



Summary of the Fiscal Actions of the 2009 Legislature

**Minnesota's General Fund Budget for
the FY 2010-11 Biennium
(Excluding Unallotments)**

**Money Matters 09.04
October 2009**

The Overall Budget Picture.....	1
The Enacted Budget in Detail	
Agriculture, Rural Economies & Veterans Affairs.....	11
Capital Investment	15
Education Finance.....	21
Environment, Natural Resources & Energy.....	25
Health Care & Human Services.....	33
Higher Education	43
Jobs & Economic Development	47
Public Safety	57
State Government	63
Transportation	75
Clean Water, Land and Legacy Dedicated Funds	81
Taxes, Local Aids & Credits	91
Appendix:	
Changes in Fees and Assessments	119

This page intentionally left blank

The Overall Budget Picture

The February 2009 state budget forecast projected that general fund expenditures for the FY 2010-11 biennium would exceed available resources by \$ 4.570 billion. This deficit amount was determined after including \$1.823 billion of federal stimulus funding received in fiscal years 2009, 2010 and 2011 as additional federal medical assistance percentage (FMAP). FMAP reduces state general fund spending for the same purpose.

Also included in determining the FY 2010-11 deficit was the assumption that a projected \$236 million fiscal year 2009 balance would carry forward into FY 2010. This fiscal year 2009 balance occurred primarily because \$464 million of the FMAP funding mentioned above is to be received in fiscal year 2009. Without the FMAP funds, the fiscal year 2010-11 deficit would have been \$6.393 billion. Table 2 illustrates the general fund budget situation as presented in the February 2009 state budget forecast.

Table 1 Budget Situation - February 2009 Forecast <i>Dollars in millions</i>		
	FY 2008-09	FY 2010-11
Beginning Balance	1,240	236
Revenues/Other Resources	32,233	30,700
Use of Reserves	<u>655</u>	
Subtotal - Resources	34,128	30,936
Expenditures	33,891	35,506
Balance	236	-4,570

The 2009 Legislature made changes in fiscal year 2009 revenues and spending that lowered the projected fiscal year 2009 balance by \$48.274 million to \$187.92 million. The largest of these changes were \$14.795 million of revenue reductions related to conforming Minnesota taxes to changes made by the federal government and a \$16 million appropriation to cover a funding deficiency in the sex offender treatment program. Table 2 shows the FY 2009 budget changes.

Table 2 FY 2009 Budget Changes <i>Dollars in thousands</i>	
FY 2009 Projected Balance - Feb. 2009 Forecast	236,194
Federal Tax Conformity - Chapter 12	-14,795
Deficiencies - Sex Offender and Disaster Relief - Chapter 13	-15,460
Transportation - Rural Transit - Chapter 36	-2,500
Land Sales Delay - Chapter 37	-2,600
Disaster Relief - Chapter 93	-10,653
Deficiencies and Federal Requirements - Chapter 157	-2,266
Adjusted FY 2009 Budget Balance	187,920

The 2009 Legislature passed budget bills that resulted in a projected balance for the FY 2010-11 biennium and that made a substantial reduction to the projected deficit for the FY 2012-13 biennium. However, the tax bill passed by the Legislature was vetoed by the Governor. That tax bill included \$957.5 million of revenue increases and \$1,775 million of shifts (delays) of education aid payments. After the Governor's tax bill veto, the FY 2010-11 budget had a negative balance of \$2,676.3 billion. The Governor is proposing to resolve that deficit by using the unallotment authority in Minnesota Statutes, section 16A.152, Subdivision 4. (See another publication for a summary of that action.)

Table 3 compares the budget for fiscal years 2009, 2010 and 2011 according to the February 2009 forecast, the end of 2009 session numbers including the changes made in H.F. 2323, the Tax Bill, and then for the enacted budget after the H.F. 2323 was vetoed by the Governor.

Table 3 Budget Comparisons - FY 2009, 2010 and 2011 <i>Dollars in thousands</i>			
	<u>Feb 2009 Forecast</u>	<u>EOS May 18 (a)</u>	<u>EOS Enacted</u>
FY 2009			
FY 2009 Balance	236,194	236,194	236,194
FY 2009 Changes Enacted		<u>-48,274</u>	<u>-48,274</u>
FY 2009 Balance Carried Forward	236,194	187,920	187,920
FY 2010-11			
FY 2010-11 Forecast Revenues	30,700,284	30,700,284	30,700,284
Resources Available - FY 2010-11	30,936,478	30,888,204	30,888,204
Tax Revenue Changes		979,552	22,052
Non Tax Revenue Changes		<u>203,809</u>	<u>203,809</u>
Net Resources After Revenue Changes	30,936,478	32,071,565	31,114,065
Spending	35,506,134	33,790,357	33,790,357
Education Payment Shifts		-1,774,708	0
Net Spending	35,506,134	32,015,649	33,790,357
Balance - End of FY 2010-11 Biennium	-4,569,656	55,916	-2,676,292

Notes:(a) EOS (End of Session) May 18 is with enactments through May 18 and bills passed by the Legislature through that date.

Table 4 presents information in a similar format for the next biennium, fiscal years 2012 and 2013. The February forecast showed a deficit of \$5.134 billion for the FY 2012-13 biennium. The end of session numbers including the effect of the Tax Bill would have reduced this deficit to \$1.916 billion. The final end of session enacted numbers show a deficit of \$3.105 billion for the FY 2012-13 biennium.

FY 2012-13	<u>Feb 2009 Forecast</u>	<u>EOS May 18 (a)</u>	<u>EOS Enacted</u>
Resources Available FY 2102-13	34,243,707	34,243,707	34,243,707
Tax Revenue Changes		1,024,265	-6,721
Non Tax Revenue Changes		<u>178,898</u>	<u>178,898</u>
Net Resources After Revenue Changes	34,243,707	35,446,870	34,415,884
Spending (b)	39,377,408	37,521,064	37,521,064
Education Payment Shifts		<u>-158,108</u>	<u>0</u>
Net Spending	39,377,408	37,362,956	37,521,064
Balance - End of FY 2012-13 Biennium (d)	-5,133,701	-1,916,086	-3,105,180

Notes:
 (a) EOS (End of Session) May 18 is with enactments through May 18 and bills passed by the Legislature through that date.
 (b) The GAMC program is carried forward at \$0 in these spending numbers for FY 2012-13. However, the program still exists in law. If funded at the current law level, spending would increase by \$429.594 million in FY 2012 and \$459.066 million in FY 2013 (\$888.660 million for the biennium).
 (d) This balance is not cumulative - it does not carry forward the FY 2010-11 balance.

Table 5 summarizes general fund resources available and spending amounts for the FY 2008-09 biennium and the FY 2010-11 biennium and projections for the FY 2012-13 biennium. These amounts are for the budget enacted at the end of the legislative session and do not include any subsequent actions taken to balance the FY 2010-11 budget. General fund resources for the FY 2010-11 biennium are 3.8 percent or 1.2 billion lower than in FY 2008-09. General fund spending in FY 2010-11 is almost the same (down \$55 million) as in the FY 2008-09 biennium. At this point, there is a \$2.676 deficit for the biennium.

Both revenues and spending are projected to increase in the FY 2012-13 biennium leaving an additional \$3.105 billion deficit in that biennium.

Table 5 General Fund Biennial Summary: Fiscal Years 2008-2013 Enacted Budget, End of Session, Change from Feb. Forecast Base Dollars in millions					
	FY 08-09	FY 10-11	Percent Change	FY 12-13	Percent Change
Balance Forward	\$1,240	\$188		(a)	
Revenues - Base	\$32,155	\$30,700		\$34,244	
Revenues - Changes	-\$17	\$226		\$172	
Current Revenues	\$32,138	\$30,926	-3.8%	\$34,416	11.3%
Total Available Resources	\$33,378	\$31,114		\$34,416	
Expenditures & Transfers - Base	\$33,814	\$35,506		\$39,377	
Expenditures - Changes	\$31	-\$1,716		-\$1,856	
Total Expenditures	\$33,845	\$33,790	-0.2%	\$37,521	11.0%
Balance Before Reserve Changes	-\$467	-\$2,676		-\$3,105	
Change in Reserves	-\$655	\$0		\$0	
Balance After Reserves	\$188	-\$2,676		-\$3,105	
(a) Negative balance from FY 2011 not carried forward.					

General Fund Revenue Increased by \$226 million

General fund revenue for the FY 2010-11 biennium is \$30.925 billion, \$226 million higher than projected in the February forecast. The revenue changes include fee changes, transfers into the general fund and tax changes.

Table 6 (next page) shows the sources of general fund revenue for the FY 2010-11 biennium. Revenues from the individual income tax and state sales tax make up almost 76 percent of total general fund revenue. Revenue from these two sources is \$500 million lower in the FY 2010-11 than it was in FY 2012-13.

Table 6
General Fund Revenue - Fiscal Years 2010 & 2011
Based on February 2009 Forecast and 2009 Session Changes
Dollars in millions

Revenue Type	Total Dollars	% of Total
Individual Income	\$14,929.6	48.3%
Corporate income	\$1,176.9	3.8%
Sales Tax	\$8,485.0	27.4%
Motor Vehicle Sales Tax (MVST)	\$92.1	0.3%
Statewide Property Tax	\$1,551.4	5.0%
Estate Tax	\$248.9	0.8%
Liquor, Wine & Beer	\$153.1	0.5%
Cigarette & Tobacco Products Tax	\$369.4	1.2%
Mortgage Registry Tax	\$176.3	0.6%
Deed Transfer Tax	\$119.4	0.4%
Insurance Gross Earnings & Fire Marshal	\$563.5	1.8%
Lawful Gambling Taxes	\$88.2	0.3%
Medical Assistance Surcharges	\$450.3	1.5%
Income Tax Reciprocity	\$138.5	0.4%
New Compliance Revenue	\$41.5	0.1%
Investment Income	\$30.0	0.1%
Lottery Revenue	\$114.8	0.4%
Tobacco Settlements	\$352.1	1.1%
Fees - Departmental Earnings	\$497.7	1.6%
Fines & Surcharges	\$239.1	0.8%
DHS SOS Collections	\$99.7	0.3%
Other Including Refunds	\$183.2	0.6%
Dedicated Revenues	\$170.7	0.6%
Transfers In	\$202.2	0.7%
Transfer In - Health Impact Fee	\$401.4	1.3%
Prior Year Adjustments	\$50.0	0.2%
Total	\$30,925.1	100.0%

Many of the revenue changes in FY 2010-11 were changes in fees. A list of all fee changes (general fund as well as other funds) is included in Appendix 1. Appendix 1 shows fee change information for each of the four years in the FY 2010-11 and FY 2012-13 beinnia. The FY 2010-11 total fee changes are \$99.9 million, \$44.9 million of that is in the general fund.

Table 7 shows all general fund revenue changes totaling \$226 million by bill or program area. In addition to fee changes, Table 7 numbers include transfers from other funds and tax changes.

	<u>FY 2010-11</u>	<u>FY 2012-13</u>
Education	\$0	\$0
Higher Education	\$0	\$0
Taxes	\$22,162	\$4,088
Health & Human Services	\$98,566	\$63,360
Economic Development	\$5,674	\$824
Environment & Energy	\$4,813	\$1,694
Agriculture & Veterans	\$818	\$818
Public Safety	\$46,755	\$45,430
Transportation	\$0	\$0
State Government	\$47,073	\$55,963
Other Bills		
Total	\$225,861	\$172,177

General Fund Spending for FY 2010-11 is \$1.716 Billion Lower than Forecasted Spending

Total enacted FY 2010-11 general fund spending is \$33.79 billion, \$1.716 billion or 4.8 percent less than the base budget for FY 2010-11. Table 8 shows general fund expenditures in the enacted budget for FY 2010-11 by conference committee bill. Table 8 (on the next page) also compares those expenditures to the FY 2010-11 base level and to the spending level for FY 2008-09. (FY 2008-09 numbers include changes made in 2009 legislation as well as Governor's unallotments from February 2009.)

Table 8
General Fund Expenditures - Enacted Budget - By Conference Committee FY 2010-11
 Does not include Federal Budget Stabilization Appropriations
 (all dollars in thousands)

	FY 08-09	Base FY 10-11	Enacted Budget FY 10-11	% Change Enacted FY 10-11 vs. FY 08-09	% Change Enacted Bdgt vs. Base FY 10-11
Education	\$13,777,475	\$13,894,099	\$13,394,099	-2.8%	-3.6%
Higher Education	\$3,099,469	\$3,156,864	\$2,956,309	-4.6%	-6.4%
Taxes and Tax Aids	\$3,064,166	\$3,435,395	\$3,435,395	12.1%	0.0%
Health & Human Services	\$8,997,503	\$10,192,223	\$9,262,310	2.9%	-9.1%
Economic Development	\$405,556	\$283,988	\$266,672	-34.2%	-6.1%
Environment & Energy	\$430,242	\$377,895	\$360,097	-16.3%	-4.7%
Agriculture & Veterans	\$269,937	\$258,598	\$250,623	-7.2%	-3.1%
Public Safety	\$1,876,384	\$1,866,591	\$1,814,046	-3.3%	-2.8%
Transportation	\$256,707	\$211,580	\$194,270	-24.3%	-8.2%
State Government	\$681,136	\$622,857	\$627,135	-7.9%	0.7%
Debt Service	\$862,071	\$1,066,530	\$1,077,540	25.0%	1.0%
Dedicated Expenditures	\$100,686	\$129,714	\$129,708	28.8%	0.0%
Other	\$23,478	\$9,800	\$22,153		
Total	\$33,844,810	\$35,506,134	\$33,790,357	-0.2%	-4.8%

FY 2008-09 amounts include changes from 2009 session.

It should be noted that the enacted general fund spending amount of \$33.79 billion includes the effects of Governor's line item vetoes. The largest of the vetoes is the fiscal year 2011 appropriation for general assistance medical care (GAMC) of \$381.1 million. This line item veto accounts for about one third of the reduction in the Health and Human Services area.

General fund spending in most areas is below the base level for FY 2010-11. The largest percentage reductions from the base level are in Health and Human Services at 9.1 percent less and Transportation at 8.2 percent less. Debt Service spending is 1 percent higher and State Government spending is seven tenths of 1 percent higher. The Debt Service change reflects growth in debt service payments for the 2008 Bonding Bill and the cost of the 2009 Bonding Bill. The State Government changes cover the costs of updating state systems as well as the cost of obtaining more revenue through increased tax compliance. See the State Government section for more information.

While general fund spending is \$1.716 billion below the base level, federal budget stabilization funds that were part of the American Recovery and Reinvestment Act of 2009 were available to the state to offset some of those reductions. A total of \$816.5 million was available for

expenditure in fiscal years 2009, 2010 and 2011. Certain federal requirements had to be met - 81.8 percent had to be spent in elementary, secondary and higher education – and certain rules applied if cuts were being made in these education areas. Table 9 shows how the federal budget stabilization funds were appropriated.

K-12 Education	500,000
Higher Education	137,943
Higher Education - FY 2009	30,546
Health & Human Services	110,000
Public Safety	<u>38,000</u>
Total	816,489

Table 10 presents the spending information from Table 8 but adds in the federal stabilization funds from Table 9 to the general fund numbers. Stabilization funds are included in the Education, Higher Education, Health & Human Services, and Public Safety areas for FY 2010-11 as well as in the Higher Education area for Fiscal year s 2009.

	FY 08-09	Base FY 10-11	Enacted Budget FY 10-11	% Change Enacted FY 10-11 vs. FY 08-09	% Change Enacted Bdgt vs. Base FY 10-11
Education	\$13,777,475	\$13,894,099	\$13,894,099	0.8%	0.0%
Higher Education	\$3,130,015	\$3,156,864	\$3,094,252	-1.1%	-2.0%
Taxes and Tax Aids	\$3,064,166	\$3,435,395	\$3,435,395	12.1%	0.0%
Health & Human Services	\$8,997,503	\$10,192,223	\$9,372,310	4.2%	-8.0%
Economic Development	\$405,556	\$283,988	\$266,672	-34.2%	-6.1%
Environment & Energy	\$430,242	\$377,895	\$360,097	-16.3%	-4.7%
Agriculture & Veterans	\$269,937	\$258,598	\$250,623	-7.2%	-3.1%
Public Safety	\$1,876,384	\$1,866,591	\$1,852,046	-1.3%	-0.8%
Transportation	\$256,707	\$211,580	\$194,270	-24.3%	-8.2%
State Government	\$681,136	\$622,857	\$627,135	-7.9%	0.7%
Debt Service	\$862,071	\$1,066,530	\$1,077,540	25.0%	1.0%
Dedicated Expenditures	\$100,686	\$129,714	\$129,708	28.8%	0.0%
Other	\$23,478	\$9,800	\$22,153		
Total	\$33,875,356	\$35,506,134	\$34,576,300	2.1%	-2.6%

FY 2008-09 amounts include changes from 2009 session.

By using the federal stabilization funds, appropriations for Education were maintained at the base level for FY 2010-11. Federal stabilization funds offset two thirds of the general fund reduction in Higher Education. Federal stabilization funds also offset a portion of the reductions in Health & Human Services and Public Safety.

After the federal stabilization fund appropriations are considered, the overall general fund budget reduction of \$1.716 billion or 4.8 percent for FY 2010-11 compared to the base level becomes a reduction of \$930 million or 2.6 percent.

A new spending issue in the 2009 session was the allocation of revenue raised by a constitutionally approved increase in the state sales tax. A constitutional amendment, approved by the voters in November 2008, increases the state sales tax 3/8 of one percent and dedicates that revenue to four separate funds to be used for environmental and arts and culture purposes. Expenditures of those funds are described in the detailed summaries.

For more information, contact Bill Marx, Chief Fiscal Analyst, 651-296-7176 or bill.marx@house.mn

This page intentionally left blank

Agriculture, Rural Economies & Veterans Affairs

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 2009, Chapter 94, which was signed into law by the Governor on May 16th. Chapter 94 also included funding for the Military Affairs Department. The total general fund appropriation for fiscal years 2010 and 2011 contained in Chapter 94 was \$250.6 million. This was a decrease of \$8.0 million from the base forecasted amount.

Agriculture, Rural Economies and Veterans Affairs Finance						
Total General Fund Spending						
<i>(all dollars in thousands)</i>						
	Forecast FY 08-09	Forecast Base FY 10-11	Appropriations Chapter 94 FY 10-11	Percentage Change FY 10-11 vs. FY 08-09	Percentage Change FY 10-11 vs. Base FY 10-11	Projected Chapter 94 FY 12-13
Veterans Affairs	\$ 116,968	\$ 122,916	\$119,555	2.21%	-2.73%	\$118,255
Agriculture Dept.	\$91,406	\$79,536	\$72,714	-20.45%	-8.58%	\$77,454
Animal Health Board	\$13,155	\$10,836	\$10,478	-20.35%	-3.30%	\$10,478
Agriculture Utilization Research Institute	\$6,200	\$6,200	\$5,766	-7.00%	-7.00%	\$5,766
Military Affairs	\$42,208	\$39,110	\$42,110	-0.23%	7.67%	\$39,010
Total	\$ 267,937	\$258,598	\$250,623	-7.16%	-3.08%	\$250,963

Veterans Affairs Department

Chapter 94 appropriates a total agency budget for the biennium of \$189.314 million, of which \$116.893 million is from the general fund. This is a general fund decrease of \$3.4 million from the agency base level. Changes made to the general fund base budget by Chapter 94 to the agency include the following items.

- An increase of \$1 million in the biennium is for computer data systems improvements.

- The higher education benefits program (commonly referred to as the GI Bill) was changed from a direct appropriation to an open, statutory appropriation.
- An increase of \$250,000 each year is for increasing the grant to the Minnesota Assistance Council for Veterans. The program funding is used in helping homeless veterans.
- The Veterans Homes program received funding increases to be used for increased costs of food, utilities and pharmaceuticals. The total biennial increase was \$2.1 million.
- \$1.5 million was appropriated for repair, maintenance, rehabilitation and betterment of Veterans Home facilities statewide.
- The department was appropriated an additional \$282,000 which is to be used for the costs related to a new requirement that the department utilize Medicare Part D reimbursement were possible.

Department of Agriculture (MDA)

The chapter appropriates a total Department of Agriculture budget of \$156.69 million, of which \$75.1 million is general fund. This is a \$6.8 million dollar general fund decrease from the biennial base. Changes to the base budget to the MDA include:

- A decrease of \$100,000 in each year was made to the plant pest survey activity of the department.
- The funding for compensation for damage to crops and livestock from wolves and elk was increased by \$50,000 in each year.
- New requirements related to the noxious weed control statutes were funded one time for \$50,000.
- The pesticide control activity of the agency was given a funding increase of \$2.2 million in each year from the Agricultural Fund. This increase is supported by increased fees on the pesticides sold in the state.
- The sustainable agriculture grant program appropriation was reduced in Chapter 94 by \$60,000 in each year. The Governor then vetoed the remaining \$100,000 of funding for fiscal year 2011.
- Biological control of exotics plants and pests was reduced by \$286,000.
- The base appropriation of \$101,000 for urban pest management activity was eliminated.
- The organic cost share program was reduced by \$90,000 in each year.
- An appropriation of \$800,000 in each year from the Agricultural Fund is to be used for grants as awarded by the Minnesota Agricultural Fertilizer Research and Education Council.
- The \$87,000 annual appropriation for aquaculture promotion activity by the department was eliminated.

- The grant for agriculture in the classroom was reduced by \$10,000 in each year.
- The ethanol producer payment appropriation was reduced by \$3 million in each year. The base was established replacing the reduction in FY 2012. This reduction will result in delays but not elimination of the deferred payments.
- A grant program was created and funded at an amount of \$1 million. The program was titled the Agricultural Growth, Research and Innovation program. Priority for funding is to go to livestock producer grants.
- The chapter appropriates \$60,000 to be transferred to the University of Minnesota Extension Service for grants to school districts running farm to school programs.
- The chapter created a star farms program and appropriated \$30,000 to the department for the activity. The Governor vetoed this appropriation.
- The dairy development grant program was reduced by a total of \$475,000 for the biennium.
- There was a reduction in the administrative budget of the department of \$100,000 in each year.

Animal Health Board

Chapter 94 appropriates a total Animal Health Board budget of \$14.4 million, of which \$10.5 million is general fund money. The chapter contained the following changes to the base budget.

- The base appropriation to the board was reduced by \$758,000 in the biennium.
- An appropriation increase of \$200,000 each year is to be used for animal reimbursements related to the bovine TB control programs.

Agriculture Utilization Research Institute

Chapter 94 contains a total AURI appropriation of \$5.766 million, all of which is general fund money. This is a reduction of \$434,000 from the base budget.

Military Affairs Department

The chapter appropriates a total FY2010-11 budget of \$196.3 million for the department. Of that amount \$41.8 million is from the general fund. There was one change to the base budget.

- \$3 million was appropriated for increased enlistment incentives.

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.

This page intentionally left blank

Capital Investment

Minnesota Laws 2009, Chapter 93 includes appropriations for capital improvements as well as disaster relief related to flooding in the Red River Basin, a tornado in Hugo, and a fire in southeastern Minnesota. The appropriations total \$276.3 million, including \$227.8 million in general fund-supported general obligation bonds, \$10.7 million in general fund cash, \$35.0 million in user-financed bonds, \$200,000 in trunk highway fund cash, and \$2.7 million in trunk highway bonds. The general fund impact above the forecasted amount totals \$21.7 million for the 2010-11 biennium and \$23.2 million for the 2012-13 biennium. Additional details on general fund spending are included in the table below.

Capital Investment Finance Division						
Total General Fund Spending						
<i>(Dollars in Thousands)</i>						
	Forecast Spending in FY 08-09	Forecast Spending in FY 10-11	Appropriations Chapter 93 FY 10-11	% Change FY 10-11 vs. FY 08-09	% Change FY 10-11 vs. Base	Tails Chapter 93 FY 12-13
Debt Service	862,071	1,066,530	1,077,540	24.99%	1.03%	1,197,522
Capital Projects	20,495	29,800	29,800	45.40%	0.00%	45,219
General Fund	-	-	10,653	100.00%	100.00%	0
Totals	882,566	1,096,330	1,117,993	26.64%	1.94%	1,242,741

Budget Highlights

Minnesota Laws 2009, Chapter 93, Article 1 – Capital Improvements

Chapter 93, Article 1 authorizes \$295.6 million in general obligation (GO) bonds. Of this amount, the Governor vetoed \$72.2 million in projects for a total of \$223.4 million in GO bonds. In addition, Chapter 93 also includes \$48.0 million in user-financed bonds, of which, \$13.0 million of the appropriations were vetoed for a total of \$35.0 million in user-financed bonds. Below is a list of the funded projects:

- **University of Minnesota:** Appropriations total \$27.5 million. This includes: \$25.0 million for higher education asset preservation and replacement (HEAPR); \$1.2 million for a national solar rating and certification laboratory on the twin cities campus; and, \$350,000 for the West Central Research and Outreach Center for a solar thermal and photo voltaic systems
- **Minnesota State Colleges and Universities:** \$40.0 million for HEAPR
- **Department of Natural Resources:** Appropriations total \$54.8 million. This includes: \$1.0 million for asset preservation; and, \$53.8 million for flood hazard mitigation grants, including \$3.8 million for a grant to the City of Saint Paul for infrastructure in the National Great River Park and \$12.0 million for a grant to Oakport Township in northwestern Minnesota

- **Board of Water and Soil Resources (BWSR):** \$500,000 for the Reinvest in Minnesota Conservation Reserve Program
- **Rural Finance Authority:** \$35.0 million in use-financed bonds for making loans to farmers across the state through a variety of programs
- **Minnesota Zoological Gardens:** \$3.0 million for asset preservation and improvement
- **Amateur Sports Commission:** \$1.0 million for asset preservation at the National Sports Center in Blaine
- **Department of Military Affairs:** \$3.6 million for asset preservation at agency facilities
- **Minnesota Department of Transportation:** Appropriations total \$51.6 million. This includes: \$10 million for the local bridge replacement and rehabilitation program; \$4.0 million for a grant to the Minnesota Valley Regional Rail Authority to rehabilitate railroad tracks between Norwood-Young America and Hanley Falls; \$26.0 million for intercity passenger rail projects; \$3.0 million for port development assistance grants; \$2.0 million for an aircraft surveillance tower at the Alexandria airport; \$1.7 million to extend and reconstruct a runway at the Bigfork airport; and, \$4.9 million for phase one of a new Duluth airport terminal
- **Metropolitan Council:** Appropriations total \$22.6 million. Of which, \$21.0 million is for the transit capital improvement program, including \$8.5 million for the Union Depot and \$313,000 for betterments in the Capitol area related to the Central Corridor project. In addition, there are two appropriations to the Council for grants to the city of Minneapolis for a bridge over the Northtown Rail Yard and to better a portion of the Grand Rounds Scenic Byway
- **Department of Human Services:** \$2.0 million for asset preservation at agency facilities
- **Veterans Affairs Department / Veterans Home Board:** Appropriations total \$2.5 million, including \$1.0 million for asset preservation and \$1.5 million for veterans cemeteries
- **Department of Corrections:** \$4.0 million for asset preservation at agency facilities
- **Department of Employment and Economic Development:** Appropriations total \$5.8 million, including \$750,000 for a grant to Saint Louis County under the Redevelopment Grant Program for infrastructure improvements and \$5.0 million for a grant to Olmsted County for a new steam pipeline from the Olmsted Waste-to-Energy Facility to the Rochester Community and Technical College campus
- **Housing Finance Agency:** \$2.0 million for public housing
- **Minnesota Historical Society:** \$2.2 million for asset preservation at historic sites
- **Management and Budget:** \$343,000 in bond sale expenses

Chapter 93 also appropriates money for the following projects; however, the appropriations were vetoed by the Governor:

- \$24.0 million for the University of Minnesota for the Bell Museum of Natural History
- \$38.9 million for the Minnesota State Colleges and Universities (MnSCU) for a variety of projects across the state. Of the \$38.9 million, \$13.0 million was user-financed GO bonds. Vetoed projects include appropriations for a health science center addition at Lake Superior College, shop and technology space at Mesabi Range Community and Technical College, smart classroom center at Metro State University, center for business and technology at North Hennepin Community College, and system wide classroom renovations at a variety of campuses across greater Minnesota
- \$5.8 million for a capital loan to the Red Lake School District through the Department of Education
- \$3 million for the Minnesota Rail Service Improvement Program under the Department of Transportation
- \$2.0 million for early childhood learning and child protection facilities under the Department of Human Services
- \$11.5 million of appropriations for grants through the Department of Employment and Economic Development, including grants for expansion of the Mankato Civic Center, creation of the Shubert Performing Arts and Education Center, and expansion of the Saint Cloud Civic Center

Minnesota Laws 2009, Chapter 93, Article 2 – Disaster Relief

Chapter 93, Article 2 authorizes an additional \$4.4 million in general obligation (GO) bonds supported by the general fund for flood relief in northwestern Minnesota related to a spring 2009 flood in the Red River Basin. In addition, Article 2 also includes \$10.3 million in general fund appropriations, a \$200,000 appropriation from the trunk highway fund, and a \$2.7 million appropriation of trunk highway bond. Appropriations in this article total \$17.6 million, including:

- \$9.2 million for the Department of Public Safety, of which, \$3.9 million is in the form of GO bonds and \$5.3 million is in the form of general fund cash. The appropriations are for the state match for individual assistance and the state and local match for federal assistance
- \$2.0 million for the Board of Water and Soil Resources for Reinvest in Minnesota conservation easements, a cost-share program, and a Red River Basin Commission grant. \$500,000 of the \$2.0 million is in the form of GO bonds, and \$1.5 million is in the form of general fund cash
- \$173,000 from the general fund for the Department of Education for disaster enrollment impact aid, disaster relief facilities grants, disaster relief operating grants, and pupil transportation grants
- \$200,000 from the general fund for the Department of Employment and Economic Development for the Minnesota Investment Fund for grants to local units of government

to provide monies to businesses and nonprofit organizations adversely affected by the flood

- \$2.7 million from the general fund for the Economic Development and Housing Challenge Program through the Housing Finance Agency
- \$250,000 from the general fund for the Department of Revenue for city flood loss aid
- \$200,000 from the general fund for medical assistance providers through the Department of Human Services
- \$2.9 million for the Department of Transportation for infrastructure operations and maintenance and trunk highway and bridge reconstruction and repair, of which, \$2.7 million is in the form of trunk highway bonds and \$200,000 is in the form of trunk highway fund cash
- \$10,000 in bond proceeds from the general fund and trunk highway fund for the Department of Management and Budget for bond sale expenses associated with the trunk highway and other GO bonds

Minnesota Laws 2009, Chapter 93, Articles 3 and 4

Chapter 93, Articles 3 and 4 include additional disaster relief appropriations related to two other disasters. Article 3 funds relief related to a May 2008 tornado in Hugo, Minnesota. The appropriation is from the general fund in the amount of \$350,000 for debris clearance and other disaster costs. In addition, Chapter 93, Article 4 states the Saint Charles school district is eligible for declining unit pupil aid related to an April 2009 fire with a maximum of \$242,000 per year available in fiscal years 2010 and 2011.

