriculture Utilization Research Institute	3,200	3,200	6,200	93.8%	93.8%	6,200
Military Affairs	33,965	35,854	40,593	19.5%	13.2%	38,428
<b>Total</b>	<b>\$ 136,807</b>	<b>\$ 134,646</b>	<b>\$ 168,284</b>	<b>23.0%</b>	<b>25.0%</b>	<b>154,304</b>

## Veterans Affairs Department

Chapter 45 appropriates a total agency budget for the biennium of \$26.7 million dollars, of which \$24.75 million is from the general fund. This is a general fund increase of \$10.2 million from the agency base level. Changes made to the general fund base budget by Chapter 45 to the agency include the following items.

- An increase of \$1 million in each year for the State Soldiers Assistance Program. The program provides emergency cash assistance and benefits for veterans.

- The chapter provides for an increased appropriation of \$1.5 million over the biennium to increase the grants to counties for the county veterans service officers.
- An increase of \$1.7 million in each year for additional outreach activities. Of this amount, \$750,000 per year is for a grant to the Minnesota Assistance Council for Veterans to be used in helping homeless veterans.
- An additional \$250,000 in each year is for grants to the Veterans Service Organizations.
- The Higher Education Assistance Offices program is expanded with an increased appropriation of \$900,000 for the biennium.
- A base increase of \$100,000 in each year to be used for enhancement of the agency information systems.
- The appropriation for the MN State Veterans Cemetery in Little Falls, Minnesota is increased by \$75,000 in each year.
- The agency administrative base is increased by \$250,000 per year.
- The agency compensation adjustment change item was funded at \$95,000 in the first year and \$193,000 in the second year.
- \$100,000 each year was appropriated for reimbursement to honor guards serving at the funerals of veterans.
- Additional education benefits for military spouses were funded at \$52,000 for the biennium.
- An appropriation of \$200,000 is to provide veterans with information regarding the availability of testing to detect exposure to depleted uranium.
- A one time appropriation of \$250,000 is to be used for expenses related to the dedication of the new World War II memorial being constructed on the state capitol mall.
- \$80,000 is for a suicide prevention and outreach program in the department.

### **Department of Agriculture (MDA)**

The chapter appropriates a total Department of Agriculture budget of \$155.4 million, of which \$89.7 million is general fund dollars. This is a \$14.6 million general fund increase over the biennial base. Changes to the base budget to the MDA include:

- An increase of \$739,000 to the invasive species exclusion and pest management programs of the department.

- An appropriation of \$200,000 is to support a new position to coordinate emergency planning and response to animal and human health threats.
- An appropriation of \$410,000 is to establish a computer based field inspection system for the records of the Dairy and Food Inspection Division.
- Funds are appropriated for an additional field inspector to perform meat inspection duties. The amount is a biennium total of \$182,000.
- \$284,000 is to be used for the development of a statewide data base of livestock premises.
- The retail food handler plan review fees were increased in order to bring the revenue into balance with the expenditures needed for the program. The revenue to and appropriation from the agriculture fund is increased by \$13,000 in each year.
- There is an increase of \$941,000 in the biennium to cover an increase in the rent charges for the newly occupied laboratory building.
- The fee charged to use the MN Grown logo was increased. The increased revenue is estimated to be \$25,000 to the agriculture fund in the biennium. These funds and an increase of \$115,000 each year from the general fund is appropriated to the Department for additional promotion activities.
- The chapter makes an appropriation of \$4.0 million for Clean Water Legacy Act activities at the Agriculture Department.
- \$3 million is appropriated to the Governor's proposal called NexGen, which provides funding for a grant program to encourage development of facilities to produce fuels derived from biomass and cellulosic materials.
- There is an increased appropriation of \$399,000 in the first year and \$810,000 in the second year for the compensation adjustment.
- A number of grants were made to encourage the further development of bio-energy projects in the state agricultural economy. Included was \$200,000 for the Minnesota Turf Seed Council, \$200,000 for a grant for a biomass fuel supply depot, \$300,000 to the Bois Forte Band of Chippewa, \$200,000 to the White Earth Band of Chippewa, \$200,000 to Chisago County, and \$200,000 to the Elk River Economic Development Authority.
- An appropriation of \$600,000 is to be used for grants as awarded by the newly created Minnesota Agricultural Fertilizer Research and Education Council.
- Payments to county Agricultural Societies were increased by \$232,000.
- \$500,000 was appropriated for the Minnesota Agriculture Leadership Council.
- The appropriation to be used by the Second Harvest food shelf network to purchase milk to be distributed through the food shelves was increased by \$300,000 a year.
- Two appropriations made by the legislature were vetoed by the Governor. Vetoed were a \$1 million appropriation for a loan program on equipment used in production of perennial crops, and a \$350,000 appropriation to the Minnesota Institute for Sustainable Agriculture.

### **Animal Health Board**

Chapter 45 appropriates a total Animal Health Board budget of \$11.3 million, of which \$7.029 million is general fund money. The new initiatives appropriated funding in the chapter include:

- Appropriation increases to support the elimination of bovine tuberculosis are made at \$448,000 in the first year and \$363,000 in the second year.
- The general fund increase to be used for compensation adjustments is funded at \$65,000 in the first year and \$131,000 in the second year.
- An appropriation of \$100,000 is to be used for animal reimbursements related to the bovine TB control programs.

### **Agriculture Utilization Research Institute**

Chapter 45 contains a total AURI appropriation of \$6.2 million dollars, all of which is general fund money. This is an increase of \$3 million to the general fund base budget.

### **Military Affairs Department**

The chapter appropriates a total FY2008-09 budget of \$223.6 million for the department. Of that amount \$39.8 million is from the general fund. Changes to the base budget for the department include the following.

- \$185,000 in one-time funds for special assessments.
- \$2.0 million is for increased funding for armory maintenance. The department has been relying on National Guard units to perform these duties since 2002, when budget cuts forced the lay-off of maintenance staff. However, increased troop deployments as well as a need for more technical expertise in boiler maintenance and repairs have made this arrangement increasingly unworkable.
- \$1.5 million in one-time funds to support the National Guard's reintegration program for returning soldiers. State funds will be used to continue and strengthen a pilot program funded by the federal government.
- \$560,000 increase for three new general support employees. One position would be a quartermaster to track and account for state property, a task that has increased in complexity with continuing troop deployments. The other two positions would be dedicated to developing state-level military response plans for emergencies, natural disasters and major events (including domestic attacks).
- \$150,000 is for predesign and design of a new facility for the Starbase Minnesota Program. An additional \$25,000 is to evaluate the program effectiveness.

- An appropriation of \$30,000 in each year is to be used for the costs of honor guards at funerals.

*For additional information on Agriculture, Rural Economies, and Veteran's Affairs Finance issues, contact Jim Reinholdz at 651.296.4281 or email: [jim.reinholdz@house.mn](mailto:jim.reinholdz@house.mn).*

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# Capital Investment

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The February 2007 Forecast assumed a bonding bill of \$135.0 million in general obligation bonds, and the Governor recommended authorizing the sale of \$70.9 million in general obligation bonds for various projects. The Legislature passed a bill that included funding for all of the Governor's initiatives and also for additional projects related to education, natural resources, pollution control, veterans, public safety, transportation, human services, corrections, economic development, and the MN Zoo. Project costs totaled:

- \$140.4 million in general obligation bonds and \$5.4 million in bond cancellations;
- \$164.4 million in general fund cash; and,
- \$33.4 million in trunk highway bonds.

The Governor vetoed this bill in its entirety and another major funding package for capital investment projects was not passed. Because debt service payments on \$135.0 million in bonds were figured into the February 2007 Forecast, expenditures for debt service payments will be lower by approximately \$12.4 million for the FY 2008 – FY 2009 biennium. Expenditures for debt service from the general fund will be lower by an additional \$24.0 million in the FY 2010 – FY 2011 biennium.

The Governor approved a number of smaller bills related to capital investment throughout the session. These bills included:

- Changing language in 2006 Laws to allow the *Asian Pacific Cultural Center* to use \$400,000 for predesign and design of the Cultural Center.
- Authorizing the sale of \$30.0 million in user-finance bonds for *Rural Finance Authority* programming. The Department of Finance will sell both tax-exempt and taxable bonds for the Rural Finance Authority to purchase participation interests in and make agricultural loans to farmers. All debt service on the bond proceeds will be paid by the Rural Finance Authority.
- Providing \$2.0 million in general fund cash for flood relief in the *City of Browns Valley* and modifying 2005 and 2006 Laws regarding flood hazard mitigation grants to include Browns Valley.

*If you have further questions on capital investment issues, please contact Koryn Zewers at 651-296-4178 or [koryn.zewers@house.mn](mailto:koryn.zewers@house.mn).*

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# Education Finance

For the FY 2008-09 biennium, Chapter 146 of 2007 Laws includes \$13.8 billion in general fund state aid for K-12 and early childhood education. This compares with the February 2007 forecast of current law FY 2008-09 spending of \$13.0 billion, for a total increase of \$788.5 million, or 6.1 percent over current law. For the FY 2010-11 biennium, Chapter 146 includes total state appropriations of \$13.7 billion, an increase of \$829.9 million from the February 2007 forecast appropriations, or 6.4 percent.

School district property tax levies in Chapter 146 would be the same as current law for taxes payable in 2008, FY 2009, and increase compare to current law for FY 2010 and FY 2011. Compared to current law, Chapter 146 would increase property taxes for FY 2010 by \$13.5 million, or 0.6 percent, and for FY 2011 by \$15.9 million, or 0.7 percent.

<b>Education Finance: Total General Fund Spending</b> <i>(dollars in thousands)</i>						
	February Forecast Spending in FY 2006-07	Base Funding FY 2008-09	Appropriations Chapter 146 FY 2008-09	Percentage Change FY 08-09 vs. FY 06-07	Percentage Change FY 08-09 vs. Base	Tails Chapter 146 FY 2010- 11
<b>Education Aids</b>						
General Education	11,369,944	11,020,789	<b>11,308,992</b>	-0.54%	2.62%	<b>11,227,340</b>
Education Excellence	257,559	283,916	<b>317,514</b>	23.28%	11.83%	<b>310,570</b>
Special Programs	1,322,254	1,289,910	<b>1,619,383</b>	22.47%	25.54%	<b>1,742,739</b>
Facilities & Technology	98,114	78,391	<b>178,202</b>	81.63%	127.32%	<b>64,977</b>
Nutrition	30,407	32,619	<b>35,660</b>	17.28%	9.32%	<b>36,825</b>
Libraries	23,753	23,146	<b>31,170</b>	31.23%	34.67%	<b>36,140</b>
Early Childhood & Family Support	95,319	102,471	<b>118,160</b>	23.96%	15.31%	<b>113,229</b>
Prevention	5,571	3,685	<b>9,060</b>	62.63%	145.86%	<b>2,432</b>
Self-Sufficiency & Lifelong Learning	77,564	80,153	<b>83,792</b>	8.03%	4.54%	<b>87,807</b>
<b>Education Aids Subtotal</b>	<b>13,280,485</b>	<b>12,915,080</b>	<b>13,701,933</b>	<b>3.17%</b>	<b>6.09%</b>	<b>13,622,059</b>
Department of Education	45,589	45,694	<b>44,822</b>	-1.68%	-1.91%	<b>45,306</b>
MN State Academies	21,934	21,932	<b>23,703</b>	8.07%	8.07%	<b>23,830</b>
Center for Arts Education	13,295	13,246	<b>14,019</b>	5.45%	5.84%	<b>14,180</b>
<b>Totals</b>	<b>13,361,303</b>	<b>12,995,952</b>	<b>13,784,477</b>	<b>3.17%</b>	<b>6.07%</b>	<b>13,705,375</b>
Net General Fund			<b>13,784,477</b>			<b>13,705,375</b>

The following summarizes Chapter 146, with the cost expressed as a biennial total for FY 2008-09 from the general fund, unless otherwise noted:

## **K-12 Education Programs**

### **General Education Program**

- \$243.5 million in additional state spending to increase the basic formula amount by 2.0 percent in FY 2008 and an additional 1.0 percent in FY 2009. In FY 2008, the formula is increased by \$100, from \$4,974 to \$5,074. In FY 2009, the formula is increased by an additional \$50, to \$5,124.
- \$32.5 million to increase the kindergarten pupil weighting from .557 to .612, so that districts will be able to expand their all-day kindergarten offerings.
- \$5.4 million to increase the formula allowance for gifted & talented programming from \$9 per pupil to \$12 per pupil.
- \$248,000 in aid and \$1.2 million in equalized levy authority to increase equity revenue for the portion of equity revenue that allows districts to levy an additional \$46 per pupil. Currently, all districts below the 95<sup>th</sup> percentile in referendum revenue can levy this amount, while districts above the 95<sup>th</sup> percentile are only allowed to levy \$23 per pupil. This change will allow those districts to increase their levy to the full \$46 per pupil.
- \$2.0 million to change how referendum aid is paid when students open enroll into a district other than their resident district.

### **Other General Education Programs**

- \$1.3 million to increase other formula-based programs by 2.0 percent in FY 2008 and 1.0 percent in FY 2009, including Nonpublic Pupil Transportation, Nonpublic Pupil revenue and Tribal Contract Schools.
- \$505,000 for a grant to the Red Lake school district for FY 2008 only, to offset the ongoing loss of pupils due to the school shooting in the district.
- \$1.2 million in state aid cost and \$1.5 million in levy reduction due to the inclusion of more equalized levies in the calculation of abatement revenue. Currently, not all revenues are included in the calculation of abatement revenue, which is intended to make districts whole on an aid and levy revenue basis, for levy reductions tied to property tax abatements. Because not all revenues are included, the abatement revenue the district receives consists of a mix of aid and levy with a greater proportion in levy than what would have been the case if all equalized revenue programs were included in the calculation of abatement revenue.

## **Education Excellence**

- \$10.0 million to supplement the current testing appropriation.
- \$13 million to expand the number of schools able to offer Advanced Placement and International Baccalaureate programs.
- \$1.5 million to more than double the amount of money for the Collaborative Urban Educator Program, which is administered by Concordia University, the University of St. Thomas and Hamline University, in an attempt to recruit and train teachers of color.
- \$3.0 million to establish the Minnesota Reading Corps, aimed at improving reading skills for children between age three and third grade. This program will expand the opportunities provided under the current partnership between Youthworks and ServeMinnesota programs, which provide the same services.
- \$1.0 million for early reading intervention services through the St. Croix River Education District.
- \$500,000 to provide five grants to develop and implement world languages programs, or to expand existing programs. Three grants must be given to K-8 programs, one grant must be given to a site interested in providing Mandarin Chinese instruction, and one grant must be used for an indigenous American Indian language program.
- \$6.0 million for math and science teacher centers (\$3.0 million through the Science Museum of Minnesota), which would provide staff development for teachers, as well as providing curriculum development services and instructional materials for schools and school districts.

## **Special Education**

- \$319.4 million in net increases to the Special Education Regular program. Regular Special Education is increased by 29.4 percent over base in FY 2008 and 34.2 percent over base in FY 2009. In addition, Special Education Transition Programs for Students with Disabilities funding is rolled into the Regular Special Education program after being increased. Finally, the special Part C appropriation, which is for special education services, is eliminated as a separate appropriation and included in both the Special Education Regular and Excess Cost formulas.
- \$8.9 million in net increases to the Special Education Excess Cost program. Excess Cost is increased by 5.0 percent per year over base. In addition, the special Part C appropriation, which is for special education services, is eliminated as a separate appropriation and included in both the Special Education Regular and Excess Cost formulas.
- In non-funding related special education recommendations, chapter 146 also changes all Special Education Regular funding from being calculated on a second prior year basis to a current year basis.

### **Facilities and Technology**

- \$8.9 million to increase the base for the Telecommunications Access program for fiscal years 2008 and 2009 only. Currently, the Telecommunications Access program is prorated at \$3.75 million, while the actual full funding entitlement of the program is \$7.6 million in FY 2008 and \$8.7 million in FY 2009. Chapter 146 fully funds the entitlement for those two fiscal years, returning the limit to \$3.75 million for FY 2010 and later.
- \$90.8 million in one-time funding for technology and operating capital purposes. All districts will receive \$40 in FY 2008 and \$55 in FY 2009 to use on any purpose allowed under the operating capital revenue program, which includes technology and deferred maintenance, among other things.

### **Nutrition Programs**

- \$3.0 million to increase the basic school lunch reimbursement rate by 1.5 cents, from 10.5 cents per meal to 12 cents per meal.

### **Libraries**

- \$5.2 million to increase Basic Library Support grants.
- \$754,000 to increase the base appropriation for multicounty, multitype library system grants.
- \$2.1 million to increase base funding for regional library telecommunications aid..

### **Minnesota Department of Education**

- \$1.4 million to increase to the agency's base operating budget. The increase is equal to 3.0 percent per year of the agency's general fund compensation costs.
- \$100,000 for a pass-through grant for the Duluth Children's Museum.

### **Minnesota State Academies for the Deaf and Blind**

- \$899,000 for an increase to the agency's base operating budget. The increase is equal to 3.0 percent per year of the agency's general fund compensation costs.
- \$370,000 for a general increase in the agency's base operating budget.
- \$220,000 for a campus-wide security system. \$200,000 in FY 2008 is for design, purchasing and implementation of the system, with \$20,000 in FY 2009 and later for ongoing staff costs to maintain the system.
- \$182,000 for technology staff. The Office of Enterprise Technology was allocated funding for small agencies, including the academies, to acquire new technology. This appropriation would provide support staff for that new technology, as well as existing technology in use in the academies.

- \$100,000 to cover the additional costs of the existing mainstreaming contract between the academies and the Faribault school district.

### **Perpich Center for Arts Education**

- \$473,000 for an increase to the agency's base operating budget. The increase is equal to 3.0 percent per year of the agency's general fund compensation costs.
- \$300,000 to implement a high school to college transition program, which would mandate that all Center students graduate with some college credits, and provide funding for the Center to create a six-year diploma/bachelor's degree program, both in collaboration with the University of Minnesota or the Minnesota State Colleges and Universities system.

