
FISCAL ISSUE BRIEF



FY 2010-11 General Fund Budget Governor's Unallotments and Administrative Actions

Amounts shown in this Issue Brief reflect unallotment activity prior to the November 2009 state budget forecast; see November 2009 General Fund Forecast Issue Brief for current budget status.

MINNESOTA SENATE
OFFICE OF COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Revised January 2010

QUESTIONS

Contact Matt Massman, Lead Fiscal Analyst, at 651/297-8057 or matt.massman@senate.mn or the relevant fiscal analyst identified below.

BACKGROUND

This Issue Brief summarizes actions announced by the Governor in June 2009, and implemented in July and August of 2009, and January of 2010, to reduce spending for FY 2010-2011 through a process referred to as 'unallotment.'

The biennial budget adopted by the Legislature establishes appropriations, which are the legally authorized limits on spending. Appropriations do not typically specify how each appropriation will be spent. Rather, following enactment of a biennial budget, agencies develop spending plans based on the legislatively determined appropriations. The spending plans are the basis for spending limits place on various expenditures, known as allotments, in the state accounting system. An unallotment is a reduction in the spending limit or allotment. While unallotments do not reduce appropriations, they do reduce the amount that is made available to be spent pursuant to an appropriation.

As summarized in the Issue Brief titled "General Fund Budget Summary: 2009 End-of-Session," actions taken by the 2009 Legislature provided for a positive General Fund budget balance of \$56 million including the provisions of Chapter 179, which would have increased tax revenues by \$957.5 million and shifted \$1.775 billion of school aid payments. The Governor vetoed Chapter 179. Following the veto, the enacted General Fund budget for FY 2010-11 remained out of balance by \$2.676 billion. Subsequent to legislative adjournment on May 18, 2009, the Governor unallotted and took other executive actions to eliminate the \$2.676 billion budget gap for FY 2010-2011, including by reducing allotments (spending) by \$2.456 billion and altering the timing of \$211 million of revenue collections.

FY 2010-2011 Biennial Budget Overview— Enacted Budget and Unallotments

As summarized in right hand column of Table 1, FY 2010-2011 General Fund revenues total \$31.136 billion after unallotments and other Executive actions, an increase of \$436 million or 1.4 percent relative to the \$30.700 billion projected in the February 2009 budget forecast. Relative to the previous biennium (FY 2008-09), revenues for FY 2010-11 are \$1.08 billion, or 3.4 percent, lower. FY 2010-2011 spending after unallotments totals \$31.323 billion, a decrease of \$4.183 billion or 11.8 percent relative to the February 2009 forecast. Relative to the previous biennium, General Fund spending is \$2.6 billion, or 7.7 percent, lower.