Implications: Debt Management

Minnesota's debt capacity is an estimation of how much the state can borrow based on the current debt management guidelines. Of all the debt management guidelines, the most commonly known policy is referred to as the "three percent ratio." This rule states that the appropriation for general fund debt service in a biennium shall not exceed three percent of non-dedicated general fund revenues in that biennium. Simply stated, the policy dictates that up to three percent of non-dedicated general fund revenues can be used to make payments on money the state borrows, giving the state a self imposed credit limit; of all of the policies, this is the policy the state has come closest to not adhering to over the last few biennia.

With the passage of the 2008 Capital Budget, the ratio of the state's non-dedicated general fund revenues to debt service was expected to be at 2.69 percent for the FY 2008-09 biennium and 2.93 percent for the FY 2010-11 biennium based on end of 2008 session estimates. End of 2008 session estimates also predicted the debt capacity – the maximum amount the state could authorize in GO bonds while still staying under the 3 percent limit - would allow for \$120 million in bonding during the 2009 legislative session and each odd-numbered year through 2017 and \$885 million in the 2010 legislative session and each even-numbered year through 2016.

However, with the sharp decline in forecasted general fund revenues over the next two biennia, the state has exceeded the three percent ratio discussed above. Under the February forecast, the

ratio was expected to be at 3.50 percent for the 2010-11 biennium and 3.45 percent for the 2012-13 biennium. This assumes \$725 million in GO bonding during the 2010 and 2012 sessions based on a 10-year average of bonding bills in the even-numbered years, and \$120 million in GO bonding in the 2011 and 2012 sessions. The three percent ratio rose to 3.53 percent and 3.50 percent respectively with the passage of Chapter 93 since the GO bonding in Chapter 93 exceeded the forecasted amount by approximately \$108 million. Even if the legislature does not authorize additional bonding in the 2010, 2011, and 2012 sessions, current estimates suggest the state will not be within the three percent limit as shown in the table below. It is important to note, the state would have been over the three percent limit if Chapter 93 had not passed as well.

No GO Bonding in Out Years (\$ in Thousands)				
Legislative Session	2009	2010	2011	2012
Amount of GO Bonds Authorized	\$ 228	\$ -	\$ -	\$ -
Fiscal Year	2010	2011	2012	2013
Debt Service Difference from Forecast	\$ 691	\$ (4,999)	\$ (29,558)	\$ (79,865)
Total Debt Service	\$518,100	\$544,122	\$542,833	\$522,081
Debt Service to General Fund Ratio		3.48%		3.13%

Over the past few years there have been ongoing conversations regarding the debt management guidelines and whether or not they are currently meeting Minnesota's needs. As depicted above, the state is not complying with the three percent ratio guideline at this time. In addition, questions have come up regarding some of the other guidelines as well, specifically the guidelines stating that 40 percent of debt must be retired within 5 years and 70 percent must be retired within 10 years. Although these guidelines have been praised by rating agencies, they also drive up the cost of borrowing. As the 2010 Capital Budget year quickly approaches and the legislature prepares to receive the state and local Capital Budget requests in mid-July, the guidelines will inevitably continue to be a policy discussion between the legislature and Governor.

If you have further questions on capital investment issues, please contact Koryn Zewers at 651-296-4178 or koryn.zewers@house.mn.

This page intentionally left blank

Education Finance

For the FY 2010-11 biennium, Chapter 96 includes \$13.1 billion in general fund state aid for K-12 and early childhood education. This compares with the February 2009 forecast of current law FY 2010-11 spending of \$13.6 billion, for a total reduction of general fund spending of \$500 million, or 3.6 percent below current law. However, this one-time reduction is entirely replaced by an allocation of \$500 million in federal America’s Resource and Rehabilitation Act (ARRA) state budget stabilization funding. For the FY 2012-13 biennium, Chapter 96 includes total state appropriations of \$14.3 billion, which is equal to the base 2012-13 February 2009 forecast appropriations.

School district property tax levies in Chapter 96 would increase slightly for taxes payable in 2011, FY 2012, and FY 2013, compared to current law. In FY 2011, levies will be \$586,400 higher than then \$2.3 billion base. In FY 2012 levies are projected to be \$143,000 higher than base, and in \$72,000 higher than base in FY 2013.

E-12 Education – General Fund Summary						
<i>All dollars in thousands</i>						
	Forecast Spending in FY 08-09	Base Funding FY 10-11	Appropriations Chapter 96 FY 10-11	% Change FY 10-11 vs. FY 08-09	%Change FY 10-11 vs. Base	Tails Chapter 96 FY 12-13
K-12 Education Aids	13,487,739	13,608,558	13,110,058	-2.80%	-3.66%	14,058,449
Early Childhood Education Aids	209,845	204,157	204,157	-2.71%	0.00%	210,211
Department of Education	42,189	43,386	41,886	-0.72%	-3.46%	41,886
Minnesota State Academies	23,692	23,824	23,824	0.56%	0.00%	23,824
Perpich Center for Arts Education	14,174	14,174	14,174	0.00%	0.00%	14,174
Totals	13,777,639	13,894,099	13,394,099	-2.78%	-3.60%	14,348,544
General Fund Revenues			<u>0</u>			
Net General Fund			13,394,099			

The following summarizes Chapter 146, with the cost expressed as a biennial total for FY 2010-11 from the general fund, unless otherwise noted:

K-12 Education Programs

General Education Program

- \$500 million in reduced state spending due to a one-time offset of state funds with federal ARRA funds. All districts will have their FY 2010 funding reduced by an amount proportionate to their number of pupils, relative to the \$500 million. At the same time, each district will be allocated federal ARRA funding in the amount that their state funding was reduced under this provision. Because state funds are allocated on a 90 percent current year, 10 percent final (subsequent) year basis, and federal funds are paid on a 100 percent current year basis, districts will see a cash flow advantage for one year, of \$50 million statewide.

Education Excellence

- \$750,000 to increase, by approximately 40 percent, the budget for the Minnesota Reading Corps, which attempts to improve 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.
- \$750,000 for math and science teacher centers, which would provide staff development for teachers, as well as providing curriculum development services and instructional materials for schools and school districts.

Minnesota Department of Education

- \$1.5 million in savings due to a reduction in the agency's base operating budget. The reduction is equal to 3.5 percent per year of the agency's general fund budget.

Family and Early Childhood Programs

There were no spending increases or decreases compared to the general fund budget base in the Family and Early Childhood program area. Funding for the areas of Early Childhood and Family Support, Community Education and Prevention, and Self-Sufficiency and Lifelong Learning were all held harmless in a budget session where other agencies endured substantial cuts to programming.

There were policy changes made in language for the Early Childhood program area, which did not have funding attached. One initiative is to create a framework for a Quality Rating and Improvement System which would ensure access to high quality in early learning programs across the state. The goal of this initiative is to have children ready for kindergarten by 2020.

Another initiative is to develop an early learning study through collaboration between the Department of Human Services (DHS) and the Department of Education (MDE). The study will consider the transfer of child care programs from DHS to MDE, along with plans for the creation of one common set of standards to apply to a statewide early learning system.

Implications

Even with “flat” or “base” education funding levels, actual appropriations change, and the amount of funding on a per pupil basis can change due to previous changes enacted by the Legislature. For example, between FY 2009 and FY 2010, statewide average school district revenue on a per ADM (headcount) basis increases by \$26 from \$9,509 to \$9,535. In addition, between FY 2010 and FY 2011, on the same basis, average revenue per ADM increases by \$224, from \$9,535 to \$9,759. The reason for this is that there are changes in formulas even within the “base” funding. For example, there was \$123 per pupil in one-time funding in FY 2009 that does not show up in FY 2010. In addition, voter approved referendums are projected to grow by \$68 per pupil during the same period, special education funding is projected to grow by \$17 per pupil due to built-in growth factors in that formula, permanent school fund revenue is credited as actual revenue to districts in FY 2010, along with some other miscellaneous revenues, resulting in the net \$26 increase. For FY 2011, the increase is primarily due to \$135 per pupil projected increase in voter approved referendum amounts and an additional \$48 per pupil in special education funding.

For further information on Early Childhood Education Finance related issues, contact Emily Adriaens at (651) 296-7171 or emily.adriaens@house.mn and for K-12 Education Finance related issues contact Greg Crowe at (651) 296-7165 or greg.crowe@house.mn

This page intentionally left blank

Environment and Natural Resources/ Energy Finance

Chapter 37, as enacted in the 2009 session combined the House Environment and Natural Resources Finance Division and the Energy Finance Division appropriations. The Environment and Natural Resource Division 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 Finance Division budget funds the Commerce Department and the Public Utilities Commission. The total general fund appropriations for FY 2010-11 are \$360.1 million. General fund appropriations by agency are displayed in the chart below. Details of changes to the budgets are summarized by agency.

Environment , Natural Resources and Energy Finance						
Total General Fund Spending						
<i>(all dollars in thousands)</i>						
	Forecast FY 08-09	Forecast Base FY 10-11	Chapter 37 FY 10-11	FY 10-11 vs. FY 08-09	FY 10-11 vs. Base FY 08-09	Chapter 37 FY 12-13
Article 1						
Pollution Control Agency	53,392	22,982	20,942	-60.78%	-8.88%	19,442
Zoological Garden	14,193	14,136	13,136	-7.45%	-7.07%	13,136
Natural Resources, Dept	252,271	239,986	229,822	-8.90%	-4.24%	233,091
Water & Soil Resources Bd	54,367	34,699	30,961	-43.05%	-10.77%	30,686
Metropolitan Council Parks	8,000	8,100	7,620	-4.75%	-5.93%	7,620
Science Museum of Minnesota	2,500	2,500	2,374	-5.04%	-5.04%	2,374
Minnesota Conservation Corps	1,000	950	910	-9.00%	-4.21%	910
subtotal	385,723	323,353	305,765	-20.73%	-5.44%	307,259
Article 2						
Commerce Dept	49,390	43,676	43,466	-11.99%	-0.48%	43,216
Public Utilities Commission	10,780	10,866	10,866	0.80%	0.00%	10,866
subtotal	60,170	54,542	54,332	-9.70%	-0.39%	54,082
Grand Total	445,893	377,895	360,097	-19.24%	-4.71%	361,341
Gen fund Revenue Changes			2,213			1,694
General Fund net effect	445,893	377,895	357,884	-19.74%	-5.30%	359,647

Pollution Control Agency (PCA)

Chapter 37 appropriates to the agency a total FY 2010-11 budget of \$330.2 million, of which \$20.9 million is general fund dollars. This is a general fund decrease of 8.9 percent from the agency's base. Changes to the agency budget include the following items:

- A decrease of \$250,000 from the general fund to the Waters program.
- The feedlot grant program appropriation was decreased by \$320,000 for the biennium.
- A grant to the Red River Watershed Management Board of \$100,000 in each year is for continuation of the River Watch program.
- An annual appropriation of \$350,000 each year is for grants to counties for completion of subsurface sewage treatment system inventories.
- A one-time appropriation of \$100,000 is for grants to local units of government to implement projects to control runoff and provide ditch stabilization.
- A one-time appropriation of \$500,000 is to develop minimal impact design standards for urban storm water runoff.
- The Lands program general fund appropriation was decreased by \$70,000 from the base.
- The Environmental Assistance program general fund appropriation was decreased by \$2.6 million from the base.
- The Administrative Support program general fund appropriation was decreased by \$300,000 from the base.
- Appropriations from the environmental fund for the subsurface sewage treatment system program were increased by \$766,000 in the biennium.
- The legislature funded \$15.7 million from the environmental fund to be used for completion of the assessments of water quality statewide. The Governor vetoed this funding.
- An appropriation of \$1.4 million is to be used for an air emissions data base development.
- An increase in the appropriation from the environmental fund for Air program activities of \$167,000 in FY 2010 and \$427,000 in FY 2011.
- An increase from the environmental fund of \$500,000 in each year for county SCORE grants.
- Funding to administer the newly created composting grant program was appropriated for \$250,000 in each year from the environmental fund.
- An appropriation of \$314,000 from the environmental fund is for agency activity related to harmful chemicals in products.
- The agency E-waste program appropriation was continued for the biennium at \$265,000 each year.

Department of Natural Resources (DNR)

Chapter 37 appropriates a total Department of Natural Resources budget of \$693.7 million, of which \$229.8 million is general fund dollars. This is a decrease of 4.2 percent from the agency forecasted base. Highlights of the appropriation changes to the agency include the following items.

General Fund (and mixed fund)

- A decrease of \$675,000 in each year to the appropriation for real estate management activities. To offset a portion of this reduction, the appropriation from the natural resources fund was increased by \$612,000 in each year. The new funds are raised from increased fees related to easements and utility crossings on state lands.
- In chapter 37 the appropriation to the agency for mineral land management was reduced by \$1.2 million in each year. As an offset for this reduction the appropriation to the agency from the natural resources fund was increased by \$1.2 million. This new revenue is from new fees imposed on mines and fee owners of property which is permitted to mine. (A portion of the new fee was later repealed in the tax policy bill, Chapter 88).
- The Waters protection activity appropriation of the agency was reduced by \$1.22 million for the biennium.
- An increase of \$3 million from the general fund for DNR forest management activities. There was a related decrease of \$11.1 million from the forest management account in the natural resources fund. The account is currently generating revenue below the level previously forecasted.
- The general fund appropriation for the parks and trails programs was reduced by \$2.7 million for the biennium.
- General fund appropriation to the fish and wildlife programs was decreased by \$3.9 million for the biennium. Activities affected include fish management, wildlife management, aquatic plant restoration, prairie wetlands restoration, fish population surveys and the MN shooting center operations subsidy.
- Wildlife health programs dealing with Bovine TB were given an increase in appropriation of \$539,000 in each year.
- The general fund appropriation to the Ecological Services program was reduced by \$300,000 in each year.
- The general fund appropriation for the Enforcement division was reduced by \$215,000 in each year of the biennium.
- An additional agency wide reduction of \$800,000 each year of general fund appropriations from the base is to be made as determined by the Commissioner. Grants may not be reduced.

Other fund changes:

- The Forest Management program received a one-time appropriation of \$2.15 million from the game and fish fund to be used on continuation of the ecological classification system program in state forests.

- Water access site rehabilitation and maintenance funding was increased by \$2.15 million for the biennium. The funding is from the water recreation account in the natural resources fund.
- An appropriation of \$200,000 from the water recreation account is to be used for development of downloadable GPS coordinates and river gauge data interpretation
- Lottery-in-lieu account funding for parks and trails activity was increased by \$850 for the biennium.
- From the natural resources fund is an appropriation of \$1.25 million for increased state park and trails operations.
- An increase of \$400,000 in each year from the natural resources fund is for increased maintenance of the snowmobile trail system.
- Gray wolf research and management activity funding was increased by \$440,000 for the biennium.
- Spending from various dedicated accounts within the game and fish fund was increased by \$515,000 in each year of the biennium. The accounts are funded by surcharges and stamps on specified licenses.
- Walleye stocking activity was increased by \$285,000 in each year of the biennium. The funds are from the revenue received from the voluntary walleye stamp sales.
- The amount of the base grants to Como Zoo and the Duluth Zoo were each increased by \$25,000 in each year. The funding is from the lottery-in-lieu account and is dedicated in statute for grants to zoos.

Chapter 176 was the combined game and fish and lands bill. It contained several appropriations to the DNR including the following:

- A one-time appropriation of \$20,000 from the natural resources fund is for startup cost related to the newly enacted legislation allowing for forfeiture of off-highway vehicles.
- \$15,000 was appropriated from the game and fish fund to be used for the costs of the changes made to the fishing contest permit requirements.
- \$150,000 in each year was appropriated from the game and fish fund to be granted to the “let’s go fishing” organization.

Minnesota Zoological Board

The general fund appropriation for the operation of the Minnesota Zoo is decreased by \$500,000 in each year. This is a decrease of 7.1 percent from the base. The Zoo also received an increase in the base appropriation from the lottery-in-lieu account of \$22,000 in each year.

Science Museum of Minnesota

In Chapter 37 the base appropriation to the Science Museum is decreased by \$63,000 in each year. This is a decrease of 5 percent from the base.

Board of Water and Soil Resources (BWSR)

The chapter appropriates a total BWSR budget of \$38.6 million, of that amount \$30.961 million is from the general fund. This is a recommended general fund decrease of 10.8 percent from the agency base forecast. Included in the chapter are these general fund items.

- Grant programs of the agency were decreased by \$3.7 million from the base appropriations. Included were the natural resources, SWCD services, cost share, Area 2, Red River Basin Board, drainage assessment, wetlands violation enforcement, and the MN River Joint Powers Board grants.
- The feedlot grant program was increased by \$500,000 in each year.
- The administration appropriation was decreased by \$316,000 in each year.

Minnesota Conservation Corps

Chapter 37 decreased funding for the MCC by \$40,000 over the biennium. This is a decrease of 4.2 percent from the base.

Metropolitan Council Parks

Funding for metro parks is decreased from the base appropriation by \$240,000 in each year of the biennium. This is a decrease of 5.9 percent from the base.

Legislative-Citizen Commission on Minnesota Resources (LCCMR)

In a separate Chapter 143, the legislature passed the LCCMR bill which appropriated \$25.7 million dollars from the environment and natural resources trust fund. The projects funded are for the protection and enhancement of the state's lands and waters, to advance energy conservation and to provide information for effective planning and management of the state natural resources. Details on the projects funded can be found at the LCCMR website. http://www.lccmr.leg.mn/RequestforProposals/2009/Proposals_Dec/2009Spreadsheet.htm

Department of Commerce

Chapter 37 appropriates a total of \$555.3 million for the department. Of that amount, \$43.5 million is from the general fund. This is a decrease of ½ percent from the department general fund base. The general fund appropriations changes for the department include:

- The Administrative Services program budget was reduced by \$822,000 for the biennium. This decrease was partially offset by an increase in the appropriations from the special revenue fund of \$470,000.
- The Market Assurance division's general fund appropriations used to conduct insurance examinations and investigations was increased by \$680,000 in each year. Currently, these examinations and investigations are conducted by outside contractors. This increase is offset by increased general fund revenues garnered through assessments paid by the

insurance companies being examined and/or investigated. The revenue associated with this recommendation is discussed below.

This item will also have budget implications for non-general fund division activities. It is projected to save \$84,000 each year for the workers' compensation account; and increased costs of \$22,000 each year to the insurance fraud prevention account in the special revenue fund.

- The Market Assurance division's general fund base appropriation is decreased by \$300,000 in each year. The reduction is due to anticipated savings from the Governor's recommendations that insurance rates and forms be regulated on a "file and use basis," with the exception of workers' compensation, annuities, and health.
- \$754,000 of increased revenue is projected in each year by changes to move insurance examinations and investigations "in-house." The department will assess companies directly for the costs associated with these activities, and deposit the assessments in the general fund.
- There will be \$284,000 each year in estimated increased revenue from the Office of Energy Security modifications to its recovery of non-regulatory costs. Currently, these costs are recovered through assessment of municipal utilities and electric cooperatives only. The assessment will be expanded to all energy utilities.
- The E-85 pump grant program appropriation was reduced by \$750,000.
- \$500,000 was transferred from the unexpended balance in the auto theft prevention account to the general fund.
- An appropriation of \$300,000 was from the special revenue account for a grant to the Legislative Coordinating Commission to provide captioning of live streaming of legislative sessions, and for a grant to the Commission of Deaf, DeafBlind, and Hard-of-Hearing Minnesotans to provide information on American sign language and to provide technical assistance to state agencies.

\$1.975 million is required to be paid to the Commissioner of Commerce from the renewable development fund established under Minnesota Statutes, Section 116C.779. These funds are then appropriated for the following projects.

- \$300,000 is for a grant to the University of Minnesota to develop statewide heat flow maps.
- \$400,000 is for financial rebates to new solar electricity projects.
- \$625,000 in each year for community energy technical assistance and outreach on renewable energy.

- \$2.088 million of the FY 2009 appropriation for the rural wind energy development revolving loan fund was canceled.
- \$588,000 is for a grant to the University of Minnesota to be used by the Initiative for Renewable Energy and the Environment on the start-up costs of a solar testing and certification laboratory.
- \$1.5 million is for a grant to the Minnesota State University to support applied research in renewable energy and energy efficiency.
- \$25,000 is for a grant to manage the integration of the Green Jobs Task Force and the mayors' initiative on green manufacturing.

Public Utilities Commission

Chapter 37 appropriates \$10.866 million in general fund for Public Utilities Commission in the FY 201-11 biennium. This is the same as the base funding amount.

For additional information on Environment and Natural Resources Finance issues, contact Jim Reinholdz at 651.296.4281 or email: jim.reinholdz@house.mn. The complete tracking spreadsheet on chapter 37 can be found at the House Fiscal Analysis web site. <http://www.house.leg.state.mn.us/fiscal/files/env09.pdf>

This page intentionally left blank

Health and Human Services

General fund appropriations for the health and human services area total \$4.331 billion for fiscal year 2010 and \$4.725 for fiscal year 2011. Health care access fund spending is \$510 million in fiscal year 2010 and \$593 million in fiscal year 2011. Spending of federal temporary assistance for needy families (TANF) funds is expected to be \$297 million in fiscal year 2010 and \$284 million in fiscal year 2011.

Health & Human Services: General Fund Spending						
<i>(dollars in thousands)</i>						
	Forecast Spending in FY 08-09	Base Funding FY 10-11	Chapter 79 FY 10-11	% Change FY 10-11 vs. FY 08-09	% Change FY 10-11 vs. Base	Tails Chapter 79 FY 12-13
Human Services	8,876,545	10,038,737	9,205,265	3.70%	-8.30%	11,586,722
Health	160,671	142,022	133,250	-17.07%	-6.18%	145,079
EMS Board	7,315	6,576	6,348	-13.22%	-3.47%	6,248
Council on Disability Ombudsman for Mental Health	1,135	1,048	1,048	-7.67%	0.00%	1,048
Ombudsman for Families	3,239	3,310	3,310	2.19%	0.00%	3,310
	520	530	530	1.92%	0.00%	530
Totals	9,049,425	10,192,223	9,349,751	3.32%	-8.27%	11,742,937
General Fund Revenues						(85,087)
Net General Fund						11,657,850

Department of Human Services

General Fund appropriations for the Department of Human Services are \$4.332 billion for fiscal year 2010 and \$4.786 billion for fiscal year 2011.

With enactment of Laws of 2009 Chapter 79, \$615 million in general fund spending was cut from the area of Health and Human Services finance. The bulk of those cuts (\$595 million) came from programs within the Department of Human Services.

Cuts were targeted so as not to interfere with provisions in the American Recovery and Reinvestment Act and risk losing federal stimulus dollars. The federal law required that program cuts may affect benefit levels but not eliminate person from eligibility into a program. To meet this requirement, many of the cuts were targeted at providers of services by cutting rates the state may be charged for health care, long term care or services for the disabled.

Details of the changes made to the Department of Human Services appear below.

Administration and Licensing

Changes to the department's budget begin with a \$6 million dollar annual reduction for administrative costs. The department is still working on details of how to best implement the plan, but reductions will be made agency wide and may result in staff cuts.

Human Services is also required to transfer to the general fund \$3 million is funds set aside for the now dismantled Health Match program and received a reduction in their allocation for leases costs of a net \$320,000.

Financial Assistance and Child Care Programs

The state will save an estimated \$23.4 million in general fund dollars by greater use of federal reimbursements for costs related to group residential housing programs. The costs had been previously paid by the state and were discovered to be covered by federal matching funds.

The bill passed TANF "refinancing" or using the saved federal dollars to replace state general fund spending where allowable by federal regulations. The end result is that the general fund benefits from the reductions by refinancing the total of \$32.8 million in costs for the biennium to federal sources of funding.

The legislature requires repayment from counties for a contingent appropriation for targeted case management grants made to counties and tribes. An appropriation of \$32.7 million had been made to counties and tribes to help manage public program caseloads due to an anticipated reduction in federal funds and the elimination of federal reimbursement. The federal reductions did not materialize as anticipated and the counties will need to repay the funds. A similar provision was used to save \$19.8 million in general fund dollars through the use of federal child care development funds as a replacement.