### **Family and Early Childhood Programs**

#### **Early Childhood and Family Support**

- \$5.6 million to increase the ECFE program formula from \$112 to \$120 per capita. In addition, \$7.7 million is appropriated in FY 2009 and \$857,000 will be appropriated in FY 2010 to reduce the ECFE levy for FY 2009 only, by \$8.6 million.
- \$1.9 million to increase the base for the School Readiness program.
- \$2.0 million to increase the base for the Head Start program, an increase of 5.0 percent per year over the base Head Start appropriation.

#### **Early Childhood and Family Support**

- \$5.4 million for After School Community Learning Grants. The grants will be offered via a competitive grant process to community groups, nonprofit organizations, cities, counties, towns, school districts or child care centers for programming for youth after school or during nonschool hours.

#### **Self-Sufficiency and Lifelong Learning**

- \$3.6 million to increase the base for Adult Basic Education Revenue. The base state total Adult Basic Education Revenue will increase by 8.0 percent for FY 2008.

*For further information on K-12 Education Finance related issues contact Greg Crowe at (651) 296-7165 or [greg.crowe@house.mn](mailto:greg.crowe@house.mn)*

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## Environment and Natural Resources/ Energy Finance

Chapter 57, as enacted in the 2007 session combined the House Environment Finance Division and the Energy Finance Division appropriations. The Environment and Natural Resource budget provides funding for the management, protection and enhancement of the natural resources of the state. Agencies and programs funded include the Pollution Control Agency, the Department of Natural Resources, the Minnesota Conservation Corps, the Metropolitan Council Parks, the Board of Soil and Water Resources, and the recommendations of the Legislative Citizens Committee on Minnesota Resources. The Energy budget funds the Commerce Department and the Public Utilities Commission. Chapter 57 contains general fund appropriations of \$444.4 million dollars for FY 2008-09. General fund appropriations by agency are indicated in the chart below. Details of changes to the budgets are summarized by agency.

<b>Environment, Natural Resources and Energy Finance</b>						
<b>Total General Fund Spending</b>						
<i>(dollars in thousands)</i>						
	February Forecast FY 2006-07	Forecast Base FY 2008-09	Chapter 57 FY 2008- 09	Percentage Change		Chapter 57 FY 2010- 11
				Ch.57 FY 2008-09 vs. FY 2006-07	Ch.57 FY 2008-09 vs. Base FY 2008-09	
Pollution Control Agency	28,119	22,728	56,925	102.44%	150.46%	24,639
Zoological Garden	12,878	12,878	14,193	10.21%	10.21%	14,136
Natural Resources, Dept(direct)	154,476	148,702	170,681	10.49%	14.78%	161,540
Natural Resources, Dept(OPENS)	66,594	75,242	75,242	12.99%	0.00%	76,787
Water & Soil Resources Bd	38,905	30,462	49,435	27.07%	62.28%	32,964
Metropolitan Council Parks	6,600	6,600	8,100	22.73%	22.73%	8,100
Science Museum of Minnesota	1,500	1,500	2,500	66.67%	66.67%	2,500
Minnesota Conservation Corps	700	700	1,000	42.86%	42.86%	950
Commerce Dept	40,230	39,168	55,504	37.97%	41.71%	43,052
Public Utilities Commission	8,511	8,326	10,780	26.66%	29.47%	10,866
<b>Total</b>	<b>358,513</b>	<b>346,306</b>	<b>444,360</b>	<b>23.95%</b>	<b>28.31%</b>	<b>375,534</b>
General fund Revenue Changes			4,747			5,272
<b>General Fund net effect</b>	<b>358,513</b>	<b>346,306</b>	<b>439,613</b>	<b>22.62%</b>	<b>26.94%</b>	<b>370,262</b>

### **Pollution Control Agency (PCA)**

Chapter 57 appropriates a total FY 2008-09 budget of \$342.6 million, of which \$56.9 million is general fund dollars for the agency. This is a general fund increase of 150 percent from the agency's base. Changes to the agency budget include the following items:

- An increase of \$31 million of general fund to the Clean Water Legacy program for water assessment, protection and cleanup activities.
- An annual increase of \$3 million in appropriations from the environmental fund in the biennium to support increased regulatory programs in ethanol, mining, power, and other industries. This is a one time appropriation.
- A one-time appropriation of \$400,000 to the Koochiching Economic Development Authority is to conduct a feasibility study on a plasma torch gasification facility.
- Compensation adjustments for the biennium from the general fund of \$400,000.
- An appropriation of \$2.4 million from the environmental fund for a change item named; "Green Fleets, Green Fuels, Green Energy". The funding is to promote the use of alternative fuels in vehicles, reduce air pollutant emissions and improve the efficiency of the state's transportation fleets. This is a one time request.
- An increase in the appropriation from the environmental fund for Air program activities of \$259,000 in FY 2008 and \$526,000 in FY 2009.
- An increase from the environmental fund of \$1.5 million dollars in each year for county SCORE grants. This increase restores funding to the FY 2002 levels.
- The request includes internal reprogramming of \$440,000 in the first year and \$370,000 in the second year from Land program activities to Water program activities.
- An appropriation of \$2 million from the general fund to be used for environmental health tracking and bio-monitoring.
- An appropriation of \$300,000 for a biomass gasification facilities air emissions study.
- An increase of \$52,000 in each year from the remediation fund to be transferred to the Department of Health to be used for increased monitoring activities. The current amount transferred each year is \$200,000.

### **Department of Natural Resources (DNR)**

The Chapter appropriates a total Department of Natural Resources budget of \$697.1 million, of which \$246.0 million is general fund dollars. This is a recommended direct general fund increase of 14.8 percent from the agency forecasted base. Highlights of the appropriation changes to the agency include the following items.

#### General Fund (and mixed fund)

- Increased funding of \$1 million for land asset management activity.

- A decrease of \$3.9 million from the general fund and increase of \$15.6 million from the natural resources fund for DNR forest management activities. The decrease in general fund is activity shifted to the forest management account in the natural resources fund. The additional natural resources fund increase is for increased and accelerated management activity on state forest lands.
- An increase of \$1.8 million from the general fund for the sustainable forest resources act (Minnesota Statutes, Section 89A) management programs.
- The appropriation of \$55,000 per year to implement a statewide information campaign regarding the proposed statewide ban on the transport, storage or use of non-approved firewood on state administered lands.
- A grant of \$200,000 to the Natural Resources Research Institute for silvi-culture research.
- The chapter appropriates funding for acceleration of programs to preserve and enhance prairie wetlands. \$575,000 each year is from the general fund and \$575,000 each year is from the game and fish fund.
- \$150,000 increase for grants to construct ring dikes in the Red River area and an increase of \$200,000 for the Red River mediation implementation.
- An appropriation of \$132,000 in each year from the general fund for programs to prevent the spread of disease from livestock to the wildlife population.
- An appropriation of \$4.5 million for DNR Clean Water Legacy programs.
- An appropriation of \$500,000 for surface and groundwater issues related to the development and expansion of ethanol production. This is a one time only request.
- A grant of \$60,000 to Blue Earth County for continued study on the use of the Rapidan dam.
- \$300,000 for increased interpretative services in state parks.
- An increase of \$2.3 million to be used for non-motorized trails funding.
- \$150,000 for the wild and scenic rivers program.
- Ecological services received \$100,000 in each year of additional environmental review activities.
- \$80,000 from the general fund and \$151,000 from other funds for an increase in funding for project wild.
- The International Wolf Center receives a grant of \$350,000 for building renovations.
- The National Bald Eagle Center receives a grant of \$500,000 for programming.
- A grant of \$100,000 to the Wildlife Rehabilitation Center educational technology infrastructure.
- An appropriation of \$125,000 for prairie seed harvesting and planting.
- \$50,000 is to prepare a report on the status of the Mississippi River critical area program.

- \$600,000 is for additional funding of conservation officer training.
- An appropriation of \$475,000 is for terrestrial and geologic carbon sequestration studies and reports.
- The Let's Go Fishing program receives a grant of \$175,000 in each year.
- An increase of \$3.16 million is for increased invasive species activity.
- Appropriations of \$186,000 in the first year and \$132,000 in the second year are for acceleration of wildlife health programs.
- \$40,000 to be used for preparation of a plan to address forest fragmentation.
- An increase for compensation adjustments from the general fund of \$5.6 million for the biennium.

Other funds changes:

- From the natural resources fund is an appropriation of \$1.25 million for increased state park operations.
- Increased funding of \$3 million for FY 2008 and \$2.9 million in FY 2009 from the natural resources fund for management of state owned mineral resources.
- An increase of \$1.2 million in each year from the natural resources fund for an increase to the snowmobile grants in aid program.
- The chapter creates a new invasive species account within the natural resources fund and appropriates \$573,000 for increased management and control of invasive species on public land and waters.
- The chapter contains funding for improving the land records management process with an appropriation of \$701,000 in each year from the natural resources, and the game and fish funds.
- \$1.5 million is appropriated to provide relief payments on timber sale permits.
- The chapter increases fees on ATVs. The increased revenue of \$1.6 million annually is appropriated for ATV programs.
- An increase of \$2.384 million in the first year and \$4.851 million in the second year is for the "maintenance of service" item. This is a 3.5 percent appropriation increase from selected accounts within the natural resources, and the game and fish funds.
- \$139,000 is an increased appropriation from the game and fish fund to be used for upgrades at boat access facilities.
- The chapter appropriates an increase of \$300,000 from the game and fish fund for expanded hunting and angling recruitment efforts.
- Establishment of a fee schedule for fishing contest permits is recommended. The increased revenue of \$108,000 per year would be appropriated for program costs.

- There is an increase of \$150,000 a year from the game and fish fund for the roadsides habitat program.
- A program is established to collect funds from deer licenses to be used for donating venison to food shelves. \$970,000 is estimated to be collected over the biennium.

#### Governor Vetoes

- The governor vetoed a recommended appropriation of \$150,000 for urban forestry activity, and also a recommended appropriation of \$15,000 for the Cuyuna Country State Recreation Area Citizens Advisory Council.

### **Minnesota Zoological Board**

The general fund appropriation for the operation of the Minnesota Zoo is increased by \$1.3 million. This is an increase of 10.2 percent over the base.

### **Science Museum of Minnesota**

The appropriation to the Science Museum is increased by \$1 million. This is an increase of 66.7 percent over the base.

### **Board of Soil and Water Resources (BWSR)**

The chapter appropriates a total BWSR budget of \$52.3 million, of that amount \$49.4 million is from the general fund. This is a recommended general fund increase of 62 percent from the agency base forecast. Included in the chapter are these general fund items.

- A increase of \$14.2 million for Clean Water Legacy activities.
- The chapter funds the implementation of the priority recommendations of the Drainage Work Group at \$1.25 million.
- The chapter appropriates \$1.120 million in the first year and \$1.060 million in the second year for improvements in the Wetland conservation Act implementation.
- \$100,000 is to cover increased rent on the agency offices.
- \$307,000 is for compensation adjustments in the agency.
- \$500,000 is for grants for bio-energy crop research.
- \$200,000 is to develop clean energy program guidelines and standards.
- The governor vetoed a recommended appropriation of \$200,000 to be granted to the city of Gaylord for the Titlow Lake improvement project.

### **Minnesota Conservation Corps**

The chapter increased funding for the MCC by \$300 thousand over the biennium. This is an increase of 43 percent over the base.

## **Metropolitan Council Parks**

Funding for metro parks is increased by \$1.5 million. This is an increase of 23 percent over the base.

## **Department of Commerce**

The chapter appropriates a total of \$341.8 million for the department. Of that amount, \$55.5 million is from the general fund. This is an increase of 42 percent from the department base. The general fund appropriations changes for the department include:

- \$200,000 each year to strengthen the regulation of licensed residential mortgage loan originators. The net General Fund fiscal impact of this recommendation is zero dollars. The entire cost will be offset with additional examination cost recovery collections.
- \$600,000 each year to fund seven additional position within the Market Assurance division. Four of the positions will specialize in investigating fraud that targets senior citizens. The other three positions will investigate fraud relating to housing and lending.
- \$3 million in a one-time appropriation to fund grants to service station owners to offset a portion of the cost of E85 pump installations.
- \$513,000 in FY 2008 and \$1,041,000 in FY 2009 is for compensation adjustments. The General Fund cost of this recommendation will be paid for with additional revenues from authorized cost recoveries.
- An appropriation of \$4.5 million is for a grant to the Port Authority of St. Paul for a study on a steam and electrical energy facility to supply recycling operations.
- \$150,000 is for grants for demonstration projects of electric vehicles with advanced transmission technologies.
- \$1 million is for grants for implementation of a rural wind energy development assistance program
- \$1 million is for additional funding of the home heating assistance program.
- \$50,000 is for a analysis of the uses of geothermal heat pump systems for heating and cooling.

\$7.625 million in each year is required to be paid to the Commissioner of Commerce from Excel Energy's Renewable Development Fund established under Minnesota Statutes, Section 116C.779. These funds are then appropriated for the following projects.

- \$1 million for grants for on-farm biogas recovery facilities.
- \$1 million for financial rebates to new solar electricity projects.
- \$625,000 in each year for community energy technical assistance and outreach on renewable energy.

- \$2 million for technical analysis and demonstration projects on plug-in hybrid electric vehicles.
- \$750,000 is for preparing the hydrogen road map under Minnesota Statutes, Section 216B.813.
- \$2 million is for the rural wind energy development revolving loan fund.
- \$3 million is for a grant to the University of Minnesota to be used for the Initiative for Renewable Energy and the Environment.
- \$4.250 million in the biennium is for grants to fund renewable energy research in Minnesota.

### **Public Utilities Commission**

Chapter 57 appropriates \$10.8 million in general fund for Public Utilities Commission in the FY 2008-09 biennium. This is an increase of 30 percent over the base funding amount.

- \$782,000 in FY 2008 and \$788,000 in FY 2009 is to continue funding for Reliability Administrator staff and research related to siting and routing of large energy facilities. Under current law, the Reliability Administrator authority would expire on June 30, 2007.
- \$189,000 in FY 2008 and \$191,000 in FY 2009 is recommended to allow the Commission to hire two additional staff. The cost of this initiative will be fully recovered through assessments
- \$23,000 in each fiscal year is recommended to pay Minnesota's share of the cost of the National Regulatory Research Institute (NRRI). The Commission's assessment authority will recover the cost of this initiative.
- \$96,000 in FY 2008 and \$196,000 in FY 2009 is to provide the Commission with a compensation adjustment.

*For additional information on Environment and Natural Resources Finance issues, contact Jim Reinholdz at 651.296.4281 or email: jim.reinholdz@house.mn.*

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## Health Care and Human Services Finance

The 2007 Laws of Minnesota Chapter 147, is the Health and Human Services Omnibus Budget Bill. The bill contains funding for programs in the Department of Human Services, the Department of Health, the Veteran's Nursing Home Board, as well as several health related licensing boards and the Council on Disability. The funding package contains over \$11.4 billion in spending for the myriad of agencies and programs for the state fiscal 2008-2009 biennium.

Funding for these programs is supplied by several different sources. These sources include \$9.8 billion from the general fund for the period, \$946 million from the health care access fund, and \$521 million from federal TANF dollars.

Spending in this area of the state budget primarily covers publicly funded health care programs, income support programs for the poor including the Minnesota Family Investment Plan (MFIP), low income child care programs, nursing home care, mental health programs, state health programs and health information.

<b>Health Care &amp; Human Services Finance: Total General Fund Spending</b>						
<i>(dollars in thousands)</i>						
	February Forecast Spending in FY 2006-07	Base Funding FY 2008- 09	Appropriations Chapter 147 FY 2008-09	% Change FY 08-09 vs. FY 06-07	% Change FY 08-09 vs. Base	Tails Chapter 147 FY 2010-11
Dept. of Human Services	8,025,910	9,315,492	<b>9,550,618</b>	19.00%	2.52%	<b>10,903,790</b>
Department of Health	138,373	138,446	<b>163,850</b>	18.41%	18.35%	<b>150,328</b>
Veterans Nursing Home Board	66,298	75,530	<b>88,390</b>	33.32%	17.03%	<b>83,912</b>
Emergency Medical Services Board	6,906	6,762	<b>7,347</b>	6.39%	8.65%	<b>6,576</b>
Council on Disability	1,018	-	<b>1,336</b>	31.24%	NA	<b>1,048</b>
Ombudsman for Mental Health	3,041	2,924	<b>3,239</b>	6.51%	10.77%	<b>3,310</b>
Ombudsman for Families	551	490	<b>520</b>	-5.63%	6.12%	<b>530</b>
<b>Totals</b>	<b>8,242,097</b>	<b>9,539,644</b>	<b>9,815,300</b>	19.09%	2.89%	<b>11,149,494</b>
Change in General Fund Revenues			<b>38,453</b>			
<b>Net General Fund</b>			<b>9,776,847</b>			

Highlights of the funding changes for Health and Human Services programs are included below.

## **Department of Human Services**

The Department of Human Services receives just under \$11 billion for the 2008-09 fiscal biennium. The department is charged with implementing health care and welfare programs for low income recipients throughout the state. Many of these programs are required by the federal government and also receive high levels of federal financial participation.

### **Income Assistance Programs**

Minnesota has several income assistance programs for low income persons in need. These programs include Minnesota Supplemental Aid to supplement federal SSI payments, General Assistance for low income single adults, and the largest program, the Minnesota Family Investment Program or "MFIP".

The Minnesota Family Investment Plan uses state general fund and federal TANF dollars (temporary assistance for needy families) to provide cash benefits for low income families. The program, created in 1998 to conform with federal welfare reform, replaced the former federal AFDC (aid to families with dependant children) program and includes lifetime time limits and work participation requirements.

