MINNESOTA Management & Budget

Office Memorandum

Date: March 14, 2011

To: Governor Mark Dayton

From: Jim Schowalter, Commissioner

Subject: Memos Submitted to MMB

Attached are memos submitted to MMB as of 4pm Friday, March 9th.

All of the information included is very preliminary. The targets are at a high level and do not reveal specific operating reductions or other programmatic plans. Hopefully these memos will convey some of the comments or speculation on what is to come, but at this point, agency heads have little hard information on which to base the impact of the legislative plan.

Also note that we only have the expenditure targets and do not have any estimated revenue changes at this time.

In most cases, agencies will not know what their proportion of the target reduction. The reductions may be proportional to the overall bill area but they very well may not. Prime example of this is in the State Government and Veterans area. Legislative comments suggest that all of the reductions will come from the administrative agencies.

Finally, these memos are just being received by MMB. Looking at them we see a variety of formats and commentary. We have not had a chance to standardize any documents at this point.

Attachments

Dept. of Administration
p. 1

53.3% General Fund Operating Budget Reduction

- $5.5 million in reduced services
- 70% of GF staff eliminated (67 of 96 GF positions)
- Because Admin GF activities are typically small, highly specialized functions, a 53.3% reduction would require the elimination of most essential or core government services. The very services that would be eliminated provide state government with economies of scale.

For example, a 53.3% reduction would involve the elimination of programs such as:

- Environmental Quality Board – Coordinates environmental policy involving multiple state agencies. The Governor's budget proposes a reduction, but not elimination of EQB.
- Strategic Sourcing – Ensures responsible, cost effective purchasing for more than $2.1 billion annually. Elimination of this core service will result in more costly state and local government purchasing.
- State Archeologist –The State's enforcement of state law relating to archaeological sites, and related archeological preservation work.
- Data Practices – The State's single point of expertise on the data practices laws, and advise to the Legislature, government agencies, media, the legal community and the public.
- State Demographer – This would eliminate the State's liaison with the U.S. Census Bureau and expertise in state population estimates and forecasts.
- Minnesota Geospatial Office – Coordinates development, implementation, support and use of geospatial information. Loss of this critical resource will severely limit the state's ability to respond to disasters such as flooding and tornados.
- Real Estate and Construction Services – A one-stop shop for state government space needs from construction management to facility management. Reducing or eliminating services will affect the state's assets and will result in deterioration of buildings that will cost more to maintain.
- Small Agency Resource Team (SmART) – A very successful program that shares human resources and fiscal staffing resources across small agencies.

Dept of Administration
p. 2

33.9% General Fund Operating Budget Reduction

- $3.5 million in reduced services
- 45% of GF staff eliminated (43 of 96 GF positions)
- Because Admin GF activities are typically small, highly specialized functions, a 33.9% reduction would require the elimination of most essential or core government services. The very services that would be eliminated provide state and local government with economies of scale.

For example, a 33.9% reduction would involve the elimination of programs such as:

- Environmental Quality Board – Coordinates environmental policy involving multiple state agencies. The Governor's budget proposes a reduction, but not elimination of EQB.
- Strategic Sourcing – Ensures responsible, cost effective purchasing for more than $2.1 billion annually. Elimination or reduction of this core service will result in more costly state and local government purchasing.
- State Archeologist –The State's enforcement of state law relating to archaeological sites, and related archeological preservation work.
- Data Practices – The State's single point of expertise on the data practices laws, and advise to the Legislature, government agencies, media, the legal community and the public.
- State Demographer – This would eliminate the State's liaison with the U.S. Census Bureau and expertise in state population estimates and forecasts.
- Minnesota Geospatial Office – Coordinates development, implementation, support and use of geospatial information. Loss of this critical resource will severely limit the state's ability to respond to disasters such as flooding and tornados.
- Small Agency Resource Team (SmART) – A very successful program that shares human resources and fiscal staffing resources across small agencies.

Talking Points on General fund cuts to MDA March 8, 2011

Overview: The state's investments in agriculture have been wise, and have reaped benefits. As the state economy has suffered, our ag sector has been a bright spot. Investments made 10 and 20 years ago have paid off. If we want to continue a strong rural economy, we need to keep making investments for the future.

- 37% of MDA's overall budget of $170.3 million is general fund, amounting to $62.3 million for FY12-13 biennium (Governor's recommendation). 53% is supplied by fee-based revenue in our Agriculture Fund, and 10% comes from federal sources.
- An additional 15% general fund cut totals $10.096 million and cuts 2 FTE.
- An additional 20% cut would cut another $4.5 million and **45 FTE.**

Detail: The 15% cut scenario is detailed on the attached spreadsheet. The 20% cut scenario would include those cuts, plus:

AGRI (Agriculture Growth, Research and Innovation) Fund:

- AGRI has supported Livestock Investment Grants. In 2009, the $1M in grants leveraged $13M in private capital. This is the type of public private partnership that has real results in rural Minnesota. The state offers an incentive but the producer has to offer his own captial to achieve the desired result.
- Our investment in biofuels has paid off in a strong rural economy due to a value-added product.
- Tomorrow's value-added products may not be discovered without research and that is represented by NextGen funding.

Ag Marketing:

- At a time when we hear our producers asking the state to invest in Ag Literacy Programs, a cut in Ag marketing budget would be cutting Ag in the Classroom.
- The strong ag economy will depend on local, domestic and international marketing, working with our commodity groups. A cut to Ag Marketing Services will cut market-opening research and access-creating trips.
- Ag marketing also brings together communities and producers in the form of farmers markets, and working to publicize locally grown foods through the MN Grown program.
- MN export sales increased by $44 million in FY 10-11 due to MDA's marketing efforts.

Gypsy Moth eradication:

- Gypsy moths threaten MN's forests.
- One gypsy moth is capable of eating one square foot of leafy vegetation per day.
- MDA traps gypsy moths (22,000 traps statewide in FY10-11) and conducts gypsy moth suppression treatments (on nearly 101,000 acres in FY 10-11).

Minnesota Department of Agriculture

Additional 15% Reduction over Governor's Recommendation

Eliminate Agency Pass Through Grants

Organization	How Organization Supports MDA's Mission	Biennial Amount
Mn Ag Education Leadership Council	Strengthens education of the workforce through course development that integrates science, math and economics, and through teacher development that partners with the FFA Association, Mn Association of Ag Educators and other groups.	$470,000
Mn Horticultural Society	Supports the ag economy, especially nursery and gardening-related sectors, with a wide variety of projects that enhance northern-hardy gardening and landscaping activities.	$34,000
Mn Livestock Breeders Association	Supports the integrity of the food supply through activities strengthening livestock health and best practices in livestock activities, especially focusing on youth education.	$36,000
Mn State Colleges & Universities	Supports the ag economy through the Farm Business Management Program's Rural Mental Health Support Program, with outreach activities that focus on the emotional stresses associated with the rapid changes that occur in rural economies.	$188,000
Mn State Poultry Association	Supports the poulty sector through annual poultry shows and other poultry-related activities.	$2,000
Mn Turf Seed Council	Supports the ag economy and the consumer through the development of new varieties and production practices for turf seed and forages ($61,000) and the selection of higher-yielding grasses and native plants used as sources for renewable energy ($47,000).	$216,000
Northern Crops Institute	Supports regional agriculture and value-added processing by conducting educational and technical programs that expand and maintain domestic and international markets for northern-grown crops.	$94,000
Second Harvest Heartland	Supports the ag economy through the purchase of milk for distribution to food shelves and other charitable organizations eligible to receive food from food banks, and enhances the quality of life for low-income Minnesotans.	$1,000,000
County Fairs	Supports the agricultural economy through the payment of grants to county fair boards for premium costs	$948,000
Dairy Development	Supports the the Dairy Business Planning Grant Program and Dairy Development Profitability and Enhancement Teams	$1,268,000
Farm Advicates	Farm Advocates provide one-on-one assistance for Minnesota farmers who face crisis caused by either a natural disaster or financial problems.	$360,000
AGRI Intiative	Bio-Energy and Livestock Investment Grants to assist Minnesota farmers achieve new markets.	$5,480,000

	Sub-Total Pass-Through Grants	**$10,096,000**
	Number of FTE's Eliminated - 2	

Additional 20% Reduction over Governor's Recommendation

Eliminate Agency Pass Through Grants, plus Eliminate State Meat Inspction, Gypsy Moth Dection and Control and Agricultural Marketing Services

Agency Program	How Program Supports MDA's Mission	Amount
State Meat Inspection	Supports regional agriculture and value-added processing by allowing regional markets for livestock products	$1,940,000
Gypsy Moth Dection and Control	Supports agriculture through dection and control of Gypsy Moth	$660,000
Agricultural Marketing Services	Assists in the orderly marketing of Minnesota's agricultural commodities; Promotes Minnesota agricultural produces in domestic and international markets; Provides Economic Analysis related to market opportunities; and Provides marketing services to producers and consumers	$1,922,000

	Sub-Total Agency Programs	**$4,522,000**
	Number of FTE's Eliminated in Meat Inspection - 23	
	Number of FTE's Eliminated in Ag. Marketing - 12	

BMS
BUREAU OF MEDIATION SERVICES
State of Minnesota

March 11, 2011

Margaret Kelly
State Budget Director
Minnesota Management and Budget

Erin Campbell
Policy Advisor
Office of the Governor

Commissioner Schowalter has requested an assessment of the programmatic implications on the Bureau of Mediation Services (BMS) of budget targets released yesterday by the House and Senate Leadership. Our assessment is based upon the 47.7% reduction target proposed for Jobs and Economic Development in fiscal years 2012-2013. BMS is the smallest cabinet level agency in the executive branch; all of its duties are statutory (Minn. Stat.§179A.01-179A.25 (2010) and Minn. Stat.§179.01-179.60). These duties are essentially to administer all public sector and certain private sector collective bargaining activities in Minnesota. If these duties are not performed, collective bargaining will not function according to the current statutory scheme. In the past eight years the BMS budget has been reduced about 27 percent. This forced a twenty-five percent reduction in staff and drastically reduced the agency's ability to carry out its mission. Under current projections and statutory requirements, a 47.7% reduction would mean elimination of about one-half of the staff. (Currently 12 would go to 6). BMS serves thousands of public jurisdictions; 87 counties; 800 cities and towns; 350 K-12 organizations; MnSCU, U o f M, dozens of special boards and commissions (i.e. joint powers boards, Met Council, etc.), and public hospitals. Dispute resolution and administering union representation proceedings is conducted by people, a reduction of the magnitude proposed would slow the work of BMS to a crawl. Union representation elections would take about twice as long to process (now 45-60 days) such delays would prevent fair resolution of these cases. Mediation meetings would likely take 6 months to a year to schedule. The result would likely be more litigation, arbitration and strikes, additional costs associated with these cases would far outweigh any savings from the proposed reductions.

Josh Tilsen

Commissioner
Minnesota Bureau of Mediation Services

MINNESOTA
DEPARTMENT OF
COMMERCE

85 7th Place East, Suite 500
St. Paul, Minnesota 55101-3165
www.commerce.state.mn.us
651.296.4026 FAX 651.297.1959
An equal opportunity employer

March 11, 2011

The Honorable Jim Schowalter
Minnesota Management & Budget
658 Cedar Street
400 Centennial Office Building
St. Paul, MN 55155

RE: Effect of House and Senate Budget Targets on the Department of Commerce

Dear Commissioner Schowalter:

As you know, both the House and Senate released their budget targets for the Department of Commerce yesterday, March 11. The Senate target provides for a 29% reduction and the House a 26.9% reduction. This would translate into a $6,329,540 reduction in the Commerce Department's budget under the Senate plan and a $5,871,194 reduction under the House plan.

The mission of the Commerce Department is to protect Minnesotans by ensuring sound, secure and fair businesses and transactions in more than 20 industries and utilities. The work involved to achieve our mission is extremely labor intensive. For example, the Financial Institutions Division needs bank examiners to ensure the safety and soundness of Minnesota banks. The Office of Energy Security relies on staff to ensure the reliability and safety of Minnesota's energy system. The Market Assurance division needs staff to protect consumers and our businesses against scams. In short, the Commerce Department cannot perform its mission without a qualified workforce. Under the House and Senate plans, the Commerce Department's workforce will be reduced by 78 FTEs and 84 FTEs, respectively. This amounts to roughly one-quarter of our current staff. Cuts this drastic will result in fewer bank examiners, fewer investigators and fewer energy staff to ensure that Minnesotans' checking accounts are safe, our energy needs are being met and companies are playing by the rules.