The legislation reduces the work participation cash benefit for MFIP from a \$75 to \$50 bonus for 24 consecutive months of work. The change saves an estimate \$1.8 million in 2010-11.

The caregiver work requirement was relaxed to allow parents of very young children on MFIP to stay home and care for children rather than work when the cost of providing child care would be more expensive than the income from the employment. The policy change would save an estimated \$2.1 million in the upcoming biennium.

The legislature also included some one time spending for supported work grants to increase work opportunities for those on the MFIP program. The total cost is \$9.2 million in 2010-11. The dollars will be used by counties statewide to create work opportunities for MFIP families.

In lieu of additional general fund dollars, the state child care programs received additional federal funding for the 2010-11 biennium through the American Recovery and Reinvestment Act. The legislature passed language to direct federal funds for child care programs, including:

- \$375,000 in 2010 and 2011 for the Family, Friend & Neighbor program.
- \$2.65 million over the 2010-11 biennium to be used toward the administration and statewide preparation of the current Parent Aware pilot program. This pilot program has been in place over the past three years to test the quality of early care and education providers with the goal of making this information readily available to parents seeking early care for their children, in the form of a statewide Quality Rating System.
- \$8 million for the 2010-11 biennium to help reduce the number of families on the waiting list for Basic Sliding Fee child care assistance.

Health Care

Minnesota public health care programs make up nearly 20 percent of the overall state general fund budget. While budget balancing actions will reduce spending on health care programs, the federal stimulus dollars came with strings attached that limit flexibility by placing restrictions on where cuts could be made. Cuts in Medicaid related programs must be made to services or rates but not affect eligibility. Removing the eligibility of persons from Medicaid programs would put in jeopardy the \$1.8 billion that Minnesota was to receive in increased federal participation.

While the legislature made many reductions in the area of health care, the legislation also included some increased spending and targeted expanded eligibility as well.

Details of the many changes made to health care programs include:

- A 3 percent reduction in rates paid to certain providers for Medical Assistance (MA) and General Assistance Medical Care (GAMC) is a savings to the general fund of \$14.3 million for the biennium.
- A 5 percent reduction to specialist yields an additional \$34 million for 2010/11.
- The legislature included an appropriation for simplifying and streamlining the application process at a cost of \$1.6 million for the biennium.
- The inclusion of automatic eligibility in MNCare for 18 year olds leaving foster care added nearly \$200,000 in 2011.
- Expanding eligibility by removing barriers for children under 200 percent of poverty and adding automatic renewal of children adds \$5.8 million in health care access fund spending in 2011, but grows to \$53 million per year by 2013.

- Eliminating the depreciation add-back for farmers in MNCare adds \$1.6 million in health care access fund expenditures in 2011.
- Increasing the managed care withhold for MinnesotaCare would save \$20.5 million for the biennium from the health care access fund.
- \$5 million would be saved by delaying hospital rebasing (automatic inflationary increases) during the next biennium.
- A health care provider payment delay shifts \$23 million in costs to the 2012-13 biennium.
- An inpatient hospital payment delay will shift \$24 million in costs to the 2012-13 biennium.
- Limiting the Medical Education Research Costs (MERC) carve-out under MA capitation and a delay in transferring MERC funds to the Department of Health will result in a savings of \$87 million in 2010-11.
- A change in the federal legislation for children's health care allows the state to move costs of covering legal non-citizens from state coverage to federal coverage, saving \$9.2 million.
- A reduction in pharmacy rates of 1 percent for MA and GAMC will save \$2.4 million for the biennium.
- Reductions in the coverage of dental services would save \$25.7 million in the upcoming biennium.
- A savings of \$11.4 million for the biennium will be realized from a 1% reduction on inpatient hospital service rates.
- \$7 million in additional spending from the health care access fund will provide extended COBRA coverage through the MinnesotaCare program for unemployed workers.
- Reducing MA eligibility asset limits from \$10,000 per household of one and \$20,000 for a two person household to \$3,000 and \$6,000 respectively, would save an additional \$9 million for the biennium.

Another major development in health care programs came in the form of a Governor's line item veto of the 2011 appropriation for General Assistance Medical Care or GAMC. The veto will save hundreds of millions of dollars in the general fund by eliminating funding for the program for 2011, but roughly 35,000 persons will lose health care coverage under this program. Many of those people will migrate to the MNCare program to get health care coverage, but will be required to pay premiums and add an additional burden onto the health care access fund, which could potentially be in a projected deficit when the Department of Finance releases its updated forecast in November. While the Governor eliminated funding for the GAMC program in fiscal year 2011, the program with its eligibility standards is still in law.

Long Term Care

The legislature included a proposal submitted by Governor Pawlenty to modify the threshold for the level of care necessary to be admitted to a nursing home for MA enrollees. Under the proposal, potential nursing home residents must be assessed to have significant need with daily activities such as dressing or bathing, need ongoing clinical monitoring for medical conditions, or have behavioral or cognitive needs that require nursing home care before MA reimbursement can be authorized. The implementation date would be much later than recommended by the governor so the savings from the proposal are only \$1 million for 2010-11 but the policy change will result in a savings of \$87 million in 2012-13.

The conference committee also approved reforms to the personal care attendant services funded through the state's Medicaid program. Personal care attendant and private duty nursing services are among the fastest growing areas of spending in the human services budget. Spending has increased from \$120 million in fiscal year 1995 to over \$400 million in fiscal year 2008.

Reforms implemented in the program will require limits on hours of service a client may receive per month. Due to the changes made by the legislature, a recipient is limited to 300 hours per month of personal care services, where no prior limit existed. The legislature also requires that a client must have difficulty with a minimum of two activities of daily living (ADL's) by 2011, instead of just one, in order to qualify for a personal care attendant. ADL's include dressing, bathing, using bathroom facilities, cooking and other tasks.

Another change would limit the growth of state waived services for disabled persons. Services for the disabled have been one of the fastest areas of growth in the Human Services budget over the last several years. The proposal would place lower caps on the number of new waiver slots each month and is estimated to save \$21 million in the 2010-11 biennium.

Also included in the bill budget is the delay of automatic inflationary adjustments to nursing home payment rates or "rebasing". This elimination would save a projected \$3.3 million over the 2010-11 biennium and over \$41 million in 2012-13.

Other non-nursing home long term care provider rates would be reduced by 3 percent across the board as well as a 3 percent reduction in long term care grants. These two changes would result in a combined savings of \$61 million in fiscal 2010-11.

The legislature also introduced a provision to cap adult foster care rates at the current 95th percentile. This provision would reduce expenditures by \$3 million. New adult mental health services passed by the 2007 legislature had their implementation dates delayed saving an additional \$2.4 million. And lastly, the nursing home single bed payment rates were changed saving \$3.4 million for the biennium.

State Operated Services

The legislature chose to use \$110 million in one-time federal fiscal stabilization dollars in the state operated services area. These discretionary dollars from the American Recovery and Reinvestment Act could be used for any state programs, but the substitution of these federal funds saves \$110 million from the general fund in fiscal 2010.

State Operated Services budget was reduced by \$700,000 per year to promote departmental efficiency through usage of newer technology.

A plan to restructure the Anoka regional treatment center is projected to save \$1.5 million per year beginning in 2011.

The legislature included an item in the Governor's budget for increased funding for the Minnesota Sex Offender Program (MSOP) due to growth in the referrals and commitments. The current budget does not allow for increases but the additional money would be used to cover the influx of new offenders. The proposal would cost the general fund \$12.6 million for the 2010-11 biennium.

The budget includes a proposal to keep State Operated Services Dental clinics open by providing an increase in funding of \$500,000 for the biennium and increasing the MA rate paid to SOS dental clinics which would add \$1.3 million in 2010-11. The clinics require the funding to remain open and provide dental services to low income disabled persons.

Other Children and Economic Assistance Grants

Under this area of the Department of Human Services, there were a few programs that received increases in general fund spending for the upcoming 2010-11 biennium.

- *Homeless and Runaway Youth* – A onetime increase of \$218,000 was provided for fiscal year 2010, and any remaining amount may be used in 2011. Beginning in fiscal year 2012, the base funding for the program will be increase by \$119,000 each year. Note that this ongoing increase is not in addition to the onetime increase in funding for the 2010-11 biennium.
- *Supportive Housing Services* – This program also received a onetime increase in funding for the 2010-11 biennium. Each year there is an increase of \$1.5 million in spending. Beginning in fiscal year 2012 the base level of funding (from fiscal year 2009) will be increased by \$68,000 each year.

There was also a reduction in funding for Community Action grants. It is a onetime reduction of \$1.764 million in each year of the 2010-11 biennium. These grants were targeted for a reduction because of the availability of federal funding from the American Recovery and Reinvestment Act. This reduction was a Governor's initiative in his budget proposal to the legislature.

Department of Health

General Fund appropriations for the Department of Health are \$69.4 million for fiscal year 2010 and \$63.9 million for fiscal year 2011. The details of the changes in funding for this agency are as follows, by program area.

Community and Family Health

- *Newborn Screening Fee* – There will be a \$5 increase in this fee beginning in fiscal year 2011 to fund support services for families with children who are deaf or have hearing loss. Part of the revenue from the fees collected will be used for hospital reimbursement through the Department of Human Services for families receiving medical assistance. Base funding for this program will be \$300,000 starting in fiscal year 2011.
- *Colorectal Cancer Screening* – The legislature allocated \$334,000 to fund colorectal screening demonstration projects in Hennepin County and Bemidji in fiscal years 2010-11. A grant amount of \$88,000 will be distributed in 2010 to both the Hennepin County Medical Center and MeritCare Bemidji, followed by \$62,000 in grant funding in 2011. Some of the funding will also cover treatment for those who are diagnosed with colorectal cancer and are eligible to receive medical assistance.
- *Cancer Surveillance Study* – An appropriation of \$100,000 is available for fiscal year 2010 in grant funding for a full time position at the Hennepin County Medical Center to carry out a feasibility pilot project in order to monitor cancer cases.
- *Local Public Health Grants* – These grants will receive a delay in payment of \$5.193 million. This amount will be reduced from funding the grants in fiscal year 2011 and repaid to the program in fiscal year 2012.

Policy Quality and Compliance

The legislature included funding for several small items in the area of Policy Quality and Compliance. \$1.1 million was provided for a health behavioral factor survey and \$525,000 for the E-Health initiative. \$4 million was provided for the electronic health record program, with \$1.2 million earmarked for loans and the balance for grants. Also provided by the legislature was \$128,000 to match an equal amount of federal funding for health care provider student loan forgiveness.

The legislature saved \$2.2 million by the elimination of several grants including \$2 million in MERC grants.

There were also changes in the fees under this program, which are collected and expended through the state government special revenue fund. These included:

- *Occupational Therapy Duplicate License Fee* – The addition of adding a fee for obtaining a duplicate license at the cost of \$25 is expected to raise an additional \$1,000 each year.
- *Hearing Instrument Dispenser Certification Fee* – This fee change should increase revenue by \$118,000 in fiscal year 2010 and \$119,000 in fiscal year 2011.
- *Vital Records Technology Improvement Fee* – The \$4 surcharge for vital records was scheduled to end in fiscal year 2009, but it is made permanent which should result in continued revenue of \$1.2 million per year.
- *Adverse Health Events Program Fee* – This fee change will bring in \$73,000 each year to match the \$73,000 in expenditures each year for a net change of \$0.

Health Protection

The changes in this program area were mostly onetime increases in spending.

- *Tuberculosis Prevention and Control* – An appropriation of \$50,000 in fiscal year 2010 and \$50,000 in fiscal year 2011 was approved by the legislature in order to ensure continued funding for this program. It is onetime funding and will not continue past the upcoming biennium.
- *Emergency Preparedness* - \$100,000 in funding each year for emergency preparedness and response activities. This appropriation is ongoing.
- *PFC Citizens Advisory Group* – This is a onetime appropriation of \$20,000 allotted in fiscal year 2010 for an advisory task force to continue looking at the effects of PFC.
- *Pentachlorophenol Risk Assessment* – In order to consider the risk that pentachlorophenol may pose the legislature made \$55,000 available in 2010 to study the chemical.

There were also a number of changes in the fee structure of several items under the Department of Health's Health Protection Program which are budgeted through the state government special revenue fund. These were all also recommended by the Governor in his budget proposal. The change in expected revenue is as follows:

- *Well Program Fees* – Revenue is expected to increase by \$325,000 each year.
- *Swimming Pool Inspection and Plan Review* – Change in fees will result in anticipated revenue of \$211,000 each year.
- *Food Manager Certification Program* – The fee for certification application or renewal was increased from \$28 to \$35 and the cost for obtaining a duplicate certificate has been set at \$20. These changes are expected to result in a revenue increase of \$61,000 each year. The expenditure increase is \$163,000 which results in \$102,000 in new spending each year.
- *Food, Beverage and Lodging and Sanitarian Registration and Licensing Fee Modification* – Revenue increase is \$559,000 each year, and expenditure increase is \$823,000 for a net spending increase of \$264,000 annually.

- *Youth Camp Licensing and Inspection Program* – The increased revenue and expenditures for each year are \$50,000, which leaves a net change of \$0.
- *Manufactured Home Parks and Recreational Camping Area Fees* – The increase in fees is applied only to special event camping and is expected to produce \$234,000 in revenue. The increase in expenditures is \$320,000 annually for a net spending of \$86,000.
- *X-Ray Program Fee* – The change in fees should result in \$460,000 in new revenue. After an increase in annual spending of \$250,000 there is a balance of \$210,000.
- *Lead Program: Pre-Renovation* – The change in expected revenue is \$50,000 in fiscal year 2010 and \$75,000 in fiscal year 2011. The spending side is \$100,000 additionally each year, so the net spending is \$50,000 in 2010 and \$25,000 in 2011.
- *Environmental Certification Fee* – In fiscal year 2010 the increased revenue amount is \$100,000 and it increases to \$150,000 in fiscal year 2011. The increased spending is \$150,000 each year so in 2010 the net increase is \$50,000 and becomes \$0 in 2011.

Administrative Support Services

The legislature reduced this area of the Department of Health by \$2 million per year. The Governor's recommendation was to reduce the agency's administrative funding by \$1.8 million per year. Specific details on how this reduction will be implemented are still being considered and will be made available as soon as possible.

Health-Related Boards

The health-related boards collect membership fees which in turn provide enough revenue for the operation and maintenance of each board. The boards all use the state government special revenue fund (SGSR) through which to operate these budgets. In the 2009 legislative session, a few boards requested fee increases due to deficits experienced in recent fiscal years, while others looked to lower fees after realizing unneeded budget surpluses. Other requested changes to the boards' funding were the result of additional staff positions and/or unexpected costs.

The funding directives passed by the legislature were in most part to the Board of Nursing Home Administrators. The Administrative Services Unit, the funding unit for most boards, is housed within this board, and out of the board's 2010 and 2011 appropriations, the following specifics were outlined in the 2009 Session Laws:

- *Retirement Costs* - \$201,000 in 2010 for onetime retirement costs in all of the health-related boards
- *Volunteer Health Care Provider Program* - \$79,000 in 2010 and \$89,000 in 2011 for medical professional liability coverage that is required by law
- *Contested Cases and Legal Proceedings* - \$200,000 in 2010 and \$200,000 in 2011 for any costs associated with court cases that may come up throughout the biennium

The Board of Social Work requested a decrease in its fee structure, and the legislature granted the fee change. This results in an estimated loss of revenue for the board of \$351,000 annually.

In addition, the legislature authorized a transfer of \$6 million from the boards' SGSR fund to the general fund in fiscal year 2011.

Emergency Medical Services Board

This board is funded primarily through the general fund, but some funding comes from the state government special revenue fund as well. The changes in funding include a reduction in the general fund operating budget of \$164,000 each year. The general fund appropriation for the board is \$3.2 million in fiscal year 2010 and \$3.1 million in fiscal year 2011.

A new program approved by the legislature and funded through the Emergency Medical Services (EMS) board is the Medical Response Unit Pilot Program. This program received onetime funding in fiscal year 2010 of \$100,000 from the Cooper/Sams Volunteer Ambulance Trust for the Comprehensive Advanced Life-Support (CALS) education program. The intent of this portion of the program is to provide access to the CALS program for rural emergency medical professionals and to aid in implementing the statewide trauma system. The rest of the appropriation for the Medical Response Unit Pilot Program goes to the Department of Veterans Affairs and the Department of Public Safety, funded by money from the Cooper/Sams Volunteer Ambulance Trust. Funding for the Department of Veterans Affairs is \$200,000 in 2010 for a grant to the MN Ambulance Association. An apprenticeship program will be established to bring returning military medics into the field of paramedic and emergency services. The appropriation for the Department of Public Safety is \$250,000 in 2010 to be used toward reimbursing medical response units that participate in the pilot program, along with administrative expenses associated with the pilot.

The Health Professional Services program is funded through the SGSR fund at \$704,000 each year. This is an increase of \$32,000 in fiscal year 2010 and \$62,000 in fiscal year 2011.

The final change approved by the legislature was to transfer money from the Cooper/Sams Volunteer Ambulance Trust (formerly referred to as the Emergency Medical Service Longevity Award) to the general fund. This is a onetime shift of \$6.182 million in fiscal year 2010.

General fund appropriations were continued as base level for the Council on Disability at \$524,000 per year, the Ombudsman for Families at \$265,000 per year and the Ombudsman for Mental Health and Developmental Disabilities at \$1.665 million per year.

For further information on Health and Human Services Issues, contact John Walz at 651-296-8236 or john.walz@house.mn or contact Emily Adriaens at 651-296-7171 or emily.adriaens@house.mn.

Higher Education

The 2009 Omnibus Higher Education finance bill, Laws of MN, 2009, Ch 95, includes total General Fund appropriations of \$2.959 billion for the Mayo Medical School and Family Practice Residency Program, the Minnesota State Colleges and Universities, the Office of Higher Education and the University of Minnesota. Of these appropriations, the Governor line item vetoed four appropriations totaling \$2.58 million. The final enacted General Fund appropriations are \$2.956 billion.

In addition, Federal Fiscal Stabilization Pool funds of \$168.5 million were appropriated to the Minnesota State Colleges and Universities and the University of Minnesota to backfill General Fund reductions in those accounts from the FY 2008 appropriation level. Chapter 95, as enacted, appropriates a General and Federal Budget Stabilization Fund total of \$3.099 billion.

The enacted General Fund budget is \$200.555 million, or 6 percent, below the February 2009 forecast base funding levels for FY 2010-11 for these accounts in total. Including federal stimulus funds the total appropriation level in Chapter 95 is \$62.5 million, or 2 percent, below the February forecast General Fund base for these accounts in total. The following table summarizes Chapter 95 General Fund appropriations by account.

Higher Education Finance						
General Fund Appropriations After Governor Vetoes						
<i>(dollars in thousands, numbers are biennial)</i>						
Agency/Program	Forecast Spending in FY 08-09	Base Funding FY 10-11	Appropriations Chapter 95 FY 10-11	% Change FY 10-11 vs. FY 08-09	% Change FY 10-11 vs. Base	Tails Chapter 95 FY 12-13
Office of Higher Education	378,653	385,835	372,800	-1.5%	-3.4%	373,194
Mayo Foundation/Medical School	2,452	2,651	2,651	8.1%	0.0%	2,702
Minnesota State Colleges & Universities	1,328,300	1,363,194	1,280,130	-3.6%	-6.1%	1,309,694
University of Minnesota	1,386,764	1,405,184	1,300,728	-6.2%	-7.4%	1,340,004
Total General Fund Impact	3,096,169	3,156,864	2,956,309	-4.5%	-6.4%	3,025,594

Note: The Learning Network of Minnesota receives \$9.6 million per biennium and was transferred from the Office of Higher Education to the Minnesota State Colleges & Universities in Chapter 95

Mayo Foundation

The Mayo Foundation receives a General Fund appropriation of \$2.651 million for the Medical School capitation grant program and the Family Practice Residency program. This is the full General Fund base level for FY 2010-11 and is an increase of \$199,000 or 8.1 percent from the FY 2008-09 biennium.

Minnesota State Colleges and Universities (MnSCU)

For the Minnesota State Colleges and Universities Chapter 95 appropriates a general fund total of \$1,280,210,000 for the FY 2010-11 biennium. The Governor line item vetoed \$40,000 per year for the Cook County higher education program leaving enacted General Fund appropriations for MnSCU of \$1,280,130,000. In addition, Chapter 95 appropriates \$15,273,000 in FY 2009 and \$63,893,000 in FY 2010-11 of federal budget stabilization funds for an enacted total FY 2010-11 funding level of \$1,344,023,000. This represents a General Fund reduction of \$83.064 million (-6 percent) or a total funds reduction of \$19.171 million (-1 percent) from the FY 2010-11 General Fund forecast base. However, Chapter 95 also transfers a program, The Learning Network of Minnesota, from the Office of Higher Education to MnSCU. Taking this \$9.6 million transfer into MnSCU budget out of the figures MnSCU receives a General Fund budget reduction of \$92.664 million (-7 percent) or a total funds reduction of \$28.771 million (-2 percent) from the FY 2010-11 General Fund forecast base.

Chapter 95 includes several appropriations riders and funding changes. For the first time in the FY 2010-11 biennium the MnSCU Central Office and Shared Services Unit (the Unit) is a separate line item within the MnSCU appropriation. In each year of the biennium, \$47.328 million is appropriated for the functions of the Unit. In future biennia, requests for changes in the Unit's budget will be separate from MnSCU campus functions. Other appropriations riders require MnSCU to protect the core mission of educating students, to report to the Legislature on specific plans to reduce the budget to the funding levels specified for the next biennium and include general instructions on permissible and non-permissible uses of federal funds. Specific funding riders for MnSCU are:

- \$1 million each year for the Northeast Higher Education District for increasing technical education opportunities with area high schools.
- \$225,000 each year for the E-folio on line resume system.

Chapter 95 also sets the system General Fund base at \$602,759,000 in each year of the next biennium. This represents a reduction of \$53.42 million (-4 percent) from the February forecast General Fund base.

Chapter 95 also specified that federal stimulus funds be used to buy down tuition increases to students to an increase of 3 percent (bought down from 5 percent) each year for a net increase of 6 percent over the biennium. However, Chapter 177 amended the tuition language to say that tuition would be bought down in FY 2010 only to a 3 percent increase for a biennial net increase to students of 8 percent.

Office of Higher Education (OHE)

For the Office of Higher Education Chapter 95 includes General Fund appropriations of \$374.2 million. The Governor line item vetoed the TEACH program and both the Power of You base program and the Power of You program expansion for a savings of \$2.5 million. Chapter 95 as enacted includes net General Fund spending of \$372.8 million. This represents a reduction of \$13.035 million (-3 percent). However, Chapter 95 transfers the Learning Network of Minnesota program from the Office of Higher Education budget to the Minnesota State Colleges and Universities budget. Taking out the effect of this \$9.6 million transfer the funding level for the Office of Higher Education in Chapter 95 represents a reduction of \$3.435 million (-1 percent). Specific changes to the State Grant and other financial aid programs include:

- An increase of \$800 to the Living and Miscellaneous Expense portion of the State Grant formula.
- An increase of \$650 to the four year tuition cap.
- A ninth semester of aid eligibility.
- A new summer bridge program to get high school graduates ready for college.
- A \$500,000 per year (8 percent) increase in child care grants.
- A \$2.5 million per year (20 percent) increase in the state Work Study program.
- A \$125,000 per year (7 percent) increase in the American Indian Scholarship program.
- Some minor modifications to the Governor's Achieve merit aid program including an extra \$150 grant to students taking an on-line course.
- \$150,000 per year for a new Technical/Community College emergency grant program.
- \$225,000 one time for a large animal veterinary loan forgiveness program.
- A \$250,000 per year (50 percent) increase to the Intervention for College Attendance program.
- A \$1 million per year (57 percent) increase in Tuition Reciprocity funding to cover anticipated cost increases in the North Dakota agreement.
- A \$5,000 per year (6 percent) increase for Midwest Higher Education Compact dues.
- A reduction of \$320,000 per year (31 percent) in the Minnesota College Savings program reflecting excess matching funds in the program.

University of Minnesota (U of M)

For the University of Minnesota Chapter 95 appropriates a general fund total of \$1,300,728,000 for the FY 2010-11 biennium. In addition, Chapter 95 appropriates \$15,273,000 in FY 2009 and \$74,050,000 in FY 2010-11 of federal stimulus funds for an enacted total FY 2010-11 funding level of \$1,344,778,000. This represents a General Fund reduction of \$104.456 million (-7 percent) or a total funds reduction of \$30.406 million (-2 percent) from the FY 2010-11 General Fund forecast base. Similar to MnSCU, appropriation riders specify permissible and non-permissible uses for federal stimulus funding and require the University to submit a plan to the Legislature on how the University will reduce its budget to reach the funding level specified for the next biennium in the bill while protecting direct instruction. Other riders also specify that funds may be used to set up a new middle income scholarship program, that the appropriation includes funding for Ojibwe and Dakota language instruction, increased funding for the Veterinary Diagnostic Laboratory to preserve accreditation and for a one-time grant to the Wildlife Rehabilitation Center.

Chapter 95 also sets the system General Fund base at \$596,930 in each year of the next biennium. This represents a reduction of \$65.180 million (-5 percent) from the February forecast General Fund base.

Chapter 95 also specified that federal stimulus funds be used to buy down tuition increases to students to an increase of no more than \$300 each year for a net increase of \$600 over the biennium. However, Chapter 177 amended the tuition language to say that tuition would be bought down in FY 2010 to a net increase of no more than \$300 and in FY 2011 to a net increase of no more than \$450.

If you have any questions on higher education finance issues, please contact Doug Berg at 296-5346 or doug.berg@house.mn.

Jobs & Economic Development Finance

The 2009 Legislature enacted FY 2010-11 General Fund appropriations totaling \$268.297 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 four appropriations totaling \$1.625 million. The final enacted General Fund appropriations are \$266.672 million. These appropriations are contained in Chapter 78, *Laws of Minnesota 2009*.

Jobs & Economic Development Finance						
General Fund Appropriations After Governor Vetoes						
<i>(dollars in thousands, numbers are biennial)</i>						
	Forecast Spending in FY 08-09	Base FY 10-11	Appropriations Chapter 78 FY 10-11	% Change FY 10-11 vs. FY 08-09	% Change FY 10-11 vs. Base	Tails Chapter 78
Employment & Economic Development	156,004	86,520	80,960	-48.1%	-6.4%	79,410
Public Facilities Authority	200	200	186	-7.0%	-7.0%	186
Explore Minnesota Tourism	24,920	22,202	20,209	-18.9%	-9.0%	18,984
Housing Finance Agency	128,557	89,916	86,768	-32.5%	-3.5%	86,668
Labor & Industry	1,968	1,960	1,760	-10.6%	-10.2%	1,760
Mediation Services	3,597	3,670	3,366	-6.4%	-8.3%	3,366
Historical Society	50,559	48,974	45,958	-9.1%	-6.2%	45,958
Arts Boards	20,443	20,674	17,248	-15.6%	-16.6%	17,248
Humanities Center	500	500	500	0.0%	0.0%	500
Public Broadcasting	14,821	3,910	4,030	-72.8%	3.1%	4,030
Board of Accountancy	1,001	1,010	1,010	0.9%	0.0%	1,010
Board of Architecture, Eng., et.al.	1,614	1,630	1,630	1.0%	0.0%	1,630
Board of Barbers Examiners	376	376	381	1.3%	1.3%	376
Board of Cosmetologist Examiners	1,202	1,122	1,342	11.6%	19.6%	1,302
Combative Sports Commission	130	160	160	23.1%	0.0%	0
Region 3 - Occupation Tax	1,164	1,164	1,164	0.0%	0.0%	1,164
Workers Comp Court of Appeals	N/A	N/A	N/A	N/A	N/A	N/A
Iron Range Resources & Rehabilitation	N/A	N/A	N/A	N/A	N/A	N/A
Totals	407,056	283,988	266,672	-34.5%	-6.1%	263,592
New General Fund Revenues			5,674			
Net General Fund Impact			260,998		-8.1%	-7.2%

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

The enacted budget is \$17.316 million (6.1 percent decrease) below the February 2009 forecast base funding levels for FY 2010-11 for the respective state departments, agencies, and boards. The Legislature also approved several change items that will result in an estimated \$5.674 million increase in revenues for the General Fund.