Laws of Minnesota 2007, Chapter 147 made several changes to the MFIP program, including:

- \$2 million from the general fund for the 2008-09 biennium to continue benefits for legal non-citizens. Benefits for legal non-citizens were to end by law in state fiscal year 2008, but the change removed the sunset of benefits.
- \$12.7 million from the general fund for the 2008-09 biennium to repeal the SSI penalty. Some families that receive MFIP cash assistance also have a family member on federal Supplemental Security and under the former law would have their MFIP benefits reduced for collecting from both programs. The law change removes the \$50 per month reduction in cash assistance for dual-eligibles.
- Asset allowances were increased by allowing MFIP families to exclude one vehicle for up to \$15,000. Previously, the limit for exclusion had been \$7,500. This provision will increase TANF spending by \$676,000 for the 2008-09 biennium.
- The legislature increased Integrated Service Projects for MFIP families funding by \$2.5 million per year from federal TANF dollars.
- An increase for Consolidated Support Services Grants totaled \$3.9 million from the TANF fund for the 2008-09 biennium.

### **Child Care Programs**

The Department of Human Services administers child care assistance programs for MFIP participants and a sliding fee programs for low income families that do not qualify for MFIP. Changes to these programs include:

- Incentives in the form of higher payment rates to child care providers that improve school readiness. Payment rates could increase up to 25 percent for providers that provide such programs and can measure results. The bill contained \$1 million for the 2008-09 biennium for incentives.
- Co-payments for parents were reduced for both MFIP child care and basic sliding fee child care programs. Chapter 147 increases state share for payments to child care providers and reduces the burden on low income families. The law provides an additional \$5.5 million for this purpose in the 2008-09 biennium.
- The legislature eliminated the At Home Infant Care program. The elimination will save \$455,000 for the upcoming biennium.

### **Health Care Programs**

The Minnesota Department of Human Services administers several public health care programs. The three major programs include MinnesotaCare, General Assistance Medical Care, and Medical Assistance.

MinnesotaCare is a state subsidized program that helps low income working Minnesotans obtain health care coverage. The health care plan is funded primarily by taxes collected from health care providers and distributed into the Health Care Access fund. The dollars pay for the bulk of the health plan, but participants pay small monthly premiums and co-pays for service.

General Assistance Medical Care is a State supported health care program that covers low income adults without children. Funding comes from state general fund dollars and covers very low income adults, many of whom receive general assistance cash grants.

Medical Assistance provides a wide range of health care services for low income families with children, elderly and disabled individuals. Medical Assistance is the Minnesota's version of the federally mandated Medicare program. The federal government provides 50 percent of the funding and the state funds the other half with general fund dollars.

The 2007 legislature made many changes to Minnesota's publicly funded health care programs. These changes are projected to provide health care coverage for an additional 47,000 Minnesotans as they phase in over the next four year. Changes to public health care programs include:

- The legislature provided \$1.25 million in outreach money for public health care programs. The dollars would be targeted to attract persons eligible for public health

care programs who currently do not have coverage. The outreach is projected to bring an additional 8,000 individuals currently without health care coverage by the end of state fiscal year 2009. The added cost of the new enrollees is projected to be just under \$20 million for the 2008-09 biennium.

- Eligibility for Medical Assistance was extended for two additional months for children whose family's income grows beyond the limits of the program. The change will keep children covered as the family transitions to private insurance or Minnesota Care. The cost for this eligibility extension will cost just under \$5 million for fiscal year 2009. This will cover an additional 4,400 children each year by 2010.
- \$1 million was included for the biennium to pay for a governor's initiative called "Qcare". This program would provide incentives to providers to help patients with chronic disease manage those diseases with the goal of reducing future health care expenditures. The incentives are primarily aimed at heart disease and diabetes patients but could be expanded to other chronic diseases in the future with additional funding.
- The legislature also extended Critical Access Dental Coverage which had been set to expire. The cost to continue the program is estimated to be \$9.2 million from the general fund for the biennium.
- Rates were increased for family planning services. The rate increase is projected to cost \$1.1 million for the 2008-09 biennium from the general fund.
- The legislature capped pharmacy copayments for Medical Assistance and General Assistance Medical care at \$7. The projected cost is \$2.2 million annually by fiscal year 2010.
- The legislature increased the income eligibility for adults without kids to up to 215 percent of the federal poverty level. The eligibility change is projected to provide health coverage for an additional 2000 adults without health care by the end of the biennium. The change will cost the health care access fund \$11.5 million over the next two years.
- The legislature also removed income verification and ESI (employer supplied insurance) barriers for applicants. This will add an additional 7,000 people to the MinnesotaCare program by the end of state fiscal year 2009. The health care access fund will incur \$28 million in additional costs for the biennium due to this change.
- Increases in MinnesotaCare premiums planned by the department were eliminated by providing an additional \$4.3 million in health care access funding. It is assumed that this change will provide coverage for an additional 700 adults and children by state fiscal year 2009.

- The benefit set for Minnesota Care was expanded to include coverage of more health care services. The expanded benefit set will cost an additional \$12.7 million for the forthcoming biennium.
- The legislature eliminated the employer sponsored insurance barrier for students. The change will provide coverage for an estimated 1,400 students and cost an additional \$2.2 million from the health care access fund for the next biennium.

### **Long Term Care**

The Minnesota Department of Human Services administers many different types of long term care programs. These programs provide care and treatment to elderly, disabled, chemically dependant, and the mentally ill.

Highlight of spending increase for long term care include:

- The omnibus legislation provided a three percent increase for fiscal years 2008 and 2009 for long term care providers. The additional \$89 million dollars provided over the biennium will be used to increase rates the state pays these providers. The increases will be paid to providers who care for the elderly, mentally handicapped, chemically dependant and other disabled persons.
- The legislature also provided \$4.8 million for the biennium to phase in "rebased" for nursing home providers. Rebased is a method for providing automatic rate increases so that providers may keep up with inflation. On a biennial basis, nursing home providers will have the opportunity to verify actual costs with the department of human services. The rate of the provider will be "re-based" against inflation to cover the actual cost of providing service. Minnesota currently uses a similar system to determine reimbursement rates to hospitals.
- The legislature also made several rate increases to providers deemed to have unique circumstances. These rate adjustments were made to nursing homes in Big Stone and Waseca, and Intermediate Care Facilities for the Mentally Retarded in Hennepin County and at the Range Inc. These increases total less than \$1 million for the biennium from the general fund.

Governor Pawlenty also included a recommendation for increased funding and changes in delivery of mental health care through state health care programs. The proposal was brought forward from recommendations made by the Minnesota Mental Health Action group, a public/private action group dedicated to mental health interests. The legislature funded the majority of the recommendation, but also included other mental health funding for in line with legislative priorities.

Mental health spending changes included:

- \$34 million to improve accessibility and quality of public mental health care. The recommendations include adopting a set of mental health benefits that are consistent across all Minnesota public health care plans. The plans should also provide for both inpatient and out patient services.

The proposal would also fund rate increases to providers that were not included in previous rate adjustments. The rate increases would provide additional funding for certain providers of adult and children's mental health care.

Funding is included for departmental costs associated with monitoring mental health providers, collecting data on patient outcomes, and reducing county share for inpatient treatment.

Much of the funding for the biennium is target at improved child mental health. This would include school based mental health programs and children's mental health collaboratives.

- The legislature also included \$1.5 million for Children's Mental Health Respite Care Grants and an MFIP child mental health pilot project.

**Miscellaneous**

Miscellaneous spending items for the Department of Human Services include:

- \$7.3 million was made available to counties to fill in for the loss of federal funds for child support enforcement.
- \$32.6 million was supplied to counties to make up for the potential loss of county case management services funding.
- \$3 million was provided to various homelessness prevention programs.
- \$2.8 million was provided for various group residential homes that help treat people with chemical dependency issues.
- \$23.4 million for was appropriated from various for the biennium to pay for salary needs for Department of Human Service employees.

## Department of Health

The Minnesota Department of Health administers many programs to promote public health, prevent disease, and oversees providers. Funding changes for the next biennium include:

- \$14 million for E-health Grants. These grants would support the increased electronic record keeping of health records in rural areas. The grants may be used for technology or planning.
- \$12.5 million for MERC federal compliance. The Governor suggests dollars from the health care access fund be used to offset losses to the Medical Education and Research Costs fund due to changes in federal regulations. The funding will be eligible for up to \$5 million in federal match.
- The legislature provided \$8.8 million for the biennium to fund home visiting by licensed nurses after the birth of a child.
- \$600,000 to fund a health care access study each biennium to gather data about Minnesota's citizen access to health care.
- Several small fee changes for Housing with Services fees, Mortuary Science license fees, and Occupational Therapy license fees.
- Dollars were provided to restore cuts in family planning grants that were made by previous legislatures. The \$2.3 million for the biennium will be provided from federal TANF funds.
- The legislature appropriated \$3 million for the biennium from the general fund to subsidize federally qualified health center.
- The Department of Health received an additional \$1.2 million to fund increased lease costs for the public health laboratory.
- An appropriation of \$4.1 million from the general fund was included for pandemic influenza preparedness.
- \$2 million was included for disease surveillance. This appropriation was from the state government special revenue fund.
- \$3 million from various funds was included for departmental compensation increases.

### **Other Boards, Departments and Small Agencies**

All other boards and agencies within the jurisdiction of the Health and Human Services conference committee received three percent per year for compensation needs. In addition to compensation dollars other items of note include:

- The Veteran's Home Board received \$6.5 million for repair and betterments and an additional \$1.3 million for the biennium to address funding shortage issues. Both appropriations are from the general fund.
- The Emergency Medical Services board had an annual open and standing appropriation eliminated which was replaced by a direct appropriation to be made by the legislature.
- The Council on Disability sunset was removed and \$1 million in general fund dollars were appropriated for the biennium was made to continue operation.
- A \$300,000 general fund appropriation was made to the Council on Disability to assist disabled persons purchase adaptive technology products.

*For further information on Health Care and Human Services Finance issues contact John Walz, House Fiscal Analysis Department 651-296-8236 or [john.walz@house.mn](mailto:john.walz@house.mn)*



# Higher Education

For the FY 2008-2009 biennium the Higher Education Omnibus Finance bill (Laws of Minnesota 2007, Chapter 144) includes total General Fund appropriations of \$3.16 billion. This is an increase of \$361.2 million, or 12.9 percent over FY 2008-2009 forecast spending and an increase of \$400.3 million or 14.3 percent over FY 2006-2007 forecast spending (which does not include the University of Minnesota/Mayo Clinic Medical Genomics Partnership – See below). For the FY 2010-2011 biennium, Chapter 144 anticipates General Fund spending of \$3.2 billion an increase of \$396 million or 14 percent over FY 2010-2011 forecast spending.

Because Chapter 144 includes \$25 million in funding for the University of Minnesota/Mayo Clinic Medical Genomics Partnership, which has previously been funded through the Department of Employment and Economic Development, the above increases look somewhat higher than they would if genomics funding were handled consistently over the FY 2006-2007 and FY 2008-2009 biennia. Backing out the Genomics Partnership funding, the FY 2008-2009 appropriations in Chapter 144 represent an increase of \$336.2 million or 12 percent over FY 2008-2009 forecast spending and an increase of \$375.3 million or 13.6 percent over FY 2006-2007 forecast spending.

<b>Higher Education: Total General Fund Spending</b> <i>(dollars in thousands)</i>						
	February Forecast Spending in FY 2006-07	Base Funding FY 2008-09	Appropriations Chapter 144 FY 2008-09	Percentage Change FY 08-09 vs. February FY 06-07	Percentage Change FY 08-09 vs. Base	Tails Chapter 144 FY 10-11
Office of Higher Education	346,500	354,362	<b>376,842</b>	8.8%	6.3%	<b>383,461</b>
Department of Veterans Affairs	na	na	<b>12,000</b>	na	na	<b>12,000</b>
Mayo Foundation	2,753	2,090	<b>2,452</b>	-10.9%	17.3%	<b>2,651</b>
Minnesota State Colleges & Universities	1,202,888	1,204,388	<b>1,356,180</b>	12.7%	12.6%	<b>1,378,594</b>
University of Minnesota	1,210,770	1,241,180	<b>1,415,784</b>	16.9%	14.1%	<b>1,422,424</b>
<b>Totals</b>	<b>2,762,911</b>	<b>2,802,020</b>	<b>3,163,258</b>	14.5%	12.9%	<b>3,199,130</b>
General Fund Revenues				<b>0</b>		
Net General Fund				<b>3,163,258</b>		

notes:

1) U of M/ Mayo Foundation 2008-2009 and 2010-2011 numbers (including base) reflect transfer of St Cloud Hospital Residency Program

### **Office of Higher Education (OHE)**

For FY 2008-2009 Chapter 144 appropriates a General Fund total of \$376.8 million. This represents an increase of \$22.5 million, or 6.3 percent, over FY 2008-2009 forecast spending and \$30.3 million, or 8.8 percent, over FY 2006-2007 forecast spending. Chapter 144 includes the following specific finance related provisions for the Office of Higher Education; all appropriations are from the General Fund unless otherwise noted:

- Achieve Grants – \$10 million to start a new grant program that will pay students up to \$1,200 for taking qualifying courses in high school. \$7 million of the appropriation is for grants to students. \$3 million is for promoting the availability of rigorous courses in Minnesota high schools. Courses which qualify are defined by the similar federal program. To qualify, students would need to come from families with incomes of \$75,000 or less and funds earned could be used at public or private higher education institutions in Minnesota for 4 years. In addition, \$400,000 per year is appropriated to increase college in the schools offerings from the U of M and MnSCU in rural districts.
- State Grants - \$291.5.3 million for the biennium for the State Grant Program. This is an increase of \$10.5 million, or 3.8 percent, over FY 2006-2007 forecast spending and \$2.2 million, or 0.8 percent over FY 2008-2009 forecast spending. Several changes to the program occur within this spending level. The 4-year tuition maximums would be increased to \$9,838 for both years of the biennium and the two-year maximum would be reduced to \$6,114 in FY 2008 and \$5,808 in FY 2009. In addition, Chapter 144 sets the Living and Miscellaneous Expense (LME) portion of the formula at \$5,900 for both years of the biennium, an increase of \$550 from current law. Finally, Chapter 144 reduced the amount that student's assets are “taxed” as part of the federal needs analysis when calculating State Grants. This change would offset the Assigned Family Responsibility to 96 percent for dependent students, 68 percent for independent students with dependents other than a spouse and 86 percent for other independent students.
- Work Study – \$24.9 million for the biennium. This is the current law base.
- Child Care – \$12.4 million for the biennium. This is an increase of \$2.5 million. A statutory change raises the maximum grant \$300 to \$2,600.
- Interstate Tuition Reciprocity – \$4 million for this biennium. This is an increase of \$2 million over the current biennium. The increase is due to higher anticipated costs under the North Dakota agreement.
- Learning Network of Minnesota – \$9.6 million for the biennium. This is an increase of \$1.1 million. New funding will go to update technology and expand capacity in the network.
- Mn College Savings Program – \$2.04 million for administration and matching grants in the FY 2008-2009 biennium. This is the current law base. A statutory change increases the amount of the matching grant to \$400.

- MINITEX and MnLINK – \$12.1 million for the biennium. This reflects base appropriations for the MnLINK gateway and an increase of \$2.5 million for the MINITEX library program.
- United Family Practice Residency – \$845,000 for the biennium an increase of \$125,000. Chapter 144 also specifies tails in the FY 2010-2011 biennium of \$915,000.
- Youth Service Learning – \$480,000 for the biennium an increase of \$250,000.
- Other Small Programs- Several smaller programs were funded at the forecast base for the biennium. These include the Get Ready college outreach program at \$368,000; the Student and Parent Information program at \$250,000; the Intervention for College Access program (ICAP) at \$992,000; and the Midwest Higher Education Compact at \$180,000.
- TEACH Program – \$500,000 for the TEACH program. This program provides scholarships and other education incentives to produce more early childhood teaching professionals.
- Augsburg STEP Program – \$250,000 one time for the Augsburg College program for chemically dependent students.

In addition, Chapter 144 appropriated \$50,000 one time to the Washington Center for Internships and \$200,000 in ongoing funds to the law school Loan Repayment Assistance Program (LRAP). Both of these provisions were vetoed by the Governor. Finally, Chapter 144 amends the statutes regulating private and out of state public post secondary education to re-align schools into degree granting (in Chapter 136A.61) and non-degree granting (in Chapter 141). Registration programs are supported by fees paid by the institutions registering. OHE anticipates this re-alignment will reduce fee revenue by \$10,000 per year in the Special Revenue Fund.

### **Minnesota State Colleges and Universities (MnSCU)**

For FY 2008-2009 Chapter 144 appropriates a General Fund total of \$1.356 billion. This represents an increase of \$151.8 million, or 12.6 percent, over FY 2008-2009 forecast spending and \$153.3 million, or 12.7 percent, over FY 2006-2007 forecast spending.

Appropriations for MnSCU in Chapter 144 are in the form of one block grant to the Board of Trustees. Rider language specifies that the appropriation includes funds for: The Cook County Higher Education program; technology; recruitment and retention services for underrepresented students; elimination of non-resident tuition rates at six campuses; a textbook pricing pilot program; community based energy projects at three campuses; a modular clean room at St Paul College; a pilot program at the North East Higher Education District to provide technical education in local high schools; a grant to Bemidji State University for their women's hockey team; a study of higher education needs on the Iron Range; and a center at Mesabi Range college to expand the eFolio system. Specific amounts for these initiatives are at the discretion of the Board of Trustees. Rider language also specifies that tuition increases be 4.0 percent less in each year of the biennium.

Additionally, Chapter 144 requires that 1.0 percent of the total MnSCU appropriation (\$12 million) is contingent on the system meeting at least three of five specific performance goals. Goals listed in the bill include: 1) increasing by 3.0 percent students taking science, technology, education and math (STEM) courses; 2) increasing by 2.0 percent enrollment at centers of excellence; 3) increasing by 700 students trained on the use of electronic medical record technology; 4) increasing by 10.0 percent the number of students taking online courses; and 5) expanding by 10.0 percent the use of initiatives that reward institutions, faculty, administrators and staff for innovations designed to advance excellence and efficiency.