I understand the current budget situation and the economic climate we are in and Commerce wants to be partners in solving the budget solution. We are willing to make do with less, but a 25% or 29% reduction to our budget would result in the inability of the Commerce Department to perform its core functions.

Sincerely,

Mike Rothman

Mike Rothman
Commissioner

Commerce p. 2

Projected Budget Impact - FY12-13

Senate Proposal

	General Fund Appropriation	29% Reduction	Estimated FTE Reduction Impact
Financial Institutions	$ 6,774,000	$ (1,964,460)	26
Administrative Services	3,872,000	(1,122,880)	15
Telecommunications	1,010,000	(292,900)	4
Market Assurance	6,915,000	(2,005,350)	27
Office of Energy Security	3,255,000	(943,950)	13
	$ 21,826,000	$ (6,329,540)	84

House Proposal

	General Fund Appropriation	26.9% Reduction	Estimated FTE Reduction Impact
Financial Institutions	$ 6,774,000	$ (1,822,206)	24
Administrative Services	3,872,000	(1,041,568)	14
Telecommunications	1,010,000	(271,690)	4
Market Assurance	6,915,000	(1,860,135)	25
Office of Energy Security	3,255,000	(875,595)	12
	$ 21,826,000	$ (5,871,194)	78

MINNESOTA DEPARTMENT OF CORRECTIONS

OFFICE OF THE COMMISSIONER
Contributing to a Safer Minnesota

Date: March 11, 2011

To: Margaret Kelly

From: Tom Roy, Commissioner
MN Department of Corrections

RE: House and Senate budget targets implications for the Department of Corrections

---

Attached is information on the House and Senate budget reductions and their impact to the Department of Corrections.

www.doc.state.mn.us
1450 Energy Park Drive, Suite 200 St. Paul, Minnesota 55108 PH 651.361.7226 FAX 651.642.0414 TTY 800.627.3529

Minnesota Department of Corrections
Impact of House and Senate Targets

Agency Program	How Reduction Impacts Agency Mission	3.5% Senate Cut	8.7% House Cut
Community Services	Reduction in community supervision for offenders on supervised release & probation (5,000 – 12,300 offenders) Significant impact on public safety	$7.95 million (50 FTE)	$19.77 million (123 FTE)
Correctional Institutions	Senate cut = a 600 bed prison House cut = a 1,600 bed prison Need to release offenders from prison Significant impacts on public safety	$28.65 million (244 FTE)	$71.22 million (510 FTE)
Operations Support	Dramatically impact ability to provide timely and accurate information, process transactions, and manage staff & budgets	$1.57 million (13 FTE)	$3.89 million (32 FTE)
	Total % reduction	**$32.03 million**	**$79.62 million**
	Number of FTE's eliminated	**307 FTE**	**665 FTE**

Talking points on general fund cuts to the Department of Corrections

Agency overview: The Department of Corrections provides a core function of government: to protect the citizens of our state. The agency is committed to serving offenders at the local level and maintaining state prison beds for the most serious criminals.

- 95% of agency budget is general fund money
- 70% goes toward funding prison operations
- 84% of staff work in prisons
- Reductions to supervision in the community would significantly shift costs to county and local governments
- Any cut to the department's general fund will impact prison operations

Community Services cuts: Reductions in this area would be a shift and may cause property taxes to increase. There would be fewer probation officers and less supervision of felons in the community.

- 25% of DOC's budget is for Community Services ($221,712 million for the biennium)
- $143,856 million or 65% is a pass through to local governments and community organizations
- Public safety will be impacted

Correctional Institutions cut: Most of DOC's budget is in prison facilities causing this cut to have serious impact on public, staff and inmate safety.

- In order to reach savings of this level, offenders currently in prison will have be released
- Early release options would have to be prospective as offenders would have to be immediately released from prison to garner any savings for the upcoming biennium
- This would require legislation to authorize reduction in sentence for current offenders
- If there is an expectation the people being released from prison are to be supervised in the community, there will be a cost for more probation & supervised release agents

Operations Support cuts: Cuts of this magnitude will significantly impact the agency's ability to provide support services such as information technology, accounting, human resources, etc.

- This division is 5% of the agency budget
- This division has taken significant cuts in the past several biennial budgets
- The timeliness of work is already suffering due to lower staffing levels
- Efficiencies have already been garnered through the centralization of activities and the regionalization of staff

positively Minnesota
Department of Employment and Economic Development

To: Erin Campbell, Policy Advisor
Margaret Kelley, State Budget Director

From: Paul A. Moe, Deputy Commissioner (DEED)

Re: Proposed budget cuts

Date: March 11, 2011

You have asked for budget reduction scenarios using the Senate and House targets released yesterday. These reductions were based on using the starting Senate base FY12-13 for DEED at $75,882M. What follows is a summary of the impact of those cuts by category. Reductions are for the bienium.

	Senate Reduction	House Reduction
Rehabilitation Services (People with Disabilities)	$10,992M	$18,442M

We provide services to persons with disabilities in order that they can gain employment or maintain employment with specific support services. This program is Vocational Rehabilitation (VR) and we leverage $3.74 of federal dollars for every $1 dollar of state investment. We are not proposing any reduction to VR in order to maintain the maximum federal support. In fact, the Governor's budget has requested an additional $4 million in the biennium to leverage the federal match. Related to this program would be a drastic reduction in Extended Employment that would eliminate the center-based employment programs, impacting approximately 3,200 people and the service providers that maintain these programs. In addition, eliminating the Independent Living program would stop state services for people with severe disabilities to help them live independently. Last year we were able to move 150 people out of nursing homes into an independent living environment. These and hundreds more would be subject to being institutionalized again. We would also need to invoke an order of selection for people needing services, delaying services or not being able to provide any services to thousands of individuals.

	Senate Reduction	House Reduction
State Services for the Blind	$1,000M	$1,000M

Reductions to SSB would impact our ability to provide support for persons with sight impairment, including possible elimination of the Communication Center, a service that provides access to news and other information. We would need to reduce services to people that can gain employment with assistance through counseling, adaptive technology and other support. We would need to adopt an order of selection in providing these services.

	Senate Reduction	House Reduction
Business and Community Development	$3,142M	$5,556M

This reduction would eliminate the Trade Office, a critical component of our business development function. It would also eliminate our business development representatives whose function is a point of entry into DEED and other state programs for businesses and communities to gain access and information on services provided, including funding programs of business development and community development. It would eliminate our ability to partner with other stakeholder groups to effectively market Minnesota as a place to do business and make investments.

	Senate Reduction	House Reduction
Jobs Skills Partnership	$8,834	$8,834

MN Job Skills Partnership Program would be abolished. This program provides critical training for people to upgrade their skills and make them more competitive in the marketplace. The program partners with private business and an institution of higher education, most often a MNSCU entity. We have used this program to attract business investments and location in Minnesota as an incentive tool.

	Senate Reduction	House Reduction
General Support Services	$1,740	$1,740

We would need to reduce our ability to provide services in administrative support and eliminate our research and economic analysis, a service that provides information on economic trends and employment. It would eliminate our ability to provide specific proposals for businesses considering Minnesota for investments and expansions.

	Senate Reductions	House Reductions
Pass thru Grants	$3,800	$3,800

We would propose eliminating all pass thru grants. These entities provide important funding and support for small business, such as the Metropolitan Economic Development Association and WomanVenture. Entities such as Twin Cities Rise and Northern Connection provide critical employment services for people that without these services would not have access to employment and training opportunities.

These reductions would eliminate the functions, programs and services of the former DTED agency which as part of DEED, is the primary state agency for promoting economic development.

c. Mark Phillips

Dept. Employment & Economic Dev't.

(in thousands)	Annual Base FY'12-FY13	20% Scenario	Annual Balance	Biennial Reduction	Percent	Senate 39% Scenario	Annual Balance	Biennial Reduction	Percent	House 52% Scenario	Annual Balance	Biennial Reduction	Percent
General Fund/Target	$37,941	$7,588	$30,353	$15,176	20%	$14,797	$23,144	$29,594	39%	$19,729	$18,212	$39,459	52%
Sum of below	$37,941	$7,588	$30,353	$15,177	20%	$14,797	$23,144	$29,594	39%	$19,729	$18,212	$39,458	52%
Variance	$0	$0	($0)	$0		$0	($0)	$0		($0)	$0	($1)	
Rehabilitation Services Grants Reduction													
Vocational Rehabilitation	$8,800	$0	$8,800	$0	0%	$0	$8,800	$0	0%	$0	$8,800	$0	0%
Centers for Independent Living	$2,261	$452	$1,809	$904	20%	$2,261	$0	$4,522	100%	$2,261	$0	$4,522	100%
Extended Employment - Basic	$5,280	$1,056	$4,224	$2,112	20%	$1,555	$3,725	$3,110	29%	$5,280	$0	$10,560	100%
EE Wage Incentive	$125	$125	$0	$250	100%	$125	$0	$250	100%	$125	$0	$250	100%
Extended Employment - SMI	$1,555	$311	$1,244	$622	20%	$1,555	$0	$3,110	100%	$1,555	$0	$3,110	100%
	$18,021	$1,944	$16,077	$3,888	11%	$5,496	$12,525	$10,992	30%	$9,221	$8,800	$18,442	51%
Services for the Blind Reduction	$5,778	$492	$5,286	$984	9%	$500	$5,278	$1,000	9%	$500	$5,278	$1,000	9%
Job Skills Partnership Grants Reduction	$4,417	$1,687	$2,730	$3,374	38%	$4,417	$0	$8,834	100%	$4,417	$0	$8,834	100%
Business Development Grants Reduction													
BioBusiness Alliance	$475	$475	$0	$950	100%	$475	$0	$950	100%	$475	$0	$950	100%
MEDA	$105	$105	$0	$210	100%	$105	$0	$210	100%	$105	$0	$210	100%
Women Venture	$200	$200	$0	$400	100%	$200	$0	$400	100%	$200	$0	$400	100%
Mn Inventors Congress	$50	$50	$0	$100	100%	$50	$0	$100	100%	$50	$0	$100	100%
	$830	$830	$0	$1,660	100%	$830	$0	$1,660	100%	$830	$0	$1,660	100%
Business Development Operating Reduction													
BCD	$6,752	$1,350	$5,402	$2,701	20%	$1,571	$5,181	$3,142	23%	$2,778	$3,974	$5,556	41%
Workforce Development Grants Reduction													
Mn Diversified Industries	$175	$175	$0	$350	100%	$175	$0	$350	100%	$175	$0	$350	100%
Advocating Change Together	$150	$150	$0	$300	100%	$150	$0	$300	100%	$150	$0	$300	100%
Rise Inc (Mn Employ Ctr)	$145	$145	$0	$290	100%	$145	$0	$290	100%	$145	$0	$290	100%
Northern Connections	$150	$150	$0	$300	100%	$150	$0	$300	100%	$150	$0	$300	100%
Twin Cities Rise	$350	$350	$0	$700	100%	$350	$0	$700	100%	$350	$0	$700	100%
Lifetrack	$100	$100	$0	$200	100%	$100	$0	$200	100%	$100	$0	$200	100%
	$1,070	$1,070	$0	$2,140	100%	$1,070	$0	$2,140	100%	$1,070	$0	$2,140	100%
General Support Reductions													
CARD	$870	$174	$696	$348	20%	$870	$0	$1,740	100%	$870	$0	$1,740	100%
Other Admin	$203	$41	$162	$82	20%	$43	$160	$86	21%	$43	$160	$86	21%
	$1,073	$215	$858	$430	20%	$913	$160	$1,826	85%	$913	$160	$1,826	85%

Date: March 10, 2011
To: Michele Kelm-Helgen
Fr: Hue Nguyen
Re: Possible GOP Cuts to MDE Budget

This information is provided by Commissioner Brenda Cassellius and Tom Melcher

The majority in the legislature will unlikely take a 20% cut to the education budget but they could move around money or eliminate aid or levies and fold it into the formula.