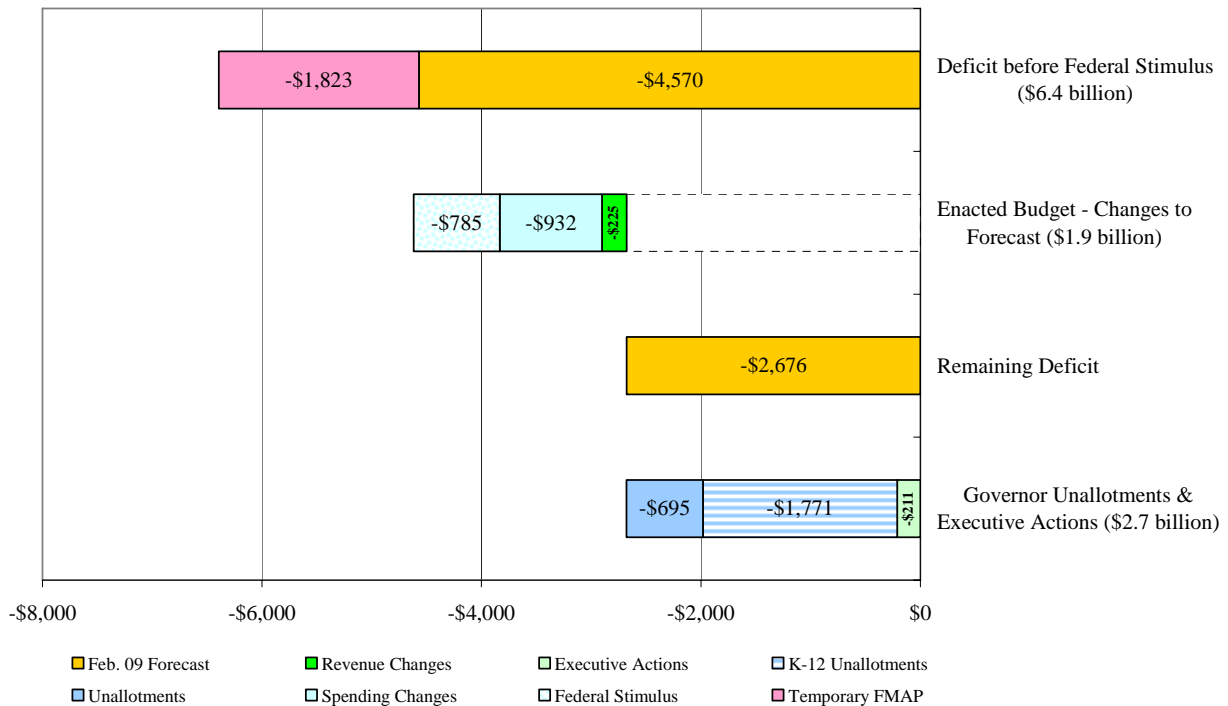
| | <i>FY 2008-09</i> | Feb. 2009 Forecast for FY 2010-11 | Enacted Change from Forecast | Unallotment Change from Forecast | Total Change from Forecast | FY 2010-11 Budget After Unallotments |
|---------------------------------|-------------------|--|------------------------------------|--|-------------------------------|---|
| Balance Forward* | 2,245 | 586 | (48) | | | 538 |
| Revenues | <i>32,138</i> | 30,700 | 225 | 211 | 436 | 31,136 |
| Total Resources | <i>34,383</i> | 31,286 | 177 | 211 | 388 | 31,674 |
| Spending | <i>33,845</i> | 35,506 | (1,716) | (2,466)** | (4,183) | 31,323 |
| Budget Reserve | 0 | 0 | 0 | 0 | 0 | 0 |
| Cash Flow Account | 350 | 350 | 0 | 0 | 0 | 350 |
| Balance (after reserves) | <i>188</i> | (4,570) | (1,894) | (2,676) | (4,570) | 0 |

* Balance forward includes the prior biennium ending balance plus reserves carried forward; the 2009 Legislature made various changes to the FY2009 budget that reduced the carryforward into FY 2010-11 by \$48 million.

** Includes education unallotments and deferrals of \$1.771 billion.

The February 2009 forecast projected a \$4.6 billion General Fund deficit for FY 2010-11 after taking into account \$1.8 billion of federal stimulus funds attributable to a temporary increase in the federal medical assistance payment (FMAP) rates. As also summarized in the chart below, the enacted budget included adjustments that narrowed the projected budget deficit by \$1.9 billion, including revenue increases of \$225 million and spending reductions of \$1.716 billion, of which \$785 million was offset by an increase in federal funds spending. The deficit remained \$2.676 billion following budget enactment.

FY 2010-2011 General Fund Budget
(\$'s in Millions)



The bottom bar of the above chart reflects unallotments implemented by the Commissioner of Minnesota Management and Budget, with the approval of the Governor, in July and August of 2009, and February of 2010. Unallotments (reductions in FY 2010-2011 spending) total \$2.466 billion for FY 2010-2011¹. In addition, the Governor is taking other actions that will result in \$211 million of additional revenues being recognized in FY 2010-11. The spending reductions occurring through unallotment are in addition to reductions enacted in Mat 2009.

Summary FY 2010-2011 Unallotments & Other Executive Actions

As summarized in Table 2, the Governor’s \$2.676 billion of General Fund unallotments and other executive actions include \$1.294 billion of changes in FY 2010 and \$1.382 billion in FY 2011. Of the \$2.466 billion in biennial unallotments, \$1.771 billion is due to reductions in K-12 education programs, including \$601 million attributable to an administrative directive to school districts to recognize property tax revenues in the year in which they are received and \$1.170 billion is attributable to the unallotment and deferral education aid payments. The remaining \$695 million in unallotments includes: \$368 million of reductions in tax aids and credits, including \$300 million in lower payments to local governments and \$50.8 million reduction in refunds for renters; \$215 million in reductions to health and human service programs; and \$100 million in reductions to higher education institutions. The remaining unallotments reflect reductions to agency operating budgets and other program reductions.