### **University of Minnesota**

For FY 2008-2009 Chapter 144 appropriates a General Fund total of \$1.416 billion. This represents an increase of \$174.6 million, or 14.1 percent, over FY 2008-2009 forecast spending and \$205 million, or 14.5 percent, over FY 2006-2007 forecast spending. As mentioned above, because Chapter 144 includes an appropriation of \$25 million in FY 2008 to the University for the Mayo/University of Minnesota Medical Genomics Partnership, a program that has previously been funded as a pass through at the Department of Employment and Economic Development, the changes between FY 2008-2009 appropriations and the FY 2006-2007 biennium look artificially high. Without the \$25 million appropriation for genomics research the FY 2008-2009 appropriation for the University is \$149.6 million, or 12.1 percent, greater than forecast FY 2008-2009 and \$180 million or 14.9 percent greater than FY 2006-2007 forecast spending.

Like MnSCU, appropriations for the University of Minnesota in Chapter 144 are primarily in the form of one block grant to the Board of Regents. Rider language specifies that the appropriation includes funds for: Dakota and Ojibwe Indian language programs; providing banded tuition rates at the coordinate campuses; funding scholarships, to be matched 1.5 to 1 with private funding, for Minnesota resident undergraduates from families with incomes of \$150,000 or less; a greenhouse gas study by the Center for Transportation Studies; establishment of an India Center; and the University Neighborhood Alliance. Specific amounts for these initiatives are at the discretion of the Board of Regents.

Additionally, as with MnSCU, Chapter 144 requires that 1.0 percent of the total U of M general appropriation (\$12 million) is contingent on the system meeting at least three of five specific performance goals. Goals listed in the bill include: 1) increasing financial support for students with need; 2) maintaining or improving the U of M's national rank in its share of NSF funding; 3) increasing by 5.0 percent the number of degrees awarded in science, technology and health fields; 4) increasing by 5.0 percent the funding support for renewable energy research; and 5) increasing interaction and research activity beneficial to business.

In addition, Chapter 144 includes funding for various University Specials. Specific General Fund appropriations to the U of M specials are:

- \$5.3 million annually for the Health Sciences special, this is the base level for the program.
- \$1.4 million annually for the Institute of Technology special, this is the base level for the program.

- \$6.6 million annually for the System Special, this is the base level for the program.
- \$53.2 million annually for the Agriculture and Extension special. This is an increase of \$1.6 million or 3.0 percent annually.

Chapter 144 also appropriates \$25 million for the Minnesota Partnership for Biotechnology and Medical Genomics. This is a research partnership between the University and the Mayo Foundation. The \$25 million is appropriated in FY 2008 and the bill specifies base funding in the FY 2010-2011 biennium of \$8 million annually.

During the biennium the U of M will also receive statutory General Fund appropriations of up to \$20.5 million to pay for bonds issued to build a new football stadium.

#### *Other Funds*

During the biennium the U of M will also receive statutory appropriations of \$44.5 million from cigarette tax revenue through the Miscellaneous Special Revenue Fund to the Academic Health Center and an appropriation of \$4.3 million in Chapter 144 from the Health Care Access fund for primary care physician training.

### **Mayo Foundation**

For FY 2008-2009 Chapter 144 appropriates a General Fund total of \$2.5 million. This represents an increase of \$362,000 (17.3 percent) over the adjusted base. New appropriations at Mayo will restore funding for capitation grants and residency stipends to its FY 2004-2005 funding levels. In addition, Chapter 144 increases base funding for both the medical school capitation grants and the residency stipends by 8.0 percent in the FY 2010-2011 biennium to a total biennial base of \$2.7 million. See U of M section for discussion of Mayo/U of M Medical Genomics Partnership.

### **Higher Education Facilities Authority**

This agency receives no General Fund appropriation, however, Chapter 144 does increase the statutory debt limit on revenue bonds that can be issued by the Authority to \$950 million in aggregate. These bonds are backed by revenue pledges from participating (mostly) private colleges and not obligations of the State of Minnesota.

### **Department of Veterans Affairs**

Chapter 144 appropriates \$12 million to the Department of Veterans Affairs to establish the Minnesota GI Bill Program to pay Minnesota Veteran's college costs. Benefits would cover both undergraduate and graduate studies for veterans with service since September 11, 2001. The program would establish grant maximums of \$1,000 per semester for full-time and \$500 per semester for part-time enrollment with a \$2,000 annual maximum and a lifetime benefit cap of \$10,000. The benefit is a "last dollar in" grant after considering any Pell grant, state grant or other federal military educational benefit for which the applicant is eligible. This program will

be part of the Veterans Affairs budget in the FY 2010-2011 biennium and will be tracked through bills and committees with jurisdiction over that portion of the budget.

*If you have any further questions on higher education and workforce development related issues, please contact Doug Berg at 296-5346 or [doug.berg@house.mn](mailto:doug.berg@house.mn).*

## Jobs & Economic Development Finance

The 2007 Legislature enacted FY 2008-09 General Fund appropriations totaling \$340.191 million for the state departments, agencies, and boards included in the Jobs and Economic Development Finance appropriation bill. Of these appropriations, the Governor line item vetoed eight appropriations totaling \$4.325 million. The final enacted General Fund appropriations are \$335.866 million. These appropriations are contained in Chapter 135, *Laws of Minnesota 2007*.

The enacted budget is \$83.318 million (33 percent increase) above February 2007 forecast base funding levels for FY 2008-09 for the respective state departments, agencies, and boards. The Legislature also approved several change items that will result in an estimated \$5.63 million loss in revenues for the General Fund.

Taken together, the 2007 Legislature's spending and revenue decisions, including the Governor's vetoes, have a net effect to the General Fund of \$341.496 million in Jobs and Economic Development accounts. This is \$88.498 million and 35.2 percent increase over base.

<b>Jobs &amp; Economic Development Finance General Fund Appropriations</b>						
<i>(dollars in thousands, numbers are biennial)</i>						
	<b>February Forecast Spending in FY 06-07</b>	<b>Base Funding FY 08-09</b>	<b>Enacted Chapter 135 FY 2008-09</b>	<b>% Change FY 08-09 vs. February FY 06-07</b>	<b>% Change FY 08-09 vs. Base</b>	<b>Tails Chapter 135 FY 10-11</b>
Employment & Economic Development	125,072	75,346	116,574	-6.8%	54.7%	87,822
Explore Minnesota						
Tourism	21,154	19,402	22,308	5.5%	15.0%	22,260
Housing Finance Agency	70,470	78,876	114,557	62.6%	45.2%	89,916
Labor & Industry	7,337	6,868	2,093	-71.5%	-69.5%	2,048
Mediation Services	3,548	3,546	3,768	6.2%	6.3%	3,808
Historical Society	46,650	46,250	50,248	7.7%	8.6%	48,974
Arts Boards	17,189	17,186	20,442	18.9%	18.9%	20,674
Board of Accountancy	1,122	974	1,001	-10.8%	2.8%	1,010
Board of Architecture, Eng., et.al.	1,832	1,570	1,615	-11.8%	2.9%	1,630
Board of Barbers & Cosmetologists	1,699	1,398	1,578	-7.1%		1,498
Boxing Commission	50	0	50	0.0%	N/A	0

<b>Jobs &amp; Economic Development Finance General Fund Appropriations</b> <i>(dollars in thousands, numbers are biennial)</i>						
	<b>February Forecast Spending in FY 06-07</b>	<b>Base Funding FY 08-09</b>	<b>Enacted Chapter 135 FY 2008-09</b>	<b>% Change FY 08-09 vs. February FY 06-07</b>	<b>% Change FY 08-09 vs. Base</b>	<b>Tails Chapter 135 FY 10-11</b>
Humanities Commission	800	0	500	-37.5%	N/A	500
Region 3 - Occupation Tax	1,132	1,132	1,132	0.0%	0.0%	1,132
Iron Range Resources & Rehabilitation	N/A	N/A	N/A	N/A	N/A	N/A
Workers Comp Court of Appeals	N/A	N/A	N/A	N/A	N/A	N/A
<b>Totals</b>	<b>298,055</b>	<b>252,548</b>	<b>335,866</b>	<b>12.7%</b>	<b>33.0%</b>	<b>281,272</b>
General Fund Revenues			<u>(5,630)</u>			<u>(5,692)</u>
Net General Fund			<b>341,496</b>			<b>286,964</b>

Note: The Workers Compensation Court of Appeals and Iron Range Resources & Rehabilitation so not receive any General Fund appropriations.

### **Department of Employment & Economic Development**

The Legislature approved General Fund appropriations for the Department totaling \$120.824 million for the FY 2008-09 biennium. The Governor vetoed \$4.25 million of the approved appropriations. The Department's enacted General Fund appropriations total \$116.574 million after the vetoes.

The final funding level is \$41.288 million above the Department's General Fund current law base, a 54.7 percent increase, but is \$8.498 million – or 6.8 percent less – than the Department's estimated FY 2006-07 General Fund spending in the February, 2007 forecast. These seemingly contradictory statistics are explained by the impact of onetime appropriations in the respective bienniums.



<b>Department of Employment and Economic Development :</b>			
<b>2008-09 General Fund Appropriations</b>			
<i>(dollars in thousands, numbers are biennial)</i>			
<b>Program</b>	<b>Current Base</b>	<b>Legislative Changes</b>	<b>Enacted Appropriation</b>
Rural Policy & Development Center	\$ 300	\$ 200	\$ 500
Women Venture	300	200	500
Minnesota Investment Fund (recapitalize)	0	5,000	5,000
Rogers Tornado Relief	0	400	400
Redevelopment Grants (recapitalize)	0	2,000	2,000
Urban Initiative Program (recapitalize)	0	755	755
University Enterprise Laboratories	0	250	250
Small Community Tech Asst. (PFA)	0	200	200
Global Market	0	1,100	1,100
Minnesota Inventors' Congress	120	50	170
Paradise Art Center (Faribault)	0	151	151
Small Business Growth Acceleration	0	750	750
Northome City Hall	0	300	300
Worthington Ag-based Bioscience Center	0	300	300
BioBusiness Alliance	0	1,750	2,000
Walker Area Community Center	0	325	325
Pine Island Utility Upgrades	0	100	100
Thomson Township Industrial Park	0	350	350
LeSueur County Lakes Cleanup	0	75	75
Warroad Tornado Cleanup	0	75	75
Bioscience Business Marketing	0	125	125
21 <sup>st</sup> Century Mineral Fund (recapitalize)	0	14,900	14,900
Entrepreneurial & Small Business Assistance	0	294	294
Metropolitan Economic Development Assn.	310	100	410
Extended Employment – Basic (also WDF)	9,728	1,500	11,228
Extended Employment – Mental Illness	2,000	1,300	3,300
Services for the Blind (Communication Center)	9,880	2,000	11,880
Vocational Rehabilitation (State Match)	15,042	3,000	18,042
Life Track Resources (current base is WDF)	0	250	250
Twin Cities Rise	610	300	910
Northern Connection Workforce Program	0	500	500
Centers for Independent Living	3,380	1,500	4,880
Workforce Pilot In Southern Minnesota	0	160	160
Disabled Work Coordination Grant	0	100	100
Minority Job Training & Wage Initiative Study	0	10	10
<b>Vetoed Appropriations:</b>			
Upper Sioux Community Water System	\$ 0	\$ 500	\$ 0
Inver Grove Heights Veteran Memorial Center	0	350	0
River Centre Campus Debt Relief	0	2,500	0
Hennepin-Carver Workforce Health Care Trainin	0	300	0

<b>Department of Employment and Economic Development :</b> <b>2008-09 General Fund Appropriations</b> <i>(dollars in thousands, numbers are biennial)</i>			
<b>Program</b>	<b>Current Base</b>	<b>Legislative Changes</b>	<b>Enacted Appropriation</b>
Hired Industry Training Initiative	0	400	0
Ramsey County Building Lives	0	200	0

The Legislature also approved a three percent employee compensation adjustment for DEED. The dollar amount for this appropriations is \$858,000.

The Workforce Enhancement Fee that funds the Workforce Development Fund was increased by the 2007 Legislature. The fee is permanently set at 0.1 percent, a rate that is estimated to raise \$9.954 million in the 2008-09 biennium. Under prior law, the Workforce Enhancement Fee was scheduled to be reduced to 0.085 percent on January 1, 2008. The commissioner of DEED is also authorized to increase the Workforce Enhancement Fee to 0.12 percent if the commissioner determines that the Workforce Development Fund is likely to be in deficit.

The Legislature made several new appropriations from the Workforce Development Fund. The appropriations total \$14.05 million. These appropriations are ongoing into the FY 2010-11 biennium.

<b>Department of Employment and Economic Development</b> <b>2008-09 New Workforce Development Fund Appropriations</b> <i>(dollars in thousands, numbers are biennial)</i>			
<b>Program</b>	<b>Current Base</b>	<b>Legislative Changes</b>	<b>Enacted Appropriation</b>
Minnesota Youth Program	\$ 0	\$ 7,000	\$ 7,000
Boys and Girls Clubs	0	2,000	2,000
Learn-to-Earn	500	150	650
Youthbuild (also \$150,000 in General Fund)	0	2,000	2,000
St. Paul Summer Youth Program	0	1,200	1,200
Deaf, Hard-Hearing, & Deaf-Blind Interpreters	0	700	700
Opportunities Industrialization Centers	1,750	1,000	2,750

### Explore Minnesota Tourism

The 2007 Legislature appropriated \$22.308 million from the General Fund for Explore Minnesota Tourism in the 2008-09 biennium. This is an increase from base of \$2.906 million, (15 percent). It contains five major components.

- \$1 million is appropriated for the Public/Private Enhancement Fund. The Fund is designed to build stronger public/private partnerships in tourism promotion by matching contributions from private sector partners with state General Fund dollars.
- \$306,000 to fund a three percent compensation adjustment.

- \$150,000 increase in funding for the Minnesota Film Board. With this increase, the Board's annual funding will be \$325,000.
- \$1.3 million is appropriated for the film jobs production program, commonly referred to as the “snowbate” program.
- \$150,000 for a onetime grant for the St. Louis County Heritage and Arts Center.

### Minnesota Housing Finance Agency

The Legislature approved a \$114.557 million General Fund appropriation for the Minnesota Housing Finance Agency for the FY 2008-09 biennium. This is an increase of \$35.681 million from the MHFA's current law base, a 45.2 percent increase. The Legislature's enacted budget changes by housing programs and activities are shown in the following table.

<b>Minnesota Housing Finance Agency 2008-09 General Fund Appropriations</b> <i>(dollars in thousands, numbers are biennial)</i>			
<b>Program</b>	<b>Current Base</b>	<b>Legislative Changes</b>	<b>Enacted Appropriation</b>
Econ Dev. & Housing Challenge Program	\$ 19,244	\$ 15,000	\$ 34,244
Housing Trust Fund	16,610	5,500	22,100
Rental Assistance for Mentally Ill (Bridges)	3,276	2,000	5,276
Family Homeless Prevention	7,430	7,500	14,930
Homeownership Assistance Program	1,770	0	1,770
Affordable Rental Investment Fund	17,992	2,500	20,492
Housing Rehabilitation Program	7,944	1,930	9,874
Urban Indian Housing	360	14	374
Tribal Indian Housing	2,210	867	3,077
Homeownership Ed., Counseling & Training	1,540	190	1,730
Non-Profit Capacity Building Grants	500	180	680

Of the funding increases shown, \$24.641 million are onetime in the FY 2008-09 biennium only. MHFA's General Fund base in the FY 2010-11 biennium is \$89.916 million.

### Department of Labor & Industry

The Legislature approved General Fund appropriations of \$2.093 million in the FY 2008-09 biennium for the Department of Labor & Industry, including \$45,000 to cover the 3 percent compensation adjustment. The Legislature also appropriated \$360,000 in FY 2008 and \$300,000 in FY 2009 and ongoing for prevailing wage enforcement.

The overall General Fund appropriation represents a \$4.775 million (69.5 percent) decrease from base. The decrease is because the licensing and code enforcement functions for boiler and high pressure piping and residential contractors, which previously were funded through General Fund appropriations, will be funded with statutory appropriations from the Construction Code Fund beginning July 1, 2007.

The Legislature adopted the Governor's recommendation for code consolidation. The initiative includes:

- Codifying into law the Governor's May 2005 Executive Order that transferred several construction licensing and code functions, previously administered in several different state agencies, to the Department of Labor & Industry;
- Creating the Construction Code Fund in the state government Special Revenue Fund and statutorily appropriating deposits in the fund to the commissioner;
- Increasing electrical inspection fees by \$2.982 million per year; and
- Increasing the residential contractors' recovery fund assessments and raising consumers' per-incident and per-contractor recovery amounts from the fund.

To offset the cost of the code consolidation initiative to the General Fund, the Legislature authorized transfers and reimbursements from the Construction Code Fund to the General Fund of \$1.857 million in FY 2008, and \$1.745 million in FY 2009 and subsequent fiscal years.

Several direct appropriations were made from the Workers Compensation Special Fund:

- \$460,000 each year to be matched by federal funds to meet federal OSHA staffing benchmarks;
- \$500,000 each year in FY 2008-09 for onetime grants to purchase patient lift equipment. The second year of this appropriation was vetoed by the Governor;
- \$50,000 each year in increased funding to the Vineland Center; and
- \$290,000 in FY 2008 and \$90,000 in FY 2009 and ongoing for the Workers Compensation system interface.

New licenses/registration requirements and fees were also enacted:

- Unlicensed electricians registration, estimated to yield \$450,000 in collections per year;
- Restricted plumber license, estimated to yield \$60,000 in collections per year; and
- Independent contractor certificate, estimated to yield \$1,563,000 in collections per year beginning in FY 2009.

### **Bureau of Mediation Services**

The Bureau's General Fund appropriation in FY 2008-09 is \$3.768 million. The enacted budget is \$222,000 above its current law base, and includes a three percent compensation adjustment and a \$50,000 per year increase in labor-management cooperative grants.

### **Workers' Compensation Court of Appeals**

This Court receives no General Fund appropriation. The Court will receive \$3.363 million from the Workers Compensation Special Fund in the FY 2008-09 biennium under the budget approved by the Legislature. The enacted budget includes a three percent compensation adjustment.