Taken together, the 2009 Legislature's spending and revenue decisions, including the Governor's vetoes, have a net effect to the General Fund of \$260.998 million in Jobs and Economic Development accounts. This is 8.1 percent below base. The dollar reduction from base is \$22.99 million.

Department of Employment & Economic Development

The Legislature approved General Fund appropriations for the Department totaling \$80.96 million for the FY 2010-11 biennium. The final funding level is \$5.56 million *below* the Department's General Fund current law base, a 6.4 percent decrease.

Department of Employment and Economic Development			
2010-11 General Fund Appropriations			
<i>(dollars in thousands, numbers are biennial)</i>			
Program	Current Base	Legislative Changes	Enacted Appropriation
Business Development	\$ 3,196	\$ (86)	\$ 3,110
CDBG State Match	840	(184)	656
Small Business Assistance	972	(144)	828
JOBZ & Business Finance	1,200	(200)	1,000
Minnesota Trade Office Administration	3,000	(170)	2,830
Women Venture	500	(100)	400
Contaminated Site Cleanup Grants	2,980	0	2,980
BioBusiness Alliance	0	1,000	1,000
Minnesota Inventors' Congress	170	(40)	130
Office of Science & Technology	0	400	400
Small Business Innovation Research	200	0	200
Small Business Dev. Center Match	1,138	0	1,138
Enterprise MN: Small Business Program	0	1,000	1,000
Metropolitan Ec. Dev. Assn	310	(100)	210
Rural Policy & Development Center	\$ 500	\$ (500)	0
Entrepreneurs & Small Business Grant	378	(378)	0
Job Skill Partnership – Admin.	1,142	(34)	1,108
Job Skill Partnership – Grants	12,468	(4,452)	8,016
Rehabilitation Services	18,042	(442)	17,600
Services for the Blind	12,250	(278)	11,972
Centers for Independent Living	4,880	(120)	4,760
Extended Employment – Basic (also WDF)	11,254	0	11,254
Extended Employment – Mental Illness	3,306	(80)	3,226
Advocating Change Together	300	0	300
Center for Deaf & Hard-of-Hearing	300	(10)	290
Life Track Resources	200	0	200

Department of Employment and Economic Development 2010-11 General Fund Appropriations <i>(dollars in thousands, numbers are biennial)</i>			
Program	Current Base	Legislative Changes	Enacted Appropriation
YouthBuild	150	(150)	0
Lutheran Social Services	0	150	150
MN Diversified Industries	0	350	350
Twin Cities Rise	910	(210)	700
Northern Connection Workforce Program	500	(200)	300
Communication, Analysis, Research	1,640	(272)	1,368
Business & Information Technology	1,096	(220)	876
Administration	2,618	(50)	2,568
Transfer to Gov. Office — Washington Office	80	(40)	40

The Workforce Enhancement Fee that funds the Workforce Development Fund is temporarily increased by the Legislature. The current 0.1 percent fee current is increased to 0.12 percent for FY 2010 and 2011, and then returned to the 0.1 percent rate in FY 2012 and subsequent fiscal years. The increase is estimated to raise \$17.842 million for the Workforce Development Fund.

The Legislature made several appropriations from the Workforce Development Fund. The total appropriation amount increased the total appropriations from the fund to DEED by \$804,000. The Governor vetoed two appropriations that totaled \$300,000. The resulting net increase from the fund is \$504,000 more than base for the 2010-11 biennium.

Department of Employment and Economic Development 2010-11 Workforce Development Fund Appropriations <i>(dollars in thousands, numbers are biennial)</i>			
Program	Current Base	Legislative Changes	Enacted Appropriation
Extended Employment	\$ 13,840	\$ (180)	\$ 13,660
Metro Economic Development Association	0	100	100
Opportunities Industrialization Centers	2,750	0	2,750
Rural Policy & Development Center	0	200	200
Minneapolis Summer Youth Program	2,000	(200)	1,800
Learn to Earn — Minneapolis	650	(50)	600
St. Paul Summer Youth	1,200	(84)	1,116
Entrepreneurs & Small Business Grants	0	378	378
Twin Cities Rise	0	210	210
Northern Connections	0	100	100
Minnesota Youth Program	7,000	0	7,000
Lifetrack Resources	500	(100)	400
Youthbuild	2,000	0	2,000

Department of Employment and Economic Development 2010-11 Workforce Development Fund Appropriations <i>(dollars in thousands, numbers are biennial)</i>			
Program	Current Base	Legislative Changes	Enacted Appropriation
EE Center For Deaf & Hard of Hearing	350	0	350
Deaf, Hard of Hearing, Deaf-Blind Interpreters	700	(20)	680
Ramsey County: Building Lives Program	0	200	200
MN Works! Disabled/Vendors Cord.	0	150	150
MN Alliance of Boys & Girls Clubs	2,000	(500)	1,500
High-Risk Adults Demonstration Project	0	300	300
Vetoed Appropriations:			
Indigenous Earthkeepers Program VETOED	0	200	200
Asian Collaborative VETOED	0	100	100

The Legislature also transfers \$2.5 million from the Workforce Development Fund to the General Fund each year of the FY 2010-11 biennium. These transfers are onetime only.

In addition to the above appropriations from the General and Workforce Development Funds, the 2009 Legislature also made several “from base” onetime DEED appropriations.

The appropriations from the 21st Century Minerals Fund included:

- \$10 million for a wind blade manufacturing facility.
- \$1 million to the NE Higher Education District for an Engineering Facility.

The appropriations from the Unemployment Insurance Administration Special Revenue account included:

- \$250,000 for cost associated with damage from an ice storm in Lake County.
- \$64,000 for cost associated with damage from fire in the city of Green Isle.
- \$100,000 for a construction impact mitigation pilot program for small businesses.

A \$ 3 million appropriation from the Minnesota Investment Fund Special Revenue account for a loan to an aircraft manufacturing and assembling company was also enacted.

The Legislature also approved two onetime appropriations from the federal stimulus funds received by the Department:

- \$1 million for an on-the-job training program in high unemployment counties, and
- \$250,000 for a grant to the Minnesota Diversified Industries.

Public Facilities Authority

The 2009 Legislature appropriated \$186,000 from the General Fund for The Public Facilities Authority in the 2010-11 biennium. This is a decrease from base of 7 percent. The Public Facilities Authority total budget is \$515.65 million, of which but 3 hundredths of a percent is from the General Fund.

Explore Minnesota Tourism

The 2009 Legislature appropriated \$21.434 million from the General Fund for Explore Minnesota Tourism in the 2010-11 biennium.

The Governor vetoed the entire second year appropriation for the Jobs Production (Snowbate) Program. The Legislature had enacted increases in the program of \$575,000 per year. The veto completely eliminated this increase. The effect of the veto is that the Snowbate program goes from a biennial base of \$1.3 million to an appropriation of \$1,225,000 for the 2010-11 biennium.

With the Governor’s veto, Explore Minnesota Tourism base FY 2010-11 budget is decreased by \$1.993 million, a 9 percent reduction.

Explore Minnesota Tourism: 2010-11 General Fund Appropriations <i>(dollars in thousands, numbers are biennial)</i>			
Program	Current Base	Legislative Changes	Enacted Appropriation
Tourism Office	\$ 20,252	\$ (1,918)	\$ 18,334
MN Film & TV Board Operations	650	0	650
Jobs Production (Snowbate) Program VETOED	1,300	1,150/ 1,225	1,225

Minnesota Housing Finance Agency

The Legislature approved \$86.768 million in General Fund appropriations to the Minnesota Housing Finance Agency for the FY 2010-11 biennium. This is a decrease of \$3.148 million from the MHFA's current law base, a 3.5 percent decrease. The Legislature's enacted budget changes by housing programs and activities are shown in the following table.

Minnesota Housing Finance Agency: 2010-11 General Fund Appropriations <i>(dollars in thousands, numbers are biennial)</i>			
Program	Current Base	Legislative Changes	Enacted Appropriation
Econ Dev. & Housing Challenge Program	\$ 19,244	\$ (4,458)	\$ 14,786
Housing Trust Fund	17,110	4,000	21,100
Rental Assistance for Mentally Ill (Bridges)	5,276	0	5,276
Family Homeless Prevention	14,930	0	14,930
Homeownership Assistance Program	1,770	(50)	1,720
Affordable Rental Investment Fund	17,992	(350)	17,642
Housing Rehabilitation Program	8,574	0	8,574
Urban Indian Housing	Consolidated with Challenge Program		
Tribal Indian Housing	Consolidated with Challenge Program		
Homeownership Ed., Counseling & Training	1,730	0	1,730
Non-Profit Capacity Building Grants	500	0	500
High Risk Adults Demo Project (onetime)	0	500	500

The reductions for the Homeownership Assistance Program and the Affordable Rental Investment Fund are onetime only. Both programs’ funding bases are restored in the FY 2012-13 biennium.

Also, the reduction in the Econ Dev. & Housing Challenge Program is due in part to a onetime \$4 million transfer to the Housing Trust Fund in FY 2010-11 only. The Challenge Program's funding base in FY 2012-13 is \$18.786 million under the enacted budget.

Department of Labor & Industry

The Legislature approved General Fund appropriations of \$1.76 million in the FY 2010-11 biennium for the Department of Labor & Industry. The dollar reduction from the current law base is \$200,000, a 10.2% decrease.

The enacted bill also increases the appropriation from the Workforce Development Fund for the apprenticeship by \$100,000 per year, and funds prevailing wage enforcement from the same fund at \$150,000 a year. An appropriation from the Assigned Risk safety account will fund independent contractor investigation services at \$200,000 per year.

The legislature also agreed with the Governor's recommendations to go to a 2-year license cycle for many occupations and contractors, and to increase the building permit and plan review fees by \$900,000 per year.

One item recommended by the Governor which was not enacted by the Legislature was the proposal to cancel the current law required transfer of \$1.515 million per year from the Construction Code Fund to the General Fund.

Bureau of Mediation Services

The Bureau's General Fund appropriation in FY 2010-11 is \$3.366 million. The enacted budget is \$304,000 below the Bureau's current law base, a 8.3 percent reduction. The reduction includes \$104,000 per year decrease to the Bureau's operating budget, and a \$50,000 per year decrease in labor-management cooperative grants.

Workers' Compensation Court of Appeals

This Court receives no General Fund appropriation. The Court will receive \$3.406 million from the Workers Compensation Special Fund in the FY 2010-11 biennium under the budget approved by the Legislature. The enacted budget is flat, and at the Court's current law base.

Historical Society

The Legislature approved FY 2010-11 General Fund appropriations for the Historical Society totaling \$46.008 million. The Governor vetoed a FY 2010 onetime \$50,000 appropriation for a Workers Memorial.

With the Governor's veto, the Historical Society's enacted FY 2010-11 budget totals \$45.958 million. The amount is \$3.016 million below the Society's current law base, a 6.2 percent decrease.

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

Minnesota Historical Society 2010-11 General Fund Appropriations <i>(dollars in thousands, numbers are biennial)</i>			
Program	Current Base	Legislative Changes	Enacted Appropriation
Education & Outreach	\$ 27,724	\$ (1,780)	\$ 25,944
Preservation & Access	20,792	(1,386)	19,406
FarmAmerica	256	0	256
MN International Center	86	0	86
MN Military Museum	100	0	100
MN Air National Guard	16	0	16
Hockey Hall of Fame	0	150	150
Workers Memorial VETOED	0	50	50

Arts Board

The Arts Board will receive General Fund appropriations of \$17.248 million for the FY 2010-11 biennium under the budget approved by the Legislature. This is a decrease of \$3.426 million from the Arts Board's current law base, a 16.6 percent decrease. The major changes include:

Minnesota Arts Board 2010-11 General Fund Appropriations <i>(dollars in thousands, numbers are biennial)</i>			
Program	Current Base	Legislative Changes	Enacted Appropriation
Operation & Services	\$ 1,302	\$ 0	\$ 1,302
Grant Programs	13,454	(2,424)	11,030
Regional Arts Councils	5,918	(1,002)	4,916

Humanities Center

The Legislature approved a \$500,000 General Fund appropriation for the Humanities Center in FY 2010-11. The Center, which the Governor had recommended eliminating funding to in his budget recommendations, will have ongoing base funding of \$250,000 per year under the approved appropriation.

The Legislature also officially changed the organization's statutory name to the Minnesota Humanities Center.

Public Broadcasting

The 2009 Legislature appropriated \$4.31 million to the various programs under the public broadcasting umbrella. The Governor vetoed a onetime \$280,000 appropriation to Minnesota Public Radio for digital broadcast conversion.

With the Governor's veto, the total FY 2010-11 appropriations for public broadcasting is \$4.03 million. This funding level includes a \$60,000 increase each year to Minnesota Public Radio for equipment grants. All the other programs were funded at base.

Public Broadcasting 2010-11 General Fund Appropriations <i>(dollars in thousands, numbers are biennial)</i>			
Program	Current Base	Legislative Changes	Enacted Appropriation
Public Television Matching Grants	\$ 2,322	\$ 0	\$ 2,322
Public Television Equipment Grants	400	0	400
Twin Cities Regional Cable Channel	34	0	34
AMPERS Community Service Grants	574	0	574
AMPERS Public Radio Equipment Grants	200	0	200
MN Public Radio Equipment Grants	380	120	500
MPR Digital Broadcast Conversion VETOED	0	280	280

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

The Board's FY 2010-11 General Fund appropriation will be \$1.63 million under the Legislature's enacted budget. The approved budget is flat and at the Board's current law base.

Board of Accountancy

The Board's FY 2010-11 General Fund appropriation will be \$1.010 million under the Legislature's enacted budget. The approved budget is flat and at the Board's current law base.

Board of Barber & Cosmetologist Examiners

The 2009 Legislature approved separating the Barbers and Cosmetologists into separate agencies, reversing the 2005 decision to combine the two Boards. The Boards' respective enacted budgets are separately discussed below.

Board of Barber Examiners – The Board's FY 2011-12 General Fund appropriation is \$381,000. The appropriation includes a onetime \$5,000 appropriation in FY 2010 to reprogram the Board's computer system for fee schedule changes.

Board of Cosmetologist Examiners – The Board's FY 2011-12 General Fund appropriations is \$1,342,000. The appropriation amount is \$220,000 over the Board's current law base. Of this amount, \$90,000 each year is an ongoing increase, and \$40,000 in FY 2010 is a onetime increase to reprogram the Board's computer system for fee schedule changes.

Combative Sports Commission

The Legislature approved a \$160,000 General Fund appropriation for the Combative Sports Commission for the FY 2010-11 biennium. The appropriation is onetime and general fund support for the commission will end on June 30, 2011.

The Legislature also put into law a sunset date of June 30, 2011 for the Combative Sports Commission. The commission will be repealed unless the Commissioner of Finance certifies that the Commission is self supporting from the money collected from fees.

Iron Range Resources

The Legislature approved \$96.446 million in appropriations for the agency in FY 2010-11. 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. Iron Range Resources receives no general Fund appropriations.

Region 8 – Occupation Tax

The current law General Fund open appropriation of \$1,164,000 from the occupation tax collection 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.

Legislative Coordinating Commission

The Legislature enacted a onetime \$70,000 appropriation in Fiscal Year 2010 to fund an Economic Development Strategy Working Group. The Governor vetoed this appropriation.

2012-2013 Biennium

The enacted budget sets the 2012 – 2013 biennium General Fund base appropriations for the state departments, agencies, and boards included in the Jobs and Economic Development Finance appropriation bill at \$263.592 million. This is \$20.396 million below the February forecast base, a 7.2 percent decrease.

For additional information on Jobs & Economic Development issues, contact Ron Soderberg at 651-296-4162 or ron.soderberg@house.mn

This page intentionally left blank

Public Safety Finance

With the passage of Chapter 83 (Laws 2009), the 2009 Legislature approved FY 2010-11 general fund appropriations totaling \$1.814 billion for state departments, agencies, boards and the judiciary under the budget jurisdiction of the Public Safety Finance Committee. The appropriated general fund amount is \$52.5 million below the FY 2010-11 base funding level. This reduction was offset with \$38 million of federal budget stabilization funds. The criminal justice budget makes up 5.1 percent of the general fund budget for FY 2010-11. The following appropriations relate to the general fund unless otherwise noted.

Public Safety Finance Total General Fund Spending <i>(all dollars in thousands)</i>						
	Forecast Spending in FY 08-09	Base FY 10-11	Appropriations Chapter 83 FY 10-11	% Change FY 10-11 vs. FY 08-09	% Change FY 10-11 vs. Base	Tails Chapter83 FY 12-13
Supreme Court	89,579	87,984	86,951	-2.93%	-1.17%	86,304
Court of Appeals	20,156	20,740	20,570	2.05%	-0.82%	20,570
Trial Courts	498,297	504,232	500,232	0.39%	-0.79%	500,232
Court Totals	608,032	612,956	607,753	-0.05%	-0.85%	607,106
Tax Court	1,619	1,650	1,636	1.05%	-0.85%	1,636
Uniform Laws Cmsn	110	104	102	-7.27%	-1.92%	102
Judicial Standards Board	910	920	912	0.22%	-0.87%	912
Public Defense Board	134,376	136,056	132,056	-1.73%	-2.94%	132,056
Public Safety	189,855	169,760	160,926	-15.24%	-5.20%	160,926
Private Detective Board	261	264	246	-5.75%	-6.82%	246
Human Rights Dept.	8,268	7,168	7,048	-14.76%	-1.67%	7,048
Corrections Department	931,671	936,495	902,159	-3.17%	-3.67%	923,687
Sentencing Guidelines	1,282	1,218	1,208	-5.77%	-0.82%	1,208
Totals	1,876,384	1,866,591	1,814,046	-3.32%	-2.82%	1,834,927
General Fund Revenues			<u>46,755</u>			
Net General Fund			1,767,291			

Note: If the \$38 million in federal stimulus funding is included, the Corrections reduction from base is 0.11%

Supreme Court

The Legislature approved a biennial appropriation of \$86.951 million, a decrease of \$1.033 million from the FY 2010-11 base.

Court of Appeals

The Legislature approved a biennial appropriation of \$20.57 million, a decrease of \$170,000 from the FY 2010-11 base.

District Courts

The Legislature approved a biennial appropriation of \$500.232 million, a decrease of \$4 million from the FY 2010-11 base.

Tax Court

The Legislature approved a biennial appropriation of \$1.636 million, a decrease of \$14,000 from the FY 2010-11 base.

Board of Judicial Standards

The Legislature approved a biennial appropriation of \$912,000, a decrease of \$8,000 from the FY 2010-11 base.

Public Safety

The Public Safety Finance Committee is responsible for six programs (other programs in the agency are the responsibility of the Transportation Finance Committee). The Legislature approved a biennial appropriation of \$160.926 million for the Public Safety programs in the Public Safety area, a decrease of \$8.834 million from the FY 2010-11 base. The changes include the following:

Emergency Management

The chemical assessment and hazardous material teams were moved from a general fund appropriation to funding from the fire safety account in the special revenue account. This translates into a \$1.2 million savings to the general fund.

Bureau of Criminal Apprehension (BCA)

- Moving the funding for the forensic science laboratory driving while impaired enforcement from the general fund to the trunk highway fund. This would result in a \$1.568 million transfer per year.
- Moving the 8 percent of the driver license Driving While Impaired reinstatement fee from a direct appropriation to a statutory appropriation. The funds are then transferred to the general fund.

Fire Marshal

- \$100,000 reduction in funding for the state fire marshal office.

- \$125,000 increase in firefighter training funds from the special revenue fund.

Gambling & Alcohol Enforcement

- \$100,000 reduction in funding.
- Transfer of \$750,000 in FY 2010 and 2011, and \$500,000 each year thereafter from the alcohol enforcement account in the special revenue fund to the general fund.

Law Enforcement & Community Grants

- \$3.4 million reduction for the biennium.

911 Emergency Services/ARMER

- \$5 million in FY 2010 from the state government special revenue fund for grants to local units of government to assist with the transition to the allied Radio Matrix for Emergency response (ARMER) public safety communication system.
- \$9.921 million from the state government special revenue fund to replace the current 911 system with the Next Generation Internet Protocol based network.

Private Detectives Board

The Legislature approved a biennial appropriation of \$246,000, a decrease of \$18,000 from the FY 2010-11 base.

POST Board

The Legislature approved a biennial appropriation of \$8.024 million, a decrease of \$632,000 from the FY 2010-11 base. This is a reduction in the appropriation from the special revenue fund, that amount is then transferred to the general fund.

Public Defense Board

The Legislature approved a biennial appropriation of \$132.056 million, a decrease of \$4 million from the FY 2010-11 base. It is anticipated that the reduction will be partially off-set by a \$75 increase in attorney license fees which will be dedicated to the Public Defense Board. This fee increase is anticipated to bring in \$3.3 million for the biennium once it is fully implemented.

Department of Corrections

The Legislature approved a biennial appropriation of \$902.159 million, a decrease of \$34.3 million from the FY 2010-11 base. This reduction was offset with \$38 million in federal budget stabilization funds. The reductions by program include the following:

Institutions

- \$38 million reduction in FY 10 to institutions, this was off-set by \$38 million of federal stimulus money.

- \$5.7 million reduction for operational efficiencies. They must do this by reducing the average adult facility per diem by one percent.
- \$13.181 million increase for step increases, insurance increases and the double bunking that did not meet projections.
- \$8.907 million increase for short-term offenders. As of July 1, 2009 all short-term offenders (those individuals who have less than 6 months to serve) will now go to a state correctional facility instead of a local jail.
- \$3.581 million reduction as a result of bed savings for inmates on supervised release who are violated and sent back to prison will now spend no more than 90 days for their first time violation.

Community Corrections

- \$2 million general reduction in community services.
- \$1.536 million reduction by eliminating pass-through funding in the following areas:
 - Two day-reporting centers.
 - Four eight-day hold facilities in Brown, Carver, Polk and Washington counties.
 - Restorative justice grants.

Operations Support

- \$4 million general reduction in operations support.

Sentencing Guidelines

The Legislature approved a biennial appropriation of \$1.218 million, a decrease of \$10,000 from the FY 2010-11 base.

Human Rights Department

The Legislature approved a biennial appropriation of \$7.048 million, a decrease of \$120,000 from the FY 2010-11 base.

Uniform Laws Commission

The Legislature approved a biennial appropriation of \$102,000, a decrease of \$2,000 from the FY 2010-11 base.

Fee/Surcharge Increases

The Legislature approved the following fees and surcharge increases in the Public Safety area:

Fee/Surcharge	Current Fee/Surcharge- New Fee Surcharge	FY10-11 (\$ in thousands)
Surcharge Increase on Parking Fines	\$4 to \$12	6,592
Civil Filing Fee	\$240 to \$310	18,085
Conciliation Court	\$50 to \$60	1,523
Appellate Filing Fee	\$500 to \$550	102
Motion Fee	\$55 to \$100	3,212
Subpoenas	\$12 to \$16	22
Judgment Transcripts	\$30 to \$40	392
Deposit of Wills	\$20 to \$27	18
Executions	\$40 to \$55	1,270
Trust Reports	\$40 to \$55	44
Jury Trial Demand Fee	\$75 to \$100	269
Certified/Uncertified Copy Fee	\$10/5 to \$14/8	1,003
Chapter 169 diversion Criminal/Traffic Surcharge	New	5,746
Public Defender Co-Pay	\$28 to \$75	655
Attorney License Increase – Dedicated to the Public Defense	\$50 to \$125	2,671
Total		41,604

For additional information on judiciary finance issues, contact Gary Karger at 296-4181 or gary.karger@house.mn.

This page intentionally left blank

State Government Finance

The omnibus State Government Finance bill (Laws 2009, Chapter 101) authorizes net General Fund spending of \$580.1 million for the FY 10-11 biennium. Direct and open General Fund appropriations total \$627.1 million. These appropriations are offset by \$47.1 million in new revenues, primarily from expanded tax compliance initiatives in the Department of Revenue.

State Government Finance: Total General Fund Spending						
<i>(all dollars in thousands)</i>						
	Forecast Spending in FY 08-09	Base Funding FY 10-11	Appropriations Chapter 101 FY 10-11	% Change FY 10-11 vs. FY 08-09	% Change FY 10-11 vs. Base	Tails Ch. 101 FY 12-13
Legislature	146,924	139,396	135,240	-8.0%	-3.0%	135,214
Governor's Office	7,143	7,402	7,180	0.5%	-3.0%	7,180
State Auditor	18,596	18,356	19,036	2.4%	3.7%	18,356
Attorney General	51,545	48,450	46,316	-10.1%	-4.4%	46,316
Secretary of State	12,254	12,435	11,819	-3.5%	-5.0%	11,818
Campaign Finance Bd	1,448	1,470	1,496	3.3%	1.8%	1,496
Public Subsidy - Campaign Finance	3,725	3,850	3,620	-2.8%	-6.0%	3,620
Investment Board	302	302	302	0.0%	0.0%	302
Administrative Hearings	659	580	680	3.2%	17.2%	680
Office of Enterprise Technology	23,112	12,122	11,516	-50.2%	-5.0%	11,516
Dept. of Administration	44,756	39,335	40,789	-9.2%	3.7%	40,831
Capital Area Architectural Board	801	746	708	-11.6%	-5.1%	708
MN Management & Budget	41,036	41,090	40,936	-0.2%	-0.4%	40,436
Finance Non-Operating	48,904	8,654	8,654	-82.3%	0.0%	8,654
Dept. of Revenue	251,003	254,144	256,247	2.1%	0.8%	259,674
MN Amateur Sports Commission	608	440	540	-11.2%	22.7%	540
Target Center Payment (MASC)	1,500	1,500	0	-100.0%	-100.0%	0
Cncl. On Black Minnesotans	658	666	632	-4.0%	-5.1%	632
Cncl. On Chicano/Latino Affairs	622	628	596	-4.2%	-5.1%	596
Cncl. on Asian-Pacific Minnesotans	578	578	550	-4.8%	-4.8%	550
Council on Indian Affairs	976	986	1,000	2.5%	1.4%	1,000
Contingent Accounts	434	500	1,250	188.0%	150.0%	500
Tort Claims	322	322	322	0.0%	0.0%	322
MN State Retirement	5,241	4,751	4,751	-9.3%	0.0%	4,992
Local Pension Aids	55,395	55,254	55,254	-0.3%	0.0%	55,254
Indirect Cost Receipts offset	-37,406	-31,100	-31,100	-16.9%	0.0%	-32,100
Lease/Purchase Statutory GF			8,802			25,146
Net GF Total	681,136	622,857	627,136	-7.9%	0.7%	644,233
General Fund Revenues			<u>47,079</u>			
Net General Fund			580,057			

* FY 08-09 includes unallotments

Constitutional Offices

Attorney General's Office (AGO)

The Attorney General's Office (AGO) received \$46.3 million in direct appropriations from the General Fund for the biennium. This is a decrease of \$2.1 million, or 4.4 percent, from base level funding. This funding level includes two change items:

- \$ 2.4 million, or 5 percent, reduction to the office's operating budget
- \$290,000 in new funds for the costs to implement the False Claims Act. In addition to this direct General Fund increase, Chapter 101 creates a new account in the Special Revenue fund, allowing for the deposit of a portion of the net proceeds from the additional recovery of federal funds. The amounts in this account are also appropriated to the AGO, and are capped at \$1 million per fiscal year.