State aid per student for K-12 is increasing in the next biennium over the FY 2011 level due to the special ed growth factor and changes in demographics -- more students in poverty, etc. If the Republicans set targets at the level that would freeze the state aid per pupil at the FY 2011 level, they could make cuts of about **$213 million** in the FY 12-13 biennium and **$568 million** in the tails. They would then target a disproportionate portion of the cut to areas represented by democrats by doing some or all of the following: eliminating sp ed growth, eliminating concentration for compensatory and reallocating based on a flat rate per student in poverty, and reducing or eliminating integration with reallocation of savings on a per pupil basis across the state.

Some of the cuts noted below could be spun by the Legislature to result in "more equal distribution of funding per pupil across districts" by reducing needs-based cost adjustments that primarily benefit central cities.

1. $95 M ($67M aid, $28M Levy)--Integration (This has been rumored for months now)
    - Senate File 422, being heard **TODAY** would cut integration revenue for Minneapolis, St Paul and Duluth down to the level of other districts. It carries a fiscal note of $16.6 million cut in FY 2013 with tails of about $19 million savings per year.
    - They might cut more from integration, or just do this and change the uses, but this option protects the suburbs, which also get a lot of integration aid.

2. $433M--Compensatory
    - They could just adjust the concentration poverty formula and redistribute for example eliminate concentration, so $ are allocated on a flat per free & reduced lunch count, or a flat count of students not proficient.
    - Freeze $ at FY 2011 level instead of allowing growth ($46 M biennial savings), or make reductions.

3. $15M--Integration Busing

4. $29M--Safe Schools Levy

5. $20M--Head Start

6. $15M--Career Tech Ed Levy

7. $79M ($57 M Aid, $22 M levy)-Q-Comp (7M new to Anoka if they approve)

8. $18M--Libraries (They may feel this is LGA)

9. $18M--School Lunch Program

10. $7M--MN Center for the Arts

11. $12M--Faribault Academies

12. ABE Growth Factor
    - Eliminate growth factor ($3 M biennial savings)

13. $90M to nonpublic education.

14. Special Education

    - Eliminate growth factor for special ed

    - This would have little or no impact on number of students served; the primary impact would be to increase the unfunded cost / cross subsidy covered by general education revenue. Minneapolis & St Paul would take a bigger hit than the suburbs and rural districts because they have a higher concentration of special ed students.
    - It would save about $100 million in the current biennium and about $200 million in tails, so it will be a tempting target, since they will also be able to argue that it isn't really a cut, just taking away an increase.

15. LEP
    - Eliminate concentration formula ($17 M for biennium) and re-allocate on equal $ per LEP student basis

16. Tax shift ($14 M savings for biennium)
    - Accept Governor's proposal on tax shift methodology change.

Note: on the federal level, the House full-year continuing resolution for FY 2011 would make significant reductions in several related programs, including title 1 (relates to state compensatory aid), special education, career technical education, and Head Start. If cuts are enacted at both the state and federal levels, this would be a double whammy for students affected by these programs.

Dept of Education

Reconciliation of Budget Target to Current Spending

	Feb. Forecast FY 2010	Feb. Forecast FY 2011	Feb. Forecast FY 10-11	Feb. Forecast FY 2012	Feb. Forecast FY 2013	Feb. Forecast FY 12-13	House Rec. FY 2012	House Rec. FY 2013	House Rec. FY 12-13	Difference House - Base	
Education Finance General Fund Appropriations	5,339,243	6,090,342	11,429,585	8,409,664	7,213,931	15,623,595	6,997,162	7,175,637	14,172,799	(1,450,796)	
General Fund Impact for Target (Aids/Credits inc.)	5,327,478	6,087,666	11,415,144	8,409,664	7,213,931	15,623,595	6,982,494	7,175,570	14,158,064	(1,465,531)	This line shows the target, and how it relates to base
Change from Prior Year or Biennium		760,188		2,321,998	(1,195,733)	4,208,451	894,828	193,076	2,742,920		
Percent Change from Prior Year or Biennium		14.3%		38.1%	-14.2%	36.9%	14.7%	2.8%	17.6%	-10.4%	
Payment Shifts (included in Appropriations)											
Property Tax Recognition Shift	0	(515,014)	(515,014)	(36,212)	(30,032)	(66,244)	(36,212)	(30,032)	(66,244)	0	
Property Tax Recognition Methodology Change	0	0	0	0	0	0	(13,663)	(10)	(13,673)	(13,673)	
Aid Payment Shift	(1,056,054)	(311,873)	(1,367,927)	1,367,927	0	1,367,927	1,367,927	0	1,367,927	0	
Aid Payment Shift Change (70/30)	0	0	0	0	0	0	(1,393,214)	(32,658)	(1,425,872)	(1,425,872)	
Subtotal	(1,056,054)	(826,887)	(1,882,941)	1,331,715	(30,032)	1,301,683	(75,162)	(62,700)	(137,862)	(1,439,545)	
General Fund Expenditures not including shifts	6,395,297	6,917,229	13,312,526	7,077,949	7,243,963	14,321,912	7,072,324	7,238,337	14,310,661	(11,252)	This line shows the SAME spending, but excludes shifts, so you can see the actual reduction compared to base
Change from Prior Year or Biennium		521,932		160,720	166,014	1,009,386	155,095	166,013	998,135		
Percent Change from Prior Year or Biennium		8.2%		2.3%	2.3%	7.6%	2.2%	2.3%	7.0%	-0.1%	
General Fund Excluding $500 million Stimulus	5,692,478	6,222,666	11,915,144	7,077,949	7,243,963	14,321,912	7,072,324	7,238,337	14,310,661	(11,252)	This line shows the SAME spending, but adds back in the federal funds for comparisons with 10/11
Change from Prior Year or Biennium		530,188		855,283	166,014	2,406,768	849,658	166,013	2,395,517		
Percent Change from Prior Year or Biennium		9.3%		13.7%	2.3%	20.2%	13.7%	2.3%	16.7%	-0.1%	

Health

From: Acomb, Craig (MDH)
Sent: Friday, March 11, 2011 3:48 PM
To: Kelly, Margaret (MMB); Rahn, Sean (GOV)
Cc: Ehlinger, Ed (MDH); Juelich, Barb (MDH); Johnson, Todd.M (MDH)
Subject:

Margaret & Sean,

In response to your request for agency analysis of the legislative budget targets, MDH would offer the following information:

- The legislative HHS targets represent about a 13% reduction from February forecast spending;
- MDH currently includes an 11% reduction in the Governor's recommendations (not including HCAF investments);

In terms of possible legislative reductions beyond the Governor's recommendations:

- MDH's largest general fund grant which may be reduced or eliminated is the Local Public Health infrastructure grant ($46.7M), If this were eliminated, local governments would not be able to deliver statutorily required services to their populations. If local health departments are unable to meet these mandates because of insufficient financial support, state law reverts those responsibilities back to the state health department. MDH would incur a higher cost to meet these local obligations because of a lack of local infrastructure and the loss of local levy match. It would also risk meeting match & maintenance of effort requirements for up to $85M in federal funding.
- Additional reductions to grants risk meeting match & maintenance of effort requirements for federal funding, depending on the grant.
- Additional operating reductions beyond the Governor's recommendations would impact the agency's ability to implement its state & federally funded programs. It is unclear if there would be reductions in both the HHS and State Government Finance targets that cumulatively beyond the agency's ability to manage.
- A bill (HF924) was introduced to consolidate the departments of Health & Human Services. Representative Abeler has also indicated in meetings his desire to distribute the Department of Health's responsibilities to other agencies or entities.

Kelly, Margaret (MMB)

From:	Grimes, Tricia (OHE)
Sent:	Friday, March 11, 2011 2:19 PM
To:	Nguyen, Hue (GOV); Larson, Kerstin (MMB); Kelly, Margaret (MMB)
Cc:	Wright, Sheila (OHE); Connolly, Sandy (OHE); Misukanis, Mark (OHE); Geraghty, Timothy (OHE)
Subject:	Office of Higher Education Scenarios
Attachments:	Higher Ed 16% Reduction 12 & 13 Scenario A & B 3-11-2011.pdf; Higher Ed, 16% reduction A.docx; Higher Ed, 16% reduction B.docx

Dear Hue and Margaret,

I have attached a spreadsheet and write-ups for two scenarios to meet a 16% budget reduction for the Office of Higher Education. The House and Senate targets for higher education are the same - $2.505 billion for the biennium.

The write-ups also list the amounts of 16% reductions for MnSCU, the U of MN and Mayo Medical School.

Scenario A protects the State Grant Program as much as possible. It gets to an overall 16% reduction for OHE by eliminating 7 programs and cutting the State Grant program by 1.4%. The write-up describes the number of students affected for each program.

Scenario B – gets to an overall 16% reduction for OHE by eliminating 4 programs and cutting most programs by 16%. The write-up describes the number of students affected for each program.

Would you please let us know if you have questions?

Cordially,

Tricia Grimes
Minnesota Office of Higher Education
1450 Energy Park Drive, #350
St. Paul, MN 55108-5227
651-259-3964

DRAFT-NOT FOR PUBLIC DISTRIBUTION

Minnesota Office of Higher Education

Scenario A
Protects State Grant Program

		Combined Fiscal Years 12 & 13 16% Reduction Plan	%
AGENCY ADMINISTRATION	$5,250,000	($840,000)	-16.0%
MN COLLEGE SAVINGS PROGRAM	$1,400,000	($1,050,000)	-75.0%
CHILD CARE GRANTS	$13,368,000	($13,368,000)	-100.0%
MINITEX LIBRARY & MNLINK	$12,062,000	($1,929,920)	-16.0%
STATE GRANT PROGRAM	$288,476,000 Includes Safety Officer	($4,079,040)	-1.4%
STATE WORK STUDY	$29,888,000	($29,888,000)	-100.0%
INTERSTATE RECIPROCITY	$6,400,000	$0	0.0%
ACHIEVE SCHOLARSHIP PROGRAM	$4,700,000	($4,700,000)	-100.0%
MIDWEST COMPACT	$190,000	$0	0.0%
PARENT INFORMATION OUTREACH	$250,000	($40,000)	-16.0%
GET READY OUTREACH	$368,000	($58,880)	-16.0%
MN MINORITY EDUCATION OUTREACH	$96,000	$0	0.0%
UNITED FAMILY PRACTICE	$934,000	($934,000)	-100.0%
INTERVENTION COLLEGE ATTENDANCE	$1,492,000	($1,492,000)	-100.0%
AMERICAN INDIAN SCHOLARSHIP	$4,000,000	($640,000)	-16.0%
Totals	$368,874,000	($59,019,840)	-16.0%
	Target Reduction	$59,019,840	16.0%
	Difference	$0	

DRAFT-NOT FOR PUBLIC DISTRIBUTION

Minnesota Office of Higher Education

Scenario B

		Combined Fiscal Years 12 & 13 16% Reduction Plan	%
AGENCY ADMINISTRATION	$5,250,000	($840,000)	-16.0%
MN COLLEGE SAVINGS PROGRAM	$1,400,000	($1,050,000)	-75.0%
CHILD CARE GRANTS	$13,368,000	($2,138,880)	-16.0%
MINITEX LIBRARY & MNLINK	$12,062,000	($1,929,920)	-16.0%
STATE GRANT PROGRAM	$288,476,000	($41,667,360)	-14.4%
	Includes Safety Officer		
STATE WORK STUDY	$29,888,000	($4,782,080)	-16.0%
INTERSTATE RECIPROCITY	$6,400,000	$0	0.0%
ACHIEVE SCHOLARSHIP PROGRAM	$4,700,000	($4,700,000)	-100.0%
MIDWEST COMPACT	$190,000	$0	0.0%
PARENT INFORMATION OUTREACH	$250,000	($40,000)	-16.0%
GET READY OUTREACH	$368,000	($58,880)	-16.0%
MN MINORITY EDUCATION OUTREACH	$96,000	$0	0.0%
UNITED FAMILY PRACTICE	$934,000	($934,000)	-100.0%
INTERVENTION COLLEGE ATTENDANCE	$1,492,000	($238,720)	-16.0%
AMERICAN INDIAN SCHOLARSHIP	$4,000,000	($640,000)	-16.0%
Totals	$368,874,000	($59,019,840)	-16.0%
	Target Reduction	$59,019,840	16.0%
	Difference	$0	

Higher Education – 16% Reduction Scenario

Scenario B – 20% Reductions in Most programs

Minnesota Office of Higher Education The reduction amount would be $59 million for the biennium (16%). (The forecast base was $368.87 million for the 2012-2013 biennium.)