¹ As of completion of this Issue Brief, some proposed unallotments have not yet been implemented (i.e. the allotments established in the state accounting system have not yet been reduced).

| | FY 2010 | FY 2011 | FY 2010-11 |
|---|------------------|------------------|-------------------|
| Revenue Changes | 35.0 | 175.7 | 210.7 |
| Appropriation Unallotments | | | |
| Payments to School Districts | 1,069.0 | 702.9 | 1,772.0 |
| Higher Education | 0.1 | 100.1 | 100.2 |
| Local Government Aid | 99.7 | 200.3 | 300.0 |
| Renters Credit – Property Tax Refund | | 50.8 | 50.8 |
| Other Tax Aid & Credit Programs | 4.3 | 9.8 | 14.1 |
| Health and Human Service Programs | 79.1 | 136.1 | 215.2 |
| Other Agency Operations & Programs | 6.7 | 6.7 | 13.4 |
| Total Appropriation Unallotments | 1,258.9 | 1206.7 | \$2,465.7 |
| Total Changes | \$1,293.9 | \$1,382.4 | \$2,676.3 |

Table 3 summarizes the appropriation unallotments by budget area, including the change in spending relative to the enacted budget.

| Budget Area | FY 2008-09 | Feb. 2009 Forecast for FY 2010-11 | Enacted Change from Forecast | Unallotment Change from Forecast | Total Change from Forecast | Budget After Unallotments |
|---------------------------|-------------------|--|---|---|---|--------------------------------------|
| Revenue Summary | 32,138 | 30,700 | 225 | 210.7** | 436 | 31,136 |
| Spending | | | | | | |
| E-12 Education | 13,777 | 13,894 | -500.0 | -1,772.0 | -2,272.0* | 11,623 |
| Higher Education | 3,096 | 3,157 | -200.6 | -100.2 | -300.8* | 2,856 |
| Tax Aids & Credits | 3,044 | 3,435 | 2.1 | -364.9** | -362.8 | 3,072 |
| Health & Human Services | 8,997 | 10,192 | -929.9 | -215.2** | -1,145.1* | 9,047 |
| Agriculture & Veterans | 273 | 259 | -8.0 | -1.0 | -9.0 | 250 |
| Environment & Energy | 451 | 378 | -16.4 | -3.8 | -20.2 | 358 |
| Economic Development | 406 | 284 | -17.3 | -1.5 | -18.8 | 265 |
| Public Safety & Judiciary | 1,876 | 1,867 | -52.5 | -0.2 | -52.7* | 1,814 |
| Transportation | 257 | 212 | -17.3 | -3.3 | -20.6 | 191 |
| State Government | 681 | 623 | 4.2 | -3.7 | 0.5 | 623 |
| Debt Service & Capital | 893 | 1,096 | 11.0 | 0.0 | 11.0 | 1,107 |
| Other | 93 | 110 | 9.2 | 0.0 | 9.2 | 119 |
| Total Spending | 33,845 | 35,506 | -1,715.5 | -2,465.6 | -4,181.1 | 31,325 |

* A portion of temporary Federal Fiscal Stabilization funds were appropriated to each of these budget areas for FY 2010 resulting in lower net reductions after taking these funds into account, including \$500 million for K-12 Education (net \$1.772 billion reduction); \$138 million for Higher Education (net \$162.7 million reduction); \$110 million for Health and Human Services (net \$1.026 billion reduction); and \$38 million for Public Safety (net \$14.7 million reduction). ** A portion of non-tax revenues included in spending amounts.

FY 2012-2013 — Budget Tails

Ongoing resources for FY 2012-2013 the planning period are projected to be \$34.305 billion. Spending for FY 2012-2013, however, is estimated to total \$38.736 billion, without funding for the General Assistance Medical Care (GAMC) program, and \$39.625 billion if the program is funded at current law projected participation levels. As a result, a significant structural imbalance is projected for the FY 2012-2013 biennium. These estimates are prior to taking into account general inflation pressures or other budget pressures and the restoration of budget reserves. As summarized in Table 4, the enacted budget, and the elimination of the GAMC program from the projected spending base, improved the long-term budget outlook by slightly over \$2.0 billion while unallotments create liabilities in FY 2012 that increase spending projections by \$1.327 billion for a net change of \$645 million relative to the February 2009 forecast.