### **Historical Society**

The Legislature approved FY 2008-09 General Fund appropriations for the Historical Society totaling \$50.323 million. Of this appropriation, the Governor vetoed \$75,000 in FY 2009 for the Hockey Hall of Fame. With this veto, the enacted budget of \$50.248 million is \$3.998 million above the Society's current law base, an 8.6 percent increase.

The Society's major funding items under the enacted budget are depicted in the table.

<b>Minnesota Historical Society</b> <b>2008-09 General Fund Appropriations</b> <i>(dollars in thousands, numbers are biennial)</i>			
<b>Program</b>	<b>Current Base</b>	<b>Legislative Changes</b>	<b>Enacted Appropriation</b>
Education & Outreach	\$ 26,282	\$ 2,367	\$28,649
Preservation & Access	19,544	1,372	20,916
FarmAmerica	256		256
MN International Center	86		86
MN Military Museum	67	33	100
MN Air National Guard	16		16
Treaty Site History Center	0	75	75
Hmong Studies Center Grant	0	75	75
Hockey Hall of Fame (2 <sup>nd</sup> year vetoed)	0	150	75

The increased appropriations within the Society's Education and Outreach & Preservation and Access programs include:

- \$825,000 for History Center Building Lease Costs;
- \$750,000 for the Sesquicentennial Commission (onetime);
- \$500,000 for capitalizing the County and Local Historical Societies Grant-in-Aid Program (onetime);
- \$250,000 for the State Capitol Furniture & Art Restoration project (onetime);
- \$150,000 for the Preservation of Historic Flags project (onetime); and,
- \$1.264 million for the three percent compensation adjustment

### Arts Board

The Arts Board will receive General Fund appropriations of \$20.442 million for the FY 2008-09 biennium under the budget approved by the Legislature. The increase is \$3.256 million over the Arts Board's current law base, an 18.9 percent increase. The major changes include:

<b>Minnesota Arts Board</b> <b>2008-09 General Fund Appropriations</b> <i>(dollars in thousands, numbers are biennial)</i>			
<b>Program</b>	<b>Current Base</b>	<b>Legislative Changes</b>	<b>Enacted Appropriation</b>
Operation & Services	\$ 808	\$ 484	\$ 1,292
Grant Programs	11,534	1,700	13,234
Regional Arts Councils	4,844	1,072	5,916

### Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geosciences, and Interior Design

The Board's FY 2008-09 General Fund appropriation will be \$1.615 million under the Legislature's enacted budget. The increase over the Board's current law base is \$45,000, an amount sufficient to fund a three percent compensation adjustment.

### Board of Accountancy

The Legislature approved the Governor's recommendation that the Board receive General Fund appropriations totaling \$1,001,000 in the FY 2008-09 biennium. The increase is \$27,000 above base and will cover a three percent compensation adjustment.

### Board of Barber & Cosmetologist Examiners

The Legislature approved a \$1.578 million General Fund appropriation for the Board in FY 2008-09. The budget is \$180,000 over base, and includes

- \$100,000 onetime in FY 2008 for additional staff;
- \$24,000 for the licensing and inspection of hair braiding; and,
- \$56,000 for three percent compensation adjustment.

### Boxing Commission

The Legislature approved a \$50,000 General Fund appropriation for the Boxing Commission. The appropriation is onetime in FY 2008 only, and is designed to provide transition resources until the Commission can become self-supporting. The Legislature also approved fee increases for the Commission which are expected to generate \$20,000 per year in additional revenues.

### Humanities Commission

The Legislature approved a \$500,000 General Fund appropriation for the Humanities Commission in FY 2008-09. The Commission, which had its base funding eliminated in the 2003 session, will have ongoing base funding of \$250,000 per year under the approved appropriation.

## **Iron Range Resources**

The Legislature approved \$86.731 million in appropriations for the agency in FY 2008-09. The appropriations are from the Iron Range Resources and Rehabilitation Fund, the Giants Ridge Golf and Ski Resort Fund, and the Northeast Minnesota Economic Protection Fund. These are all statutory appropriations.

The Governor vetoed the Legislature's onetime direct appropriations from the Iron Range Resources and Rehabilitation Fund base appropriation:

- \$225,000 for the Spencer Township Electrical & Infrastructure (vetoed);
- \$75,000 for the B'nai Abraham Synagogue (vetoed);
- \$150,000 for the Iron Range Youth Action Program (vetoed);
- \$50,000 for the Iron Range Retriever Club (vetoed); and,
- \$75,000 for Chisholm Infrastructure Improvements (vetoed).

The current law General Fund open appropriation of \$1,132,000 for pass-through grants to Koochiching and Carlton Counties for economic and environmental projects was approved by the Legislature. The funding is at the base level.

## **2010-2011 Biennium**

The enacted budget sets the 2010 – 2011 biennium General Fund base appropriations for the state departments, agencies, and boards included in the Jobs and Economic Development Finance appropriation bill at \$281.272 million. This is \$28.724 million above the February forecast base, a 9.6 percent increase.

*For additional information on Jobs & Economic Development issues, contact Ron Soderberg at 651-296-4162 or [ron.soderberg@house.mn](mailto:ron.soderberg@house.mn)*

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## Public Safety Finance

With the passage of Chapter 136 (Laws 2007), the 2007 Legislature approved general fund appropriations totaling \$1.877 billion for state departments, agencies, boards and the judiciary under the budget jurisdiction of the Public Safety Finance Committee. The appropriated amount is \$153.552 million above the base funding level, an 8.9 percent increase. The following appropriations relate to the general fund unless otherwise noted.

<b>Public Safety Finance: Total General Fund Spending</b> <i>(dollars in thousands)</i>						
	February Forecast Spending in FY 2006-07	Base Funding FY 2008- 09	Enacted Chapter 54 FY 2008-09	% Change FY 2008-09 vs. February FY 2006-07	% Change FY 2008-09 vs. Base	Tails Chapter xx FY 2010- 11
Supreme Court	85,369	84,342	90,515	6.03%	7.32%	<b>89,886</b>
Court of Appeals	16,378	16,378	20,386	24.47%	24.47%	<b>21,240</b>
Trial Courts	462,171	462,506	500,993	8.40%	8.32%	<b>509,832</b>
Tax Court	1,465	1,452	1,619	10.51%	11.50%	<b>1,650</b>
Uniform Laws Commission	96	90	110	14.58%	22.22%	<b>104</b>
Judicial Standards Board	726	504	910	25.34%	80.56%	<b>920</b>
Public Defense Board	122,504	123,602	135,867	10.91%	9.92%	<b>139,038</b>
Public Safety Department	171,776	156,344	181,228	5.50%	15.92%	<b>174,270</b>
Private Detective Board	279	252	261	-6.45%	3.57%	<b>264</b>
Human Rights Department	7,030	6,980	8,719	24.03%	24.91%	<b>7,466</b>
Corrections Department	841,384	869,996	935,003	11.13%	7.47%	<b>960,403</b>
Sentencing Guidelines	972	926	1,313	35.08%	41.79%	<b>1,218</b>
<b>Totals</b>	<b>1,710,150</b>	<b>1,723,372</b>	<b>1,876,924</b>	9.75%	8.91%	<b>1,906,291</b>
General Fund Revenues			<u>(676)</u>			
Net General Fund			<b>1,877,600</b>			

### **Supreme Court**

The Legislature approved a biennial appropriation of \$90.515 million, an increase of \$6.173 million from the base. The Legislature approved the following:

- \$1.96 million increase in funding for civil legal services.
- A 3 percent compensation increase effective July 1, 2007 and again on July 1, 2008 for judges.

### **Court of Appeals**

The Legislature approved a biennial appropriation of \$20.386 million, an increase of \$4 million from the base. This funding includes three new judgeships.

### **District Courts**

The Legislature approved a biennial appropriation of \$500.993 million, an increase of over \$38 million from the base. This funding includes seven new judgeships.

### **Tax Court**

The Legislature approved a biennial appropriation of \$1.619 million, an increase of \$167,000 from the base. The increase will go for compensation and to maintain existing functions.

### **Board of Judicial Standards**

The Legislature approved a biennial appropriation of \$910,000. This is an increase of \$406,000 from the base. The increase represents a compensation adjustment and for a new investigative/hearing account that will cover special investigative and hearing costs that are not currently in the Board's budget.

### **Public Safety**

The Public Safety Finance Division is responsible for six programs in the Department of Public Safety (other programs in the agency are the responsibility of the Transportation Finance Division). The Legislature approved a biennial appropriation of \$181.228 million for these public safety programs. This is an increase of \$24.884 million from the base. The Legislature approved the following:

#### *Homeland Security and Emergency Management*

- \$150,000 for one position to coordinate pandemic flu preparations.

#### *Bureau of Criminal Apprehension (BCA)*

- \$5.395 million increase for increased funding for CriMNET.
- \$1.92 million for 15 additional forensic scientists.

### *Fire Marshal*

Beginning in FY 2008 the activities previously funded by the general fund will now be funded by a special revenue fund. The special revenue is collected from insurance companies and is deposited into the fire safety account. An estimated \$7.4 million in FY 2008 and \$11.6 million in FY 2009 will be collected from surcharges on fire safety premiums.

### *Office of Justice Programs*

- \$500,000 for an increase to the crime victim reparations program.
- \$2.5 million increase in state funds for the gang and drug task force. This amount will make up for a loss of federal funds.
- \$910,000 is for continued funding for the crime victim notification system.
- \$400,000 for a parenting time centers.
- \$100,000 for child advocacy centers.
- \$1 million for squad car technology upgrades.
- \$200,000 for aid to families of victims of murder and suicide victims.
- \$3.4 million increase for victim services programs.
- \$2 million for law enforcement grants.
- \$150,000 to reimburse auto-theft victims for impound fees.
- \$1.5 million for an increase in youth intervention funding.
- \$300,000 for legal advocacy trafficking victim services.
- \$200,000 for emergency assistance grants.
- \$100,000 to fund defibrillators.
- \$500,000 for integrated domestic violence response.
- \$500,000 for children at risk (ACE) program.
- \$300,000 for homeless outreach.

### *911 Emergency Services/ARMER*

An increase of \$23 million in state government special revenue to expand the statewide interoperable public safety communication system (ARMER). This will be funded by increasing the 911 fee by 10 cents per month for the second year (FY 09) and then 10 cents per month each year after that for the next two years. The current monthly charge is 65 cents and with the three 10 cent increases the new monthly charge will be 95 cents. This is the fee charged to each customer for a telephone line. The revenue increases will go to pay off prior year obligations to telephone utility companies and to pay for the state's cost in building the statewide trunked public safety radio system.

### **Private Detectives Board**

The Legislature approved a biennial appropriation of \$261,000, which is an increase of \$9,000 for compensation increases.

### **POST Board**

The Legislature approved a biennial appropriation of \$8.624 million. This is an increase of \$196,000 for operating cost increases, compensation adjustments and training. The POST Board is funded from a special revenue account.

### **Public Defense Board**

The Legislature approved a biennial appropriation of \$135.867 million; this is an increase of \$12.265 million. Of the increase \$8.22 million is for 34 new attorney positions and 11 new support staff.

### **Department of Corrections**

The Legislature approved a biennial appropriation of \$935 million, which is an increase of over \$65 million from the base. The Governor is recommending the following:

- \$2.5 million for the increased costs of health services.
- \$3.95 million to annualize costs from funding changes during the 2006 session.
- \$3 million for increases in fuel and utility costs for the correctional institutions.
- \$1 million to cover the increased costs of health insurance for retirees in the Corrections Employees Retirement Plan.
- \$3.35 million for ten new intensive supervision agents, increases due to extension of the Conditional Release (CRP) program, funding for the interstate Compact for Adult Offenders and additional funding for the risk assessment/community notification and civil commitment.
- \$13 million for offender supervision. This includes additional funding for county probation officer reimbursement, community corrections act counties and for the Department of Corrections Probation and Supervise Release. This also includes additional funding for sex offender management and sex offender assessments.
- \$1.2 million to maintain the Sentencing to Service (STS) program.
- \$5 million to increase the funding for the short-term offenders that are housed in county jails. The DOC believes this will raise the per diem that counties receive from under nine dollars a day to around \$33 per day.
- \$5.2 million for increased funding for offender reentry services.

### **Sentencing Guidelines**

The Legislature approved a biennial appropriation of \$1.313 million, which is an increase of \$387,000 to maintain existing functions and for a compensation increase. Of this amount \$100,000 is to be used to fund a collateral sanctions committee.

### **Human Rights Department**

The Legislature approved a biennial appropriation of \$8.719 million, which is an increase of \$1.739 million. \$281,000 of this increase is for compensation and the other \$1.458 million is for a case management initiative that will replace the current 10 year old system.

### **Uniform Laws Commission**

The Legislature approved a biennial appropriation of \$110,000, which is an increase of \$20,000. This is for both past dues and an increase in dues for their membership in the National Conference of Commissioners on Uniform State Laws.

*For additional information on public safety issues, contact Gary Karger at 296-4181 or [gary.karger@house.mn](mailto:gary.karger@house.mn).*

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## State Government Finance

The omnibus State Government Finance bill (Laws 2007, Chapter 148) authorizes net General Fund spending of \$551.7 million for the FY 2008-09 biennium. Direct and open General fund appropriations total \$656.1 million. These appropriations are offset by \$104.4 million in new general fund revenues, primarily from expanded tax compliance initiatives in the Department of Revenue.

<b>State Government: Total General Fund Spending</b>						
(all dollars in thousands)						
Agency / Program	Forecast FY 06-07	Base FY 08-09	Enacted Chapter 148 FY08-09	% Change FY 08-09 vs. FY 06-07	% Change FY 08-09 vs. Base FY 08-09	Tails FY 2010-11
Legislature	124,535	123,828	145,882	17.1%	17.8%	141,632
Governor's Office	7,452	7,168	7,456	0.1%	4.0%	7,554
State Auditor	16,826	16,546	18,454	9.7%	11.5%	18,440
Attorney General	54,203	45,538	49,022	-9.6%	7.7%	49,948
Secretary of State	11,988	11,958	12,672	5.7%	6.0%	12,820
Campaign Finance Bd	1,414	1,388	1,449	2.5%	4.4%	1,470
Public Subsidy - Campaign Finance	3,995	4,070	4,070	1.9%	0.0%	4,170
Investment Board	2,575	302	302	-88.3%	0.0%	302
Administrative Hearings	538	524	573	6.5%	9.4%	580
Office of Enterprise Technology	5,517	7,406	24,274	340.0%	227.8%	12,658
Dept. of Administration	37,917	35,946	43,671	15.2%	21.5%	39,496
Public Broadcasting	3,710	3,710	14,926	302.3%	302.3%	3,910
Capitol Area Architectural Board	567	540	800	41.1%	48.1%	746
Dept. of Finance	31,561	29,616	31,392	-0.5%	6.0%	31,192
Dept. of Employee Relations	12,446	12,341	12,163	-2.3%	-1.4%	12,356
Dept. of Revenue	207,904	207,940	248,095	19.3%	19.3%	241,808
MN Amateur Sports Commission	573	412	608	6.1%	47.6%	440
Target Center Appropriation	1,500	1,500	1,500	0.0%	0.0%	1,500
Councils	2,630	2,528	2,925	11.2%	15.7%	2,858
Contingent Accounts	500	500	500		0.0%	500
Tort Claims	161	322	322	100.0%	0.0%	322
MN State Retirement	8,867	3,257	3,257	-63.3%	0.0%	3,422
Local Pension Aids	54,557	55,534	55,534	1.8%	0.0%	55,534
Misc. Open General Fund	<u>(23,450)</u>	<u>(23,752)</u>	<u>(23,752)</u>	<u>1.3%</u>	<u>0.0%</u>	<u>(22,252)</u>
<b>Total Expenditures:</b>	<b>567,986</b>	<b>549,122</b>	<b>656,095</b>	<b>15.5%</b>	<b>19.48%</b>	<b>621,406</b>
New Revenues:			<b>104,411</b>			123,378
<b>Net Recommended Spending:</b>			<b>557,440</b>			<b>498,028</b>

## **Constitutional Offices**

### **Attorney General's Office (AGO)**

The Attorney General's Office (AGO) received \$49.02 million in direct appropriations from the General Fund for the biennium. This is an increase of \$3.5 million, or 7.7 percent, from base level funding. The increased funding will be used for additional attorney and investigator positions to handle duties related to:

- Civil commitment of sex offenders (two attorneys)
- Prosecution of methamphetamine and other drug cases (two attorneys)
- Veterans Assistance (two attorneys)
- Criminal appeals on behalf of counties (one attorney)
- Predatory lending cases (three attorneys and one investigator)
- Anti-trust violations (one attorney)
- Illegal actions of the pharmaceutical industry (two attorneys)

In addition to the direct General Fund appropriation, the office also receives funding through partner agreements with state agencies. Total budgeted general fund expenditures for partner agencies are \$16.1 million for the biennium. Non-general fund expenditures for partner agreements are planned at \$1.9 million.

### *Other Funds*

The AGO received \$3.4 million from the State Government Special Revenue Fund for services provided to health related licensing boards. In addition, \$290,000 from the Environmental Trust Fund and \$500,000 from the Remediation Fund were appropriated for investigating and prosecuting environmental crime and for responsibilities associated with insurance claims settlements and recovery associated with landfills in the landfill cleanup program.

### **Governor's Office**

The Governor received \$7.4 million for the biennium to fund his own office, an increase of \$191,000 million, or 2.7 percent, from the FY 2008-09 base level funding.

The Governor's Office also plans to spend \$420,000 per year for the state's Washington DC office. The office is funded through the budget's of 11 executive branch agencies using inter-agency agreements. This funding arrangement was established in FY 2003, after the General Fund support for the DC office was abolished.

### **Secretary of State (SOS)**

The Secretary of State received a direct General Fund appropriation of \$12.67 million for the biennium, an increase of \$714,000, or 6 percent, over the base. The increased funding includes \$394,000 for the compensation adjustment. In addition, \$320,000 was provided for the "Safe at Home" program. This program will assist survivors of domestic violence, sexual assault, and



stalking by providing a substitute address for survivors, free confidential mail-forward service and the ability for registration as an ongoing absentee voter.