All of the Office of Higher Education's appropriations go to financial aid for low- and lower-middle income students and programs for students who have been historically underrepresented in higher education, so it is impossible to reduce appropriations to the agency without affecting those students. Having a workforce with postsecondary education is important to Minnesota employers. Having opportunities for adults who have lost their jobs and others to develop their skills and education is especially important in a time of high unemployment.

State Grants. The reduction would be $41.67 million (14.4%). (The forecast base is $288.48 million for the biennium.

In comparison to the Governor's recommendation, it would require an increase in the student share and an additional surcharge on the amount assigned to the families of students. Thus, the $41.67 million reduction is estimated to result in awards to 7,100 fewer students in FY 2012 and the average award would decrease by $102 per student.

At this point in time, even if the State Grant Program were to receive no reduction, the Office of Higher Education has projected that demand **for the program from increased enrollment** will exceed the forecast base by **$35 million**. As a result, under the Governor's recommendation the Office will need to ration the funds available by increasing the student share to 46.9% and adding a surcharge on the amount families are expected to pay of 8%. More than 95,000 undergraduates were expected to receive State Grants each year in the 2012-2013 biennium under the Governor's recommendation.

State Work-Study – The reduction would be $4.78 million for the biennium (16%). (The forecast base was $29.89 million for the biennium.) With a $4.78 million reduction, approximately 1,800 fewer students would have State Work-Study jobs each year. In FY 2010, 11,100 students received an average of $1,800 each in earnings from the program, of which 75% was from state funds and 35% was from employer matching funds. Without those earnings, among students who manage to remain enrolled, some students will work more hours in off-campus jobs and some will borrow more. Colleges often employ State Work-Study students in libraries, laboratories and other campus jobs. Many colleges would have to reduce staffing for those jobs as a result of the reduction.

Postsecondary Child Care Grants – The reduction would be $2.14 million for the biennium (16%). (The forecast base is $13.37 million for the biennium.) With a reduction of $2.14 million, approximately 490 fewer students would receive awards. In FY 2010, 2,900 low-income students received an average of $2,200 each. Many of these students say they would not be enrolled in postsecondary education without the funds to take care of their children while they are enrolled.

Indian Scholarships - The reduction would be $640,000 for the biennium (forecast base is $4 million for the biennium). Approximately 103 fewer students would receive Indian Scholarships each year. (620 recipients received an average of $3,100 each in FY 2010).

Intervention for College Attendance Program – The reduction would be $238,700 for the biennium (16%). (The forecast base is $1.49 million for the biennium.) The reduction would mean fewer community and college projects would receive funding. In FY 2010, 22 community and college projects received funds to work with underrepresented students by providing tutoring, college awareness, college financial aid and other information.

Minitex and MnLink Gateway Library Resource Sharing and Technology Programs. The reduction would be $1.93 million for the biennium (16%). (The forecast base is $12.06 million for the biennium.) The reduction would result in access to fewer electronic databases and fewer services to academic and public libraries and their users.

Student and Parent Information – The reduction would be $40,000 for the biennium. (The forecast base is $250,000 for the biennium.) Fewer publications would be printed and fewer outreach efforts and presentations would be made.

Get Ready Outreach – The Reduction would be $58,900 for the biennium. (The forecast base is $368,000 for the biennium.) The state funding is partial match for $5 million in federal grant funds for the biennium. The program provides college awareness and preparation services to students in high poverty schools in grades 4 through 12. Additional in-kind matching funds would have to be found elsewhere to replace the decreased state appropriation.

Agency Administration. The reduction would be $840,000 for the biennium (the forecast base is $5.25 million). The Office would have to do major reductions in operating budgets through planning, attrition, realignment and reassignment of duties. The Office currently has 24 FYE staff paid from the general fund. A 16% reduction would reduce staff to a level at which it would be challenging to provide adequate stewardship of financial aid funds for students.

Four programs eliminated:

- **Tuition Reciprocity** with North Dakota. $6.4 million for the biennium. In fall 2008, there were 8,400 Minnesota students attending public postsecondary institutions in North Dakota and 5,600 North Dakota students attending public postsecondary institutions in Minnesota. Many of the 8,400 students currently enrolling in North Dakota schools would be likely to enroll in Minnesota public institutions, which are already experiencing historically high levels of enrollment.
- **Achieve Scholarship Program** for low-income students who took rigorous courses in high school. (This was also eliminated in the Governor's recommendation.)

- **College Savings Plan Matching Grant program** – $1.05 million for the biennium. Matching grants of up to $400 per year to match savings for college. The grants went to 2,500 families with incomes less than $80,000 in FY 2010. (This was also eliminated in the Governor's recommendation.)
- **United Family Practice** program to train 18 family practice physicians would be eliminated. (This was also eliminated in the Governor's recommendation.)

MnSCU – The reduction would be $201.71 million for the biennium (16%). (The forecast base is $1.26 billion for the biennium).

University of Minnesota. The reduction would be $205.49 million for the biennium (16%). (The forecast base is $1.284 billion for the biennium.)

Mayo Medical Foundation. The reduction would be $432,000 for the biennium (16%). (The forecast base is $2.702 million for the biennium.) Fewer Minnesota resident students would receive tuition scholarships in the Medical School and fewer family practice physicians would be trained.

Higher Education – 16% Reduction Scenario

Scenario A – Minimize Reductions to the State Grant Program

Minnesota Office of Higher Education The reduction amount would be $59 million for the biennium (16%). (The forecast base was $368.87 million for the 2012-2013 biennium.)

All of the Office of Higher Education's appropriations go to financial aid for low- and lower-middle income students and programs for students who have been historically underrepresented in higher education, so it is impossible to reduce appropriations to the agency without affecting those students. Having a workforce with postsecondary education is important to Minnesota employers. Having opportunities for adults who have lost their jobs and others to develop their skills and education is especially important in a time of high unemployment.

State Grants. The reduction would be $4.08 million (1.4%). (The forecast base is $288.48 million for the biennium.) Because the State Grant program serves about one-third of Minnesota resident undergraduates who are low- and lower-middle income students, the scenario seeks to minimize reductions to the State Grant program. However, the State Grant program is 78 percent of the appropriations to the agency, so it is not possible to provide a 16% reduction scenario without reducing the State Grant appropriation.

In comparison to the Governor's recommendation, it would require an increase in the student share and an additional surcharge on the amount assigned to the families of students. The $4.08 million reduction is estimated to result in awards to 300 fewer students in FY 2012 and the average award would decrease by $6 per student.

At this point in time, even if the State Grant Program were to receive no reduction, the Office of Higher Education has projected that demand **for the program from increased enrollment** will exceed the forecast base by **$35 million**. As a result, under the Governor's recommendation the Office will need to ration the funds available by increasing the student share to 46.9% and adding a surcharge on the amount families are expected to pay of 8%. More than 95,000 undergraduates were expected to receive State Grants each year in the 2012-2013 biennium under the Governor's recommendation.

Indian Scholarships - The reduction would be $640,000 for the biennium (forecast base is $4 million for the biennium). Approximately 103 fewer students would receive Indian Scholarships each year. (620 recipients received an average of $3,100 each in FY 2010).

Minitex and MnLink Gateway Library Resource Sharing and Technology Programs. The reduction would be $1.93 million for the biennium (forecast base is $12.06 million for the biennium) and would result in access to fewer electronic databases and fewer services to academic and public libraries and their users.

Student and Parent Information – The reduction would be $40,000 for the biennium. (The forecast base is $250,000 for the biennium.) Fewer publications would be printed and fewer outreach efforts and presentations would be made.

Get Ready Outreach – The Reduction would be $58,900 for the biennium. (The forecast base is $368,000 for the biennium.) The state funding is partial match for $5 million in federal grant funds for the biennium. The program provides college awareness and preparation services to students in high poverty schools in grades 4 through 12. Additional in-kind matching funds would have to be found elsewhere to replace the decreased state appropriation.

Agency Administration. The reduction would be $840,000 (16%) for the biennium (the forecast base is $5.25 million). The Office would have to do major reductions in operating budgets through planning, attrition, realignment and reassignment of duties. The Office currently has 24 FYE staff paid from the general fund. A 16% reduction would reduce staff to a level at which it would be challenging to provide adequate stewardship of financial aid funds for students.

Seven programs eliminated:

- **State Work-Study** - $29.89 million for the biennium. In FY 2010, 11,100 students received an average of $1,800 each in earnings from the program, of which 75% was from state funds and 35% was from employer matching funds. Without those earnings, among students who manage to remain enrolled, some students will work more hours in off-campus jobs and some will borrow more. Colleges often employ State Work-Study students in libraries, laboratories and other campus jobs. Many colleges would have to reduce staffing for those jobs as a result of the reduction.
- **Tuition Reciprocity** with North Dakota. $6.4 million for the biennium. In fall 2008, there were 8,400 Minnesota students attending public postsecondary institutions in North Dakota and 5,600 North Dakota students attending public postsecondary institutions in Minnesota. Many of the 8,400 students currently enrolling in North Dakota schools would be likely to enroll in Minnesota public institutions, which are already experiencing historically high levels of enrollment.
- **Postsecondary Child Care Grants** - $13.37 million for the biennium. In FY 2010, 2,900 low-income students received an average of $2,200 each. Many of these students say they would not be enrolled in postsecondary education without the funds to take care of their children while they are enrolled.
- **Intervention for College Attendance Program** - $1.49 million for the biennium. In FY 2010, 22 community and college projects received funds to work with underrepresented students by providing tutoring, college awareness, college financial aid and other information.
- **Achieve Scholarship Program** for low-income students who took rigorous courses in high school. (This was also eliminated in the Governor's recommendation.)
- **College Savings Plan Matching Grant program** – $1.05 million for the biennium. Matching grants of up to $400 per year to match savings for college. The grants went to 2,500 families with incomes less than $80,000 in FY 2010. (This was also eliminated in the Governor's recommendation.)
- **United Family Practice** program to train 18 family practice physicians would be eliminated. (This was also eliminated in the Governor's recommendation.)

MnSCU – The reduction would be $201.71 million for the biennium (16%). (The forecast base is $1.26 billion for the biennium).

University of Minnesota. The reduction would be $205.49 million for the biennium (16%). (The forecast base is $1.284 billion for the biennium.)

Mayo Medical Foundation. The reduction would be $432,000 for the biennium (16%). (The forecast base is $2.702 million for the biennium.) Fewer Minnesota resident students would receive tuition scholarships in the Medical School and fewer family practice physicians would be trained.

Minnesota Housing Finance Agency

400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

Date: March 11, 2011

To: Margaret Kelly, State Budget Director
Erin Campbell, Policy Advisor

From: Tonja M. Orr

Subject: House and Senate Budget Targets

The House target for the Economic Development Committee, which has jurisdiction over Minnesota Housing's budget, is a 58.3% reduction. This translates into a $47,372,000 cut to the base.

The Senate target for the Jobs and Economic Growth Committee, which has jurisdiction over Minnesota Housing's budget, is a 47.2% reduction. This translates into a $38,353,000 cut to the base.

If cuts of this magnitude are required, Minnesota Housing suggests that one of two approaches be taken. One would be to retain as much of the base level funding for the programs that serve the most vulnerable populations and lowest income households. All other programs (6) would be eliminated. This approach would result in an estimated 8300 fewer households or housing units assisted than would occur under the Governor's budget, including more than four hundred families who would not receive help in becoming first-time homebuyers and 6000 households who will not receive homeownership or foreclosure prevention counseling. As much as $66 million in private equity might be lost for affordable housing as a result of the proposed cuts.

The second approach would be reduce funding for programs that serve the most vulnerable and lowest income by between 30% to 40% in order to retain some level of funding for programs that leverage federal resources and private equity. Such an approach would result in between 8050 and 10,700 fewer vulnerable or extremely low-income households receiving services as compared to the Governor's budget. These programs are 44.5% of the total base budget and provide fairly small amounts of assistance per household; as a consequence, cuts to these programs have a considerable impact on the number of households served. The second approach would still result in significant reductions to the programs that leverage non-state resources as well as the elimination of three programs.