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

\$3.65 million is appropriated from the State Government Special Revenue Fund for services provided to health related licensing boards. The AGO also received \$290,000 from the Environmental Trust Fund and \$500,000 from the Remediation Fund 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 \$7.18 million for the biennium to fund his own office, a total decrease of \$222,000 or 3 percent, from the FY 2010-11 base level funding.

Chapter 101 allows the Governor's Office to receive up to \$702,000 each year from executive branch agencies for personnel costs incurred by certain activities of the office. This includes an estimated \$350,000 per year for the Washington DC office. The office, which has 2 full-time staff, is funded through inter-agency agreements with executive branch agencies. In addition, several policy advisors in the Governor's office have a portion of their salary, ranging from 25 to 60 percent, paid by other executive branch agencies. The result is that appropriations to other agencies support some of the functions of the Governor's office.

Secretary of State

The Secretary of State (SOS) received \$11.8 million from the general fund, a cut of \$622,000, or 5 percent from the current base level.

Various technology surcharges first authorized by the 2007 legislature were extended through the end FY 2011 to provide continued funding for technology upgrades within the office. These surcharges, which are deposited in the Special Revenue account, are estimated to bring in an additional \$1.95 million in funds for the SOS through the end of the biennium.

State Auditor

The State Auditor's office received \$19 million, an increase of \$680,000, or 3.7 percent, over FY 2010-11 base funding. The increased funds are one-time dollars allocated for auditing of the federal stimulus oversight activities and reporting. This increase will be recovered through audit fees, so the net cost to the general fund is zero.

Legislature

Chapter 101 appropriates a total of \$135.2 million for the operations of the Legislature. This is a reduction of \$4.2 million, or 3 percent, from base funding.

Legislature: General Fund Appropriations in Chapter 101				
<i>\$ in thousands</i>				
	Base	Chapter 101 Appropriation	\$ Change from Base	% Change from Base
House	61,732	59,880	(1,852)	
Senate	45,916	44,538	(1,378)	
Legislative Coordinating Commission	<u>31,748</u>	<u>30,822</u>	<u>(926)</u>	
Totals:	139,396	145,882	(4,156)	3 %

The Legislative Coordinating Commission's budget includes 2 small one-time funding changes:

- \$10,000 for the Minnesota-Manitoba Legislator’s forum, and
- \$16,000 for the Legislative Commission on Planning & Fiscal Policy for oversight related to the federal stimulus dollars.

In addition, \$356,000 was appropriated from the Health Care Access fund appropriation to the LCC for expenses of the Health Care Access Commission.

State Agencies

Department of Administration

The Department's total authorized general fund spending is \$40.8 million for the biennium. This is an increase of \$1.45 million, or 3.8 percent, from the 2010-11 base.

Government & Citizen Services (new program combining State Facilities Services & State and Community Services programs)

Chapter 101 authorizes total direct general fund spending of \$35.6 million for this program, a net increase of \$1.4 million 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. Other activities include Travel Management, the Information Policy Analysis office, the State Demographer, Land Management Information Center (LMIC), the Environmental Quality Board, and the State Archaeologist.

Funding increases include:

- \$1.44 million for on-going operating costs of the web-enabled shared Real Property Enterprise System. This system was developed with a \$2.5 million appropriation from the 2007 Legislature. The new funds will be used to cover software subscriptions, vendor maintenance, network and system administration, and other operating costs. The department was also given authority to seek contributions from other agencies to cover the amount not directly funded by the Legislature, estimated at \$400,000.
- \$1 million increase for the In-Lieu-of-Rent appropriation. This appropriation pays for the space costs associated with legislative office space, ceremonial space in the Capitol, and the Governor's Residence.

These funding increases are offset by operating reductions and fund transfers totaling \$4 million:

- \$200,000 reduction to the Resource Recovery (recycling) program.
- \$398,000 reduction to the Enterprise Performance Improvement program (also known as LEAN). Admin will no longer pay for external consulting or training for this effort.
- \$228,000 reduction from re-allocation of staff costs from the general fund to non-general fund activities, and reductions in salary expenses spread across various activities.
- \$3.5 million of the balance in the Facilities Repair & Replacement account was transferred to the general fund.

The Legislature did not implement the Governor's recommendation to transfer the staff and functions of the EQB to the Minnesota Pollution Control Agency.

Non-General Fund activities:

In addition to these General Fund activities, significant non-general fund accounts include 8 internal service and enterprise funds. These funds make up over 60 percent of the operating budget of the department.

Internal Service Fund	Purpose	Projected FY 10-11 Expenditures
Central Motor Pool	Provides long-term rental vehicles and support services	\$31.5 million
Surplus Services	Manages the disposal of state and federal surplus property	\$2.9 million
Cooperative Purchasing	Makes various state contracts available to local government units	\$22.1 million
Office Supply Connection	Purchase and distribution of office supplies	\$13.9 million
Bookstore	Centralized publishing for state agency materials, and operation of the MN mailing list service	\$3.7 million
Plant Management	Building and grounds operations for buildings under the custodial control of the department	\$98.6 million
Central Mail	Metering and processing of mail in the Capitol complex	\$17.9 million
Risk Management	Self-insurance company for the state's property and casualty insurance coverage	\$25.9 million

Administrative / Management Services

The Legislature approved total General Fund spending of \$3.7 million, an increase of \$47,000 or 1.3 percent, from base.

- \$250,000 to continue funding for the Office of Grants Management. The office, which was established with 1-time funding in the 2007 session, provides direction for standardizing grant management policies and procedures. The department must recover the costs of this office through deductions in state grants subject to the jurisdiction of the office.
- \$228,000 reduction from re-allocation of staff costs from the general fund to non-general fund activities, and reductions in salary expenses spread across various activities.

Office of Enterprise Technology (OET)

The Legislature appropriated \$11.5 million for this office, a decrease of \$606,000, or 5 percent, from the office's general fund base. This reduction will be applied to the Enterprise Planning and Management activity.

- The Legislature did not fund the agency's request for \$16.5 million to consolidate the state's data centers. However, \$250,000 was appropriated from the special revenue fund to the Department of Administration to begin the predesign process for this consolidation.

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.

Enterprise Technology Fund: FY 2010-11 Projected Expenditures	
<i>(dollars in thousands)</i>	
Computing Services	67,372
Telecomm Services	73,295
Enterprise IT Security	4,384
Information Standards & Resource Management	1,860
Enterprise Planning & Management	35,072
<u>Enterprise Application Development</u>	<u>2,349</u>
Total Enterprise Technology Fund	184,332

Non-General Fund Initiative – Electronic Licensing

The Legislature approved completion of the Minnesota Electronic Licensing System, which will provide web-based processing of licenses through a self-service portal. The system will be funded through assessment of a temporary surcharge on all licenses that will be migrated to the system. Each licensing agency will collect a 10 percent surcharge (with a minimum of \$5 and maximum of \$150) on each business, commercial, professional or occupational license that requires a fee. The surcharge will be collected for up to 6 years. Several changes were made to the Governor's original surcharge proposal:

- Department of Commerce licensees that are currently paying for an existing electronic licensing system do not have to pay the surcharge.
- Agencies are allowed to transfer amounts equivalent to the surcharge from existing license accounts, instead of collecting the surcharge.

Minnesota Management & Budget (formerly the Department of Finance)

Chapter 101 includes a direct general fund appropriation of \$40.94 million for the biennium, a reduction of \$154,000, or -0.4 percent, from current law. Specific changes include:

- \$1.02 million for the biennium to create a new 6 person Internal Control Support unit. This group will work with agencies to follow-up on any audit findings, and would also be responsible for statewide policies and training on internal controls.
- \$376,000 for the biennium to add 2 new positions related to bonding oversight.
- \$500,000 in one-time funds for federal stimulus reporting and oversight.
- -\$2.1 million operating budget reduction to offset these increases. The reductions will be achieved through the elimination of positions in various support activities (saving \$1.4 million) and reductions in space costs, IT costs, and other operating costs.

Chapter 101 also provides funding for replacement of the Minnesota Accounting and Procurement System (MAPS). The replacement will be financed through a new lease-purchase instrument funded through a new statutory appropriation of \$3.5 million per year for FY 2010-11, and \$10.1 million for the 8 following years. The total cost for the project over 10 years is \$65.8 million, not including interest payments (see box below for discussion of the interest costs).

Lease / Purchase for Major IT Projects

The Legislature authorized Minnesota Management & Budget to enter into lease/purchase financing arrangements for the MAPS and Integrated Tax projects. MMB has secured the lease purchase financing by issuing certificates of participation, which were offered to private investors. Agencies will receive the principal amount (less the administrative expenses), which they can spend for eligible project-related expenses.

Total interest costs for the certificates of participation – covering both projects – are calculated at \$22.1 million over 10 years.

New statutory general fund appropriations will cover the annual debt service. For the next ten years, agencies will make the semi-annual lease payments from these appropriations. Because the interest rates for the certificates were lower than expected, the actual lease payments will be lower than the amounts included in Chapter 101. These appropriations may be adjusted in the next session.

Why Lease / Purchase? This provides an alternative to a very large one-time direct appropriation which is not likely to be funded in the current budget situation. This approach also spreads the development cost over the useful life of a major IT system, which can reasonably be expected to last ten years or more.

However, lease/purchase is more costly in the long-run, due to the added interest and administrative costs. It also creates a new long-term obligation for the state.

Department of Revenue

The department received a direct general fund appropriation of \$252.4 million for the biennium, an increase of \$2.1 million, or 0.8 percent, over the base.

Additional Tax Compliance:

\$10.3 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 \$41.5 million in new revenues, for a net gain of \$31.2 million for the General Fund.

Department of Revenue: New Tax Compliance Initiative		
<i>(dollars in thousands)</i>		
	<u>FY 10-11</u>	<u>FY 12-13</u>
New Expenditures	10,363	13,790
New Revenues	<u>41,510</u>	<u>55,624</u>
Net General Fund Gain:	31,147	41,834

Operating Budget Reductions:

New spending for compliance activities is partially offset by \$8.3 million in operating budget reductions. The reductions will be spread across activities that would not directly impact the compliance efforts funded in previous sessions. Possible reductions include:

- Eliminating positions through attrition, or lay-offs if needed.
- Reduction to information services for taxpayers, local governments and tax practitioners
- Reducing rent costs by a variety of means, including telecommuting.

Integrated Tax System: The Legislature approved new statutory appropriations to finance, through lease/purchase, the completion of the Integrated Tax System. These appropriations are \$850,000 each year for FY 2010-11, and \$2.5 million for each of the following eight fiscal years. The cost for financing this phase of the project over 10 years is \$16.45 million, not including interest.

The total cost for the Integrated Tax System is estimated at \$39.9 million. The project has already received funding of \$23.5 million to date, including a \$12 million one-time appropriation from the 2007 Legislature, \$11 million in agency funds reallocated from maintenance of existing systems, and \$450,000 in authorized carry-forward funds. The funds are being used to implement "GenTax", a commercial tax processing software product which will integrate all tax administration functions for the 28 tax types administered by the department.

Small Agencies/ Boards

Amateur Sports Commission (MASC)

Chapter 101 includes General Fund appropriations of \$540,000 for the Amateur Sports Commission. This is a 22.7 percent, or \$50,000, increase each year in the support of MASC's operations.

Chapter 101 also eliminates the Target Center payment, saving \$1.5 million for the biennium.

Office of Administrative Hearings (OAH)

This agency is supported mainly by the Workers' Compensation Special Fund and revolving fund revenues. The Legislature authorized direct appropriations of \$14.5 million for the biennium from the Workers Compensation Fund.

OAH also received smaller general fund appropriations for 2 activities:

- \$550,000 for the Municipal Boundaries Adjustment unit, which was transferred to the office in 2005. This is a cut of \$30,000, or 5 percent, from the base.
- \$130,000 to directly fund the campaign complaints hearings. This activity was previously funded through a transfer from the public subsidy appropriation in the Campaign Finance Board.

Campaign Finance and Public Disclosure Board

Chapter 101 authorizes a General Fund operating budget of \$1.5 million, an increase of \$26,000, or 1.8 percent, over the forecast FY 2010-11 base.

Public Subsidy Program:

Funding for this program was reduced by 6 percent to \$3.6 million for the biennium. The \$230,000 reduction is the result of 2 changes:

- \$130,000 to offset the direct appropriation to Administrative Hearings for the campaign complaints activity.
- \$100,000 to offset the net cost of the operating budget increase for the Campaign Finance board.

Capitol Area Architectural Planning Board (CAAPB)

The Legislature approved a direct appropriation of \$708,000 for the CAAPB in the FY 2010-11 biennium. This funding level is \$38,000 below forecast base, a cut of 5 percent.

Contingent Accounts

Chapter 101 includes \$1.25 million for the General Fund portion of the contingent accounts. Of this amount, \$500,000 is base funding made to provide supplemental funding to state agencies in emergencies or for unexpected deficiencies. \$750,000 is one-time funding provided for potential state match requirements for federal funds available under the American Recovery and Reinvestment Act.

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, contingent appropriations of \$800,000 from the State Government Special Revenue Fund, and \$200,000 from the Workers Compensation Special Fund.

Council on Asian-Pacific Minnesotans

The Council on Asian-Pacific Minnesotans received a General Fund appropriation of \$550,000 in the FY 2010-11 biennium. This is a reduction of \$28,000 below the Council's forecast base budget, a decrease of 4.8 percent.

Council on Black Minnesotans

The Council on Black Minnesotans received a General Fund appropriation of \$632,000 for the FY 2010-11 biennium. This is a reduction of \$34,000 below the Council's forecast base budget, a decrease of 5.1 percent.

Chicano-Latino Affairs Council

The Chicano-Latino Affairs Council received a General Fund appropriation of \$596,000 for the FY 2010-11 biennium. This is a reduction of \$32,000 below the Council's forecast base, a decrease of 5.1 percent.

Minnesota Indian Affairs Council

The Indian Affairs Council received a General Fund appropriation of \$1 million for the FY 2010-11 biennium. This is an increase of \$14,000, or 1.4 percent, above the Council's forecast base. This funding level includes a 5 percent operating reduction (\$25,000 each year), and a \$64,000 for activities related to burial sites and unfunded federal mandates.

State Board of Investment (SBI)

The SBI is primarily funded through charges to each retirement plan for its share of the Board's operations. The expected revenues and expenditures for this activity are \$4.9 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.

Gambling Related Agencies

Lawful Gambling Control Board

The Legislature approved a direct Special Revenue fund appropriation of \$5.9 million for the biennium. The Board's activities are funded from a percentage (.1%) of gross receipts on charitable gambling, and license/permit fees for manufacturers and distributors.

In addition, \$225,000 each year is appropriated from the lottery prize fund to the board for a grant to a state affiliate recognized by the National Council on Problem Gambling. These one-time funds are to be used to increase public awareness of problem gambling, and for education and training for

providers of treatment services.

Minnesota Racing Commission

The Legislature approved a direct Special Revenue fund appropriation of \$1.8 million for the biennium. The Commission's activities are 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

Total operating expenses for the Lottery are capped at \$56.85 million for the biennium, with net proceeds estimated at \$161.7 million. Total state proceeds are projected to be \$243.9 million for the biennium, with \$132.9 million in estimated General Fund revenues. These total revenues include the net proceeds, in-lieu-of-sales tax, and unclaimed prizes.

Lottery: FY 2010-11 Budget <i>(dollars in thousands)</i>	
Gross Revenue	924,446
Direct Costs	705,929
Operating Expense	<u>56,851</u>
Net Proceeds	161,664

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 - \$3.3 million for benefits paid to former legislators and elected officials.
- First Class City Teachers State Aid - a \$37.25 million appropriation to reduce the unfunded liabilities of the St. Paul teachers 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.

For more information on State Government Finance issues, contact Helen Roberts, 651-296-4117 or Helen.Roberts@house.mn.

This page intentionally left blank

Transportation

The 2009 Session brought about the passage of two major appropriation bills related to transportation and two policy bills with fiscal impacts. Chapters 9 and 36 include provisions impacting funding for transportation in the current and upcoming biennia. Chapter 9 relates to American Recovery and Reinvestment Act monies, and Chapter 36 includes the omnibus transportation finance appropriations. In addition, Chapters 165 and 144, which relate to the primary seatbelt law and weights on the Stillwater Lift Bridge, have fiscal impacts.

Chapter 9 – American Recovery and Reinvestment Act

All federal monies made available to the Commissioner of the Department of Transportation under the American Recovery and Reinvestment Act are appropriated under Chapter 9. This includes over \$500 million in funding for roads, \$25 million for greater MN transit, over \$20 million for airports, and other potential monies as well. The Commissioner is required to submit reports to the Legislature, which correspond to the reports submitted to the federal government.

Chapter 36 – Omnibus Transportation Finance Appropriations

Chapter 36 has direct appropriations totaling \$4.3 billion for the FY 2010-11 biennium, including \$194.3 million in general fund appropriations, \$2.6 billion in trunk highway fund appropriations, and \$1.0 billion in county state-aid highway appropriations. The remainder includes appropriations from the following funds: state airports, municipal state-aid street, special revenue, and highway user tax distribution. Total appropriations represent a 0.17 percent increase over the projected base for the 2010-11 biennium. General fund appropriations for FY 2010-11 are 8.18 percent below the projected base; however, a portion of the general fund reduction was based on a shift in funds to FY 2009 from FY 2011 for greater Minnesota transit. This is described in greater detail in the Department of Transportation section of this summary. Additional information on general fund appropriations is included below:

Transportation Finance Division						
General Fund Spending						
<i>(Dollars in Thousands)</i>						
	Forecast Spending in FY 08-09*	Base Funding FY 10-11	Appropriations Chapter 36 FY 10-11	% Change FY 10-11 vs. FY 08-09	%Change FY 10-11 vs. Base	Tails Chapter 36 FY 12-13
Dept. of Transportation	46,366	38,428	33,882	-26.92%	-11.83%	36,382
Metropolitan Council	176,770	157,234	144,470	-18.27%	-8.12%	144,470
Dept. of Public Safety	16,071	15,918	15,918	-0.95%	0.00%	15,918
Totals	239,207	211,580	194,270	-18.79%	-8.18%	196,770
Note: * There were additional transfers in the FY 2008-09 biennium, including a \$15 million transfer from the general fund to the state airports fund, a \$15 million transfer from the state airports fund to the general fund, and a \$6 million transfer from the rail service improvement account to the general fund. Transfers into the general fund are considered revenue, and transfers from the general fund are considered spending.						

Minnesota Department of Transportation

- **Aeronautics:** \$2.3 million increase in airport development grants; this spends down the state airports fund balance. Additional language was also added to give the Commissioner of Transportation and Commissioner of Management and Budget permission to increase or decrease the appropriation for airport development and assistance based on the state airports fund balance. Also, rider language allows the Commissioner to waive the matching requirements for a specific subset of the state airports.
- **Greater MN Transit:** Greater MN Transit faces a \$2 million deficit for the FY 2010-11 biennium based on the February 2009 forecast, Department of Transportation estimates, and the passage of Chapter 36. A number of elements converge to arrive at the \$2 million estimate.

The first is a \$2.5 million general fund appropriation shift in Chapter 36 that has a total fiscal impact of zero when looking across FY 2009 through FY 2011. This includes a one-time increase of \$2.5 million in FY 2009 and a one-time decrease of \$2.5 million in FY 2011. This appropriation shift is to alleviate some local provider cash flow issues and is accompanied by language that adds additional flexibility in the payment schedule for local providers. Because of this shift, a \$2.5 million gap is left in FY 2011; this is the second element contributing to the total deficit of \$2 million for Greater MN Transit.

The third element is a decrease in the general fund appropriation for Greater MN Transit for the FY 2010-11 biennium in comparison to base. The \$3.0 million decrease will be an ongoing decrease. This decrease coupled with an estimated operating deficit of \$2 million and the other changes in appropriations noted above leads to an estimated funding gap of \$8 million.

Chapter 36 fills approximately \$6 million of this gap with a change in the amount of revenue from the motor vehicle sales tax dedicated to transit for the FY 2010-11 biennium. This shift is discussed in greater detail later in this summary. A summary of the Greater MN Transit deficit is included below.

Greater MN Transit, FY 2009 - 2011	
\$ in Millions	
	<u>FY 2009-11</u>
2009 Cash Flow Issue - Appropriations	\$ 0
2011 Cash Flow Gap	\$(3)
General Fund Appropriation Reductions	\$(3)
Operating Deficit - Projected by MnDOT	<u>\$(2)</u>
Total Projected Deficit	\$(8)
Chapter 36 Impact	
Total Projected Deficit	\$(8)
MVST % Change: FY 2010 & FY 2011	<u>\$ 6</u>
Projected Deficit, with Chapter 36	\$(2)

- **Commuter and Passenger Rail:** \$1.0 million increase in the general fund appropriation. This is a new program, and Chapter 36 also includes language establishing the program and requiring a report.
- **Freight:** Requires the Commissioner to forgive or convert loans to grants for the Buffalo Ridge Regional Railroad Authority. The Department stated this would not have a fiscal impact because the Regional Railroad Authority is currently not paying the loans.
- **State Roads:** There were a number of changes to the base budget for state road appropriations from the trunk highway fund based on declining state revenues, changes in anticipated federal funding, additional bonding authority, and a shift in where research services falls within the budget. Additional details are included below:
 - \$155 million decrease in trunk highway fund appropriations for the FY 2010-11 biennium across five MnDOT programs due to changes in forecasted revenues from the gas tax, tab fees, and motor vehicle sales tax. Of this amount, \$5.0 million is an ongoing decrease and \$150 million is for the FY 2010-11 biennium only. Decreases from base for the FY 2010-11 biennium include: \$17.3 million from infrastructure operations and maintenance, \$13.6 million from infrastructure investment support, \$120 million from state road construction, \$3.0 million for department support, and \$1.2 million from buildings. The \$5.0 million ongoing decrease will be within the department support activity.
 - \$6.8 million shift in where research services falls within the budget for the FY 2010-11 biennium. This activity was moved from the state road construction management activity to the infrastructure investment support area.
 - \$4.2 million increase in trunk highway debt service costs for the FY 2010-11 biennium due to an authorization of \$40 million in trunk highway bonds for interchanges and federal matching funds.
 - \$44.0 million decrease in the FY 2008-09 biennium and a \$174.4 million increase in the FY 2010-11 biennium within the state road construction budget activity due to fluctuations in anticipated federal revenues.
 - Allows the Commissioner of the Department of Transportation to carry forward any unexpended and unencumbered operating balances from trunk highway appropriations from FY 2009 to the FY 2010-11 biennium.
 - Includes language allowing for a subset of the Legislature, commonly known as the Transportation Contingent Appropriations Group (TCAG), to approve trunk highway fund appropriations under specific circumstances; the language is similar to language in 2007 Session, Chapter 143.
- **Local Roads:** \$1.4 million decrease for the FY 2010-11 biennium in the appropriation from the municipal state-aid street fund for municipal state aid roads. This decrease is due to a shift from 1.5 percent to 2 percent of funds available for administrative activities.

Metropolitan Council

The Metropolitan Council is projected to face a \$3 million deficit for the FY 2010-11 biennium based on budget forecasts, Metropolitan Council estimates, and the passage of Chapter 36. With the November 2008 forecast, the Metropolitan Council projected a \$45 million deficit. The February 2009 forecast yielded an additional shortfall of \$18 million mostly due to changes in projected motor vehicle sales tax revenues for a total projected deficit of \$63 million. To

decrease the projected deficit, changes were made in Chapter 36 to address a portion of this issue as well as adding to the issue with appropriation cuts. In addition, the Metropolitan Council stated adjustments could be made within the agency to address a portion of its deficit. These changes are outlined below, and a table summarizing these items follows.

- \$13 million decrease in comparison to base appropriations from the general fund for the FY 2010-11 biennium for bus transit. Language also requires that approximately \$270,000 from the Met Council appropriation of \$144.5 million will be used for transit services for disabled veterans.
- \$27 million from the Livable Communities and Right-of-Way Acquisition Loan Fund levies and balance transfers (described in greater detail in the Other Fiscal Provisions section below)
- \$18 million in American Recovery and Reinvestment Act (ARRA) funds by using one-time accounting shifts, which allow the Council to use more of its state resources on its operating budget while using ARRA funds for capital costs
- \$5 million in Metropolitan Council administrative efficiencies
- \$3 million from the Metropolitan Council reserves
- \$7 million reduction in the amount of motor vehicle sales tax revenues provided to the regional suburban transit providers, which yields \$7 million less in expenditures for the Council. The Metropolitan Council stated this is the regional providers proportional share of the forecasted decrease in motor vehicle sales tax revenues
- \$13 million in additional revenues from the motor vehicle sales tax (described in greater detail in the Other Fiscal Provisions section below)

Metro Transit, FY 2010-11

\$ in Millions

	Chapter 36 FY 2010-11
Projected Deficit, pre-Feb-09 forecast	\$(45)
Additional MVST Revenue Impact, Feb-09	\$(18)
Projected Deficit, prior to legislative action	\$(63)
GF Target - Met Council Share (Ch. 36)	\$(13)
Projected Deficit, with Ch. 36 Reduction to Base	\$(76)

Impact	FY 2010-11
Projected Deficit, prior to legislative action	\$(63)
General Fund Reduction to Base – Ch. 36	\$(13)
Livable Communities and RALF Levy Shifts	\$ 27
ARRA One-Time Fund Shifts (Capital to Operating)	\$ 18
Met Council Administrative Efficiencies	\$ 5
Met Council One-Time Reserves Use	\$ 3
Reduce MVST to Regional (Suburban) Providers	\$ 7
MVST Percent Change	\$ 13
Projected Deficit, with Ch. 36	\$(3)

Levy Shifts	FY 10-11
LCDA 50% levy	8
TBRA 50% levy	5
RALF 75% levy	5
Balance Transfers	9
TOTAL	27



Minnesota Department of Public Safety

- **Commercial Vehicle Enforcement:** \$225,000 increase in FY 2010 and \$25,000 increase in FY 2011 from the trunk highway fund for commercial vehicle enforcement. This increase is dedicated to the Office of Pupil Transportation Safety. Rider language includes a total of \$1.0 million for the Office of Pupil Transportation Safety.
- All other programs are funded at the base levels for the FY 2010-11 biennium.

Other Fiscal Provisions

- **Motor Vehicle Sales Tax Shifts:** Chapter 36 shifts up to \$19 million in motor vehicle sales tax revenues from the highway user tax distribution fund to the transit assistance fund by changing statutory appropriations. This includes up to \$6.3 million for Greater MN Transit and up to \$12.8 million for Metro Transit in the FY 2010-11 biennium. The general fund is held harmless in this section of law, and percentage allocations for all funds did not change for FY 2012 and beyond. Below is a table that illustrates the change in percentages for fiscal years 2010 and 2011.