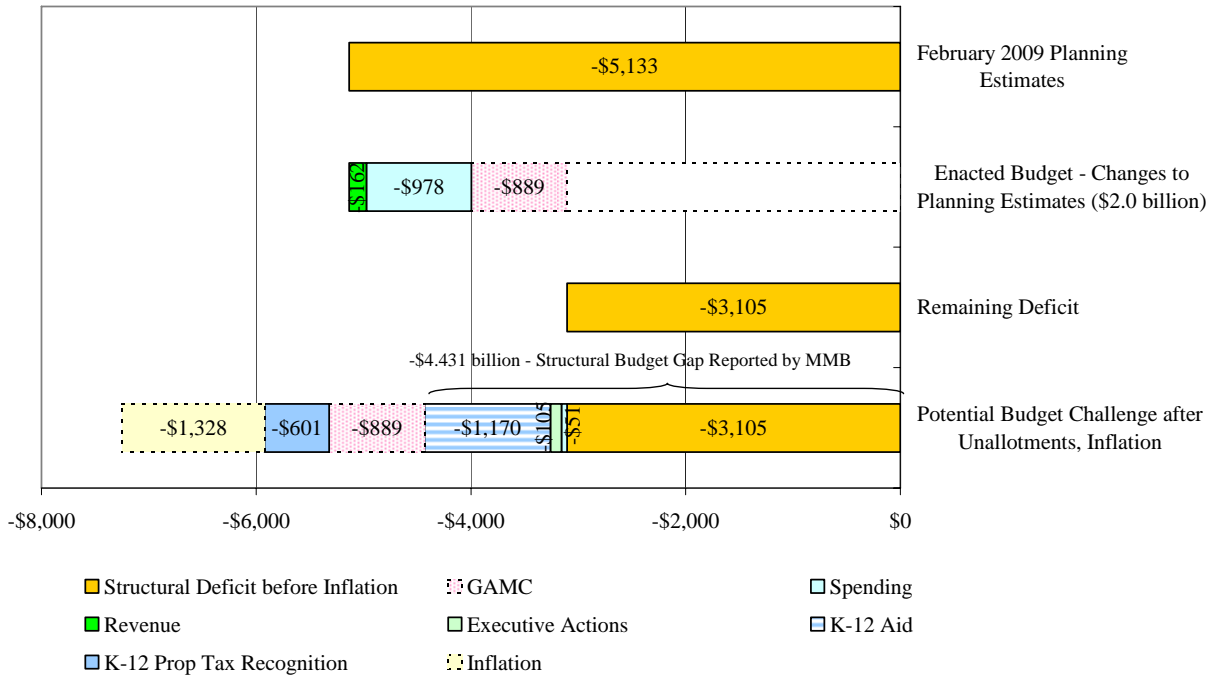
| | Feb. 2009 Forecast for FY 2012-13 | Enacted Change from Forecast | Unallotment Change from Forecast | Total Change from Forecast | Planning Estimates after Unallotments |
|---------------------------------|---|------------------------------------|--|----------------------------------|---|
| Balance Forward* | 350 | | | | 350 |
| Revenues | <u>34,244</u> | 162 | (105) | 57 | <u>34,305</u> |
| Total Resources | 34,594 | 162 | (105) | 388 | 34,655 |
| Spending | 39,377 | (978) | 1,222** | 244 | 38,736 |
| GAMC | | (889) | | (889) | [39,625] |
| Budget Reserve | 0 | 0 | 0 | 0 | 0 |
| Cash Flow Account | 350 | 0 | 0 | 0 | 350 |
| Balance (after reserves) | (5,133) | 2,029 | (1,327) | (645) | (4,431) |

* Balance forward is assumed to include only reserves carried-forward since the prior biennium projects a budget deficit that must be resolved prior to the end of the biennium.