The information we have gathered from legislative staff is that much of the reduction contemplated in the targets would be achieved through shifts or capture of special revenue funds. Realistically, the budget reduction that the Senate is suggesting preliminarily for Minnesota Housing is $8-9 million or roughly 10%. The House is suggesting reductions in the 15% to 20% range. The budget template submitted late last year provides details on the impact of 10% cuts. Attached is a memo describing the impact of cuts at the 15% and 20% levels.

Due to the fact that no general funds are used to support Minnesota Housing's operations, the proposed budget reductions will not have a direct impact on agency operations. If entire programs are eliminated, staffing needs would be reevaluated.

Please feel free to contact me at 651 296-9820 or tonja.orr@state.mn.us if you need additional information.

Minnesota Housing Finance Agency

400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

Date: March 10, 2011

To: Erin Campbell, Policy Advisor
Office of Governor Mark Dayton

From: Tonja M. Orr, Assistant Commissioner

Subject: Impact of 15% and 20% reductions to Housing Finance Agency FY2012-13 base budget

We were asked to provide information about the impact that general fund budget reductions at the level of 15% and 20% would have on the services provided to Minnesotans by the Housing Finance Agency.

In planning for reductions to its general fund base budget for FY2012-13, the Agency adhered as much as possible to its principles of protecting the most vulnerable, lowest income Minnesotans, using state resources to optimize contributions from non-state resources, considering the availability of other resources to accomplish the same goal and considering the extent to which non-financial tools can be deployed. A tiered approach rather than an across-the-board approach was adopted in allocating the reductions. Because no state appropriations are used to pay for the costs of operating the Agency, all reductions to appropriations directly translate to less program assistance provided.

Below is a description of some of the major consequences of 15% and 20% reductions to the base budget.

Fewer households with a household member who has a serious mental health problem would receive rental assistance to obtain and maintain stable housing under either a 15% or 20% reduction scenario. Without stable housing and services, these households are at risk of returning to an institutional or crisis setting. The average daily cost of crisis housing for persons with mental illness is $259 as compared to $18 for rental assistance. Eighty (80) fewer households would be assisted with a 15% budget reduction and one hundred twenty (120) fewer households would be assisted if the Agency's base budget were reduced by 20%.

Homelessness prevention services that help reduce local shelter costs by assisting families to move quickly out of an emergency shelter and by providing tailored assistance to help families avoid entering a shelter would reach fewer families if either 15% or 20% budget reductions were enacted. The daily family shelter cost is $90 per household. Since the homelessness prevention program's average household assistance amount is $650, this program pays for itself when we reduce a family's shelter stay by as little as one week. An estimated 1,800 fewer households would receive services if the agency's general fund budget were reduced by 15%, and 2,800 fewer households would receive assistance with a 20% reduction to the base budget.

More than 1,200 households who had experienced long-term homelessness are currently housed with rental assistance funded with state appropriations. This funding is successful in providing permanent housing. Eighty-seven percent (87%) of the formerly long-term homeless assisted through this program are still in housing or had a positive exit at the end of one year. More than two hundred (200) households who are currently in housing by using rental assistance will lose their assistance as a result of a 15% reduction; 305 households will lose assistance with a 20% reduction. These families will be at risk of returning to homelessness, at a daily cost of $90 per day, due to the loss of rental assistance, compared to daily rental assistance cost of $18.

The Governor's budget maintains the statutory base budget for the three programs described above that serve the most vulnerable populations and the lowest income households.

Other programs that provide valuable assistance to low- and moderate-income Minnesotans would experience some significant shrinkage as a result of 15% or 20% reductions to the base budget.

Rehabilitation of the existing housing stock is significantly less expensive than replacing it with new construction. Rehabilitation also presents an opportunity to reduce the energy costs and negative environmental impacts of existing housing. Some housing stock is at risk of being uninhabitable unless health and safety issues are addressed. A 15% reduction in base budget would result in approximately 140 units of rental housing not being rehabilitated and potentially lost as housing; a 20% reduction means a 170 fewer housing units would be rehabilitated. This is nearly 3 times as great an impact as the reductions proposed by the Governor.

State appropriations are used to assist low- and moderate-income families to become first-time homebuyers by providing a deferred loan for some of the down payment and closing costs. The assistance helps families with annual incomes below $42,000 to become successful homeowners. The Minnesota Housing Finance Agency serves the greatest proportion of first-time homebuyers with incomes below 50% of area median income of all state housing finance agencies. A 15% reduction in the budget will mean 50 fewer families will be receive assistance to buy their first home; a 20% reduction means 75 fewer families would receive help in becoming homeowners. These are families with sufficient income to pay the monthly mortgage and related costs, but insufficient liquid assets to cover all of the down payment and closing costs.

In summary, across all Agency programs, the Governor's budget recommends a 5% reduction to the base budget, which will result in an estimated 980 fewer households being served or housing units assisted compared to the statutory base budget. A 15% reduction would mean 4,600 fewer households served or housing units assisted and a 20% reduction would mean approximately 6,300 fewer households served or housing units assisted when compared to the base budget.

Kelly, Margaret (MMB)

From: Lindsey, Kevin (MDHR)
Sent: Friday, March 11, 2011 4:01 PM
To: Kelly, Margaret (MMB)
Cc: Nguyen, Hue (GOV)
Subject: Governor's Request for Information - MN Dept of Human Rights Privileged Communication (Take 2)

Margaret,

Please let me know if you need further information from the Minnesota Department of Human Rights.

I have been informed that the Director of Administrative Services, Legal and Fiscal is retiring as of April 1 and the Supervisor of Case Processing has given notice that he is retiring as of May 1. The Supervisor of Compliance has indicated that she is likely going to retire in August or September.

Senate Republican Proposed Spending Cut (3.5%)

We would likely eliminate One FTE position in our Administrative Services area and we would delay filling the above identified vacancies.

The impact on MDHR would delay the processing of complaints and the review of AA plans of businesses that contract with the State. We could likely offset this impact by making some production changes which in turn could result in greater efficiencies in our processes. We have not identified such production changes at this time but I feel reasonably confident that we can find such production changes.

House Republican Proposed Spending Cut (8.7%)

We would likely eliminate One FTE position in our Administrative Services area and would not hire someone to replace the Director of Administrative Services.

The impact on MDHR would delay the processing of complaints and the review of AA plans of businesses that contract with the State. We could likely offset some of this impact by making some production changes which in turn could result in greater efficiencies in our processes. We have not identified such production changes at this time. If we don't find production changes to offset the loss of FTE equivalents, we could possibly offset this cut by delaying the hiring of the Supervisor of Case Processing.

Proposed Spending Cut (20%)

We would likely eliminate One FTE position in our Administrative Services area, would not hire someone to replace the Director of Administrative Services, AND EITHER eliminate Two FTE positions from our investigation unit OR not hire someone to replace the Supervisor of Compliance.

Any cut over 10% to our budget will likely result in, an investigator(s) having to be laid off from MDHR or the Supervisor of Compliance not being hired, which will result in a delay of our processing of complaints and review of AA plans of businesses that contract with the State. While we will diligently look to find ways to improve our processes and procedures, the impact of a cut over 10% will mean that we will not be as effective as we were last year.

Last year, MDHR on average is taking slightly more than 400 days to process probable cause findings. The Governor should expect that the number of days for MDHR to process probable cause findings to go up from 400 days.

Kevin

Kevin M. Lindsey, Commissioner
MN Department of Human Rights
190 E. 5th Street, Suite 700
St. Paul, MN 55101
Tel: 651 296-9038
Cell: 612-807-5538
Fax: 651-296-1736
TTY: 651-296-1283
TF: 800-657-3704
www.humanrights.state.mn.us

Minnesota Department of
HUMAN RIGHTS

DHS

This list represents potential areas where the legislature could make reductions in excess of the Governor's recommended budget in order to reach a $1.6 billion target. Since the proposed legislative targets are at a high level and do not include detail of specific reduction options, the information provided here is speculative.

Possible DHS Reductions to Achieve $1.6 billion in savings:	in millions
Governor's current recommendations that reduce spending	$469
Net value of Governor's current provider surcharges	610
Additional Reductions:	
Make additional cuts in payments to providers	$226
Additional reductions to services, access for persons with disabilities	37
Additional cuts to health care services	51
Additional reductions in state support of county services	118
Cuts in public assistance and child care assistance	36
Reduce SOS community MH services, and other Misc reductions	53
TOTAL	**$1,600**

Projected Budget Impact - FY12-13

Senate Proposal

	General Fund Appropriation	29% Reduction	Estimated FTE Reduction Impact
Financial Institutions	$ 6,774,000	$ (1,964,460)	26
Administrative Services	3,872,000	(1,122,880)	15
Telecommunications	1,010,000	(292,900)	4
Market Assurance	6,915,000	(2,005,350)	27
Office of Energy Security	3,255,000	(943,950)	13
	$ 21,826,000	$ (6,329,540)	84

House Proposal

	General Fund Appropriation	26.9% Reduction	Estimated FTE Reduction Impact
Financial Institutions	$ 6,774,000	$ (1,822,206)	24
Administrative Services	3,872,000	(1,041,568)	14
Telecommunications	1,010,000	(271,690)	4
Market Assurance	6,915,000	(1,860,135)	25
Office of Energy Security	3,255,000	(875,595)	12
	$ 21,826,000	$ (5,871,194)	78

OFFICE MEMORANDUM

MINNESOTA DEPARTMENT OF
LABOR & INDUSTRY

A trusted resource utilized by employees and employers ...

DATE: March 11, 2011

TO: James Schowalter
Commissioner, Minnesota Management and Budget Office

FROM: Ken B. Peterson
Commissioner, Department of Labor and Industry

SUBJECT: Labor Standards Unit Budget Reductions
Senate -47.2%, House -58.3%

The Labor Standards Unit is the only unit within the Department of Labor and Industry that is funded by the General Fund; its current biennial appropriation is $1,720,000.

The Labor Standards Unit administers and enforces Minnesota laws affecting employee wages, overtime, and breaks, as well as child labor laws, Minnesota's parental leave law, and the Minnesota Prevailing Wage Act.

Reductions in the unit's funding would have the impacts set forth below.

Projected Reduction	FY 2012-2013 Fiscal Impact	FTE Reductions	FTE's Remaining	Impact Description
Senate -47.2%	-$811,840	4.5	4.5	Unit would process 900 fewer complaints and respond to 15,750 fewer phone calls and 2,700 fewer e-mails annually with the remaining staff
House -58.3%	-$1,002,760	5.5	3.5	Unit would process 1,100 fewer complaints and respond to 19,250 fewer phone calls and 3,300 fewer e-mails annually with the remaining staff

The General Fund reductions will result in statutory obligations assigned to the agency not being performed. The unit's ability to assist employees in obtaining their paychecks; investigate child labor violations, enforce minimum wage, and to provide requested information and data to employers and employees, among other things, will dramatically decline.

We've been told that the House Jobs Economic Development committee has been instructed to report their bill out of committee by March 25, 2011. We don't have any information from the Senate.

MET COUNCIL

House / Senate Proposals 3/10/11
RECAP: Impacts on Fare Increase & Service Reductions
file/h/finance/budget/2012/RECAP 03/11/2011

HOUSE

		SFY 2012-2013	SFY 2014-2015
Proposed State General Fund Reductions		(46)	(46)
1) Fare Increase: $0.25 across the board Jan 1, 2012		9	12
Ridership Loss	2.5M		
18 months to Recover Ridership Loss			
2) Service Reductions before Fuel Cost Adjustment		(37)	(34)
% Reduction to Regular Route Service	12.90%		
Peak Buses Reduced	80		
Ridership Loss	2.6M		
Estimated Operators Reduced	170		
3) Fuel Cost Adjustment: Projects a steady growth in fuel costs over next 18 months to nearly $4 per gallon.		(11)	(18)
4) Service Reductions after Fuel Cost Adjustment		(48)	(52)
% Reduction to Regular Route Service	17.70%		
Peak Buses Reduced	110		
Ridership Loss	3.6M		
Estimated Operators Reduced	234		

Other Considerations that will have an impact on Service Reductions:

a) Administrative Reductions: Review of all administrative functions for possible further reductions. The Transportation Division has reduced Managerial, Professional/Technical and Clerical staff by 16.5% over the past ten years.

b) Impact on Regional Providers: Reductions in State Appropriations impact regional service providers differently. The Suburban Transit Providers are allocated MVST revenues in statute and do not rely upon State General Fund appropriations. A reduction in General Fund revenues will primarily impact Metropolitan Council operations. Suburban Transit Providers are forecasted to receive increases in MVST revenues of approximately 5% per year.