Previous	FY 2010	FY 2011	Ch. 36	FY 2010	FY 2011
General Fund	16.25%	6.25%	General Fund	16.25%	6.25%
Highway User Fund	50.25%	56.25%	Highway User Fund	47.50%	54.50%
Transit Assist. Fund	33.50%	37.50%	Transit Assist. Fund	36.25%	39.25%
Greater MN	3.50%	3.75%	Greater MN	4.75%	4.00%
Metro	30.00%	33.75%	Metro	31.50%	35.25%
Total	100.00%	100.00%	Total	100.00%	100.00%

- **Livable Communities Fund Transfers:** The Metropolitan Council may transfer up to 50 percent of the revenues and amounts credited, transferred, or distributed in 2009, 2010, and 2011 from the livable communities demonstration account (LCDA) and the tax base revitalization account (TBRA) to its transit operating budget. It may use these monies to cover operating deficits for the transit, paratransit, light rail, and commuter rail portions of the Metropolitan Council budget. This was estimated to be approximately \$13 million over the three year period. In addition, the Council is allowed to use up to \$9 million of current and future balances within the Livable Communities Fund for its transit operating deficit over those three years. Typically livable communities fund money is used for grants or loans to local units of government within the metro area for development, housing, job creation, and clean-up of polluted land.
- **Right-of-Way Acquisition Loan Fund (RALF) Transfers:** The Metropolitan Council may also transfer up to 75 percent of the amounts levied and collected in 2009, 2010, and 2011 from the RALF to its transit operating budget to cover operating deficits for transit, paratransit, light rail, and commuter rail. The Metropolitan Council estimates this will equate to approximately \$5 million over the three year time frame. Typically RALF monies are used for loans to local units of government to purchase land within the right-of-way on highways when a number of conditions are met.
- **State Airports Fund Transfer:** Chapter 36 amends Minnesota Statutes 2008, section 16A.152, subdivision 2, which includes a list of priorities in the event of a positive unrestricted balance in the general fund at the time of a budget forecast. The list is amended to include \$15 million for the state airports fund; this is item five of five on

the list. \$15 million was transferred from the state airports fund to the general fund during the 2008 session to assist with a projected deficit in the general fund, so this change in language would result in paying back the state airports fund once the general fund has a positive balance.

- **Trunk Highway Fund Use:** Prohibits the use of trunk highway fund monies to pay for Governor's staff.
- **Stillwater Lift Bridge Endowment Account:** Establishes an endowment account within the state treasury for funds appropriated to the account from the states of Minnesota or Wisconsin, federal funds, or private donations / gifts. Money in the account may be used for operations, maintenance, or demolition of the bridge.
- **Design-Build Project Selection Council:** Establishes a Design-Build Project Selection Council that will work with local units of government to assist them with using the design-build construction model. Up to 15 projects may be selected for participation in a pilot program. The Department of Transportation estimates this will cost approximately \$225,000 in FY 2010, \$62,000 in FY 2011, and \$62,000 in FY 2012. These costs will be paid for through the County State-Aid Highway and Municipal State-Aid Street appropriations.
- **Land Use and Planning:** Up to \$375,000 may be used by the Metropolitan Council to contract with the University of Minnesota Center for Transportation Studies to conduct a land use and planning report. The report must be submitted to the Legislature by January 15, 2011.

Policy Bills with Fiscal Impacts

- **Chapter 144 (Stillwater Lift Bridge Weight Limit):** Lowers the allowable weight limit on the Stillwater Lift Bridge. It will cost approximately \$5,000 in trunk highway fund monies in FY 2010 to erect new signs.
- **Chapter 165 (Primary Seatbelt):** The Department of Public Safety expects an additional \$3.4 million in federal highway safety funds due to the passage of the primary seatbelt bill. In addition, the Department of Transportation expects to spend an additional \$300,000 in trunk highway fund monies due to the passage of Chapter 165, which includes a provision that allows drivers to exceed the speed limit by 10 miles per hour while passing on a two-lane highway with speed limits posted at 55 miles per hour or higher. The \$300,000 will come from existing appropriations and will be used to restripe passing zones and change no passing sign locations.

If you have any further questions on transportation related issues, please contact Koryn Zewers at 651-296-4178 or koryn.zewers@house.mn.

Cultural & Outdoor Resources Finance

CLEAN WATER, LAND & LEGACY CONSTITUTION AMENDMENT

Minnesota voters approved the Clean Water, Land and Legacy Constitution Amendment in the November, 2008 general election. The amendment's passage increases the state sales and use tax rate by 3/8th of one percent. The increase will become effective on July 1, 2009, and will be in place for 25 years until the year 2034.

CONSTITUTION AMENDMENT LANGUAGE

"Sec. 15. Beginning July 1, 2009, until June 30, 2034, the sales and use tax rate shall be increased by three-eighths of one percent on sales and uses taxable under the general state sales and use tax law. Receipts from the increase, plus penalties and interest and reduced by any refunds, are dedicated, for the benefit of Minnesotans, to the following funds: 33 percent of the receipts shall be deposited in the outdoor heritage fund and may be spent only to restore, protect, and enhance wetlands, prairies, forests, and habitat for fish, game, and wildlife; 33 percent of the receipts shall be deposited in the clean water fund and may be spent only to protect, enhance, and restore water quality in lakes, rivers, and streams and to protect groundwater from degradation, and at least five percent of the clean water fund must be spent only to protect drinking water sources; 14.25 percent of the receipts shall be deposited in the parks and trails fund and may be spent only to support parks and trails of regional or statewide significance; and 19.75 percent shall be deposited in the arts and cultural heritage fund and may be spent only for arts, arts education, and arts access and to preserve Minnesota's history and cultural heritage. An outdoor heritage fund; a parks and trails fund; a clean water fund and a sustainable drinking water account; and an arts and cultural heritage fund are created in the state treasury. The money dedicated under this section shall be appropriated by law. The dedicated money under this section must supplement traditional sources of funding for these purposes and may not be used as a substitute. Land acquired by fee with money deposited in the outdoor heritage fund under this section must be open to the public taking of fish and game during the open season unless otherwise provided by law. If the base of the sales and use tax is changed, the sales and use tax rate in this section may be proportionally adjusted by law to within one-thousandth of one percent in order to provide as close to the same amount of revenue as practicable for each fund as existed before the change to the sales and use tax."

The following table lists the:

- four Funds established under the Constitutional Amendment,

- estimated receipts that each Fund will receive based on the February 2009 forecast, and
- enacted 2009 Legislative appropriations, after the Governor’s veto, from each Fund for the FY 10-11 biennium. The appropriations are in Chapter 172, Laws of 2009.

Constitution Fund	Estimated Receipts FY 10-11	Enacted Legislative Appropriations FY 10-11
Outdoor Heritage Fund	158,733	87,532
Clean Water Fund	158,733	150,800
Parks & Trails Fund	68,544	65,097
Arts & Cultural Heritage Fund	95,000	93,220
Total	\$481,010	\$ 396,649

All of the 2009 Legislative appropriations are one-time in fiscal years 2010 and/or 2011 only.

Outdoor Heritage Fund

The Legislature appropriated \$87.523 million from the Outdoor Heritage Fund for Fiscal Years 2010-11. The appropriations, by categories, are as follows:

APPROPRIATION CATEGORY	FY 10-11 Appropriation Amount	Appropriation Percentage
Prairies	14,213	16.2%
Forests	38,000	43.4%
Wetlands	20,356	23.5%
Fish, Game, & Wildlife Habitat	13,903	15.9%
Administration & Other	880	1.0%
Total	\$87,532	100%

The following table shows the Outdoor Heritage Fund appropriations by agency and project name.

Outdoor Heritage Fund: FY 10-11 Appropriations	
Agency Name	FY 10-11
Department Of Natural Resources	
<i>Prairies</i>	
DNR Wildlife; Accelerated Prairie/Grassland Management	1,700
SW Initiative Foundation; Green Corridor Legacy Acquisition	1,617
Pheasants Forever; Prairie Heritage Fund - Acquisition & Restoration	3,000
DNR Wildlife; Accelerated Prairie Grassland WMA Acquisition	3,913
USF&WS: Northern Tall Grass Prairie NWR Acquisition	1,583
MN Land Trust; Bluffland Prairie Protection Initiative	500
Anoka County; Rum River/Cedar Creek Initiative	1,900
<i>Forests</i>	
DNR Forestry; Forests for the Future/Upper Mississippi River Project	36,000
<i>Wetlands</i>	
DNR Wildlife; Accelerated Wildlife Management Area Acquisitions	2,900
Ducks Unlimited; Accelerated Shallow Lake Restorations & Enhancements	2,528
Pheasants Forever; Accelerating the Waterfowl Production Area Program in MN	5,600
Ducks Unlimited; Shallow Lake Critical Shoreland	450
<i>Fish, Game & Wildlife Habitat</i>	
Conservation Partners Allocation	4,000
DNR Fish & Wildlife; Aquatic Management Areas (AMA) Acquisition	5,748
Trout Unlimited; Cold Water River & Stream Restoration, Protection & Enhancement	2,050
Dakota County; Habitat Protection	1,000
Three Rivers Park Dist.; Lake Rebecca Water Quality Improvement Project	450
Shell Rock River Watershed Dist.; Fountain Lake Fish Barriers	655
Administration & Other	
FY 2010-11 Contract Management	175
Department Of Natural Resources Total Appropriations	75,769
Board Of Water And Soil Resources	
<i>Wetlands</i>	
Reinvest in Minnesota Wetlands Reserve Program Leveraging Project	9,058

Outdoor Heritage Fund: FY 10-11 Appropriations	
Agency Name	FY 10-11
Board Of Water & Soil Resources Total Appropriations	9,058
Legislature: Administration & Other	
LCC; OHC Admin. Support & Council Expenses; Water Resources Acct. Reimbursement	695
LCC; Public Information Web Site	10
Legislative Auditor; Restoration & Financial Audits	
Legislature Total	705
Department Of Agriculture	
Forest Protection Reserve / State Invasive & Exotic Tree Pest Plans Update	2,000
Department Of Agriculture Total Appropriations	2,000
Outdoor Heritage Fund Total Appropriations	87,532
Outdoor Heritage Fund Forecasted Receipts	158,733
Outdoor Heritage Fund Balance After Appropriations	71,201

All appropriations are for one year only in fiscal year 2010, except the appropriation for the Forests for the Future/Upper Mississippi River Project which is appropriated \$18,000,000 each year in the 2010 -11 biennium.

The Legislature changed the name of the Outdoor Heritage Council to the Lessard-Sams Outdoor Heritage Council in honor of the late State Senator, Dallas Sams.

By law, the Legislature will receive annual recommendations for Outdoor Heritage Fund projects and expenditures from the Lessard-Sams Outdoor Heritage Council. The fiscal year 2011 recommendations must be made by January 15, 2010.

Clean Water Fund

The Legislature enacted appropriation totaling \$151 million from the Clean Water Fund for the 2010-2011 biennium. Subsequently, the Governor vetoed a \$200,000 appropriation to the Star Lake Board. With this veto, the enacted appropriations from the Fund are \$150.8 million over the next two fiscal years.

The individual appropriations, by state agencies and project names, are summarized in the following table.

Clean Water Fund	
Agency Name:	FY 10-11
Department Of Agriculture	
Pesticide Monitoring and Assessment	675
Root River Watch Program	395
Drinking Water Protection	1,125
Research, Projects and Technical Assistance (Drainage Grants to BWSR)	2,265
Livestock Env Quality Assurance <Designated>	<300>
TMDL Technical Assistance <Included>	
Agriculture Best Practices Loan Program	4,500
Department Of Agriculture Total Appropriations	8,960
Public Facilities Authority	
Total Maximum Daily Load Grant Program	21,650
Phosphorus Reduction Grant Program	8,550
Small Community Wastewater Treatment Construction Loans & Grants	2,500
Public Facilities Authority Total Appropriations	32,700
Pollution Control Agency	
Assessment and Monitoring/Endocrine Disruptor	15,000
Endocrine Disruptor Monitoring/Analysis <Designated>	[375]
Red River Watch Program	346
St. Croix Watershed Monitoring	500
TMDL Development/Data Base & Rules	18,000
MN River Water Quality Testing <Designated>	<348>
Buffalo River Watershed <Designated>	<250>
Civic Engagement/TDLM Development	250
Enhanced Data Base	500
Beneficial Reuse of Water Grants	4,669
Small City Reuse Grant <Designated>	<1,000>
Drinking Water Protection	2,250
Clean Water Partnership Grants	2,500

Clean Water Fund	
Agency Name:	FY 10-11
Star Lakes Board (VETOED)	200
Wastewater Treatment Endocrine Monitoring	896
Coal Tar Best Management Practices	500
Ground Water Protection	5,000
St. Louis River & Duluth Harbor Restoration	750
Pollution Control Agency Total Appropriations	51,161
Department Of Natural Resources	
Water Quality Assess	3,700
TMDL Study Development & Implementation	2,100
Drinking Water Source Planning & Protection	1,125
High-Resolution Digital Elevation Data	5,600
Nonpoint Source Restoration and Preservation	500
Critical Areas Act Program Rulemaking and Public Notification	500
County Geologic Atlas Program Acceleration (Investigate Re-Charge Characteristics)	1,000
Dept. Of Natural Resources Total Appropriations	14,525
Board Of Water And Soil Resources	
Non-Point Protection/Restoration & Source Water Protection	
Riparian Buffers	6,500
Water Retention	5,924
Water Shed/WMO Grants	6,000
Local Nonpoint Conservation & Preservation Grants <eligible>	
Non-Point Protection/Restoration—Wellhead Protection Areas	2,000
Anoka Cons District/Metro Landscapes	1,000
MN Cons Corp Contracted Services <Designated>	<1,000>
Targeted Non-Point Restoration Technical Assistance	2,750
County SSTS Programs	3,500
Imminent Threat/Failing SSTS Grants	1,800
Measures, Results & Accountability	590
Feedlot Water Quality Projects and Assessments—Riparian Waters [Includes House Ag.]	4,000

Clean Water Fund	
Agency Name:	FY 10-11
Streams & Lakeshore Water Quality Protection Grants	4,160
Hennepin County Stream Banks Projects <Designated>	<500>
Conservation Drainage Grants <Designated>	<660>
Bd. Of Water & Soil Resources Total Appropriations	38,224
Metropolitan Council	
Water Supply Planning	400
Metropolitan Council Total Appropriations	400
Department Of Health	
Drinking Water Source Protection	2,415
Drinking Water Contaminants	1,335
Department Of Health Total Appropriations	3,750
University Of Minnesota	
County Geologic Atlas	305
Statewide Sustainable Water Resources 10 year Plan and 25-year Framework	750
University Total Appropriations	1,055
Legislature	
LCC; Public Information Web Site	25
Legislative Auditor; Restoration & Financial Audits	
Legislature Total Appropriations	25
Clean Water Fund Appropriations	150,800
Clean Water Fund Forecasted Receipts	158,733
Clean Water Fund Balance After Appropriations	7,933

All appropriations are for one year only in fiscal years 2010 and 2011 only.

Parks and Trails Fund

The 2009 Legislature enacted appropriated \$53.1 million from the Parks and Trails Fund for the 2010-2011 biennium. The individual appropriations are summarized in the following table. All appropriations are for one year only in fiscal years 2010 and 2011 only.

Parks and Trails Fund	
Agency:	FY 10-11
Department Of Natural Resources	
State Parks & Trails Legacy	27,781
Regional Significance Parks & Trails Grants	8,870
Grants for Solar/Regional Significant Parks <Designated>	<1,100>
State & Regional Parks & Trails 10 year Plan and 25-Year Framework	250
Department Of Natural Resources Total Appropriations	36,901
Metropolitan Council	
Metropolitan Regional Parks & Trails	27,781
Metropolitan Council Total Appropriations	27,781
University Of Minnesota	
Parks Framework & Inventory	400
University Total Appropriations	400
Legislature	
LCC; Public Information Web Site	15
Legislature Total Appropriations	15
Parks And Trails Fund Total Appropriations	65,097
Parks And Trails Fund Forecasted Receipts	68,544
Park & Trails Fund Balance After Appropriations	3,447

Arts and Cultural Heritage Fund

The Legislature appropriated \$93.22 million from the Arts and Cultural Heritage Fund.

Arts and Cultural Heritage Fund	
	FY 10-11
Minnesota State Arts Board	
Arts & Arts Access Initiatives	33,550
Arts Education Collaborations	6,490
Arts in Cultural Heritage	2,160
Community Arts Access <eligible>	
Statewide Arts Access <eligible>	
Artist's Economic Development <eligible>	
Arts Education: Grants to School Districts <eligible>	
Arts Access: Grants <eligible>	
Census of MN Artists and Artistic Works <included>	
Fiscal Oversight & Accountability	1,100
Arts Board Total Appropriations	43,300
Historical Society	
Minnesota History Educational Network	
Statewide Programs & Projects	7,750
Statewide Historic & Cultural Grants	6,750
History Partnerships	4,000
Statewide Survey of Historical, Archaeological Sites	500
Minnesota Digital Library	500
Exhibit on Regional, Local & Cultural Diversity	2,500
Historical Society Total Appropriations	22,000
Department Of Administration: Fiscal Agent	
Public Television: Materials & Programming on MN Cultural Heritage	6,300
Minnesota Public Radio: Materials & Programming on MN Cultural Heritage	2,650
AMPERS: Materials & Programming on MN Cultural Heritage	2,650
Children's Museums	1,000
Science Museum	900

Arts and Cultural Heritage Fund	
	FY 10-11
MN Zoos: Program Development	900
Department Of Administration Total Appropriations	14,400
Dept Of Education	
Libraries: Grants to Regional Library Systems	8,500
Dept Of Education Total Appropriations	8,500
Indian Affairs Council	
Grants for Preservation of Languages / Educational Programs in Native languages	1,250
Working Group on Dakota & Ojibwe Language Revitalization & Preservation	150
Dakota and Ojibwe Immersion Programs	500
Indian Affairs Council Total Appropriations	1,900
Perpich Center For The Arts	
Perpich Center for the Arts	1,000
Perpich Center For The Arts Total Appropriations	1,000
Humanities Center	
MN Center for the Humanities: Civics Education Grants	500
Council on Asian Pacific Minnesotans: Community Events & Cultural Preservation	250
Council on Black Minnesotans: Community Events & Baseline Study	250
Indian Affairs Council: Site Preservation	250
Chicano/Latino Affairs Council: Research on Community Needs	250
Program Development/Admin	600
Humanities Center Total Appropriations	2,100
Legislature	
LCC; Public Information Web Site	
Legislature Total Appropriations	
Arts & Cultural Heritage Fund Total Appropriations	93,220
Arts & Cultural Heritage Fund Forecasted Receipts	95,000
Arts & Cultural Heritage Fund Balance After Appropriations	1,780

For additional information on Clean Water, Land and Legacy Constitutional Amendment,, contact Ron Soderberg at 296-4162, ron.soderberg@house.mn or Helen Roberts at 296-4117, helen.roberts@house.mn

Taxes & Local Aids and Credits

The 2009 session produced two tax acts – Chapter 12 and Chapter 88 – that modified Minnesota’s laws governing state taxes, property taxes and local aids. Each tax act is summarized in the context of changes in general fund revenues and tax expenditures.

Changes in General Fund Tax Revenues

During the 2009 Legislative Session, the February Forecast was released and projected state general fund tax revenues of \$28.4 billion in the FY 2010-11 biennium and \$32.0 billion in the FY 2012-13 biennium. Legislative actions in Minnesota Laws of 2009, Chapter 12 and Chapter 88 will slightly change general fund tax revenues. The enacted tax laws include federal conformity provisions and various exemptions from taxes. As shown in Table 1, the net revenue impact of these tax law changes is that tax revenues will increase by \$22.1 million or .08 percent in the FY 2011-12 biennium and will decrease by \$6.06 million or .02 percent in the FY 2012-13 biennium.¹ In the FY 2010-11 biennium about 99 percent of the \$22.0 million in total net increase in tax revenues is due to federal conformity law changes. The adoption of federal conformity provisions also makes up a large share of the net change in tax revenues in the FY 2012-13 biennium.

Table 1. Summary of 2009 Tax Act General Fund Revenue Changes

Dollars in Thousands	FY 2010-11	FY 2012-13
Forecasted Tax Revenues (February 2009)	28,474,592	32,028,979
Chapter 12 Tax Revenue Changes	9,695	7,550
Chapter 88 Tax Revenue Changes [^]	12,467	(13,611)
Total Changes in Tax Revenue after 2009 Legislative Session	22,162	(6,061)
Total Forecasted Tax Revenue Plus Tax Revenue Changes Enacted in 2009	28,496,754	32,022,918
Total Percent Change, Forecast plus Enacted Tax Revenue Changes	0.08%	-0.02%

Note: Positive numbers represent revenue gain; negative numbers represent a reduction in revenue (or cost) to the state
[^] Includes \$110,000 in FY 2010-11 and \$660,000 in FY 2012-13 from non tax revenue modification to a withholding penalty.

¹ During the 2009 session, legislative actions resulted in an estimated increase of \$63.562 million in general fund tax revenue in the FY 2010-11 biennium. Of this amount, \$41.510 million of this tax revenue increase is a result of the increase in additional tax compliance initiatives and not tax laws changes. About \$22.1 million of the \$63.562 million in additional general fund tax revenue is due to tax laws changes mainly related to individual income tax and corporate franchise tax federal conformity provisions. Source: [General Fund Balance Analysis, End of 2009 Legislative Session](#).

Federal Conformity

Two bills that contained federal conformity legislation became law. Minnesota Laws 2009, Chapter 12 and Chapter 88 include the enactment of federal conformity legislation affecting state fiscal years FY 2009 to FY 2013. The revenue impact of the adopted federal conformity provisions is summarized in table 2.

Each year, the Legislature must act on changes in federal tax code and decide if these federal changes should be incorporated into Minnesota tax laws. This is called federal conformity. Any change in a federal law that changes the definition of federal taxable income requires that Minnesota either conform to the federal change or add a line on the Minnesota return to add back (or subtract) the difference. To avoid or minimize the need for taxpayers to recalculate their federal taxable income (and provide more simplicity), selected provisions were enacted during the 2009 session. Major highlights of the federal provisions adopted with revenue impact in Chapter 12 and Chapter 88 are summarized.

Table 2. Revenue Impact of Adopted Federal Conformity Legislation By Chapter

Note: Positive numbers represent revenue gain; negative numbers represent a reduction in revenue (or cost) to the state.	FY 2009	2010-11 Biennium	2012-13 Biennium
Ch 12: Heroes Earned Retirement Opportunities Act of 2008			
Individual Income Tax	90	140	145
Corporate Franchise Tax		0	0
<i>Subtotal</i>	90	140	145
Ch 12: Heartland, Habitat, and Horticulture Act of 2008			
Individual Income Tax	(370)	415	860
Corporate Franchise Tax	0	0	0
<i>Subtotal</i>	(370)	415	860
Ch 12: Housing Assistance Tax Act of 2008			
Individual Income Tax	0	400	760
Corporate Franchise Tax	(15)	(55)	(Negli.)
<i>Subtotal</i>	(15)	345	760
Ch 12: Emergency Economic Stabilization Act of 2008			
Individual Income Tax	(8,200)	17,020	13,660
Corporate Franchise Tax	(6,300)	(8,225)	(7,875)
<i>Subtotal</i>	(14,500)	8,795	5,785
Ch 88: American Recovery & Reinvestment Tax Act of 2009²			
Individual Income Tax	0	2,350	(3,415)
Corporate Franchise Tax	0	10,035	(8,660)
<i>Subtotal</i>	0	12,385	(12,075)
Federal Conformity Total	(\$14,795)	\$22,080	(\$4,525)

² *Note: The revenue impact shown in Table 2 for the ARRA federal conformity provisions is before the application of up to \$10.149 million from the general fund that has been set-aside as a dedicated expenditure in FY 2012 in a special timing account to offset the anticipated revenue loss resulting from conforming to Section 179 and bonus depreciation provisions in this act.

	FY 2010-11	FY 2012-13
The Heroes Earned Retirement Opportunities Act:	\$140,000	\$145,000

The major provisions in this act with revenue impact include:

- Allows for nontaxable combat pay to be included in earned income in determining the Earned Income/Working Family Credit (1/1/2008). Adoption of this provision is estimated to reduce general fund revenue. The estimated reduction is: \$.060 million in the FY 2009, \$.090 million in the FY 2010-11 biennium and \$.020 million in the FY2012-13 biennium.; and
- Imposes individual income tax on the net unrealized gain of property (as it has been sold for fair market value) on individuals with a net worth over \$2 million and over \$600,000 of unrealized gains who expatriate (effective 6/17/2008). Adoption of this provision is estimated to increase general fund revenue. The estimated gain in revenue is \$.150 million in FY 2009, \$.230 million in the FY 2010-11 biennium and \$.165 million in the FY 2012-13 biennium.

The Heartland, Habitat, Harvest, & Horticulture Act:	\$415,000	\$860,000
---	------------------	------------------

The major provisions in this Act with revenue impact include:

- An extension of the special rule for contributions on qualified conservation real property (tax years 2008 and 2009). Adoption of this provision is estimated to reduce general fund revenue. The estimated reduction is: \$.300 million in the FY 2009, \$.200 million in the FY 2010-11 biennium with no revenue impact in the FY 2012-13 biennium.
- Provide a deduction for endangered species recovery act expenditures (Effective 1/1/09). Adoption of this provision is estimated to reduce general fund revenue. The estimated reduction is: \$.050 million in the FY 2009, \$.350 million in the FY 2010-11 biennium and \$.510 million in the FY 2012-13 biennium;
- Change the depreciation classification for race horses meeting certain age thresholds (Effective 1/1/2009 to 12/31/13). Adoption of this provision is estimated to reduce general fund revenue. The estimated reduction is: \$.020 million in the FY 2009, \$.160 million in the FY 2010-11 biennium and \$.200 million in the FY 2012-13 biennium;
- Limitation on excess farming losses of certain taxpayers (effective 1/1/10). Adoption of this provision is estimated to increase general fund revenue. The estimated gain in revenue by \$1.125 million in the FY 2010-11 biennium and \$1.570 million in the FY 2012-13 biennium.

The Housing Assistance Tax Act: **\$345,000** **\$760,000**

The major provisions in this act with revenue impact include:

- Gulf Opportunity Zone provision to waive commencement date requirement for additional bonus depreciation (effective 1/1/08). Adoption of this provision is estimated to reduce general fund revenue. The estimated reduction is: \$.015 million in the FY 2009, \$.055 million in the FY 2010-11 biennium and negligible revenue impact in the FY 2012-13 biennium
- Real Estate Investment Trust (REIT) provisions (effective 7/30/2008) are expected to reduce general fund revenue. The estimated reduction is: negligible in the FY 2009, \$.100 million in the FY 2010-11 biennium and \$.260 million in the FY 2012-13 biennium;
- Exclusion of gain on sale of principal residence not to apply to nonqualified use (effective 1/1/09) is a provision that is expected to increase general fund revenue. The estimated gain is \$.500 million in revenue starting in the FY 2010-11 biennium and \$1.020 million in the FY 2012-13 biennium.

The Economic Stabilization Act: **\$8,795,000** **\$5,785,000**

The major provisions in this Act with revenue impact are summarized and grouped into six categories:

(1) Emergency stabilization provisions include the extension of discharges of principal residence acquisition indebtedness from the gross income of individuals (effective 1/1/10 to 1/31/12). This provision is estimated to reduce general fund revenue by \$1 million in the FY 2010-11 biennium and \$.900 million in the FY 2012-13 biennium.

(2) Various energy improvement provisions are estimated to reduce general fund revenue by \$.395 million in FY 2009, \$1.885 million in FY 2010-11 and \$6.140 million in FY 2012-13. The provisions include:

- Extend provisions related to energy efficient commercial building deductions for corporations and individuals (effective 1/1/09 to 12/31/13),
- Extend 50% bonus depreciation for ethanol property to cellulosic biofuel plant property (effective 10/4/08 to 12/31/12).
- Special 50% bonus depreciation allowance for certain reuse and recycling property for Individual Income Tax and Corporate Income Tax (effective 9/1/08)
- 10-year recovery period for qualified smart electric distribution property for corporations.