** Includes education aid of \$1.17 billion and other spending increases of \$51 million.

The chart below illustrates that the General Fund structural deficit of \$5.133 billion projected in February 2009 was narrowed by \$978 million as a result of permanent spending changes enacted for FY 2010-2011, as well as by \$162 million due to permanent revenue changes. If the Governor's veto of the General Assistance Medical Care (GAMC) appropriation for FY 2011 is sustained as a permanent elimination of the program, the deficit would be lowered to \$3.1 billion following budget enactments. As illustrated in the lower bar in the chart, however, some actions taken by the Governor to balance the FY 2010-11 budget through unallotment have the effect of increasing the projected budget gap for the FY 2012-13 planning period.

General Fund - FY 2012-2013 Planning Estimates (*\$'s in Millions*)



The Governor's unallotment and deferral of K-12 education aid payments in FY 2010-11, creates an entitlement obligation to pay those aids instead in FY 2012. This entitlement liability adds \$1.17 billion to the expected shortfall for FY 2012-13 while actions proposed to delay payment of tax revenue refunds from FY 2011 into FY 2012 would increase FY 2012-13 spending by \$119 million and certain spending unallotments would further increase FY 2012-13 obligations \$51 million, bringing the reported FY 2012-13 structural imbalance to \$4.431 billion.

Below is a brief summary of unallotments and other executive actions by budget area.

Tax Revenue Changes

As summarized in Table 5, the Governor's unallotments included \$575.7 million in tax revenue shifts and reductions from Tax Revenues, Aids and Credits in FY2010-11. Changes in the recognition of tax revenues account for \$207.8 million (or 36 percent) of the total. Reduced intergovernmental aid payments and payments to individuals, and a reduction to a special timing account total for \$363.9 million (or 64 percent) of the FY2010-11 unallotments.

Table 5
Tax Policy, Aids and Credits Unallotments

| Description | FY2010 | FY2011 | FY2010-11 | FY2012 | FY2013 | FY2012-13 |
|---|------------------|------------------|------------------|----------------|--------------|----------------|
| Tax Revenues: | | | | | | |
| Delay Capital Equipment Refunds | 0 | 63,000 | 63,000 | (63,100) | 0 | (63,100) |
| Delay Corporate Franchise Refunds | 0 | 42,000 | 42,000 | (42,040) | 0 | (42,040) |
| Modify Wisconsin Tax Reciprocity Agreement | 35,000 | 70,700 | 105,700 | | | 0 |
| Property Tax Refund / Income Tax Interactions | 0 | (2,939) | (2,939) | (6,104) | (1,000) | (7,104) |
| Tax Revenue Subtotal | 35,000 | 172,761 | 207,761 | (111,244) | (1,000) | (112,244) |
| Tax Expenditures: | | | | | | |
| Reduce Aids and Credits to Local Government (See Table 2 for detail.) | (99,686) | (200,300) | (299,986) | 0 | 0 | 0 |
| Unallot Political Contribution Refund | (4,300) | (6,100) | (10,400) | 0 | 0 | 0 |
| Cap Sustainable Forest Incentive Act Payments | 0 | (5,500) | (5,500) | 0 | 0 | 0 |
| Adjust Renters' Credit Refund | 0 | (50,800) | (50,800) | 0 | 0 | 0 |
| Reduce Special Timing Account Est. in ML 2009, Ch. 88 | 0 | (3,870) | (3,870) | 0 | 3,870 | 3,870 |
| Property Tax Refund / Income Tax Interactions | 0 | 2,757 | 2,757 | 5,707 | 878 | 6,585 |
| Tax Expenditures Subtotal | (103,986) | (263,813) | (367,799) | 5,707 | 4,748 | 10,455 |
| Total Unallotment - Tax Policy, Aids and Credits | (138,986) | (436,574) | (575,560) | 116,951 | 5,748 | 122,699 |

Delay Capital Equipment Refunds

Temporarily delaying capital equipment sales tax refund payments in late FY 2011 will result in a savings of \$63 million in FY2011. It is estimated that the refunds would be delayed no longer than three months and all would be released immediately in FY 2012, starting July 1, 2011. Interest paid on the delayed refunds is estimated to be \$100,000, paid in FY 2012.