In addition, \$2.84 million was appropriated to the SOS from the Help America Vote Act (HAVA) account in the Special Revenue fund. These funds are available through the accumulation of interest earned on prior federal funds, and unspent funds from prior appropriations of HAVA funds. The HAVA funds will be used for performance improvements for the Statewide Voter Registration System.

Finally, temporary technology surcharges and increases in business filing fees will provide resources for a \$3.1 million increase in special revenue funding for the SOS. The temporary surcharges on various business filing fees were approved to provide funding to move the office's major filings for business entities online. These temporary surcharges are expected to raise \$2.2 million, and will expire on June 30, 2009:

- \$25 surcharge on articles of incorporation (total fee \$160)
- \$25 surcharge on limited liability company articles (total fee \$160)
- \$25 surcharge on foreign corporation originals (total fee \$225)
- \$20 surcharge on foreign corporation annuals (total fee \$135)
- \$50 surcharge on foreign reinstatements (total fee \$350)

Permanent changes in online and paper filing fees will provide another \$880,000 in resources from the Special Revenue fund. The changes include:

- No fee will be due for a limited partnership filing a required annual report. The fee for filing a name reservation for a foreign limited partnership is reduced from \$50 to \$35.
- Online filing fees in Minnesota Statutes 336.9-525 were increased to \$20 (from \$15). \$5 of this fee collected for information requests delivered on-line will be deposited in the Uniform Commercial Code account, and will be used for remote payment transaction fees, and improvements to the online filing system.

### **State Auditor**

The State Auditor's office received \$18.7 million, an increase of \$2.2 million, or 13 percent, over FY 2008-09 base funding. This funding increase includes two change items:

- \$1.5 million for the biennium to help retain current staff and to cover increases in salary and health care costs. Approximately 70 percent of this general fund increase will be offset by reimbursements from audit clients, reducing the net general fund cost to \$473,000 for the biennium.
- \$625,000 for additional staff in the Tax Increment Financing (TIF) division to audit Job Opportunity Building Zones (JOBZ). A 2005 law requires the TIF division to audit JOBZ operations, but the Auditor did not receive any additional funding for this duty. The Attorney General recently issued an opinion stating that the State Auditor could not use the statutory appropriation from the TIF deduction to conduct these audits.

Chapter 148 also increases the amount that the State Auditor is required to bill the commissioner of revenue to \$614,000 annually (from \$217,000) for the costs of best practices reviews and the services provided by the Government Information Division. This billing results in an offset to the Local Government Aid program.

**Legislature**

Chapter 148 appropriates a total of \$146.2 million for the operations of the Legislature. The General Fund appropriation is \$145.9 million, an increase of \$22.1 million, or 17.8 percent, over base funding.

<b>Legislature: General Fund Appropriations in Chapter 148</b>				
<i>\$ in thousands</i>				
	<b>Base</b>	<b>Chapter 148 Appropriation</b>	<b>\$ Change from Base</b>	<b>% change from base</b>
House	55,580	64,432	8,189	19.8
Senate	41,308	49,497	8,852	15.9
Legislative Coordinating Commission	26,940	31,953	5,013	18.6
<b>Totals:</b>	<b>123,828</b>	<b>145,882</b>	<b>22,054</b>	<b>17.8</b>

These funding increases are tied to several change items. The House and Senate both received one-time funds for technology, in the amounts of \$3.1 million and \$2.8 million, respectively. Both chambers also received permanent increases to their operating budgets, totaling \$11.2 million.

The Legislative Coordinating Commission's overall budget was increased by \$5.1 million for FY 2008-09. The General Fund increase of \$5 million is due to several change items, including:

- Increases to the operating budgets of the Legislative Auditor, Revisor's Office, Legislative Reference Library, and other smaller commissions totaling \$2.4 million.
- \$509,000 in one-time funds for the completion of the XTEND bill drafting system in the Revisor's office
- \$480,000 for increases in the statewide carriage contract for legislative television.
- \$250,000 for a facilitated planning process for the Capitol renovation.

In addition, the Health Care Access fund appropriation to the LCC was increased by \$100,000 for a total appropriation of \$356,000 for the biennium. These funds will be used for expenses of the Health Care Access Commission. The responsibilities of this commission were expanded in the omnibus Health & Human Services finance bill.

## ***State Agencies***

### **Department of Administration**

Chapter 148 appropriates a total of \$58.6 million for the biennium to the Department of Administration. This is an increase of \$18.9 million, or 47.8 percent, from the 2008-09 base. The majority of this increase is the result of increased funding for Public Broadcasting, whose grant funds flow through Administration. The change to the actual operating budget of the department is \$5.75 million, or 21.5 percent.

### ***State Facilities Services (previously known as Facilities Management)***

The Legislature approved total funding of \$25.7 million, an increase of \$3.8 million, or 17.4 percent, from base. This program includes the State Architect's office, Plant Management, Real Estate Management, and the In-Lieu-of-Rent activity, which funds space costs for the Legislature, Governor's residence, Veterans Services organizations, and ceremonial spaces in the Capitol and the Capitol mall. Specific funding changes include:

- \$2.5 million to purchase and implement a web-enabled shared Real Property Enterprise System for all state agencies that manage property with buildings. This is a one-time appropriation.
- \$885,000 in one-time funds for relocation of the Department of Public Safety's Emergency Operations Center.
- \$427,000 for the compensation adjustment.

### ***Non-General Fund activities:***

In addition to these General Fund activities, significant non-general fund accounts include:

- The Facilities Repair and Replacement Account is an account in the special revenue fund used for asset preservation projects for buildings funded through bond proceeds. Projected expenditures from this account are \$7.8 million for the biennium.
- The Plant Management internal service fund is used for building and grounds operations for buildings under the custodial control of the department. Projected expenditures from this fund are \$89.8 million for the biennium.

### ***State and Community Services***

Chapter 148 appropriates \$6.6 million, an increase of \$300,000, or 6.0 percent, over base funding for the State and Community Services program. This program includes a variety of activities, such as Travel Management, the Information Policy Analysis office, the State Demographer, Land Management Information Center (LMIC), the Environmental Quality Board, and the State Archaeologist. Communications Media, which includes the state bookstore, central mailing, and Office Supply Connection (central stores) is also part of this program area. Funding increases include:

- \$1.3 million for a permanent increase to the operating budget of the Land Management Information Center (LMIC).
- \$300,000 for the State Demographer to prepare and promote the 2010 census.
- \$79,000 in one-time funds for a workgroup to develop principles for public policy on the use of genetic information. This workgroup was originally authorized in the 2006 session, but no funding was provided, and the workgroup was never appointed.

*Non-General Fund activities:*

In addition to these General Fund activities and the LMIC service bureau, significant non-general fund accounts include 3 internal service funds:

<b>Internal Service Fund</b>	<b>Purpose</b>	<b>Biennial Expenditures</b>
Risk Management	Self-insurance company for the state's property and casualty insurance coverage	\$26 million
Communications.Media	Office supplies, bookstore, and mailing services for agencies	\$35.6 million
Travel Management	Provides long-term rental vehicles and support services	\$43.4 million

***Administrative / Management Services***

The Legislature approved total General Fund spending of \$10.9 million, an increase of \$1.8 million, or 19.4 percent, from base. Funding increases include:

- \$125,000 in start-up funds for a new office of Grants Management. On-going funding for the office is authorized through deductions in state grants to nongovernmental entities of up to \$125,000. The office is intended to provide direction for standardizing grant management polices and procedures, with the goal of improving oversight and accountability.
- \$500,000 for the Small Agency Resource Team (SMART). This team will provide administrative, human resources and financial management assistance to small agencies and boards.
- \$500,000 in one-time funds for a Targeted Group Disparity Study. This is a statutorily required study to determine if state purchases from minority and female-owned small business are statistically proportionate to the market representation of such businesses.
- \$280,000 in on-going funding for a grant to the Council on Developmental Disabilities to establish a Self-Advocacy Network for persons with intellectual and developmental disabilities..

*Non-General Fund activities:*

Significant non-general fund accounts include two internal service funds:

<b>Internal Service Fund</b>	<b>Purpose</b>	<b>Biennial Expenditures</b>
Management Analysis	Consulting and training services for state agencies	\$3.7 million
Materials Distribution	Surplus services and cooperative purchasing programs	\$15.8 million

**Fiscal Agent**

Chapter 148 appropriates \$500,000 for a grant to fund capital improvements at the disabled veterans rest camp in Washington County.

**Public Broadcasting**

The Legislature approved a total of \$14.9 million in funds for Public Radio and Public Television in the FY 2008-09 biennium. The recommendation is \$11.2 million above forecast base. The major funding initiatives are one-time appropriations of \$6.65 million for Public Television digital conversion, and \$2 million for the Minnesota Public Radio (MPR) digital conversion.

At the request of the Public Television community, base funds for the matching grant and equipment grant programs were reallocated, with \$396,000 in funding moved to the matching grants. The matching grants also received a \$1.3 million one-time increase in funding.

AMPERS (Association of Public Education Radio Stations) and MPR received one-time increases in their grant programs, with \$126,000 for the AMPERS community service grants and \$640,000 increase for the MPR equipment grants. In addition, AMPERS received a permanent increase of \$500,000 to re-establish its equipment grant program.

<b>Public Broadcasting 2008-09 General Fund Appropriations (dollars in thousands)</b>			
<b>Program</b>	<b>Base</b>	<b>Change</b>	<b>Total Appropriation</b>
Public TV Matching Grants	1926	(396)	400
Public TV Equipment	796	1,696	3,622
Public TV Digital conversion	0	6,650	6,650
Region Cable 6	34	0	34
AMPERS Public Radio Grants	574	626	1,200
MN Public Radio Grants	380	640	1,020
Minnesota Public Radio Digital Conversion	0	2,000	2,000
<b>Total Public Broadcasting:</b>	<b>3,710</b>	<b>11,216</b>	<b>14,926</b>

### **Office of Administrative Hearings (OAH)**

This agency is supported mainly by the Workers' Compensation Special Fund and revolving fund revenues. Chapter 148 includes direct appropriations of \$14.8 million for the biennium from the Workers Compensation Fund. This is a \$266,000, or 1.8 percent increase over the base. The increased funding is for an additional judge position. The OAH expects this increase to have a minimal impact on the assessments to workers compensation insurers and self-insured employers.

OAH also received a general fund appropriation for the Municipal Boundaries Adjustment unit, which was transferred to the office in 2005. The Legislature approved an 8.0 percent increase to this unit, which amounts to \$42,000 for the biennium. The increase is for the compensation adjustment and to cover increased rent costs as the unit moves to space in the Stassen building.

### **Campaign Finance and Public Disclosure Board**

The Legislature approved a General Fund operating budget of \$1.45 million, an increase of \$61,000, or 4.4 percent, over the forecast FY 2008-09 base. This increase is for the compensation adjustment, and to cover the small agency's projected rent increases and other operational costs.

#### *Public Subsidy Program:*

No changes were made to this program. Approved funding is at the base level of \$4.1 million for the biennium.

### **Capitol Area Architectural Planning Board (CAAPB)**

Chapter 148 includes a direct appropriation of \$800,000 for the CAAPB in the FY 2008-09 biennium. The recommendation is \$260,000 above forecast base, an increase of 48.1 percent.

- \$65,000 in one-time funds for an update to the Capitol area comprehensive plan.
- \$174,000 operating budget increase. The increase will allow the office to return to full-time operations.
- \$21,000 for the compensation adjustment.

Chapter 148 also allows the Board to keep and spend any revenues it receives from its Capitol area project review and planning activities. These revenues – estimated at \$8,000 per year – will be deposited in the Special Revenue fund and are statutorily appropriated to the Board.

### **Contingent Accounts**

Chapter 148 appropriates \$500,000 for the General Fund portion of the contingent accounts. The contingent accounts are appropriations made to provide supplemental funding to state agencies in emergencies or for unexpected deficiencies. The Governor may approve expenditures from the accounts only after consulting with the Legislative Advisory Commission (LAC). However, the Governor can release funds even if the LAC recommends against the expenditure.

In addition to the General Fund appropriation, the Legislature approved appropriations of \$800,000 from the State Government Special Revenue Fund, and \$200,000 from the Workers Compensation Special Fund.

## **Department of Employee Relations (DOER)**

The Legislature approved the Governor's plan to disassemble the Department of Employee Relations and to distribute its functions among other state agencies, including the Departments of Administration and Finance. The Department and the position of the commissioner must be eliminated before June 1, 2008.

Funding for the department's activities was appropriated directly to DOER, even though all of its functions will be moved to other agencies by the end of the biennium. As functions are moved out of the department, the Department of Finance will transfer funding to the appropriate agencies.

The Legislature approved direct General Fund appropriation of \$11.1 million, a *reduction* of \$178,000, or 1.6 percent, from base funding. This funding level includes projected savings of \$600,000 for the biennium from efficiencies resulting from the abolishment of the department. \$422,000 in new funding was provided for the compensation increase.

The department's budget also includes a \$1.3 million open General Fund appropriation for the Workers Compensation Reinsurance Association (WCRA) premium.

*Non-General Fund Activities:* The General Fund appropriations for the Department of Employee Relations make up only about one percent of the total funds administered by that agency, but provide funding for 40 percent of the agency's operational budget. Non-general fund programs include the State Employee Insurance Program (SEGIP), Public Employees Insurance Program (PEIP), and the Worker's Compensation division.

## **Office of Enterprise Technology (OET)**

Chapter 148 appropriates \$24.3 million for this office, which is an increase of \$16.9 million, or 228 percent, over the office's general fund base. Of this amount, \$5.25 million is a permanent increase in funding. This increased funding includes the compensation adjustment (\$188,000) and four new technology initiatives:

- \$7.5 million in one-time funding for Phase I of a Minnesota Electronic Licensing System. The funds will be used to design and build a scaleable electronic licensing system.
- \$8 million for a Comprehensive Enterprise Security Program. Funds may be used for the purchase of enterprise security tools, which will allow OET to scan critical systems for vulnerabilities, and to monitor systems with an intrusion detection tool. Funds could also be used to hire additional IT security staff.
- \$1 million for Small Agency Technology assistance. This initiative consolidates IT requests from 6 small agencies.
- \$180,000 in grants to counties participating in the development of integrated financial systems.

### *Non-General Fund activities*

The majority of the non-general fund portion of OET is the Enterprise Technology Fund (or what was formerly known as the *InterTech* internal service fund). Computer services and

telecommunications management provided by OET are funded through state agency reimbursements to the agency's internal service fund.

<b>Enterprise Technology Fund: FY 2008-09 Budgeted Expenditures</b>	
<i>(dollars in thousands)</i>	
Computing Services	63,560
Telecommunication Services	69,392
Enterprise Planning & Management	28,956
Enterprise Application Development	3,388
Enterprise IT Security	4,585
IT Standards and Resource Management	<u>2,200</u>
<b>Total Enterprise Technology Fund</b>	<b>172,081</b>

### **Department of Finance**

The Legislature approved a total of \$31.4 million for the biennium, an increase of \$1.8 million, or 6 percent, from current law. This funding level includes \$1.2 million for the compensation adjustment, and additional funding for two initiatives:

- \$100,000 in one-time funds for a special attorney to represent the state's interests in Northwest Airlines Chapter 11 bankruptcy proceedings. A settlement in this case was announced in mid-April. If the settlement is finalized and approved by the court, these funds will not be needed and will cancel to the General Fund.
- \$500,000 in one-time funds for the Minnesota Accounting and Procurement System (MAPS) risk mitigation and replacement plan. These funds will be used to continue the planning process for eventual replacement of the system. The department had requested, but did not receive, an additional \$6.5 million to development and implement a risk mitigation strategy, and to move MAPS to its own mainframe.

In addition to these direct appropriations, Chapter 148 established a "technology carry-forward account" in the Special Revenue fund. State agencies will be allowed to carry forward unexpended non-grant balances from FY 2007 into FY 2008. These funds will be under the control of the Commissioner of Finance, who may use the account for onetime costs associated with technology infrastructure and technology systems development. The total projected carryforward is \$7.5 million.

### **State Board of Investment (SBI)**

The 2006 Legislature changed the funding mechanism for the SBI to allow the board to charge each retirement plan directly for its share of the Board's operations, and deposit the receipts a special revenue fund for the Board's use. The expected revenues and expenditures for this activity are \$4.8 million for the biennium. A small general fund appropriation (\$302,000) is used to fund the Board's investment activities directly related to the General Fund itself.



**Lawful Gambling Control Board**

The Board received a direct Special Revenue fund appropriation of \$5.7 million for the biennium. This level includes an increase of \$139,000 for the compensation adjustment. The Board’s activities are funded from a percentage (.1%) of gross receipts on charitable gambling, and license/permit fees for manufacturers and distributors.

**Minnesota Racing Commission**

The Legislature appropriated \$2 million from the Special Revenue fund for the Racing Commission's budget. This level includes an increase of \$359,000 for upgrades to the commission’s four data processing systems. The Commission's activities are now directly funded through racetrack, racing, and occupational license fees, as well as reimbursements from Canterbury for the cost of stewards, veterinarians, and laboratory services.

**Lottery**

The Legislature approved total operating expenses for the Lottery of \$55.5 million for the biennium, with net proceeds estimated at \$146.8 million. Total state proceeds are projected to be \$223.7 million for the biennium, with \$123.8 million in estimated General Fund revenues. These total revenues include the net proceeds, in-lieu-of-sales tax, and unclaimed prizes.

<b>Lottery: Approved FY 2008-09 Budget</b> <i>(dollars in thousands)</i>	
<b>Gross Revenue</b>	<b>821,563</b>
Direct Costs	619,269
Operating Expense	55,519
<b>Net Proceeds</b>	<b>146,776</b>

**Public-Local Employees Retirement**

Three public retirement programs under the State Government Finance committee’s jurisdiction receive either direct or open General Fund appropriations. The funds include:

- MN State Retirement System - \$2.9 million for benefits paid to former legislators and elected officials.
- First Class City Teachers State Aid - a \$37.5 million appropriation to reduce the unfunded liabilities of the St. Paul teacher retirement funds and to the Teachers Retirement Association (TRA) for the assumed liabilities of the Minneapolis Teachers Retirement Association.
- The Minneapolis Employees Retirement Fund (MERF) - \$18 million to reduce the plan’s unfunded liability.