Table assumes GF reduction is 80% of House & Senate Transportation targets.

SENATE

		SFY 2012-2013	SFY 2014-2015
Proposed State General Fund Reductions		(30)	(30)
1) Fare Increase: $0.25 across the board Jan 1, 2012		9	12
Ridership Loss	2.5M		
18 months to Recover Ridership Loss			
2) Service Reductions before Fuel Cost Adjustment		(21)	(18)
% Reduction to Regular Route Service	7.30%		
Peak Buses Reduced	45		
Ridership Loss	1.5M		
Estimated Operators Reduced	96		
3) Fuel Cost Adjustment: Projects a steady growth in fuel costs over next 18 months to nearly $4 per gallon.		(11)	(18)
4) Service Reductions after Fuel Cost Adjustment		(32)	(36)
% Reduction to Regular Route Service	12.20%		
Peak Buses Reduced	76		
Ridership Loss	2.5M		
Estimated Operators Reduced	161		

Other Considerations that will have an impact on Service Reductions:

a) Administrative Reductions: Review of all administrative functions for possible further reductions. The Transportation Division has reduced Managerial, Professional/Technical and Clerical staff by 16.5% over the past ten years.

b) Impact on Regional Providers: Reductions in State Appropriations impact regional service providers differently. The Suburban Transit Providers are allocated MVST revenues in statute and do not rely upon State General Fund appropriations. A reduction in General Fund revenues will primarily impact Metropolitan Council operations. Suburban Transit Providers are forecasted to receive increases in MVST revenues of approximately 5% per year.

MINNESOTA Management & Budget

Office Memorandum

Date: March 11, 2011

To: Governor Mark Dayton

From: Jim Schowalter, Commissioner

Subject: Impact of Proposed House/Senate Targets to MMB

Targets for the State Government and Veterans area are 53% below current levels for the Senate (roughly $500 million less than in your budget plan) and 34% below current levels for the House (roughly $330 million less). We cannot determine any clear impact from these proposed targets without more information. Given that the reduction level is so far from achievable, we believe other significant assumptions like revenue offsets and statewide savings initiatives must be part of the legislative plan.

The targets cover multiple state agencies and program areas, including administrative agencies like MMB, Administration, and OET, as well as Military Affairs, Veterans Affairs, and the Legislature and Constitutional Offices. We have been told that the committees will exclude veterans-related programs from any reduction, so as a result, the impacts to state government agencies will be even more dramatic.

However, we do not expect the entire target will be met with reductions to agencies in this bill area. These targets almost certainly include some revenue offsets. Rumored items include tax compliance initiatives that would increase revenues. Beyond this, we assume that some of the savings would be achieved through proposed statewide initiatives, such as consolidation of technology staff and functions, reducing the number of agencies or appointed positions, and various reductions to the number and compensation of employees. In that case, most of the savings would come from agencies outside of the State Government and Veterans bill area, presumably above and beyond the reductions necessary to meet their own committees' targets.

The legislature will face significant challenges in using these statewide savings initiatives to meet the State Government and Veterans targets. The three biggest challenges are that these kinds of initiatives aren't additive, which means that the legislature cannot combine several of them and expect to achieve the sum total of savings that would be generated by each initiative separately. Also, the impact of these kinds of initiatives are difficult to estimate without further study and implementation planning, so savings would be speculative. In addition, some agencies could receive a significant cut to meet their own bill area target and then be cut significantly again in the statewide initiatives booked in the State Government and Veterans target. Ability to implement and perform in these circumstances is unknown.

After all this is revealed, we still expect that there will be substantial reductions in MMB's operating budget. The following helps to frame the impact:

- Reducing funding will lead directly to reductions in staffing. MMB's variable costs are mostly in personnel and a 15% reduction would equate to the elimination of 32 MMB positions. A 20% general fund reduction to MMB's budget would equate to a reduction of 40 positions as MMB's costs are almost entirely tied to staffing costs.
- MMB has no services that would be completely eliminated. Instead, risks and program integrity issues will crop up in managing statewide payroll, accounting, budgeting, and information access systems. Reductions will create vulnerabilities and risk by not being able to maintain these critical systems to industry standards.
- Other analysis and policy direction will be reduced at a time when demand for them will increase. Human resource management and financial management service reductions will impact all state agencies.
- Accounting and payroll support will be reduced just as the state rolls out a new $60 million accounting and procurement system. These staffing changes will be a substantial risk to the system conversion.
- A reduction to employee health benefits is extremely difficult to ascertain without details (bills starting to be heard next week).

Department: Military Affairs

State of Minnesota
OFFICE MEMORANDUM

Date: March 11, 2011

To: Commissioner Jim Schowalter
Minnesota Management and Budget

From: Richard C. Nash 3-11-11
Major General, MNARNG
The Adjutant General

Phone (651) 268-8924

Subject: Immediate Response on House and Senate Budget Targets

Because the targets listed are for the entire committee omnibus appropriations bill, it is difficult to assess the exact implications of these budget reduction targets. However, if we assume that Military Affairs will suffer the consequences of the targets in a manner proportional to our funding, we would assume that under the Senate scenario we would have our current budget reduced by 53% and under the House scenario it would be reduced 33.9%.

The Senate proposal would essentially require the cancellation of the National Guard Enlistment Incentives program. This program has been the cornerstone of the package of benefits we can offer to young men and women to encourage them to join the National Guard. As we've stated in testimony before various committees, the State of Minnesota is the 14th most populous state, but we are number 5 in the nation in National Guard strength. We believe that the incentives program plays a great large role in that success.

If we just lowered the amount paid for credits or lowered the amount paid for in the other incentives, we believe that at some point, those lower amounts will not provide enough of an incentive to produce the desired results.

DMA has only three programs to look at for funding reductions: facility operations, maintenance, and repair; general administrative costs; and enlistment incentives.

Within both facilities and general administration, we have significant must pay items that we cannot ignore – state match to federal funding for facilities, lease payments to Dept of Admin for the space leased in Veterans Service Building, and utility payments even if we "moth-balled" facilities. Getting down to those levels will have significant impacts on our ability to provide clean, safe, functional facilities for training our soldiers and airmen for their state and federal missions.

All of the federal funding we receive each year for military purposes (between $40M and $80M) requires some maintenance of effort; the state has to administer contracts, hire state personnel (with all the attendant requirements), procure goods and services, account for and budget funds, etc. Those are functions which are state employees are currently performing. As we have briefed over time, Military Affairs only has about 30 employees out of 300 whose pay and benefits are paid completely from the general fund. We do not have the ability to save significant amounts of general fund money without laying off 3 to 4 times the number of employees to reach the desired level of savings.

The House proposal would also require significant cuts to all programs. At the 33.9% level, we could probably offer some level of enlistment incentives that would provide some incentives to join and remain a member of the MN National Guard. But again, we believe that 33.9% level of reduction would have to be disproportionately absorbed by the Enlistment Incentives program.

When we factor in all the other budget items funded by the other two appropriations, we could not reduce either of them by 33.9% and continue to provide those services and facilities that the federal government would expect us to do and still maintain that federal funding.

Minnesota Pollution Control Agency
520 Lafayette Road North | St. Paul, MN 55155-4194 | 651-296-6300 | 800-657-3864 | 651-282-5332 TTY | www.pca.state.mn.us

March 11, 2011

To: Will Seuffert
Governor Mark Dayton's Office

Margaret Kelly
State Budget Director
Minnesota Management and Budget

From: Paul Aasen PWA
Commissioner

RE: General Fund Reduction Scenarios

Attached are two scenarios from the Minnesota Pollution Control Agency (MPCA) for reductions to the General Fund. The scenarios reflect a 27 percent and a 29 percent reduction. The differences between these scenarios are summed up by the level of stress they add to the MPCA and the Environmental Fund to maintain services. The impact of each scenario is shown on the attached table.

In reviewing the scenarios, we would offer the following thoughts.

1. The General Fund reductions increase pressure on the Environmental Fund at a time the agency is trying to improve performance and service, when the Environmental Fund has very little reserves, and when the MPCA is at a real risk of federal funding cuts.
2. The General Fund reduction for Clean Water Partnership grants and subsurface treatment system community assistance and grants result in cuts to local programs.
3. The General Fund reduction to Feedlot grants reduces the county assistance to local feedlot owners.
4. The General Fund reduction to the Environmental Health Monitoring and Tracking program reduces the value of a cross-agency partnership directly aimed at maintaining the health of Minnesotans.
5. These scenarios result in the potential elimination of 18 staff supporting local programs, environmental monitoring, and permitting programs.

If you have further questions, please don't hesitate to call.

PCA p. 2

27% General Fund Reduction

Water	$(215)	$ (215)	$ (215)	$ (215)	0.00	Reduces Clean Water Partnership grant program by 10%; 1-2 fewer annual grants awarded.
Water	$ (289)	$ (289)	$ (289)	$ (289)	3.90	Eliminates SSTS Community Assistance activity from GF
Water	$ (375)	$ (375)	$ (375)	$ (375)	4.00	Eliminates county SSTS grant program from GF.
Water	$ (235)	$ (235)	$ (235)	$ (235)	0.00	Reduces funding to delegated counties assisting feedlot by 12%
Water	$ (150)	$ (150)	$ (150)	$ (150)	1.50	Reduces Water Operations by 10%
Land	$ (220)	$ (220)	$ (220)	$ (220)	0.00	Reduces by 50% funding for environmental monitoring and health tracking passed through to MDH
EACM	$ (689)	$ (689)	$ (689)	$ (689)	8.00	Eliminates environmental analysis, monitoring and permitting activity in GF.
Admin Support	$ (125)	$(125)	$ (125)	$(125)	1.00	Reduces 10% of funding used for administrative and business support needs to shared services plan
27% Scenario	$(2,298)	$(2,298)	$(2,298)	$(2,298)	18.40	

29% General Fund Reduction

Water	$ (433)	$ (433)	$ (433)	$ (433)	0.00	Reduces Clean Water Partnership grant program by 20%; 3-4 fewer annual grants awarded.
Water	$ (289)	$ (289)	$ (289)	$ (289)	3.90	Eliminates SSTS Community Assistance activity from GF.
Water	$ (375)	$ (375)	$ (375)	$ (375)	4.00	Eliminates county SSTS grant program from GF.
Water	$ (235)	$ (235)	$ (235)	$ (235)	0.00	Reduces funding to delegated counties assisting feedlot by 12%
Water	$ (150)	$ (150)	$ (150)	$ (150)	1.50	Reduces Water Operations by 10%
Land	$ (220)	$ (220)	$ (220)	$ (220)		Reduces by 50% funding for environmental monitoring and health tracking passed through to MDH
EACM	$ (689)	$ (689)	$ (689)	$ (689)	8.00	Eliminates environmental analysis, monitoring and permitting activity in GF
Admin Support	$ (125)	$ (125)	$ (125)	$ (125)	1.00	Reduces 10% of funding used for administrative and business support needs to shared services plan
29% Scenario	$(2,516)	$(2,516)	$(2,516)	$(2,516)	17.40	

THE OFFICE OF ENTERPRISE TECHNOLOGY STATE OF MINNESOTA

OET General Fund Budget Cut Consequences

03.11.11

Planning and Management – Office of the CIO

33.9% '12-'13 Biennium Reduction - $874,000

53.3% '12-'13 Biennium Reduction - $1,376,000

The Office of the CIO is statutorily obligated to ensure the delivery of efficient and effective technology that protects state investment and enables reform. We do this through the setting of standards and oversight of state IT investments and projects. Cutting the Office of the CIO by a third or half will cripple the office's ability to perform these high priority functions. This impacts not only the agency, but the approximately $361 million all agencies spend on technology. It will increase statewide risks, result in higher costs and lost opportunities for savings, and eliminate enterprise planning and investment management. Both projected cuts will make OET absolutely unable to meet statutory mandates.