- Extend the suspension of 100% of net income limitation on percentage depletion for oil and natural gas from marginal properties.

(3) Individual Income Tax Provisions are estimated to reduce general fund revenue by \$1.150 million in FY 2009, \$1.650 million in FY2010-11 and \$.200 million in FY 2012-13. Both provisions are effective for tax years 2008 and 2009. These provisions are:

- Authorizes the extension of tax-free IRA distributions up to \$100,000 for charitable purposes for taxpayers age 70.5 years and older;
- Special treatment of dividends of regulated investment companies.

(4) Various business tax provisions are expected to reduce general fund revenue by \$11.570 million in FY 2009, \$14.625 million in FY 2010-11, \$5.950 million in FY 2012-13. Most of these provisions are effective in tax year 2008 and 2009. These provisions are:

- Authorize the extension of provisions related to the 15 year straight-line recovery for leasehold and restaurant property including new restaurant property and improvements to retail property;
- Extend treatment of certain payments to controlling exemption organizations for unrelated business income tax,
- Extend basis adjustment to S corporation stock for charitable contributions of property;
- Extend partial expensing for advanced mine safety equipment;
- Extend accelerated depreciation for business property on Indian reservations;
- Extend expensing of brownfields environmental remediation costs; and
- Extend enhanced deduction for qualified computer contributions, and
- Extend enhanced deduction for contributions of book inventory donated to public schools.

(5) Midwestern Disaster Relief Provisions and National Disaster Relief for Federally Declared Disaster Areas in 2008 and 2009. These provisions reduce general fund revenue by \$.885 million in FY 2009 and increase revenue by \$.745 million in FY 2010-11 and \$.075 million in FY 2012-13. The provisions include:

- Temporary suspension of limitations on charitable contributions for relief efforts in Midwestern disaster areas (applicable date in 2008 through 12/31/08);

- 5-year carry-back of net operating losses for qualified disaster losses (effective tax year 2008 and 2009);
- Special 50 percent depreciation allowance for qualified disaster losses (tax year 2008 and 2009); and
- Individual casualty loss provisions.

(6) Other:

- Modify tax treatment of non qualified deferred compensation from certain tax indifferent parties (effective 1/1/09). This provision targets deferral arrangements between hedge fund managers and investment companies established in offshore tax havens. This provision is one of the few provisions that raise revenue in this act. This provision is estimated to increase general fund revenue by \$30 million in FY 2010-11 and \$21.4 million in FY 2012-13.
- Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 changes the requirements for employer-sponsored group health plans to qualify for employee income exclusion. This provision is estimated to reduce general revenue by \$1.3 million in FY 2010-11 and \$2.350 million in FY 2012-13.

The American Recovery and Reinvestment Act (ARRA): \$12,385,000 (\$12,075,000)

The major provisions in this Act with revenue impact include:

- The ARRA legislation extends the increased Section 179 expensing amount and phase out thresholds to tax year 2009.

According to the Internal Revenue Service (IRS), Section 179 Expensing is when a qualifying taxpayer can choose to treat the cost of certain property as an expense and deduct it in the year the property is placed in service instead of depreciating it over several years. Since 2005, the Legislature has elected to not fully conform but instead opts to partially conform. In 2009, Minnesota partially conforms to Section 179 expensing again by retaining its current law requirement that taxpayers add-back to taxable income 80 percent of the expensing amount in the first tax year, and then subtract one-fifth of the amount added back in each of the five following tax years.

To fully conform to Section 179 expensing, the estimated general fund revenue reduction to the state would have been about \$22.2 million in the FY2010-11 biennium. Partial conformity to this provision, on the other hand, results in a revenue gain of \$.850 million in the FY 2010-11 biennium and revenue reduction of \$.335 million in the FY 2012-13 biennium. Compared to regular depreciation, more revenue to the state is recovered in the first year with Minnesota's treatment of section 179 expensing. In later years, the general fund revenue reduction is greater than under regular depreciation. With full or partial conformity, affected taxpayers are allowed to carry just one set of federal and state tax records for property placed in service for expensing

purposes. This conformity provision affects both individual income and corporate franchise taxpayers.

- The ARRA legislation extends the 50 percent bonus depreciation (for tax year 2009) by one year for the depreciation bonus that was created in the 2008 Economic Stimulus Act.

Depreciation bonus helps businesses buy equipment. Minnesota does not fully conform to the extension of bonus depreciation. Instead, Minnesota partially conforms to bonus depreciation again by retaining its current law requirement that taxpayers add-back to taxable income 80 percent of the additional depreciation amount in the first tax year, and then subtract one-fifth of the amount added back in each of the five following tax years. This partial conformity approach to bonus depreciation allows taxpayers to claim the 50 percent bonus depreciation amount over a six year period rather than 100 percent in the first year (that would be allowed with full conformity). The impact to the general fund with this approach is a revenue gain of \$15.8 million in the FY 2010-11 biennium and a revenue loss of \$11.1 million in the FY 2012-13 biennium. This conformity provision affects both individual income and corporate franchise taxpayers.

- The ARRA legislation extends the carry-back period for 2008 net-operating losses for businesses with gross receipts of \$15 million or less from two years to five years.

Small businesses with deductions exceeding their income in 2008 can use a new net operating loss tax provision to get a refund of taxes paid over the past five years instead of the usual two. The five-year carry-back is available only to losses generated in taxable years ending in 2008 and 2009. For the FY 2010-11 biennium, this provision is estimated to reduce general fund revenue by \$2.440 million in the FY 2010-11 biennium and \$.820 million in FY 2012-13. This conformity provision affects both individual income and corporate franchise taxpayers.

- The ARRA legislation reduces the holding period for assets of S corporations that converted from C corporations from ten years to seven years, for tax years 2009 and 2010 only, allowing S corporations to sell assets held more than seven years without being taxed on built-in gains.

With federal conformity to this provision, there generally will be no tax on an S corporation's net unrecognized built-in gain if the seventh tax year in the recognition period occurred before the 2009 and 2010 tax years. The provision reduces general fund tax revenues by \$1.2 million in the FY201-11 biennium and by \$.350 million in the FY 2012-13 biennium. This conformity provision affects only corporate franchise taxpayers.

Other federal conformity provisions affecting individual income tax with revenue impact:

- Exemption from AMT for interest from private activity bonds. Estimated revenue reduction is \$.330 million in FY 2010-11 and \$.200 million in FY 2012-13.
- Expand the availability of industrial development bonds (issued 2/18/09 to 12/31/09). Estimated revenue reduction in the FY 2010-11 biennium is \$.050 million and \$.100 million in the FY 2012-13 biennium.

Transfer to a Special Account.

Chapter 12 creates a special account in the general fund to offset the anticipated general fund revenue loss from such federal conformity provisions as bonus depreciation and section 179 expensing anticipated in the FY 2012-13 biennium. The revenue loss occurs when affected taxpayers are allowed subtractions from taxable income for expensing or bonus depreciation. This special account that will be established will act as a reserve but it will not be a reserve. An amount of up to \$10.149 million will be a dedicated expenditure (cost) to the general fund in FY 2011 and in FY 2012 this amount will be a positive expenditure (or savings) to the general fund.

- Tribal economic development bonds (issued after 2/17/09) Estimated revenue reduction in the FY 2010-11 biennium is \$.045 million in FY10-11 and \$.165 million in FY 2013-14.
- Modify rules for interest expense of financial institutions relating to tax-exempt income (issued in 2009 and 2010). Estimated revenue reduction in the FY2010-11 biennium is \$.200 million and \$.200 million in the FY 2013-14 biennium.

Federal conformity provisions affecting corporate franchise tax:

- Treatment of certain ownership changes of manufacturing firms for limitation of NOL carry-forwards and built-in losses (2/18/09). Estimated revenue reduction in FY 2010-11 is \$.040 million and \$.450 million in FY 2012-13.

Federal Conformity Not Adopted:

Federal conformity provisions not adopted require that taxpayers add back to Minnesota taxable income or make other adjustments. If Minnesota fully conformed to all federal provisions, the additional revenue (reduction) impact of conforming to these additional federal conformity provisions in Chapter 12 and Chapter 88 would be \$223.6 million in the FY 2010-11 biennium. Table 3 provides more detail about the revenue impact to the state for provisions that were not adopted.³

Table 3. The Estimated Revenue Impact of Federal Conformity Provisions Not Adopted

Note: Positive numbers represent revenue gain; negative numbers represent a reduction in revenue (or cost) to the state. (Dollars in Thousands)

	FY 2009	FY 2010-11 Biennium	FY 2012-13 Biennium
Chapter 12			
Additional Standard Deduction for State And Local Property Taxes (TY 2008-2009)	(17,500)	(17,700)	-
Deduction for Tuition and Related Expenses (TY 2008 and 2009)	(13,800)	(13,000)	-
Allow Ordinary Treatment for Gain or Loss from Sale or Exchange of Certain Preferred Stock by Certain Financial Institutions (1/1/08)	(4,200)	(3,800)	(100)
Educator Expense Deduction	(1,000)	(1,000)	-
Extend Enhanced Deduction for Qualified Computer Contributions for Corporate Franchise Tax (TY 2008 and 2009)	(650)	(350)	-
Extend Enhanced Deduction for Qualified Computer Contributions for Corporate Franchise Tax (TY 2008 and 2009)	(650)	(350)	-
Subtotal	(37,150)	(35,850)	(100)
Chapter 88			
Deferral of Certain Discharge of Indebtedness Income (re-purchase 1/1/09 to 12/31/10)	-	(113,500)	(7,100)
Exclude from Income up to \$2,400 of unemployment compensation (TY 2009)	-	(28,300)	-
Allow Deduction for Sales Tax on Purchase of a New Motor Vehicle (2/17/09 to 12/31/09)	-	(8,800)	-
Subtotal	-	(150,600)	(7,100)
Total Federal Conformity Provisions Not Adopted	(37,150)	(223,600)	(7,200)

³ The total in this table does not include the revenue impact of full federal conformity to Section 179 expensing and bonus depreciation. If these provisions were included, the estimated revenue loss would be even greater than the total amount listed in Table 3.

Other General Fund and Non General Fund Tax Exemptions

Exempt sales tax for the construction materials, supplies, and equipment in the construction or improvement of a meat processing facility.

Chapter 88 provides a sales tax exemption for North Star Foods which had a facility in St. Charles that was destroyed by fire. Based on a preliminary estimate, this exemption is estimated to reduce general fund revenue by \$2 million in the FY 2012 and reduce revenue to the constitutionally dedicated natural resource and arts funds by \$.100 million in FY 2012.

Exempts from the downtown taxing area any property located in the taxing area that is zoned for residential purposes on which a restaurant with a wine license is operated. This local restaurant tax exemption is only authorized after August 1, 2012 and is contingent on the temporary collection and remittance to the state general fund of the tax between July 1, 2009 and July 31, 2012 by the restaurant located in this downtown taxing area. This provision is estimated to increase general fund revenue by \$.081 million in the FY 2010-11 biennium and by \$.042 million in FY 2012.

This provision has been enacted to allow a restaurant property located in this taxing district to be exempt from a tax that it was not collecting and remitting, in error, despite it being located in a downtown taxing area. This provision also allows for the recovery of taxes paid to the City of Minneapolis that the state never collected.

Exempts a service charge from the solid waste management tax base. A service charge is imposed by a home charter city that owns and operates a waste-to-energy resource recovery facility. The City of Red Wing is the only city affected by this provision that is estimated to slightly reduce revenue to two state funds. In FY 2009, the reduction to the general fund is estimated to be \$.019 million and a reduction to the environment fund of \$.043 million. These funds are estimated to be reduced by \$.019 million and \$.008 million respectively in each subsequent year. The first year of revenue impact is higher because this provision has retroactive effective date of March 2007.

Exempts the five percent motor vehicle rental fee (that applies in lieu of registration taxes) for vehicles of a nonprofit organization that meet certain criteria. Under current law, a five percent fee is imposed on the lease or rental of passenger vehicles. This fee is used by a rental business to offset registration taxes paid. The rental business may elect to not charge the five percent fee in the previous calendar year if they had 20 vehicles or less. The new provision allows this five percent fee to not apply to vehicles of a nonprofit organization that charge persons or groups on an hourly basis to use the vehicle and meet this criteria:

- Use unstaffed self-service locations that are available any time of the day;
- Provide vehicle maintenance, insurance and fuel; and
- Not provide discounts or lower rates for increased use.

This provision will reduce revenue to the Highway User Tax Distribution Fund (HUTDF) by \$.010 million in FY 2012 and each year thereafter the revenue reduction is estimated to slightly increase.

Withholding Tax Liability Modifications

In 2008, the Legislative Auditor presented a report that raised issues surrounding employers misclassifying their employees as independent contractors. The withholding modifications in this chapter are intended to address this issue and provide a compliance tool for the Minnesota Department of Revenue to use to better hold employers accountable for misclassifying workers. Under the provision, employers that fail to properly classify employees and withhold tax on wages would be liable for three percent of wages paid and would not receive credit for taxes paid by workers. This provision is expected to increase general fund revenue by \$.110 million in FY 2011 and by \$.660 million in the FY10-11 biennium.

Individual Income Tax Interaction

Chapter 88 authorizes several property tax provisions such the special levies and a Metropolitan Council Transit Bonds. These provisions are discussed in the property tax expenditure section of this summary and are only referenced here because these provisions are assumed to increase homeowner property taxes. If homeowner property tax deductions are increased, the net effect to the state is decreased income tax and corporate franchise tax deductions and decreased property taxes. With these property tax changes, general fund revenues are expected to decrease by \$.082 million in FY 2011 and \$.222 million in the FY 2012-13 biennium.

Table 4. General Fund Tax Revenue (Non Federal Conformity) Changes in Chapter 88

Note: Positive numbers represent revenue gain; negative numbers represent a reduction in revenue (or cost) to the state

Dollars in thousands	FY 2010-11 Biennium	FY 2012-13 Biennium
Income Tax Interaction of Property Tax Provisions	(82)	(222)
Minneapolis Downtown Local Options Sales Tax Modification	81	42
Exempt Sales Tax on Construction Materials for Meat Processing Facility in St. Charles	0	(2,000)
Solid Waste Management Tax Exemption for City-Owned Waste-to-Energy Facilities	(27)	(16)
Non Tax Revenue Withholding Tax Penalty Modifications	110	660
Total Revenue Changes	82	(1,536)

During the 2009 session, the Governor vetoed two tax bills (Chapter 77 and Chapter 179) that proposed new general fund revenue from various tax and non tax sources. Table 5 summarizes the general fund revenue impact of each proposal.

Table 5. 2009 Legislative Session, Summary of Vetoed Tax Bills

Note: Positive numbers represent revenue gain; negative numbers represent a reduction in revenue (or cost) to the state

(Dollars in thousands)	Chapter 77		Chapter 179	
	FY 10-11 biennium	FY 12-13 biennium	FY 10-11 biennium	FY12-13 biennium
Revenue Changes:				
New 4 th Income Tax Tier at 9.0% for Married Joint Filers at \$250,000 (effective TY 2009)	\$516,300	\$506,600	\$516,300	\$506,600
Surtax on Excess Interest Income	\$216,300	\$212,700	\$216,300	\$212,700
Alcoholic Beverage Excise Tax Rate Increase	\$113,000	\$121,400	\$158,200	\$171,400
Increase in the Alcoholic Beverage Gross Receipts Tax from 2.5% to 5.0%	\$127,900	\$146,200	\$127,900	\$146,200
Additional Tax Compliance Net Revenues	\$18,640	\$24,808	\$13,980	\$18,606
Up-Front Capital Equipment Exemption (effective 1/1/10)			(\$75,180)	(\$19,520)
Subtotal	\$992,140	\$1,011,708	\$957,500	\$1,035,986
Expenditure Changes:				
Transfer to E-12 Account, Nursing Home and Long-Term Care Account and Hospital Account	(\$992,140)	(\$1,007,082)		
Property Tax Recognition Shift			\$604,348	\$116,986
E-12 Education Aid Payment Shift at 73/28			\$1,166,194	\$41,269
Advance Final Payment , Statutory Operating Debt Districts			(\$7,247)	\$14
E-12 Payments Shift – Tax Aids and Credits Paid to Schools			\$11,413	\$161
Angel Investor Credits for High Technology Businesses			0	(\$5,000)
Subtotal	(\$992,140)	(\$1,007,082)	\$1,774,708	\$153,108
General Fund Balance	\$0	\$4,626	\$2,732,208	\$1,189,094

If enacted, Chapter 77 would have raised less than \$1 billion for E-12 education, nursing homes, long-term care and hospitals in the FY 2010-11 biennium. Chapter 77 proposed increases in tax revenue and non tax revenue sources. Chapter 179 is similar to Chapter 77 in some ways. In addition to increasing revenue, Chapter 179 would have also implemented \$1.77 billion of E-12 Education shifts in state aid payments to schools. With proposed increases in tax revenues and the spending reductions from the E-12 Education shifts, Chapter 179 would have generated \$2.7 billion on the bottom-line for the general fund.

Changes in General Fund Expenditures

Chapters 12 and 88 altered Minnesota's laws governing property taxes and local aids with little fiscal fanfare for the state general fund. As shown in Table 1, total general fund expenditures for Property Tax Aids and Credits will increase to \$3.448 billion in FY 2010-11, a slight increase of 0.36 percent over the February 2009 forecast base of \$3.435 billion. In FY 2012-13, expenditures will grow to \$3.587 billion, a level slightly less (0.17%) than the forecasted \$3.593 billion.

**Table 1: Summary of 2009 Tax Act Expenditures
General Fund Expenditure Changes – Aids & Credits**

Dollars in 000's	FY 2010	FY 2011	FY10-11	FY 2012	FY 2013	FY 12-13
February Forecast 2009			3,435,395			3,593,447
Total Tax Expenditure Changes						
Chapter 12 General Fund	Unk	Unk	Unk	Unk	Unk	Unk
Chapter 88 General Fund	1,424	10,875	12,299	-8,531	2,342	-6,189
Total Tax Expenditure Changes Chapter 12 & 88 General Fund	1,424	10,875	12,299	-8,531	2,342	-6,189
Total General Fund Forecast Plus Expenditure Changes			3,447,694			3,587,258
Total % Change, Forecast Plus Expenditures Changes			0.36%			-0.17%

Note: Positive numbers reflect a cost to the state and negative numbers reflect a revenue gain.

While other state agency budgets realized stagnant or reduced spending, the veto of Chapter 179 (the omnibus tax bill) allows spending on Tax Aids and Credits to grow as forecasted, with only a handful of modifications. Table 2 compares actual and anticipated spending for the six-year period, FY 2008-2013. Biennial expenditures are scheduled to grow by an average 12.86 percent in FY 2010-2011 over FY 2008-2009 levels, and then by another 4.0 percent in FY 2012-2013. With legislative expenditure changes of 0.36 percent in FY 2010-2011 and -0.17 percent in FY 2012-2013, the differences between this budget and the February 2009 forecast are minute.

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

	February 2009 Forecast		Appropriations Chapters 12 & 88 FY 2010-11	% Change FY 2010-11 vs. FY 2008-09	% Change FY 2010-11 vs. Base	Tails Chapters 12 & 88 FY 2012-13
	Spending in FY 2008-09	Base Funding FY 2010-11				
Property Tax Refunds	851,711	986,873	986,865	15.87%	0.00%	1,073,063
Political Contribution Refund	10,938	11,200	11,200	2.40%	0.00%	11,800
Tax Refund Interest	24,333	27,000	27,000	10.96%	0.00%	30,000
Local Aids	1,321,555	1,568,415	1,568,915	18.68%	0.03%	1,643,171
Local Government Aid (LGA)	915,270	1,062,979	1,062,979	16.14%	0.00%	1,116,436
County Program Aid (CPA)	365,889	458,390	458,890	25.28%	0.11%	481,518
Other County Aids	1,414	1,828	1,828	29.28%	0.00%	1,828
Disparity Reduction Aid	36,358	38,920	38,920	7.05%	0.00%	38,982
Other Local Aids	2,624	6,298	6,298	140.02%	0.00%	4,407
Property Tax Credits	596,574	595,789	595,814	-0.13%	0.00%	578,371
Homestead Market Value Credit	531,659	528,853	528,853	-0.53%	0.00%	509,519
Agricultural Market Value Credit	50,123	49,223	49,223	-1.80%	0.00%	49,198
Border City Disparity Credit	10,388	12,541	12,541	20.73%	0.00%	13,834
Other Credits	4,404	5,172	5,197	17.44%	0.48%	5,820
Taconite Tax Relief Area Aids & Credits	28,653	28,715	28,715	0.22%	0.00%	28,927
Local Pensions Aids	208,908	217,272	217,272	4.00%	0.00%	230,140
Other Expenditures	9	-	0	-100.00%	0.00%	-
PILT Payments - DOT	9	-	-	-100.00%	0.00%	-
PILT Payments - [in DNR budget]	[20,338]	-	-	--	--	-
Disaster Relief 07 SS1 Chptr 2	1,147	131	131	-88.58%	0.00%	-
DNR admin - mining permits	-	-	1,360	--	--	0
Repeal Taconite Reduction -DOE	-	-	273	--	--	1,255
Wind Production Tax - DOE	-	-	-	--	--	680
Transfer to/from Dedicated Acct			10,149			(10,149)
Totals	3,043,828	3,435,395	3,447,694	12.86%	0.36%	3,587,258

A more detailed summary of legislative changes by category and item is given in Table 3. Six program adjustments, two appropriations to state agencies and one transfer comprise the \$12.3 million increase in spending for FY 2010-11. Similarly for FY 2012-13, seven program changes, two appropriations to the Department of Education and one transfer explain the \$6.2 million biennial spending decrease. Note that without the \$10.15 million transfer of dedicated general fund moneys between biennia, expenditure changes for tax aids and credits increase by only \$2.15 million in FY 2010-11 and by \$3.96 million in FYs 2012-13.

**Table 3: Chapters 12 & 88
Tax Aids & Credits - General Fund Expenditure Changes by Item**

Note: Positive numbers reflect a cost to the state and negative numbers reflect a cost savings.

Dollars in 000s	Biennium			Biennium		
	FY 2010	FY 2011	FY 10-11	FY 2012	FY 2013	FY 12-13
February Forecast 2009	\$3,435,395			\$3,593,447		
Property Tax Deferral						
Senior Property Tax Deferral change: remove marriage penalty	0	25	25	30	30	60
Property Tax Changes						
Modify Bovine Tuberculosis Zone	0	(100)	(100)	(100)	(100)	(200)
State-Paid Property Tax Credits						
Wind Production Tax: Additional Expenditure to Dept of Education	0	0	0	310	370	680
Abatement to Flood-Damaged Cities	0	0	0	955	955	1,910
Subtotal Property Tax Deferral and Property Tax Changes	0	(75)	(75)	1,195	1,255	2,450
Aids and Credits Changes						
County Program Aid one-time appropriation Beltrami County	500	0	500	0	0	0
Subtotal Aids and Credits	500	0	500	0	0	0
Property Tax Administration						
Metropolitan Council Transit Bonds (PTR impact)	0	0	0	0	120	120
Special levy for costs of confining sex offenders	0	59	59	59	0	59
Special levy for costs of operating and maintaining new county facilities	0	38	38	76	0	76
Tax-forfeited land proceeds - Pine County only	0	(5)	(5)	0	0	0
Subtotal Property Tax Administration	0	92	92	135	120	255
Other Appropriations						
Appropriation to DNR for costs of issuing mining permits	680	680	1,360	0	0	0
Repeal Taconite Reduction from General Education Aid	244	29	273	288	967	1,255
Subtotal Other Appropriations	924	709	1,633	288	967	1,255
Total Expenditure Changes	1,424	726	2,150	1,618	2,342	3,960
Transfers						
Transfer to/from Dedicated Account	0	10,149	10,149	(10,149)	0	(10,149)
Total Tax Expenditures Changes with Transfers	1,424	10,875	12,299	(8,531)	2,342	(6,189)
Total General Fund Forecast Plus Expenditure Changes	3,447,694			3,587,258		
Total % Change, Forecast Plus Expenditures Changes	0.36%			-0.17%		

In addition to the above changes, several provisions contained in Chapters 12 and 88 have an unknown, negligible or zero impact. These items, reflected in Table 4, are worth noting because

each received considerable discussion and modification throughout tax budget deliberations. The two local government aid (LGA) payments, now reflecting a zero impact, were intended to be funded *in addition to* the base-level LGA appropriation for FY 2011. However, due to a lack of agreement for funding the tax bill, these payments, \$225,000 for Coon Rapids and \$25,000 for St. Paul, fall *within* the base-level LGA appropriation.

**Table 4: Chapters 12 & 88
Tax Aids & Credits - Selected Changes with Unknown, Negligible or Zero Impact**

Dollars in 000s	Biennium			Biennium		
	FY 2010	FY 2011	FY 10-11	FY 2012	FY 2013	FY 12-13
Property Tax Changes						
Green Acres - various provisions	Unk	Unk	Unk	Unk	Unk	Unk
Property Tax Exemption for Certain Elderly Living Facilities	Neg	Neg	Neg	Neg	Neg	Neg
Lakeshore/Riparian Property Used to Provide Marina Services Rate Reduction	Unk	Unk	Unk	Unk	Unk	Unk
Aids and Credits Changes						
Coon Rapids one-time city aid payment (LGA)	0	0	0	0	0	0
St. Paul Growers one-time city aid payment (LGA)	0	0	0	0	0	0
Property Tax Administration						
Local Government Units Authorized to Issue Emergency	Unk	Unk	Unk	Unk	Unk	Unk
Modify local government authority to issue OPEB bonds	Neg	Neg	Neg	Neg	Neg	Neg
Cloquet Area Fire & Ambulance Special Taxing District Establishment	Neg	Neg	Neg	Neg	Neg	Neg

Analysis Detail

	FY 2010-11	FY 2012-13
Property Tax Refunds, Aids & Credits		
Senior Property Tax Deferral – Expands program eligibility for certain married couples	\$ 25,000	\$ 60,000

Previous law specified that to qualify for a senior property tax deferral, applicants must have a household income of less than \$60,000 and be age 65 years or older. For a married couple, both persons must be at least 65 years old. The state reimburses counties for the amount of taxes deferred.

Chapter 88 eases the age requirement for married couples by allowing one spouse to be at least age 65 and the other spouse to be age 62 years or older. Seven new senior couples are expected to take advantage of this provision at a cost of \$25,000 in FY 2011, and \$30,000 in each FY 2012 and FY 2013.

Local Government Aid One-time payments

The act provides a one-time Local Government Aid payment in FY 2011 for two cities.

City of Coon Rapids	\$ 225,000	\$ -0-
City of St. Paul	\$ 25,000	\$ -0-

These payments are calculated from within the LGA appropriation, and thus have a zero net impact on the general fund.

The \$225,000 payment to Coon Rapids replaces the second of two installments owed to Coon Rapids in CY 2008 to pay state's portion of a 1998 joint powers agreement with the city. The second payment in CY 2008 was to be the last payment of a 10-year loan from the City to the State for a bridge re-construction project--the Highway 242 bridge over U.S. Highway 10. The second installment was withheld due to the December 2008 unallotment of Local Government Aid. Language specifies that 1) the payment would be made at the time of the first aid payment in 2010, and 2) would not be included when calculating any city aid or credit reductions.

The \$25,000 payment to St. Paul provides the city with funding to mitigate crop damage incurred by members of the St. Paul Growers Association during the July 10, 2008 hail storm. More specifically, the language allows the city (which) has made an equivalent grant to its local growers' association, to reimburse up to \$1,000 each for membership fees and retail leases for members of the association who suffered hail storm damage. Similar to the Coon Rapids provision, this payment would not be included when calculating any city aid or credit reductions.