**Department of Revenue**

The Legislature approved a direct general fund appropriation of \$244.3 million for the department's operating budget, an increase of \$40.2 million, or 19.7 percent, over the base. This increase is due to four initiatives:

- \$150,000 in additional funding for grants to non-profits organizations to provide taxpayer assistance. Total funding for this program is now \$400,000 per biennium.
- \$6.1 million for the compensation adjustment.

- \$12 million for the Integrated Tax System. This funding will allow the purchase of a commercial, off-the-shelf software product to support all 28 tax types administered by the department.
- \$20.5 million in spending for another Tax Compliance initiative. Funds will be used to hire additional staff to increase tax auditing and enforcement activities. This initiative is expected to generate \$102.4 million in new revenues, for a net gain of \$81.9 million for the General Fund.

<b>Department of Revenue: New Tax Compliance Initiative</b>		
<i>(dollars in thousands)</i>		
	<b><u>FY 08-09</u></b>	<b><u>FY 10-11</u></b>
New Expenditures	20,474	23,628
New Revenues	102,400	121,400
<b>Net General Fund Gain:</b>	<b>81,926</b>	<b>97,772</b>

### **Amateur Sports Commission (MASC)**

The MASC received direct General Fund appropriations of \$303,000 in FY 2008 and \$305,000 in FY 2009 for its operating budget. This amount is \$196,000 or 47.6 percent increase above the base. The increased funding is for the compensation adjustment (\$21,000) and one-time funding for an operating cost increase.

The operations increase is one-time because by FY 2010 the MASC expects to begin collecting lease revenues from private development on state-owned land adjacent to the National Sports Center in Blaine. The Legislature also approved language reducing the General Fund appropriation for the Amateur Sports Commission by the amount earned from leasing this land.

### **Council on Asian-Pacific Minnesotans**

The Legislature approved a General Fund appropriation of \$578,000 for the Council on Asian-Pacific Minnesotans in the FY 2008-09 biennium. This funding level is \$98,000 above forecast base, an increase of 20.4 percent.

- \$79,000 was provided for increased staffing to meet the issue needs of the state's growing Asian-American and Pacific Islander community.
- \$19,000 is for the compensation adjustment.

### **Council on Black Minnesotans**

Chapter 148 includes a direct appropriation of \$658,000 for the Council on Black Minnesotans in the FY 2008-09 biennium. This funding level is \$102,000 above base, an increase of 18.3 percent.

- \$81,000 is to enable the council to better address the issues facing the black community, and to fund the state's annual Martin Luther King celebration.
- \$21,000 to fund the three percent compensation adjustment.

### **Chicano-Latino Affairs Council**

The Legislature approved a General Fund appropriation of \$622,000 for the Chicano-Latino Affairs Council in the FY 2008-09 biennium. This funding level is \$80,000 above forecast base, an increase of 14.8 percent.

- \$31,000 each year of the biennium is for the Council to increase staffing to meet the issue needs of the state's growing Latino community.
- \$18,000 is for the compensation adjustment.

### **Minnesota Indian Affairs Council**

The Minnesota Indian Affairs Council received a General Fund appropriation of \$1.067 million for the FY 2008-09 biennium. This funding level is \$117,000 above forecast base, an increase of 12.3 percent.

- \$90,000 in one-time funds for an indigenous language pilot project.
- \$27,000 for the compensation adjustment.

*For more information on State Government Finance issues, contact Helen Roberts, 651-296-4117 or [Helen.Roberts@house.mn](mailto:Helen.Roberts@house.mn).*

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# Transportation

The Laws of Minnesota 2007, Chapter 143 provide a total of \$3.8 billion in funding for transportation for FY 2008-09 from all funds, which is roughly \$85.6 million above the base appropriation level. This includes an increase above base in general fund spending of approximately \$26.0 million for the biennium. The table below outlines changes in transportation spending from all funds.

<b>Transportation Finance: All Funds</b> Laws of Minnesota 2007, Chapter 143 <i>(dollars in thousands)</i>						
<b>FUNDS</b>	<b>February Forecast Spending in FY 06-07</b>	<b>Base Funding FY 08-09</b>	<b>07 Session Chapter 143 FY 08-09</b>	<b>Percentage Change FY 08-09 vs. FY 06-07</b>	<b>Percentage Change FY 08-09 vs. Base</b>	<b>Tails Chapter 143 FY 10-11</b>
General	206,186	223,380	<b>249,402</b>	21.0%	11.7%	<b>212,054</b>
Highway User Tax Distribution	14,304	17,276	<b>18,176</b>	27.1%	5.2%	<b>19,376</b>
Trunk Highway	2,456,252	2,252,931	<b>2,292,066</b>	-6.7%	1.4%	<b>2,310,914</b>
State Airports	38,816	38,916	<b>51,216</b>	32.0%	31.6%	<b>39,318</b>
County State Aid Highway	861,126	869,877	<b>869,877</b>	1.0%	0.0%	<b>885,150</b>
Municipal State Aid Street	237,892	234,873	<b>234,873</b>	-1.3%	0.0%	<b>239,002</b>
Special Revenue	84,736	89,720	<b>96,988</b>	14.5%	8.1%	<b>98,618</b>
Building	5,000	0	<b>0</b>	-100.0%	0.0%	<b>0</b>
<b>Totals</b>	<b>3,904,312</b>	<b>3,726,973</b>	<b>3,812,598</b>	<b>-2.4%</b>	<b>2.3%</b>	<b>3,804,432</b>
<b>Total Revenue Change</b>			<b>11,878</b>			<b>8,161</b>
<b>Total Net</b>			<b>3,800,720</b>			<b>3,796,271</b>

Appropriations for FY 2008-09 are 2.4 percent below forecasted spending levels in FY 2006-07 but 2.3 percent higher than base appropriation levels. The total revenue generated by Chapter 143 is expected to be approximately \$11.9 million in FY 2008-09. This includes a \$4.6 million dollar transfer in FY 2008 from the transportation revolving loan fund to the trunk highway fund as well as a number of special revenue fund revenue items within the Department of Public Safety.

As depicted above, general fund appropriations only make up a small portion of the transportation budget. The table below provides detailed changes in general fund spending by agency for transportation.

<b>Transportation Finance: General Fund</b> Laws of Minnesota 2007, Chapter 143 <i>(dollars in thousands)</i>						
	February Forecast Spending in FY 06-07	Base Funding FY 08-09	07 Session Chapter 143 FY 08-09	Percentage Change FY 08-09 vs. FY 06-07	Percentage Change FY 08-09 vs. Base	Tails Chapter 143 FY 10-11
Department of Transportation	38,840	53,442	<b>55,983</b>	44.1%	4.8%	<b>38,496</b>
Metropolitan Council	156,256	157,506	<b>177,506</b>	13.6%	12.7%	<b>157,506</b>
Department of Public Safety	11,090	12,432	<b>15,913</b>	43.5%	28.0%	<b>16,052</b>
<b>Totals</b>	<b>206,186</b>	<b>223,380</b>	<b>249,402</b>	<b>21.0%</b>	<b>11.7%</b>	<b>212,054</b>

Overall, general fund appropriations in FY 2008-09 are 21.0 percent above forecasted spending for FY 2006-07 and 11.7 percent above base funding for FY 2008-09.

### Budget Highlights

Transportation-related activities are, for the most part, funded at base appropriation levels for the FY 2008–09 biennium. Major increases in appropriations include: a total of \$40.0 million in compensation adjustments within the Department of Transportation and the Department of Public Safety; \$20.0 million for bus transit for the Metropolitan Council; \$12.0 million for airport development assistance; and, a variety of smaller increases totaling approximately \$14.0 million. Additional details regarding the major spending changes within the Department of Transportation, Department of Public Safety, and Metropolitan Council are outlined below.

### Department of Transportation

- Appropriations throughout the agency increased by a total of \$28 million to fund a 3 percent compensation adjustment for various programs.
- \$12.0 million of additional spending for airport development assistance over the next biennium.
- \$2.5 million of additional spending in FY 2008 to replace township road signs.

### **Department of Public Safety**

- The fees for driver's licenses, license reinstatement for gasoline theft, titles, and license plates will increase generating an additional \$6.9 million dollars in revenue for the FY 2008-09 biennium.
- \$2.8 million over the next biennium for information technology security and disaster recovery.
- \$2.7 million in additional appropriations to cover increased fuel costs for the state patrol.
- \$11.6 million increase to fund compensation adjustments for the following budget activities: administration and related services; state patrol; and, pipeline safety.

### **Metropolitan Council Transit**

- \$20.0 million in one-time funding for the Metropolitan Council.

### **Other Transportation Funding Items**

- Session Laws 2007, Chapter 32 provides additional funding for the Metropolitan Council and greater Minnesota transit in the form of a 2007 deficiency appropriation. The Metropolitan Council received \$7.8 million and the Department of Transportation, greater Minnesota transit, received \$522,000 to cover the shortfall in revenues generated from the motor vehicle sales tax.
- HF 946, which was passed by both the House of Representatives and Senate but vetoed by the Governor, included a number of revenue items that were not included in Chapter 143. These revenue items included: 5-cent gas tax increase, changes to the current tab fee structure, dedication of the sales tax from motor vehicle leases beginning in FY 2010, a gas tax surcharge for debt service on trunk highway bonds capped at 2.5 cents, an authorization of \$1.5 billion in trunk highway bonds over 10 years, a rental car fee increase, an optional 0.5 percent metro sales tax, and changes to the wheelage tax for metro counties. The additional resources provided additional funding for various budget activities throughout each of the three agencies including activities such as state road construction, road maintenance, local roads, state patrol, and transit. The House of Representatives attempted to override the Governor's veto of HF 946, but that attempt was not successful.

**Phase-In of Motor Vehicle Sales Tax**

In November 2006, Minnesota passed a constitutional amendment to dedicate all state revenues generated from the motor vehicle sales tax (MVST) to transportation purposes rather than only a portion of these revenues. Session Laws 2007, Chapter 143 creates new funds and accounts in which the MVST revenue will be deposited and outlines the phase-in schedule for dedicating these revenues to the various funds and accounts. After a five-year phase-in period, 60 percent of the revenue from MVST will be deposited in the highway user tax distribution fund for trunk highways and local roads. The remaining 40 percent of MVST revenue will be used for transit with 36 percent of the total revenue targeted to metro transit, and 4 percent of the revenue targeted to greater Minnesota transit. The full phase-in schedule is outlined below.

<b>Motor Vehicle Sales Tax: Phase-In Schedule</b>					
FY 2008 - FY 2012					
	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>General Fund</b>	36.25%	26.25%	16.25%	6.25%	0.00%
<b>HUTD</b>	38.25%	44.25%	50.25%	56.25%	60.00%
<b>Transit Assistance Fund</b>	25.50%	29.50%	33.50%	37.50%	40.00%
Metropolitan Transit Account	24.00%	27.75%	30.00%	33.75%	36.00%
Greater MN Transit Account	1.50%	1.75%	3.50%	3.75%	4.00%

Total revenue from the MVST is \$496.4 million in FY 2008 and \$520.9 million in FY 2009. Because of the constitutional amendment, transportation will receive an additional \$49.6 million in FY 2008 and \$104.2 million in additional revenue for FY 2009. The following chart outlines the projected additional revenue for transportation for the FY 2008-12 phase-in period and the corresponding loss to the general fund.

<b>Motor Vehicle Sales Tax: Additional Revenue for Transportation</b>					
FY 2008 - 2012					
<i>(dollars in thousands)</i>					
	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>General Fund</b>	(49,640)	(104,180)	(163,261)	(230,200)	(271,492)
<b>Total Transportation</b>	49,640	104,180	163,261	230,200	271,492
HUTD	31,025	63,810	99,317	139,558	164,363
<b>Total Transit Assistance Fund</b>	18,615	40,370	63,944	90,642	107,129
Metropolitan Transit Account	17,374	37,765	51,699	76,254	90,987
Greater MN Transit Account	1,241	2,605	12,245	14,388	16,143

This additional revenue is not included in the revenue estimate highlighted at the beginning of this summary because the MVST revenue was included in the February 2007 Forecast. Base appropriation levels for budget activities were adjusted accordingly.

*If you have any further questions on transportation related issues, please contact Koryn Zewers at 651-296-4178 or [koryn.zewers@house.mn](mailto:koryn.zewers@house.mn).*



# Taxes & Local Aids and Credits

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## *Tax Actions Overview*

During the 2007 Session, three major tax bills were passed by the Legislature and sent to the Governor for signature. The first bill, HF 8 (Chapter 1) Federal Conformity for Tax Year 2006, was signed into law on January 30, 2007. The remaining two bills, HF 2294 (Chapter 81), the Property Tax Reform bill, and HF 2268 (Chapter 149), the 2007 Omnibus Tax Agreement, were vetoed by the Governor on May 15<sup>th</sup> and May 30<sup>th</sup>, respectively. A brief discussion of the content of each of these bills is provided below.

Appropriations for tax aids, credits and refunds are funded at base-levels, as provided for in current law. These appropriations can be found in Table 2, Tax Aids, Credits and Other Expenditures.

## *Bill Analysis*

- **Chapter 1 – Federal Conformity for Tax Year 2006 (H.F. 8)  
Signed by the Governor on January 30, 2007**

Chapter 1 contains legislation conforming to recently enacted federal income tax changes that affect Minnesota income tax returns. All of the federal tax provisions enacted after May 18, 2006 through December 31, 2006 were adopted for tax year 2006 only. The federal laws adopted include the Heroes Earned Retirement Opportunity Act of 2006, the Pension Protection Act of 2006, and the Tax Relief and Health Care Act of 2006. The overall cost of conforming in tax year of 2006 was \$24.2 million in FY 2006-07 and \$1.770 million in FY 2008-09 and \$1.610 million for FY 2010-11.<sup>1</sup> Approximately 170,000 Minnesota taxpayers are expected to benefit from this federal conformity action. The adopted federal provisions are summarized in table 1 on the following page.

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<sup>1</sup> In comparison, the cost to conform to these federal laws for tax year 2006 to 2010 is \$79.980 million from FY 2008 to FY 2011. (Source: Governor Pawlenty's 2007 Tax Policy Recommendations, Jan 2007. [http://www.budget.state.mn.us/budget/operating/200809/gov/tax\\_policy.pdf](http://www.budget.state.mn.us/budget/operating/200809/gov/tax_policy.pdf))

**Table 1. Chapter 1: Federal Conformity Legislation, TY 2006 Only**

	<b>FY 2007</b>	<b>FY 06-07 Biennium</b>	<b>2008-09 Biennium</b>	<b>2010-11 Biennium</b>
<b>Heroes Earned Retirement Opportunities Act</b>	Negl	Negl	Negl	Negl
<b>Pension Protection Act of 2006</b>				
<i>Income Tax:</i>				
Tax-free distributions up to \$100,000 from an IRA for charitable purposes for taxpayers age 70.5 years and over.	(775)	(775)	0	0
Extend to businesses other than C corps the enhanced deduction for contributions of food inventory	(350)	(350)	0	0
Provisions limiting charitable contributions deductions	125	125	0	0
Other Income Tax Provisions	(275)	(275)	0	0
<i>Subtotal</i>	<b>(1,275)</b>	<b>(1,275)</b>	<b>0</b>	<b>0</b>
<i>Corporate Franchise Tax:</i>				
Extend enhanced deduction for contribution of book inventory to include contributions to public schools.	(75)	(75)	0	0
Treatment of certain payment to controlling exempt organizations for purposes of the UBIT	(125)	(125)	0	0
<i>Subtotal</i>	<b>(200)</b>	<b>(200)</b>	<b>0</b>	<b>0</b>
<b>Total - Pension Protection Act of 2006</b>	<b>(1,475)</b>	<b>(1,475)</b>	<b>0</b>	<b>0</b>
<b>Tax Relief Act &amp; Health Care Access Act of 2006</b>				
<i>Individual Income Tax Provisions:</i>				
Extend deduction for higher education tuition expenses.	(18,300)	(18,300)	0	0
Extend deduction for educator classroom expenses up to \$250	(1,000)	(1,000)	0	0
Extend 15-year straight-line cost recovery for lease-hold and restaurant improvements	(400)	(400)	(800)	(800)
Other Income Tax Provisions	(1,000)	(1,000)	170	255
<i>Subtotal</i>	<b>(20,700)</b>	<b>(20,700)</b>	<b>(630)</b>	<b>(545)</b>
<i>Corporate Franchise Tax Provisions:</i>				
Extend 15-yr straight line recovery for lease-hold and restaurant improvements	(650)	(650)	(1,300)	(1,300)
Extend accelerated depreciation for business property on Indian reservations	(600)	(600)	120	175
Other Corporate Franchise Tax Provisions:	(775)	(775)	40	60
<i>Subtotal</i>	<b>(2,025)</b>	<b>(2,025)</b>	<b>(1,140)</b>	<b>(1,065)</b>
<b>Total - Tax Relief Act &amp; Health Care Access Act of 2006</b>	<b>(22,725)</b>	<b>(22,725)</b>	<b>(1,770)</b>	<b>(1,610)</b>
<b>General Fund Revenue Change Total</b>	<b>(\$24,200)</b>	<b>(\$24,200)</b>	<b>(\$1,770)</b>	<b>(\$1,610)</b>

Note: Negative numbers represent a cost to the state and positive numbers represent a gain to the state.

- **Chapter 81 – Property Tax Reform (H.F. 2294), Chapter 81  
Vetoed by the Governor on May 15, 2007**

*Tax Revenues*

In addition to Chapter 1, the Legislature passed HF 2294 (Chapter 81) relating to property tax relief and individual income tax increases. Chapter 81 was vetoed by the Governor. This bill created a new 9.0 percent income tax rate that would apply to taxable income over \$400,000 for married joint-filers starting in tax year 2007. This new 4<sup>th</sup> tier was expected to raise an additional \$452.7 million in FY 2008-09 and \$452.0 million in FY 2010-11 to pay for property tax relief.