20%	33.9% (House Target)	53.3% (Senate Target)
• Eliminates 11% of department OET Executive Leadership, Enterprise Project Management and Enterprise IT Architecture (Eliminating 1 of 9 staff) • Hinders fulfilling enterprise IT leadership roles – i.e. development of standards that reduce redundancy • Reduces ability for enterprise IT process improvements and efficiencies • Significantly jeopardizes statewide Enterprise Architecture strategic direction and program • Reduces OET's ability to provide oversight of state investments	• Eliminates 22% of department OET Executive Leadership, Project Management and Enterprise IT Architecture (Eliminating 2 of 9 staff) • Jeopardizes statewide any enterprise architecture to standardize IT systems for increased efficiency and leveraged purchasing • Curtails the developing and enforcing of standards that reduce redundancy • Eliminates oversight and reporting of state investments, any project reporting and other governance activities • Eliminates all efforts to increase transparency and accountability for citizens through data sharing • Reduces enterprise IT process improvements and efficiencies	• Eliminates 33% of department OET Executive Leadership, Enterprise Project Management and Enterprise IT Architecture (Eliminating 3 of 9 staff) • Eliminates statewide any enterprise architecture • Eliminates standards program leadership • Eliminates oversight and reporting of state investments, any project reporting and other governance activities

IT Security – Enterprise Technology Office

33.9% '12-'13 Biennium Reduction - $2,824,000

53.3% '12-'13 Biennium Reduction - $4,438,000

The majority of OET's general funding goes to the Enterprise Information Security Office, a statutorily mandated program that protects state IT systems against increasingly sophisticated and dangerous threats by setting policies, monitoring systems, and sharing security tools. These threats, from both domestic and international attackers, continue to pose a significant risk to the State's data and infrastructure. IT Security is a statutorily mandated program and a cut of this magnitude would decimate the progress made in the past four years and cripple the program to the point where we could no longer provide effective preventative and detective security controls for the 78 executive branch agencies and boards.

We would also not be able to provide assistance to agencies during a time of crisis. We would have to dismantle enterprise security solutions that the state has invested significant resources in building over the last four years, as we would not have the resources to maintain the systems. Our role would be limited to mostly providing administrative guidance and oversight. The ultimate result would be an increased risk of security incidents that may impact the integrity, confidentiality and availability of state services.

20%	33.9% (House Target)	53.3% (Senate Target)
• 30% reduction in staff (6 out of 20) • Hinders statutorily mandated enterprise functions including security baselines and compliance • Eliminates assistance to agencies for business continuity, operations, planning, and tracking • Eliminate assistance to all agencies and boards for vulnerability and threat management	• Greater than 50% reduction in IT security staff (10 out of 20) • Discontinues support of enterprise security monitoring solutions • Reduces the State's computer forensic capabilities • Reduces mandated leadership role, responsibilities, policies and standards • Eliminates assistance to agencies for business continuity, operations, planning, and tracking • Eliminates assistance to small agencies and boards for vulnerability and threat management • Reduces ability to anticipate and respond to increased statewide enterprise security vulnerabilities, incidents, and threats; potentially compromising the entire enterprise, given agencies' current IT security weaknesses	• Greater than 70% reduction in IT security staff (14 out of 20) • Cannot fulfill statutory requirements • Eliminates all vulnerability management and requires us to dismantle entire Enterprise Vulnerability Management System (a $1 million investment) • Dismantle SIEM Solution ($1 million+ investment) • Eliminates assistance to agencies for business continuity, operations, planning, and tracking • Eliminate all forensic investigations of any cyber crimes potentially compromising the state's IT infrastructure.

Enterprise Technology Fund – Customer charge-back / rates

The Enterprise Technology Fund is an internal service fund whose revenues come from customer charge-backs for technology services directly delivered to agencies and other government customers. Dollars removed from the fund for non-service purposes will affect OET's ability to provide core services such as email, network, database management, mainframe computing, etc. OET would either have to stop providing the services or increase its rates to cover the loss. In either case, agency budgets would be seriously impacted and the State's overall IT business functions would be interrupted or compromised.

Summary

During economic downturns, citizens' need for government services is increased and the State looks to "back office" reform initiatives to increase efficiencies. This places a higher dependence on technology and makes OET's services in the areas of planning, oversight, security and IT services all the more critical.

Fewer technology services and less strategic planning means fewer reforms, resulting in fewer efficiencies and less ability for the State as a whole to serve customers/citizens.

Kelly, Margaret (MMB)

From:	Schad, Dave R (DNR)
Sent:	Wednesday, March 09, 2011 5:12 PM
To:	Seuffert, Will (GOV)
Cc:	Robison, Mary (MMB); Meier, Bob (DNR); Landwehr, Tom (DNR); Martinson, Laurie (DNR); Anderson, Denise (DNR)
Subject:	General Fund
Attachments:	General Fund Reduction Scenarios - 15, 20, 25_Gov Office Request_FINAL_03.09.11.docx; AGENCY_General Fund Reduction_10 percent scenario_RH.DOCX; 20110309164822869.pdf

Will: Attached is information on impacts to DNR that would result from a 15% and 20% general fund reduction. We also included impacts that would result from a 25% general fund reduction, which is what we expect the House to come out with in their initial budget proposal for DNR.

There are three attachments:

1) The original DNR general fund reduction Fact Sheet that was submitted with the Governor's budget based on a 10% General Fund reduction.

2) A spreadsheet showing proposed general fund reductions by DNR Division at each of the reduction levels.

3) A description of impacts based on 15%, 20%, and 25% general fund reduction scenarios. (Note that the impacts are cumulative...in order to determine the sum of impacts at the 25% level, you need to add the impacts described in the fact sheet, plus those at the 15%, 20%, and 25% levels).

This information is based on information developed during the biennial budget process, and therefore we consider it a product of the budget development process that is protected information. Let me know if you need anything additional...Dave

Dave Schad, Deputy Commissioner
Minnesota Department of Natural Resources
DNR Building - 500 Lafayette Road
Saint Paul, Minnesota 55155-4050
651-259-5025
dave.schad@state.mn.us

General Fund Reduction - 10% - 25% Straw Dog

Mar. 10, 2011

	FY12	FY12	Governor's Rec. TOTAL	Additional Reductions Add	Add	Add	GF	Net	% GF
	Base Funding	**GF**	**@10%**	**5%**	**5%**	**5%**	**Chg Itm**	**GF**	**Red.**
Lands & Minerals	$9,445	**2,982**	0	(323)	0			2,659	11%
Eco & Water Res	$24,117	**16,082**	(855)	(1,191)	(620)	(784)		12,632	21%
Forestry (1)	$26,296	**14,939**	(2,950)	(275)	(500)	(1,000)		10,214	32%
Parks & Trails	$65,726	**20,384**	(949)	(1,061)	(1,541)	(1,166)		15,667	23%
Fish & Wildlife	$66,539	**231**	0	(100)	(102)		975	1,004	-335%
Enforcement (2)	$30,928	**2,216**	0	0	(187)			2,029	8%
CMO/Regional Ops	$2,977	**1,522**	(634)	0				888	42%
All - Grants	$843	**843**	(528)	0				315	63%
Totals:	**$226,871**	**59,199**	(5,916)	(2,950)	(2,950)	(2,950)	975	45,408	23%
Forestry - Fire Direct	7,145	7,145							
Total Direct	234,016	66,344							

(1) Forestry does not include fire direct (7,217 -72 reduction = 7,145)

(2) Enforcement does not include $100,000 transfer-in from BWSR

MINNESOTA DEPARTMENT OF NATURAL RESOURCES

GENERAL FUND REDUCTION SCENARIOS (15%, 20%, 25%) AND IMPACTS

Governor's Office Request – March 9, 2011

15% General Fund Reduction Scenario: ($2,950)

The following are impacts related to an additional 5% reduction above the 10% reduction ($5,916) recommended by the Governor's Office.

ACTIVITY	REDUCTION	OUTCOMES (SERVICE IMPACT)	FTE IMPACT
Education Programs	(390)	Eliminate general fund support for department education programs, impacting forestry education programs (Project Learning Tree, School Forest Program) and Ecological and Water Resources education programs (Project WET, Project WILD).	3-5
Permitting	(1,254)	Reduce support for water permitting and technical assistance and mineland reclamation permitting activities, resulting in delays in permitting decisions and lengthened permit review timeframes.	11-13
Community and Private Lands Assistance	(145)	Further reduce Working Lands Initiative grants for prairie wetlands work on private lands, impacting approximately 125 acres, and reduce community assistance.	1
Outdoor Recreation Opportunities (State Parks and Trails)	(1,061)	Provide only rustic camping in 14 parks (use self-registration; no showers; no overnight security). Reduce day use activities in an additional 12 parks. Both reductions will result in lost revenue for parks ($200,000 estimated) and local communities. Reduce services on non-motorized trails. Additional reductions in planning and administrative services.	10
Survey and Analysis	(100)	Delay completion of county biological survey field work and delivery of information on significant sites, plant communities, and rare species; eliminate general fund support for aquatic invertebrate analysis.	2

20% General Fund Reduction Scenario: ($2,950)

The following are impacts related to an additional 5% reduction above the 15% reduction ($2,950) described above.

ACTIVITY	REDUCTION	OUTCOMES (SERVICE IMPACT)	FTE IMPACT
Terrestrial Invasive Species	(210)	Reduce funding of terrestrial invasive species management (such as buckthorn and thistle) on state land from 1,100 acres to 260 acres.	2
Outdoor Recreation Opportunities (State Parks and Trails)	(1,541)	Mothball 7 state parks, eliminating public services, day and overnight use year round (lost revenue estimated at $300,000). Reduce outreach/interpretation offerings by 2,000 public programs (64,000 visitors served). Decrease resource management hours at 28 units (15,000 hours). Reduce acquisition and development services at state parks and trails.	15
Flood Management and Hydrologic Monitoring	(310)	Reduce assistance to local governments for flood management, impacting the ability of local communities to be prepared for, and respond to, floods. This includes the elimination of general fund support for flood damage reduction; reduced hydrologic support for flood programs; reduced assistance to local governments in the adoption of floodplain ordinances, impacting their eligibility for federal flood insurance; elimination of cost share for ring dikes that protect farmsteads from flooding; and reduced Red River mediation grants, planning coordination, and support.	2-3
Private Lands Assistance	(602)	Eliminate general fund support for the forestry private lands program and the Working Lands Initiative.	3-4
Scientific and Natural Areas	(100)	Reduce the ability to manage state scientific and natural areas and to provide prairie stewardship assistance to private landowners.	1-2
Enforcement	(187)	Reduce enforcement of the Wetlands Conservation Act, reducing Wetlands Resource Enforcement Officer positions.	1-2

25% General Fund Reduction Scenario: ($2,950)

The following are impacts related to an additional 5% reduction above the 20% reduction ($2,950) described above.

ACTIVITY	REDUCTION	OUTCOMES (SERVICE IMPACT)	FTE IMPACT
Aquatic Invasive Species	(784)	Reduce control of invasive plants in lakes from 50 to 35 lakes; reduce invasive species enforcement from 9,400 hours to 8,000 hours; reduce watercraft inspections from 40,000 hours to 25,000 hours; reduce prevention grants by 50%; reduce public awareness for invasive species.	7
Timber Management	(1,000)	Reduce support for timber management activities, reducing current staffing levels by at least 10 FTEs and reducing the department's ability to offer 100,000 cords of wood for sale.	10
Outdoor Recreation Opportunities (State Parks and Trails)	(1,166)	Mothball an additional 8 state parks, eliminating public services, day and overnight use year round. Provide only rustic camping at an additional 6 parks. Combined, these reductions will result in an additional loss of revenue ($500,000 estimated). Reduce administrative oversight for some operations, visitor services, planning and outreach functions.	10

Department of Natural Resources Fact Sheet

2012-2013 BIENNIAL BUDGET FACT SHEET
General Fund Reduction
Expenditures: ($5,916,000) FY 2012 / ($5,916,000) FY 2013
(General Fund)

It is needed because
The Department of Natural Resources (DNR) recognizes that changes in our economy, environment, and society demand that we lead in new ways–both to advance conservation results and maintain critical public services while reducing costs. This proposal contains a reduction in general fund appropriations of 10 percent in FY 2012 and FY 2013.