Delay Corporate Franchise Tax Refunds

Temporarily delaying corporate franchise refunds in late FY 2011 will result in a savings of \$42 million in FY 2011. It is estimated that these refunds will be delayed no longer than three months and all refunds would be released immediately in the next fiscal year, FY 2012, starting July 1, 2011. Interest paid on the delayed refunds is estimated to be \$40,000, which would be paid in FY 2012.

Modify Wisconsin Tax Reciprocity Agreement

Income tax reciprocity is a formal legal arrangement to relieve taxpayers who are residents of one state but work in another from the burden of filing two state income tax returns. Minnesota had reciprocity agreements with Michigan, North Dakota, and Wisconsin. The reciprocity agreement with Wisconsin dates back to 1968. One of the fiscal impacts of the agreement is the reimbursement is paid with a lag, which shifts revenue to later fiscal years. For example, Wisconsin does not reimburse Minnesota until December 2010 for income tax on wages withheld from January – December 2009.

The Governor has proposed to renegotiate and modify Minnesota's tax reciprocity agreement with Wisconsin, shifting a portion of the reimbursement into the current fiscal year. Requiring Wisconsin to reimburse Minnesota sooner than the current agreement that has a 17-month average delay in settlement reimbursement would shift the recognition of \$105.7 million of revenues forward to the FY 2010-11 biennium. In September 2009, in the absence of a renegotiated agreement on the timing of reciprocity payments, Minnesota's Commissioner of Revenue, as authorized by Minnesota law, terminated the income tax reciprocity agreement with Wisconsin, effective tax year 2010 (January 1, 2010).

Tax Aids and Credits

Reduce Aid Payments to Local Governments

The Governor's unallotments reduced aid payments to local governments by a total of \$99.7 million in FY 2010 and \$200.3 million in FY 2011. These reductions came from four different aid programs: Local Government Aid (LGA), County Program Aid (CPA), Homestead Market Value Credits, and Agricultural Market Value Credits.

The reduction is structured based on a jurisdiction's levy plus aid and is distributed one-third to counties and two-thirds to cities and townships. The aid payment reductions are structured to exclude the smallest and poorest tax base jurisdictions. In addition, the reductions for cities and townships include a per capita cap. Table 6 summarizes the aid reductions by aid program and by jurisdiction.

Cities and townships under 1,000 in population and with a tax base below average would not receive any aid reductions (454 of the smallest cities and 629 of townships are excluded from aid reductions). No city's reduction exceeds 3.31 percent of annual aid plus levy for 2009, and 7.64 percent of annual aid plus levy for 2010. No township's reduction exceeds 1.74 percent of annual aid plus levy for 2009, and 3.66 percent of annual aid plus levy for 2010.

Five counties with populations of approximately 5,000 or less would not receive any aid reduction. No county would receive an aid reduction of more than 1.19 percent of annual aid plus levy for 2009, and 2.41 percent of annual aid plus levy for 2010.

Table 6
Summary of FY 2010-11 Unallotment of Aids to Local Governments

| | FY2010 | FY2011 | FY2010-11 | FY2012 | FY2013 | FY2012-13 |
|--|----------|-----------|-----------|--------|--------|-----------|
| Total Unallotment | (99,686) | (200,300) | (299,986) | 0 | 0 | 0 |
| Counties | (33,00) | (67,000) | (100,000) | 0 | 0 | 0 |
| Cities and Townships | (66,686) | (133,300) | (199,986) | 0 | 0 | 0 |
| By Jurisdiction | | | | | | |
| Counties | | | | | | |
| County Program Aid | (33,000) | (67,000) | (100,000) | 0 | 0 | 0 |
| Cities | | | | | | |
| Local Government Aid | (44,620) | (102,384) | (147,004) | 0 | 0 | 0 |
| Homestead Market Value Credit | (19,566) | (25,916) | (45,482) | 0 | 0 | 0 |
| Total | (64,186) | (128,300) | (192,486) | 0 | 0 | 0 |
| Townships | | | | | | |
| Homestead Market Value Credit | (2,379) | (4,645) | (7,024) | | | |
| Agriculture Market Value Homestead Credit | (121) | (355) | (476) | 0 | 0 | 0 |
| Total | (2,500) | (5,000) | (7,500) | | | |

Unallot Political Contribution Refund

Minnesota's Political Contribution Refund Program allows individuals who contribute to a Minnesota political party or to candidates for state office or the Minnesota legislature to apply for a refund of their contributions. The maximum refund is \$50 for single individuals or \$100 for married couples.