*Tax Expenditures*

Chapter 81 contained two components aimed at reducing property tax increases for homeowners and renters: 1) a new Homestead Credit State Refund for homeowners with an income of \$150,000 or less, and 2) enhanced aids for K-12 Education in the form of increases to the equalizing factors for Operating Capital, Operating Referendum and Debt service. Implementation costs for the new refund program, which included a three-year phase-out of the market value credit plus transition moneys for the FY 2010-11 biennium, would have been \$349.1 million in FY 2008-09 and \$208.2 million in FY 2010-11. Estimated costs for K-12 aid enhancements were \$103.3 million in FY 2008-09 and \$231.0 million in FY 2010-11. Tax expenditure changes for this proposal totaled \$452.4 million for FY 2008-09 and \$439.1 million for FY 2010-11.

- **Chapter 149 – Omnibus Tax Agreement (HF 2268), Chapter 149  
Vetoed by the Governor on May 30, 2007**

*Tax Revenues*

The Legislature also passed the omnibus tax bill, Chapter 149, but that legislation was vetoed by the Governor. If enacted, this bill would have increased general fund net (tax and non-tax) revenues by \$146.3 million in FY 2008-09. In this bill, much of the general fund tax revenue increase comes from changes made to the treatment of income for foreign operating corporations (FOCs) and individual income tax. A change in the amount of sales tax payment for June acceleration also created a one-time increase in general fund tax revenues. These increases in general fund tax revenue were slightly offset in this bill by the cost of federal tax conformity changes in individual income and corporate franchise tax for tax year 2007 and by the costs other exemptions from state taxes for farmers, businesses and individuals. If enacted, the overall impact of these net changes would have increased forecasted general fund (tax and non-tax) revenues by 0.4% in FY 2008-09.

In the planning years, this bill would have increased general fund net revenues by \$180.5 million or 0.5% in FY 2010-2011. Again, much of the general fund tax revenue increase is from FOC changes but this revenue gain is offset by the cost of accelerating the phase-in of the single sales factor for corporate apportionment by tax year 2011.

### *Tax Expenditures*

Chapter 149 sought to increase base-level, general fund tax expenditures by \$125.7 million or 4.0%, for FY 2008-09, and by \$245.1 million or 7.9%, for FY 2010-11 for tax aids and credits. The bulk of these changes can be traced to two activities: homeowner property tax refunds (+\$32.6 million in FY 2008-09 and +\$65.6 million in FY 2010-11) and local aids (+\$88 million in FY 2008-09 and +\$ 186.1 million in FY 2010-11). Other provisions, including property tax rate changes for farmland homesteads and certain utility properties, various tax studies and other appropriations, account for the remaining funding.

### ***Base-Level Funding for Tax Aids, Credits and Other Expenditures***

The absence of an omnibus tax agreement will not impede existing tax expenditures contained in law. All appropriations for local aids (including Local Government Aid-LGA, County Program Aid-CPA, Disparity Reduction Aid-DRA, Pension Aids), tax credits (including the Homestead, Agricultural and Taconite Market Value Credits, Border City Credits) and tax refunds are ***statutory appropriations*** –codified in state statute– rather than direct appropriations, which are contained in session law. This means that spending authority is ongoing and not dependent on the passage of an appropriations bill. For additional information on specific budget items, please see the [2007 Catalog of Budget Activity lines for Tax Aids and Credits](#).

Ongoing tax expenditures for the FY 2008-09 biennium are those base-budget amounts presented in the February 2007 Forecast as given in Table 2, Tax Aids, Credits and Other Expenditures. For the FY 2008-09 biennium, total base-level tax expenditures are \$3.15 billion, up \$157.1 million or 5.25% above FY 2006-07 levels of \$2.99 billion. Base-level tax expenditures for FY 2010-11 total \$3.12 billion, down \$31.8 million or about 1% from anticipated FY 2008-09 spending levels.

**Table 2: Tax Aids, Credits and Other Expenditures**  
Dollars in Thousands

	February 2007 Forecast		Appropriation Changes Chapters 1, 81 (vetoed) and 149 (vetoed) FY 2008-09	Percentage Change FY 2008-09 vs. FY 2006-07	February 2007 Forecast Chapters 1, 81 (vetoed) and 149 (vetoed) FY 2010-11
	Actual FY 2006-07	Base Funding FY 2008-09			
<b>Property Tax Refunds</b>	710,046	786,159	<b>0</b>	10.72%	<b>843,988</b>
<b>Political Contribution Refund</b>	11,908	12,800	<b>0</b>	7.49%	<b>13,600</b>
<b>Tax Refund Interest</b>	26,957	39,000	<b>0</b>	44.67%	<b>35,000</b>
<b>Local Aids</b>	<b>1,378,165</b>	<b>1,421,466</b>	<b>0</b>	3.14%	<b>1,421,074</b>
Local Government Aid (LGA)	921,370	969,116	<b>0</b>	5.18%	<b>969,116</b>
County Program Aid (CPA)	411,104	409,838	<b>0</b>	-0.31%	<b>409,838</b>
Other County Aids	6,850	1,892	<b>0</b>	-72.38%	<b>1,428</b>
Disparity Reduction Aid	37,505	39,284	<b>0</b>	4.74%	<b>39,356</b>
Other Local Aids	1,336	1,336	<b>0</b>	0.00%	<b>1,336</b>
<b>Property Tax Credits</b>	<b>625,404</b>	<b>596,740</b>	<b>0</b>	-4.58%	<b>545,906</b>
Homestead Market Value Credit	562,674	531,814	<b>0</b>	-5.48%	<b>479,130</b>
Agricultural Market Value Credit	49,626	49,747	<b>0</b>	0.24%	<b>49,754</b>
Border City Disparity Credit	9,896	10,534	<b>0</b>	6.45%	<b>11,666</b>
Other Credits	3,208	4,645	<b>0</b>	44.79%	<b>5,356</b>
<b>Taconite Tax Relief Area Aids&amp;Credits</b>	28,065	29,018	<b>0</b>	3.40%	<b>29,228</b>
<b>Local Pensions Aids</b>	214,160	222,543	<b>0</b>	3.91%	<b>231,161</b>
<b>Other Expenditures</b>	<b>15</b>	<b>16</b>	<b>0</b>	6.67%	<b>19</b>
PILT Payments - Dept of Transportation	15	16	<b>0</b>	6.67%	<b>19</b>
PILT Payments - [Dept of Natural Resources]	[33,037]	-	<b>0</b>	--	<b>0</b>
<b>Totals</b>	<b>2,994,720</b>	<b>3,107,742</b>	<b>0</b>	3.77%	<b>3,119,976</b>

Note: Negative numbers represent expenditure reductions (budget savings). Positive numbers represent expenditure increases.

***Tax-Related Changes in other areas of the budget***

While the omnibus tax bill failed to become law, certain other bills were enacted with tax-related provisions. These provisions are briefly identified below, with references to other summaries in this *Money Matters* document.

	<b><u>FY 2008-09</u></b>	<b><u>FY 2010-11</u></b>
<b>• Tax Compliance Initiative (Department of Revenue)</b>		
Expenditures	\$ 20.4 million	\$ 23.6 million
Revenues	\$102.4 million	\$121.4 million
<b>Net Impact</b>	<b>\$ 81.9 million</b>	<b>\$ 97.8 million</b>

New funding in Chapter 148 (State Government Finance) will notably expand the Department of Revenue's audit and enforcement activities to close "Minnesota's income tax gap."

**FY 2008-09**

**FY 2010-11**

• **Short term Offender Reimbursement (Corrections) \$ 5.0 million \$ 5.0 million**

Beginning in FY 2009, Chapter 54 (Public Safety Finance) includes a housing reimbursement increase (from less than \$10 per day to \$30 per day) for counties that house short term offenders in their county facilities.

• **Targeted Case Management (Human Services) \$32.7 million \$ -0-**

Chapter 147 (Health & Human Services Finance) provides a one-time appropriation to counties to help mitigate an anticipated cut in federal-fund match for targeted case management services.

• **Omnibus Retirement Provisions (Revenue) (\$ 40,000) (\$ 40,000)**

Chapter 134 (Omnibus Pension bill) clarifies that the state must reimburse firefighter relief associations for supplemental benefits paid to survivors, and that an individual may qualify for either the \$1,000 individual benefit or the \$2,000 survivor benefit, not both.

*For additional information on income, corporate, sales and health care taxes, contact Cynthia Templin at 651-297-8405, or [cynthia.templin@house.mn](mailto:cynthia.templin@house.mn).*

*For additional information on property aids and credits, motor vehicle taxes and other taxes, contact Katherine Schill at 651-296-5384 or [katherine.schill@house.mn](mailto:katherine.schill@house.mn).*

## Fee & Assessment Changes in Enacted Bills - 2007 Session

All dollars in thousands

<b>Higher Education</b>		Conference	Conference	Conference	Conference	Conference	Conference	
Agency	Description	FY 2008	FY 2009	FY 2008-09	FY 2010	FY 2011	FY 2010-11	Fund
OHE	Private Institution Registration	-10	-10	-20	-10	-10	-20	Spec Rev
<b>Higher Education Total</b>		-10	-10	-20	-10	-10	-20	All Funds
<b>Health &amp; Human Services</b>		Conference	Conference	Conference	Conference	Conference	Conference	
Agency	Description	FY 2008	FY 2009	FY 2008-09	FY 2010	FY 2011	FY 2010-11	Fund
MDH	DOULA Registry	26	0	26	0	0	0	SGSR
MDH	Housing with Services Fee	134	134	268	134	134	268	SGSR
MDH	Mortuary Science Fees	89	89	178	89	89	178	SGSR
MDH	Occupational Therapy Fee Reduction	-48	-58	-106	-48	-58	-106	SGSR
MDH	Well Program Fees	0	600	600	600	600	1,200	SGSR
MDH	Newborn Screening Fees	3,326	3,326	6,652	3,326	3,326	6,652	SGSR
MDH	Specimen Handling Fee	51	51	102	51	51	102	SGSR
VMB	Veterinary Medicine Board Fees	5	5	10	5	5	10	SGSR
BPT	License Physical Therapists Assistants	165	73	238	73	73	146	SGSR
BBH	Board of Behavioral Health & Therapy Fees	33	33	66	33	33	66	SGSR
<b>Health &amp; Human Services Total</b>		3,781	4,253	8,034	4,263	4,253	8,516	All Funds
<b>Economic Development</b>		Conference	Conference	Conference	Conference	Conference	Conference	
Agency	Description	FY 2008	FY 2009	FY 2008-09	FY 2010	FY 2011	FY 2010-11	Fund
BMS	Arbitrator Filing Fee	4	4	8	4	4	8	GF
Barbers/Cosmetol	Hair Braiding License	12	12	24	12	12	24	GF
Boxing	Boxing Commission Fees	20	20	40	20	20	40	SR
DEED	Workforce Development Fee	2,870	7,084	9,954	7,084	7,084	14,168	WDF
DOLI	Independent Contractor's Fee	0	1,563	1,563	1,563	1,563	3,126	SGSR
DOLI	Unlicensed Electrician Registration Fee	450	450	900	450	450	900	SGSR
DOLI	Electrical Fees	2,982	2,982	5,964	2,982	2,982	5,964	SGSR
DOLI	Restricted Plumbers License Fee	60	56	116	56	56	112	SGSR
DOLI	Residential Contractor Recovery Fund Fee	1,030	1,030	2,060	1,030	1,030	2,060	SGSR
HFA	Manufactured Home Relocation Trust Fund	1,294	1,294	2,588	1,294	1,294	2,588	Housing
<b>Economic Development Total</b>		8,722	14,495	23,217	14,495	14,495	28,990	All Funds
<b>Environment &amp; Energy</b>		Conference	Conference	Conference	Conference	Conference	Conference	
Agency	Description	FY 2008	FY 2009	FY 2008-09	FY 2010	FY 2011	FY 2010-11	Fund
DNR	State Park Camping Fees	250	500	750	500	500	1,000	Nat Res
DNR	ATV Fee Increase	1,605	1,605	3,210	1,605	1,605	3,210	Nat Res
DNR	Venison Donation Surcharge	203	203	406	203	203	406	SR
DNR	Nonresident Hunting Surcharge	122	122	244	122	122	244	SR
DNR	Bonus Hunting License	0	160	160	160	160	320	SR
DNR	Fishing Tournament License Fee	108	108	216	110	110	220	G&F
DNR	Non-Resident Fishing License	675	675	1,350	675	675	1,350	G&F
DNR	Invasive Species Management	173	400	573	173	400	573	Nat Res
DNR	Portable Fish Houses - Exemption	-768	-768	-1,536	-768	-768	-1,536	G&F
DNR	Free License - Military	-10	-38	-48	-38	-38	-76	G&F
PCA	Electronic Waste Recycling Fee	800	400	1,200	400	400	800	Env Fund
Com	Credit Service Organizations	10	10	20	10	10	20	GF
Com	Security Filings Fee Cap Increase	600	600	1,200	600	600	1,200	GF
Com	Residential Mortgage Origination Fee	-38	-38	-76	-38	-38	-76	GF
Com	Residential Mortgage Lending Fee	200	200	400	200	200	400	GF
Com	Vehicle Protection Act License	8	8	16	8	8	16	GF
Com	Debt Management Services	67	44	111	44	44	88	GF
Com	Compensation Adjustment Assessment	223	452	675	452	452	904	GF
PUC	Additional Staff Assessment	1,111	1,270	2,381	1,270	1,270	2,540	GF
Xcel Energy (a)	Xcel Energy - Monticello Assessment	3,500	3,500	7,000	3,500	3,500	7,000	Xcel-Renewable
<b>Environment &amp; Energy Total</b>		8,839	9,413	18,252	9,188	9,415	18,603	All Funds
<b>Agriculture &amp; Veterans</b>		Conference	Conference	Conference	Conference	Conference	Conference	
Agency	Description	FY 2008	FY 2009	FY 2008-09	FY 2010	FY 2011	FY 2010-11	Fund
MDA	Aquatic Pest Control Licenses	-2	-2	-4	-2	-2	-4	Ag
MDA	MN Grown	12	13	25	13	13	26	Ag
MDA	Retail Food Handler Plan Review	13	13	26	13	13	26	Ag
<b>Agriculture &amp; Veterans Total</b>		23	24	47	24	24	48	All Funds
<b>Public Safety</b>		Conference	Conference	Conference	Conference	Conference	Conference	
Agency	Description	FY 2008	FY 2009	FY 2008-09	FY 2010	FY 2011	FY 2010-11	Fund
DPS	911 Fees	0	7,119	7,119	14,114	21,010	35,124	SGSR
DPS	Cigarette Manufacturer Certification Fee	275	0	275	275	0	275	SR
DPS	Scrap Metal Dealer Fee	10	10	20	10	10	20	SR
Courts	Drug Court Fee	3	6	9	3	6	9	SR
<b>Public Safety Total</b>		288	7,135	7,423	14,402	21,026	35,428	All Funds
<b>Transportation</b>		Conference	Conference	Conference	Conference	Conference	Conference	
Agency	Description	FY 2008	FY 2009	FY 2008-09	FY 2010	FY 2011	FY 2010-11	Fund
DPS	License Plate Fee Increase	1,081	1,260	2,341	1,444	1,633	3,077	SR
DPS	Certificate of Title Fees	975	1,050	2,025	1,050	1,050	2,100	SR
DPS	Drivers License Fee Increase	1,280	1,280	2,560	1,280	1,280	2,560	SR-VS
DPS	Trooper Escort & Aviation Fees	83	107	190	107	107	214	SR
DPS	Pipeline Safety Fund Assessment Increase	264	255	519	255	255	510	SR
DPS	Compensation Adjustment-Pipeline Safety	57	105	162	105	105	210	SR
<b>Transportation Total</b>		3,740	4,057	7,797	4,241	4,430	8,671	All Funds

**Fee & Assessment Changes in Enacted Bills - 2007 Session**

All dollars in thousands

**State Government**

Agency	Description	Conference FY 2008	Conference FY 2009	Conference FY 2008-09	Conference FY 2010	Conference FY 2011	Conference FY 2010-11	Fund
SOS	Temporary Technology Surcharge	1,101	1,101	2,202	0	0	0	SR
SOS	Standardize Online & Paper Filing Fees	430	450	880	450	450	900	SR
SOS	Assumed Name Reservation Fee	2	2	4	2	2	4	GF
SOS	Non-MN Name Reservation Fee	-3	-3	-6	-3	-3	-6	GF
State Auditor	Increased Cost Offset	565	593	1,158	593	593	1,186	GF
CAAPB	Project Review & Planning Expense	8	8	16	8	8	16	SR
<b>State Government Total</b>		<b>2,103</b>	<b>2,151</b>	<b>4,254</b>	<b>1,050</b>	<b>1,050</b>	<b>2,100</b>	<b>All Funds</b>
<b>Total - Fee Changes</b>		<b>25,383</b>	<b>39,367</b>	<b>64,750</b>	<b>46,603</b>	<b>53,633</b>	<b>100,236</b>	<b>all funds</b>
Subtotal - General Fund Changes		2,761	3,154	5,915	3,154	3,154	6,308	general fund
Subtotal - Non-General Fund Changes		19,122	32,713	51,835	39,949	46,979	86,928	other funds
Subtotal - Non-State Fee Change Mandated in State Law		3,500	3,500	7,000	3,500	3,500	7,000	non-state fund

Note: (a) The utility is required in state law to deposit funds in a renewable energy account. This is not a state account.

Fund Names:

GF = General Fund

SGSR = State Government Special Revenue

SR = Special Revenue

WDF = Workforce Development Fund

Nat Res = Natural Resources

G&F = Game & Fish

Env = Environmental Fund

Ag = Agricultural Fund

SR-VS = Special Revenue - Vehicle Services Account