County Program Aid One-time payment to Beltrami County for Red Lake Band of Chippewa **\$ 500,000 \$ -0-**

The act provides for an additional, one-time County Program Aid (CPA) payment of \$500,000 in FY 10 to Beltrami County to support the Red Lake Band of Chippewa’s implementation of Fostering Connections to Success and Increasing Adoptions Act of 2008, Public Law 110-351. These moneys will be used to draw down time-sensitive federal funds available to tribes who seek to start-up and operate the Title IV-E program. Chapter 88 does the following: 1) appropriates \$500,000 to the commissioner of revenue for this purpose, and 2) specifies that this amount would not be included when calculating any county aid reductions.

Property Tax Changes

Green Acres Modifications **Unknown Unknown**

The 2008 Omnibus Tax Bill (Chapter 154, Article 2) made changes to the Minnesota Agricultural Property Tax Law (better known as the “Green Acres” program) which allows farm land to be valued for agricultural uses instead of the highest and best use. In response to the Legislative Auditor’s findings on the Green Acres Program [<http://www.auditor.leg.state.mn.us/ped/2008/greenacres.htm>], the law was changed to remove land enrolled in government-sponsored conservation programs and class 2b rural vacant land. Concerns from property owners about the transition from the former Green Acres program to the new one became a major focus of the 2009 legislative session, prompting additional adjustments to be made.

Chapter 12 modifies the 2008 Green Acres law in several ways. Most land enrolled in government-sponsored conservation programs is eligible for Green Acres provisions. Property owners may withdraw a portion, but not all of their rural vacant land from the program without penalty. Certain repayment penalties associated with property transfers are eliminated. Previously enrolled Green Acres property that fails to meet the new criteria must be sold or transferred before assessment year 2013, when it will be removed from the program.

A new Rural Preserve Property Tax Program is created and property that previously qualified for Green Acres may transition to the new program without penalty. To participate, an owner must have 1) at least 10 acres enrolled, 2) an approved conservation management plan for the property, and 3) sign a covenant of participation for at least 10 years.

The fiscal impact of these changes is unknown because the number of acres migrating between these programs is unknown. The 2008 fall mini abstract reports that approximately 38% of acres enrolled in Green Acres is non-tillable land, but the split between pasture and other agricultural use is not available. Changes in land value will ultimately change tax rates on all property in participating counties.

Bovine Tuberculosis Zone State-Paid (\$ 100,000) (\$ 200,000)
Property Tax Credits Modified (M.S. 273.113)

The 2008 legislative session created the Bovine Tuberculosis Property Tax Credit program to assist livestock owners who suffered productivity losses of their land due to bovine tuberculosis eradication procedures. Chapter 88 makes several changes to that law by 1) adopting the modified accredited zone designated by the Board of Animal Health, 2) increasing the eligible time period for herds kept on the land by adding calendar years 2006 and 2008 to the existing 2007 parameter, and 3) expanding the definition of animal to include cattle, bison, goats, and farmed cervidae (deer). In addition, eligible property classes for the credit now include agricultural land and class 2b rural vacant land. Finally, the calculation of the credit is determined as the greater of \$5 per acre on the first 160 acres of the property, or \$25 times the highest number of animals tested on the property for whole-herd bovine tuberculosis tests in 2006, 2007, or 2008. The credit cannot exceed the property tax payable on the land. The impact of these changes is a cost savings of \$100,000 per year beginning in FY 2011.

Property Tax Exemption for Certain Elderly Living Facilities Negligible Negligible

Chapter 88 provides a property tax exemption for the first \$5,000,000 of market value of an elderly living facility that meets the following requirements:

- the facility consists of no more than 75 living units;
- it is located in a city with a population of more than 350,000;
- it is owned and operated by a nonprofit corporation;
- the owner of the facility is an affiliate of entities that own and operate assisted living and skilled nursing facilities that are located across a street from the facility, are adjacent to a church, include a congregate dining program, and provide assisted living or similar social and physical support;
- the residents of the facility must be at least 62 years of age or handicapped;
- before the effective date of the subdivision, the facility has received certain approvals from the city.

The exemption applies to taxes levied in each year of the facility's initial permanent financing or 25 years, whichever is later. At this time, there is one known facility in Minneapolis that meets these requirements. The property tax exemption will shift the property tax burden to all other property types. The impact on homestead properties will increase state-paid homeowner property tax refunds by a negligible amount (less than \$5,000) beginning in FY 2011.

Wind Energy Production Tax \$-0- \$680,000
Modification of revenue distribution

Current law distributes revenue collected by the Wind Energy Production Tax to local jurisdictions where a wind energy conversion system is located as follows: 80 percent to the counties, 14 percent to cities and townships, and 6 percent to school districts. Chapter 88

changes this distribution so that beginning in FY 2012, counties will receive 80 percent and cities and townships will receive 20 percent. School districts will no longer receive these revenues. In production year 2008, a total of \$4.3 million in tax receipts were distributed to local governments in 17 counties. The elimination of these payments to school districts would trigger a dollar-for-dollar increase in state Education Aids, beginning in FY 2012 at a cost of \$310,000 and \$370,000 in FY 2013.

Abatement for Flood-Damaged Cities	-0-	\$1,920,000
---	------------	--------------------

In response to the water damage caused by the Red River Valley's record flood level of 40.8 feet in March 2009, Chapter 88 abates taxes for certain residential, agricultural homestead and apartment properties. Among other things, to qualify for abatement, 1) a property would be located in Moorhead, Dilworth, East Grand Forks, or Breckenridge and 2) construction would occur between January 1, 2009 and December 31, 2010. The abatement extends up to \$200,000 of market value for most structures and up to \$20,000 of market value per residential unit for apartments.

The abatement is effective for two years, beginning FY 2012 for most properties. The provision requires a county auditor to report the total abatement under this section prior to May 1 of each taxes payable year, requires the commissioner of revenue to reimburse affected taxing jurisdictions prior to September 1 of each year, and appropriates to the commissioner of revenue the amount necessary to make the reimbursement payments.

Lakeshore/Riparian Property Used to Provide Marina Services Rate Reduction (4c Class)	Unknown	Unknown
--	----------------	----------------

Previously, all marinas were classified as 3a commercial property with a tax rate of 1.5 percent for the first \$150,000 of market value and 2.0 percent for values that exceed \$150,000, and subject to the commercial portion of the state general property tax. Chapter 88 creates a new provision within class 4c, seasonal recreational property, to include marinas that provide public recreational shoreline access. To qualify, lands cannot exceed 6 acres and are limited to 800 feet of shoreline.

Class 4c property has a class rate of 1.0 percent on the first \$500,000 of market value and 1.25% on the value in excess of \$500,000, and is subject to the seasonal recreation portion of the state general property tax, currently 19 percent. The number of properties changing classification from 3a to 4c is unknown at this time. The change in classification would shift the property tax burden to all other property types. Net taxes on homesteads will increase state-paid homeowner property tax refunds by an unknown amount.

The property tax for a hypothetical marina property that changes classification to a public access marina is given in Table 5.

Table 5. Marina Property - Private Access versus 4c Public Access
For a Property Valued at \$750,000

	Private Marina Access			
	\$750,000 Sample Property	3a Rate Commercial	Net Tax Capacity	Property Tax (Gross)*
Market Value				
up to \$150,000	\$150,000	1.50%	\$2,250	\$2,250
\$150,000 to \$500,000	\$350,000	2.00%	\$7,000	\$5,250
\$500,000 to \$750,000	\$250,000	2.00%	\$5,000	<u>\$3,750</u>
Subtotal				\$11,250
Add State General Levy				
Commercial rate		46.00%		
Seasonal Recreational rate				
Subtotal			\$0	\$5,175
Total Gross Property Tax				\$16,425

	Qualifying Public Access Marina - new provision			
	\$750,000 Sample Property	4c Rate Seasonal Recreational	Net Tax Capacity	Property Tax (Gross)*
Market Value				
up to \$150,000	\$150,000	1.00%	\$1,500	\$1,500
\$150,000 to \$500,000	\$350,000	1.00%	\$3,500	\$3,500
\$500,000 to \$750,000	\$250,000	1.25%	\$3,125	\$3,125
Subtotal				\$8,125
Add State General Levy				
Commercial rate		19.00%		
Seasonal Recreational rate				
Subtotal			\$0	\$1,544
Total Gross Property Tax				\$9,669

*These examples assume a total local net tax capacity tax rate of 100 percent.

Property Tax Administration

Local Government Units Authorized to Issue Emergency Debt Certificates

Unknown Unknown

Chapter 88 permits a county, city or town to sell emergency certificates of indebtedness without voter approval to pay for a foreseeable budget deficit when final property tax levies have already been certified. This provision could be activated by an unallotment of state funding for local government aids or credits, by lower than expected property tax receipts due to foreclosures or by other unanticipated revenue insufficiencies.

A local government may issue a principal amount up to the expected reduction in receipts, plus the costs of issuance. The certificates must be paid off within two years of the end of the fiscal year in which they were issued. These certificates are excluded from net debt limits, thus allowing a local unit to levy property taxes for the repayment of this debt beginning with taxes payable in 2010. A local government that chooses to use emergency debt certificates will be

- **Adds special levy for the cost of confining sex offenders \$ 59,000 \$ 59,000**

This special levy authority allows a county to levy for a portion of the costs incurred for the confinement of sex offenders undergoing the civil commitment process. The amount of the levy is limited to the difference between one-half the costs of confining these offenders and any state payments received for this purpose.

The Department of Revenue estimates that forty-two counties have expenses of approximately \$1.5 million that would be levied through this provision. Use of this special levy authority would increase the property tax burden on homeowners and thus state-paid homestead property tax refunds are estimated to increase by \$59,000 per year in each FY 2011 and FY 2012.

- **Adds special levy for certain new county facilities \$ 38,000 \$ 76,000**

Beginning in tax year 2010, this special levy authority permits a county to pay the first year of maintenance and operations costs for a new public safety and courts facility that was funded prior to the imposition of levy limits in 2008. These costs are then rolled into the county's levy limit base in subsequent years.

Two counties would likely use this provision, with first year costs of maintenance and operations estimated at \$500,000 per facility. Use of this special levy authority would increase the property tax burden on homeowners within each county and thus state-paid homestead property tax refunds are estimated to increase by \$38,000 per year.

- **Adds levy recertification to accommodate late unallotment -0- -0-
Adds special levy for reductions in market value credits**

Chapter 88 allows a county or a city to recertify its property tax levy by January 15 if the December aid and credit payments from the state are reduced due to unallotment. The act also allows a special levy to replace the estimated amount of reduction in market value credits payable in the year in which the levy is payable. These provisions are to be used in extraordinary times and no reductions exist in current law. Thus the fiscal impact is zero.

Tax Forfeited Land Proceeds for Pine County (\$ 5,000) -0-

Chapter 88 authorizes Pine County to use a portion of the proceeds from the sale or rental of tax-forfeited lands to replace all or a portion of its County Program Aid or Market Value Credit reimbursement cuts or unallotments. The county board must act within six months of the aid or credit reimbursement loss by adopting a resolution to transfer these proceeds to its general fund, an amount that cannot exceed the aid or credit reimbursement loss. The provision is effective the day following enactment and expires on December 31, 2010.

As a result of the Governor's unallotments on December 19, 2008, Pine County realized a reduction of \$256,842 in County Program Aid and no reduction in Market Value Credit reimbursements. Approximately \$125,000 in tax forfeited land proceeds are expected to be transferred to the county general fund, thus lowering property taxes for all property in the county and reducing the property tax burden on homesteads. State-paid homestead property tax refunds are estimated to be reduced by \$5,000 in FY 2010.

Metropolitan Council Transit Levy Bonds

-0- \$120,000

On December 15, 2004, the Metropolitan Council adopted a 2030 Transportation Policy Plan with the goals of doubling transit ridership by the year 2030, slowing the growth in traffic congestion in the metro area and improving mobility for everyone. Among the strategies for attaining these goals is the development of “a network of rail and bus 'transitways,' with mode choices based on a careful cost-benefit analysis.”

The 2030 Plan states: “Transit service increases, which could mitigate the negative effects of unfunded highway needs, will not be possible at current funding levels... and building a network of transit corridors will require new revenues for both capital and operating needs.”

Chapter 88 gives the Metropolitan Council authority to issue up to \$34.2 million (\$18.7 million in FY 2011 and \$15.5 million in FY 2012) in transit bonds or other obligations to pay for regional transit capital expenditures and related costs as prescribed in the current version of the 2030 Plan. This authority is in addition to any authority previously granted and is limited to the seven-county metropolitan area. Proceeds of these bonds will primarily be used to purchase buses, as well as finance transit facilities.

Any bond principle and interest issued under this provision would be paid by increasing property tax levies in the seven-county metro area. Additional debt service levies would increase homeowner taxes. Property tax refunds are estimated to increase by \$120,000 in FY 2013.

Other Appropriations

Department of Natural Resources Administration of Mining Permits

\$1,360,000 -0-

Chapter 88 appropriates \$680,000 in each FY2010 and FY2011 from the general fund to the commissioner of natural resources to pay for a portion of the costs associated with issuing mining permits. Chapter 88 also repeals one of three mine reclamation fees contained in Chapter 37, Article 1, Section 31 (the \$.0075 per ton fee on taconite iron ore) which was intended to generate an amount equal to this appropriation.

Changes in mining fees this session are in response to a report required of the commissioner in the 2008 Laws of Minnesota, Chapter 363, Article 5, Sec. 4, subd. 2, which was presented to the legislature on January 15, 2009.

The report [http://files.dnr.state.mn.us/aboutdnr/reports/legislative/establish_permit_mine.pdf] seeks to establish a “permit to mine” application fee schedule that is based on the actual costs of issuing and monitoring permits.

Current administrative costs of the Mineland Reclamation Program total approximately \$1.4 million per year. Prior to FY 2009, general fund appropriations covered these costs. In FY 2009, general fund appropriations were reduced and an account to receive permit fee revenue was established in the special revenue fund.

For FY 2010-11 this general fund appropriation, which will cover about 57 percent of the program's \$1.2 million annual operating costs, is a one-time appropriation for the biennium and is not added to the Department of Natural Resource's base budget.

Repeal Taconite Reduction from General Education Aid \$273,000 \$1,255,000

Chapter 88 redirects taconite aid originally used to offset a school district's state aid to instead be distributed to the cities and towns within the school district, based on a formula with 50 percent allocated to the cities or towns where the mining occurs and 50 percent to the cities or towns where the processing occurs. This shift triggers an increase in the amount of school district state aid provided to these schools by the Department of Education. General fund spending will increase by \$244,000 in FY 2010, \$29,000 in FY 2011, \$288,000 in FY 2012 and \$967,000 in FY 2013.

Transfer to Special Account for Timing Differences \$10,149,000 (\$10,149,000)

Arising from issues with federal conformity, Chapter 88 directs the commissioner of revenue to deposit up to \$10.149 million in additional revenues received in FYs 2010-2011 into a special holding account. These funds are then transferred back to the general fund in fiscal year 2012. For additional detail, see Federal Conformity in the Tax Revenues section of this analysis.

Other Noteworthy Provisions

Temporarily Suspends New or Increased Maintenance of Effort (MOE) and Matching Fund Requirements

Chapter 88 places an 18-month moratorium on the implementation of new or increased MOE or matching fund requirements. For instances when the new federal stimulus bill requires increased spending, counties and cities are still responsible for these requirements if the city or county is currently providing the federal MOE or match and the federal government increases those requirements.

Updates Ongoing Appropriation for Local Police and Firefighters Relief Association Amortization State Aid

New language clarifies that the distribution of amortization state aid is an open and standing appropriation, providing for \$4.72 million annually for amortization state aid and \$1 million annually for supplementary amortization state aid.

Clarifies Administration of the Mortgage Registry Tax for Property Located in Multiple Counties

New language modifies the distribution of the mortgage registry tax (MRT) when a mortgage covers real property located in more than one county. The threshold for redistributing the

nonstate portion of the tax (i.e. the 3 percent that the counties retain for administration) is increased from \$1 million to \$10 million. When the principal debt secured by a multiple county mortgage is greater than \$10 million, the county treasurer must redistribute the total payment proportionally (based on the ratio of market value in each county) to each county where the property is located.

Modifies the Property Tax Exemption for Apprenticeship Training Facilities

New language extends the property tax exemption for apprenticeship training facilities (enacted in 2007) to include up to five acres of land on which the building is located. Parking areas used for the purposes of the training facility, which are in proportion to the building's total square footage, are also exempt. In 2007, 20-30 buildings were thought to be affected by this provision; this expansion may exempt a few more properties.

Creates an Aggregate Production Tax for Rock County

New language allows Rock County to impose an aggregate tax at the rate of 10 cents per cubic yard or seven cents per ton, instead of the standard rates of 25 cents per cubic yard and 15 cents per ton. This provision, good for five years, expires on December 31, 2014. These are local funds that do not impact state spending.

Studies and Reports

Green Acres Annual Report on Agricultural Valuation and Classification (Chapter 12, Article 2, Sec 7)

The Commissioner of Revenue must study various aspects of class 2a (agricultural homestead) and class 2b (agricultural non-homestead) property, including assessment and classification practices, market value trends and green acres value methodology and determinations. A report is due by March 1 of each year to the House and Senate Tax Committees.

Property tax treatment of horse breeding and horse boarding properties (Chapter 88, Art 2, Sec 47)

The Commissioner of Revenue, with the advice of the Commissioner of Agriculture will report on the current property tax treatment of horse breeding and horse boarding properties and offer recommendations to the House and Senate Tax Committees by February 1, 2010.

Proposal for reform of local government funding of human services (Chapter 88, Art 2, Sec 48)

The Commissioners of Human Services and Revenue, in consultation with representatives from the Association of Minnesota Counties, The Minnesota Inter-County Association, and the Minnesota Association of County Social Service Administrators, are to develop a proposal for the reform of local government funding of human services. A report of their recommendations is due to the House and Senate Committees with jurisdiction over property taxes and health and human services funding and to the Governor by February 15, 2010.

Fiscal disparities administrative auditor to study base year rates

(Chapter 88, Art 2, Sec 50)

The administrative auditor of fiscal disparities is to study the basing of fiscal disparities distributions on current year tax rates. A report with specific information about the inclusion of the referendum market value levy in the fiscal disparities calculations and other recommended changes is due to the House and Senate Tax Committees by February 1, 2011.

Study of riparian buffer lands

(Chapter 88, Art 2, Sec 51)

The Drainage Working Group, facilitated by the Board of Water and Soil Resources, is to study the condition, use and maintenance of riparian buffer areas and the extent to which they risk environmental damage to public waters. A report with recommendations is due to the House and Senate Tax Committees by March 1, 2010.

Study of pollution control exemptions

(Chapter 88, Article 2, Sec 52)

The Commissioner of Revenue, with the advice of the Commissioner of the Pollution Control Agency, is to study process used to determine the eligibility of personal property at an electric generating facility for the purpose of a property tax exemption. Study results are is due to the House and Senate Tax Committees by January 15, 2010.

Eliminates Annual Reports for This Old House and Limited Market Value

(Chapter 88, Article 2, Sec 54) The Department of Revenue's requirement to provide annual reports for the This Old House exemption and on Limited Market Value are repealed.

For additional information on income, corporate, sales and health care taxes, contact Cynthia Templin at 651-297-8405, or 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.

This page intentionally left blank

Changes in Fees, Fines, Penalties and Surcharges		2009 Session						
Dollars in thousands		<u>Fund</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2010-11</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2012-13</u>
K-12 Education								
no changes								
Early Childhood								
no changes								
Higher Education								
MDH	Oral Health Practitioner Licensure	SGSR	0	0	0	2	6	8
Health & Human Services								
DHS	Background Study Fee	SGSR	440	440	880	440	440	880
DHS	ARRM	GF	70	70	140	70	70	140
DHS	PCA, Others	GF	90	90	180	90	90	180
DHS	HCBS Waivers - Federal Compliance	Other	0	120	120	120	120	240
MDH	Newborn Screening Fee +\$5	GF		360	360	360	360	720
MDH	Occupational Therapy Duplicate License Fee	SGSR	1	1	2	1	1	2
MDH	Hearing Instrument Dispenser Certification Fee	SGSR	204	209	413	103	105	208
MDH	Well Program Fees	SGSR	325	325	650	325	325	650
MDH	Swimming Pool Inspection & Plan Review Fee	SGSR	211	211	422	211	211	422
MDH	Food Manager Certification Fee	SGSR	61	61	122	61	61	122
MDH	Food, Beverage & Lodging Program Fees	SGSR	559	559	1,118	559	559	1,118
MDH	Youth Camp Licensing & Inspection	SGSR	50	50	100	50	50	100
MDH	Manufactured Home Park & Recreational Camp	SGSR	234	234	468	234	234	468
MDH	X-Ray Program Fee	SGSR	460	460	920	460	460	920
MDH	Lead Program Fee	SGSR	50	75	125	100	125	225
MDH	Environmental Certification Fee	SGSR	100	150	250	200	200	400
MDH	Vital Records Technology Improvement Fee	SGSR	1,200	1,200	2,400	1,200	1,200	2,400
MDH	Adverse Health Events Program Fee	SGSR	73	73	146	73	73	146
DIET	Dietetics & Nutrition Board Fee Changes	SGSR	-39	-39	-78	-39	-39	-78
SOC	Social Work Board Fee Changes	SGSR	-351	-351	-702	-351	-351	-702
DENT	Dentistry Board Fee Changes (Ch 159)	SGSR	71	72	143	72	72	144
Economic Development								
	Cosmetoligi Fee Collection & Cost Recovery	GF	90	90	180	90	90	180
	Cosmetoligi Licensing Provision Fee Modifications	GF	150	300	450	300	300	600
Barbers	Licensing Provision Fee Modifications	GF	22	22	44	22	22	44
DOLI	Boiler Operators/Plumbers-Biennial Renewal	SGSR	2,718	-285	2,433	-285	-285	-570
DOLI	Building Permit & Plan Review Fee Adjust	SGSR	900	900	1,800	900	900	1,800
DEED	Workforce Development Fee .12 in FY 10-11	WFD	6,532	8,969	15,501	2,341		2,341
Environment & Energy								
PCA	SSTS License Fees (sewer)	ENV	270	270	540	270	270	540
PCA	Rule Increase - Air Permits	ENV	1,721	0	1,721	0	0	0
PCA	Training & Certification Recovery - Air	ENV	10	10	20	10	10	20
PCA	Training & Certification Recovery - Water	ENV	500	500	1,000	500	500	1,000
PCA	Training & Certification Recovery - Land	ENV	700	700	1,400	700	700	1,400
DNR	Water Fees	GF	500	500	1,000	500	500	1,000
DNR	Mining Permit Fees	NR	519	519	1,038	519	519	1,038
DNR	Utility Permits & Easements	NR	612	612	1,224	612	612	1,224
DNR	Non-Resident ATV Pass	NR	90	90	180	90	90	180
DNR	Commercial Horse Trail Pass	NR	3	3	6	3	3	6
DNR	No Park Permit-Transporting K-12 Students(Ch	NR	-5	-5	-10	-5	-5	-10
DNR	Over 90 Fish Without License (Ch 176)	G&F	-9	-14	-23	-14	-14	-29
DNR	Non-Resident Spearing License - \$37.50(Ch176	G&F	44	70	113	70	70	139
DNR	Dark House Added to Shelter License(Ch176)	G&F	22	36	58	36	36	73
DNR	Fishing Contest License Change (Ch 176)	G&F	-29	-29	-58	-29	-29	-58
Commerce	Investigation Cost Recovery	GF	754	754	1,508	754	754	1,508
Commerce	Energy Office Security Assessment	GF	284	284	568	284	284	568
Commerce	Insurance Filing Fee	GF	300	300	600	300	300	600
Commerce	Debt Settlement Companies Registration Fee	GF	20	5	25	5	5	10
Commerce	Internet Payday Lender License Fee	GF	8	4	12	4	4	8
Agriculture & Veterans								
Agriculture	Pesticide Program	AG	2,631	2,631	5,262	2,631	2,631	5,262
Agriculture	Ag Pesticide Dealer License	AG	21	21	42	21	21	42
Agriculture	Dairy & Food Reinspection Fee	AG	37	37	74	37	37	74
Agriculture	Fertilizer Fees	AG	880	880	1,760	880	880	1,760
Agriculture	Reporting Penalty Increase	AG	3	3	6	3	3	6
DVA	Gold Star License Plate	SR	2	1	3	1	1	2

Changes in Fees, Fines, Penalties and Surcharges

2009 Session

Dollars in thousands

	<u>Fund</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2010-11</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2012-13</u>
Public Safety							
DPS	Child Restraint Penalties SF 99	5	5	10	5	5	10
DPS	Firefighter Licensing SF 1219		150	150	26	26	52
Courts	Parking Surcharge Increase \$4-12	2,992	3,600	6,592	3,600	3,600	7,200
Courts	Civil Filing Fee Increase \$240-310	8,148	9,937	18,085	9,937	9,937	19,874
Courts	Conciliation Ct Filing Fee Increase \$50-60	691	832	1,523	832	832	1,664
Courts	Appellate Ct Filing Fee Increase \$500-550	46	56	102	56	56	112
Courts	Motion Fee Increase \$55-100	1,457	1,755	3,212	1,755	1,755	3,510
Courts	Subpoenas \$12-16	10	12	22	12	12	24
Courts	Judgment Transcripts	178	214	392	214	214	428
Courts	Deposit of Wills	8	10	18	10	10	20
Courts	Executions \$40-55	576	694	1,270	694	694	1,388
Courts	Trust Reports \$40-55	20	24	44	24	24	48
Courts	Jury Trial Demand Fee	122	147	269	147	147	294
Courts	Certified/Uncertified Copy Fee \$10/5-\$14/8	455	548	1,003	548	548	1,096
Courts	Public Defender Co-pay Increase \$28-75	295	360	655	360	360	720
Courts	Ch 169 Diversion Criminal/Traffic Surcharge	2,606	3,140	5,746	3,140	3,140	6,280
Courts	Attorney License Increase \$50-100	1,021	1,650	2,671	1,650	1,650	3,300
Transportation							
	no changes						
State Government							
	Gambling B Lawful Gambling Exempt Permits SF 1284	25	5	30	5	5	10
	Gambling B Lawful Gambling Civil Penalties SF 1284	3	3	6	3	3	6
SOS	Business Filings Fee	63	70	133	93	100	193
SOS	Temporary Surcharge Extension	977	977	1,954	0	0	0
OSA	Federal Oversight Auditing	346	334	680	0	0	0
OET	Electronic Licensing System Fee Surcharge	5,800	5,900	11,700	5,800	5,900	11,700
Racing	License Fee Ratification	4	4	8	4	4	8
Taxes							
DOR	Withholding Tax Liability Penalty (Ch 88)	0	110	110	255	405	660
Totals							
	General Fund (GF)	20,304	24,625	44,929	24,459	24,616	49,075
	Special Revenue (SR)	7,834	8,692	16,526	7,491	7,591	15,082
	State Government Special Revenue (SGSR)	7,267	4,345	11,612	4,316	4,347	8,663
	Workforce Development (WFD)	6,532	8,969	15,501	2,341	0	2,341
	Agricultural Fund (AG)	3,572	3,572		3,572	3,572	
	Environmental Fund (ENV)	3,201	1,480	4,681	1,480	1,480	2,960
	Natural Resources Fund (NR)	1,219	1,219	2,438	1,219	1,219	2,438
	Game & Fish Fund (G&F)	28	62	90	62	62	125
	Other Funds	0	120	120	120	120	240
	All Funds	49,957	53,084	49,957	45,060	43,007	45,060