The Governor's unallotment eliminated the refund for any political contribution made between July 1, 2009 and June 30, 2011. This will produce a savings of \$4.3 million in FY 2010 and \$6.1 million in FY 2011, and will affect approximately 90,000 refunds annually.

Cap Sustainable Forestry Initiative Act (SFIA) Payments

The SFIA allows annual payments to be made to enrolled owners of forested land as an incentive to practice long-term sustainable forest management. The payment rate in 2008 was \$8.61 per acre. Participants enrolled in the program must;

- be private individuals, corporations, or partnerships;
- own 20 or more acres of contiguous land of which at least 50 percent is forested;
- not be delinquent in property taxed owed on the land prior to enrolling in the program and must stay current with property tax payments while enrolled in the program; and
- have an active forest management plan for the land, prepared by a Minnesota Dept. of Natural Resources approved plan writer.

The unallotment caps SFIA payments at \$100,000 per enrollee for the FY 2011 payment only. The general fund appropriation is reduced by \$5.5 million in FY 2011, a 34 percent reduction in FY 2010-11 spending. The cap reduces the SFIA payment for four of the 1,100 enrollees in the program.

Adjust Renter's Property Tax Refund

The renter's property tax refund program (sometimes called the "renters' credit") is a state-paid refund that provides tax relief to renters whose rent and "implicit property taxes" are high relative to their incomes. "Rent constituting property taxes" is assumed to equal 19 percent of rent paid.

Under the Governor's unallotment plan, the portion of the rent used to calculate the refund would be reduced from 19 percent of rent paid to 15 percent. This change will impact 18,200 renters who file for a property tax refund and it will reduce the average refund by \$129, a 23 percent reduction (from an average of \$570 to \$441). For senior / disabled filers, it will impact 2,000 people and will reduce the average refund by \$144, from an average of \$635 to \$491

For questions or more information on this section, contact Jack.Paulsen@senate.mn or Susan.VonMosch@senate.mn.

E-12 Education

About two-thirds of the FY 2010-11 spending reductions resulting from the Governor's unallotments are attributable to the unallotment and deferral of E-12 education aid payments, including an administrative action that directs school districts to recognize property tax revenues in a fiscal year earlier than they otherwise would. The unallotment and deferral of E-12 education aids in FY 2010-11 increases projected appropriations in the following biennium by \$1.1 billion.

For questions or more information on this section, contact Eric.Nauman@senate.mn.

Higher Education

The Governor unallotted \$50 million from the FY 2011 appropriation to the University of Minnesota and \$50 million from the FY 2011 appropriation to the Minnesota State Colleges and Universities (MnSCU). In addition, administrative funding for the Office of Higher Education was reduced \$77,000 each year.

For questions or more information on this section, contact Maja.Weidmann@senate.mn.

Health & Human Services

The unallotments to the Health and Human Services budget were \$215.2 million and included about \$54 million in reduced payments to counties, some of which were mitigated by additional federal money in ARRA for similar purposes. An initiative to reset the base for determining nursing home payments was suspended, resulting in reduced spending of \$5.9 million. Various reductions to providers accounted for a total of \$15.4 and some deferrals were added to amounts the legislature implemented, resulting in \$28.9 million in payments deferred until fiscal year 2012. The unallotments also included a \$15.0 million reduction in the FY 2010 appropriation for the General Assistance Medical Care (GAMC) program. Various other unallotments were also implemented for which details are available on the MMB website or by contacting legislative staff.

For questions or more information on this section, contact Dennis.Albrecht@senate.mn.

Agriculture & Veterans

The Governor's unallotments for this budget area will reduce General Fund expenditures by less than one-half of one percent, with \$985,000 in spending reductions in the Department of Agriculture. The reduction to the Department of Agriculture is about a 1.4% reduction. The unallotments are spread throughout various programs in the agency funded by the general fund. However, ethanol producer payments were NOT included in the FY2010 unallotments.

For questions or more information on this section, contact Daniel.Mueller@senate.mn.

Environment, Energy & Natural Resources

The Governor's unallotments in this budget area will reduce General Fund expenditures by a little over one percent, with just over \$3.6 million in spending reductions and also a credit to the general fund of about \$196,000 in revenues from a stream protection loan account.

The FY2010-2011 unallotments for the Pollution Control Agency are \$209,000, equal about one percent of the agency's general fund budget. The FY2010 reductions are for stormwater management and rulemaking (\$98,000), and also a reduction in administration (\$12,000). The FY2011 unallotments are for water program operations (\$38,000), health biomonitoring (\$30,000), and other agency operations (\$31,000).

The FY2010-2011 unallotments at the Department of Natural Resources (DNR) are almost \$2.8 million, equal to 1.2 percent reduction in the DNR's total general fund budget (including open appropriations for Payment in Lieu of Taxes). The unallotments are mostly less than one percent reductions for most divisions and are spread proportionally throughout the divisions of the agency that are receive General Fund dollars, with the exception of larger reductions for the Minnesota Forest Resources Council (about a seven percent reduction), Wild & Scenic Rivers (over 50% reduction), prairie wetland restorations (almost 50% reduction), and enforcement (almost eight percent reduction).

The FY2010-2011 unallotment of \$172,000 for Metropolitan Regional Parks at the Met Council equals about 2.3 percent reduction of their General Fund appropriation.

The FY2010-2011 unallotment of \$494,000 at the Department of Commerce equals about a 1.1% reduction of their total General Fund appropriation.

For questions or more information on this section, contact Daniel.Mueller@senate.mn.

Economic Development

For questions or more information on this section, contact David.Jensen@senate.mn.

Public Safety and Judiciary

The governor unallotted \$159,000 from the Human Rights Department.

For questions or more information on this section, contact Chris.Turner@senate.mn.

Transportation

The Governor unallotted \$23,558, or 2.25 percent, from the Department of Transportation’s General Fund appropriations for state agency operations. The Governor unallotted \$1,625,000, or 2.25 percent, from Metropolitan Council bus and rail transit programs. No unallotments were made to the Department of Public Safety’s transportation-related programs. The reductions are shown below.

**Transportation
Governor’s FY 2010 Unallotments**

| Change Items (dollars in thousands) | FY 2010 |
|--|--------------------|
| <i>Department of Transportation</i> | |
| Transit Improvement Grants – Administration | (9,000) |
| Rail Service Planning | (9,000) |
| Roosevelt Signal Tower Operations | (5,558) |
| <i>Metropolitan Council – Metro Transit</i> | |
| Metro Rail Operations | (119,000) |
| Metro Transit Assistance | (1,506,000) |
| TOTAL | (1,648,558) |

For questions or more information on this section, contact Krista.Boyd@senate.mn.

State Government Finance

State agency operating budget reductions of approximately 2.25 percent were made to five agencies within the state government budget area. These included a reduction of \$81,000 to the

governor's office. The Department of Administration's budget was reduced a total of \$262,000 with \$162,000 from the central stores internal service fund. Statewide and agency operations within the Department of Minnesota Management and Budget were reduced \$459,000. The Office of Enterprise Technology's budget was reduced \$129,000 with \$95,000 coming from the enterprise IT security portion of the budget. The Department of Revenue's budget was reduced \$925,000. This reduction will be achieved through the closing of two offices, rent reductions, technology investments, staff reductions in the tax payment and filing areas as a result of increases in electronic filings and by the leveraging of video conferencing to decrease in-state travel.

For questions or more information on this section, contact Kevin.Lundeen@senate.mn.

This unallotment summary reflects the best available information as of the publication date. The spending reductions resulting from the appropriation unallotments discussed in this Information Brief are in addition to reductions enacted as part of the 2009 legislative session. Appendix I summarizes the cumulative changes to the budget projections since the February 2009 forecast, including both enacted laws and unallotments.

| |
|--|
| <p>Fiscal Issue Briefs offer background information and analyses on the budget process and specific budgeted issues related to matters that have been or are likely to be addressed by the Legislature. Senate Fiscal Issue Briefs can be viewed on the Office of Counsel, Research & Fiscal Analysis web site at www.senate.leg.state.mn.us/departments and follow the links to the Office of Counsel, Research, and Fiscal Analysis.</p> |
|--|