In developing the general fund reduction proposal, DNR identified areas where the agency could walk away from the general fund by transforming its business–becoming more lean and efficient, more innovative and entrepreneurial, working through partnerships, and reducing staffing levels–while increasing its focus on customer service and maintaining investments in essential activities and activities that drive the state's economic engine. This proposal provides the optimal approach for achieving DNR's mission-critical work while being a part of the state's budget solution. Proposed general fund reductions will be distributed across divisions within the department as follows:

Forestry ($2,950,000)
- *Core Program Support ($1,000,000)*: Shift to a cost certification strategy for professional forest management services, such as plan development, timber appraisals, and timber sales administration, on state managed lands.
- *Educational Activities ($325,000)*: Partially shift to a fee for service approach and reduce educational program activities.
- *Minnesota Forest Resources Council ($125,000)*: Reduce support for the MFRC, which will reduce landscape program work.
- *Forestry Cooperative Management ($1,500,000)*: Reduce private forest management and urban and community program support, but continue to support stewardship plan approval and registration to meet requirements of tax programs.

Ecological and Water Resources ($855,000)
- *Terrestrial Invasive Species ($350,000)*: Reduce terrestrial invasive species management on state land from 2,500 to 1,100 acres.
- *Operations ($505,000)*:
  - $215,000 – reduce follow-up inspections for compliance with permits and pesticide regulations and reduce capacity for early coordination and review of development projects;
  - $100,000 – reduce technical support for water supply planning and permitting;
  - $85,000 – reduce DNR's capacity to manage information through the elimination of an information technology position;
  - $48,000 – reduce general fund support for fish mercury assessment which will reduce funding available for special projects;
  - $45,000 – eliminate division participation in six Wetland Conservation Act Technical Evaluation Panels; and
  - $12,000 – eliminate aquatic invertebrate analysis for two department projects.

Parks and Trails Management ($949,000)
- Reduce hours and shorten seasons of operations at five state parks and recreational areas;
- Offer rustic-only camping year round at four parks and rustic-only camping during the spring and fall at an additional 12 parks;
- Reduce hours for lodging visitor services and facility maintenance;
- Reduce routine resource maintenance activities, including noxious weed control, exclosure maintenance, and prescribed burning project planning;
- Reduce ski trail grooming; and
- Reduce interpretive programs.

February 22, 2011

DNR Grants ($528,000)

- $138,000 – reduce Red River Mediation funding from $264,000 to $126,000;
  - $35,000 – reduce funding to eight watershed teams for project development activities by 30 percent;
  - $75,000 – eliminate support for the River Watch Program, which will need to be funded by local watershed districts or other funding sources;
  - $28,000 – reduce funding for watershed planning and project development, which will reduce coordination and oversight of project teams;
- $53,000 – eliminate pass-through grant funding to the Mississippi Headwaters Board for reviewing local land use decisions;
- $197,000 – eliminate the Forest Resources Grant to the University of Minnesota (UMN), resulting in no contract work with the UMN for IIC activities;
- $5,000 – eliminate pass-through grant funding to the Leech Lake Band to participate with the Mississippi Headwaters plan;
- $60,000 – reduce support for the prairie wetland program, which will impact approximately 20 acres of prairie wetlands; and
- $75,000 – reduce grants for ring dikes, eliminating cost-sharing on three farmstead ring dikes.

Operations Support ($634,000)

$634,000 is a reduction to DNR's operations support. This funding will be replaced with funding from dedicated sources to more accurately reflect the work of the department.

For further information contact:

Denise Anderson, Chief Financial Officer
Office of Management and Budget Services
Minnesota Department of Natural Resources
500 Lafayette Rd, St. Paul, MN 55155
651-259-5561
Denise.Anderson@state.mn.us

Kelly, Margaret (MMB)

From: Seuffert, Will (GOV)
Sent: Friday, March 11, 2011 4:02 PM
To: Kelly, Margaret (MMB)
Subject: FW: Legislative budget consequences - BWSR

I don't know how valuable this is to you, but I asked BWSR to let us know how the reduction would impact them as well. Not as detailed as the others, but feel free to include with the others if you'd like. You should have info from MDA, MDVA, MPCA, DNR and Commerce. If you are missing anything from these agencies, please let me know. Thanks, Will

-----Original Message-----
From: Jaschke, John (BWSR)
Sent: Friday, March 11, 2011 3:51 PM
To: Seuffert, Will (GOV)
Subject: Legislative budget consequences - BWSR

Will; as discussed, below are possible scenarios developed, of course, without seeing any specific language. There are other scenarios that could be prepared so let me know if this message is sufficient for now or if you'd like more details or other alternatives.

25 percent reduction (House):
Elimination of the state's conservation cost-share program that provides a majority portion of the funding (50-75 percent) needed to construct voluntary projects on private lands to reduce or eliminate soil erosion from ag fields, riverbanks and lakeshores. This program has been used to leverage significant federal USDA funding. Reduction of 4.4 FTE between state/local govt staff.

29 percent reduction (Senate):
Same as above, plus loss of Public Drainage system management efforts achieve a base level of conservation compliance (such as grassed buffer strips) for the over 17,000 miles of agricultural systems in MN. Loss of one additional state FTE.

/s/
John Jaschke
BWSR Executive Director
Cell: 612 202 3815

*** Sent from John Jaschke's BlackBerry ***

MINNESOTA DEPARTMENT OF PUBLIC SAFETY

Office of the Commissioner

445 Minnesota Street • Suite 1000 • Saint Paul, Minnesota 55101
Phone: 651.201.7160 • Fax: 651.297.5728 • TTY: 651.282.6555
www.dps.state.mn.us

Alcohol and Gambling Enforcement
Bureau of Criminal Apprehension
Driver and Vehicle Services
Emergency Communication Networks
Homeland Security and Emergency Management
Minnesota State Patrol
Office of Communications
Office of Justice Programs
Office of Traffic Safety
State Fire Marshal

Date: March 11, 2011

To: Governor Mark Dayton

From: Commissioner Mona Dohman

Subject: Impact of Budget Targets Released by the House and Senate

Earlier this week I sent a memo to you outlining the impact of a 15 – 20% general fund budget reduction to the services provided by the Department of Public Safety (DPS). This level of budget reduction was in the range of what we were told the House Public Safety Finance Committee would be implementing.

Yesterday the House and Senate Republican Caucuses released budget targets and this memo is in response to the numbers outlined during their respective press conferences. As you are aware the Department of Public Safety budget is heard in two separate legislative committees – public safety and transportation. From what I have been able to discern the impact to our agency by what the House and Senate have proposed is as follows:

Transportation – The reductions proposed range from 21% in the Senate to 26.6% in the House. This equates to a reduction of general fund dollars to DPS in the range of $3,340,000 to $4,231,528 for the biennium. The impact of this level of reduction would be the elimination and/or reduction of the bullet proof vest reimbursement program for police officers, the elimination or reduction of the health care reimbursement to local units of government for continued health care benefits for officers and fire fighters injured in the line of duty and a reduction in Capitol Security services.

Public Safety – The reductions proposed range from 1.6% in the Senate to 5.0% in the House. This equates to a reduction of $2,550,000 to $7,971,500 for the biennium. The impact of this reduction in funding means fewer dollars for services to crime victims including battered women, sexual assault victims and victims of child abuse. It also means fewer dollars going to local police and sheriffs' agencies for violent crime and drug task force investigations. It could also mean fewer Bureau of Criminal Apprehension agents available to assist local police agencies with complex criminal investigations.

In terms of the proposed reductions to the number of state agencies it is unclear what impact, if any, this would have for DPS. DPS is not mentioned as an agency to be eliminated and it is not mentioned as an agency that would take over the duties of agencies proposed to be eliminated. Once further details of the House and Senate proposals are clear we will be able to provide additional information.

MINNESOTA • REVENUE

Memorandum

March 11, 2011

Margaret Kelly, State Budget Director
Minnesota Management and Budget
400 Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155

Dear Ms. Kelly:

As you requested, the Department of Revenue has evaluated the impact of a 53.3% budget reduction. This response assumes that the 53.3% reduction in the State Government Innovations and Veterans Budget target would be applied across-the-board to all agencies under the purview of committee, including the Department of Revenue.

For background, 70% of our agency's budget is spent on direct tax compliance activities, such as auditing and collecting. The other 30% provide audit and collections support. By necessity, budget reductions at this level would have to include all areas of the agency's operations.

In identifying the budget reductions we would strive to protect the largest portion of state revenue collections—those that come from voluntary compliance. We would focus only on the most essential tax processing and financial reconciliation operations—that is, recording and banking receipts.

The impact of such a large reduction would certainly reduce customer service levels to a bare minimum, eliminating such services as fielding tax payer phone calls, and providing tax payer education, training and outreach. Furthermore, it would significantly delay payments to taxpayers and recipients of local government aids, and diminish our ability to oversee property tax administration.

The proposed reductions would likely result in the reduction or elimination of some functions such as tax research, and the preparation of all fiscal notes and revenue estimates for the

legislature and Governor. In addition, likely eliminated would be numerous costly research publications such as the Tax Incidence Study and the Tax Expenditure Study on which legislators and governors depend when evaluating and debating tax policy.
The 53.3% reduction will require MMB to book an estimated $500 million revenue loss resulting from significantly reducing auditors, collectors and other positions involved in direct compliance activities. In effect, this would be result in a "reverse compliance initiative."

In terms of staffing, we estimate that the proposed budget cut will result in a loss of over 900 FTEs, or roughly 60% of our entire complement.

Activities that will be affected by the cuts are listed below.

- Delays in processing tax returns
- Elimination of performance and tracking measurement activities
- Significant reductions in the pace of technology renewal and the efficiencies they promise
- Increased risk of data loss and disruption to taxpayers
- Significantly reduce or eliminate staff in the following areas:

    - Website design and maintenance
    - Forms and instruction design personnel
    - Human Resources
    - Appeals and Legal
    - Tax Research, which will lead to delays in fiscal notes, revenue estimates and studies
    - Property tax oversight and services to local governments
    - Outstate offices and related services

- Potential major delays in processing tax returns
- Direct compliance staff would have to be diverted to keep up with administrative work
- Reduction of offices throughout Minnesota

In sum, with this level of operation, we would essentially be left with collecting revenue through voluntary compliance only, with little capacity to ensure tax laws are complied with.

I hope this is helpful.

Sincerely,

Daniel A. Salomone

Daniel A. Salomone
Acting Commissioner

Minnesota Department of Transportation
395 John Ireland Boulevard
Saint Paul, MN 55155

Memo

TO: Margaret Kelly, State Budget Director

FROM: Scott Peterson, Director of Government Affairs

DATE: March 11, 2011

SUBJECT: House and Senate Budget Targets

The information below represents the likely impact of a 16.1% and a 28.1% reduction in the General Fund appropriations for the Minnesota Department of Transportation (Mn/DOT). Although General Fund appropriations represent a relatively small portion of appropriations for the agency cuts of the magnitude in those appropriations would significantly impair several very valuable programs at the agency.

By far the largest impact of a cut of the magnitude in either of these scenarios would be the reduction in transit grants to system operators in Greater Minnesota. For several years Mn/DOT has struggled without success to expand service to all counties in Minnesota to meet the growing demand, reducing the mobility of older and disabled Minnesotans and compromising their ability to live independently. On average, a 16.1% cut in these grants would result in an hours of service reduction of 58,000 hours. A general fund reduction of 28% would cause a reduction of 101,300 service hours.

A reduction in Greater Minnesota Transit service of 101,300 hours is equivalent to losing services in the following counties and communities: Counties of Renville, Steele, Crow Wing, Mahnomen, Big Stone, Chippewa, Lac Qui Parle, Swift, Yellow Medicine, Rock, Mower, Wright, Kittson, Murray, Pine, Sherburne, Roseau, Lake of the Woods, Ottertail, and Wadena, as well as the Cities of Winona, Montevideo, Fosston, Morris, Granite Falls, Albert Lea, and Pine River.

The elimination of the funding for the administration of the state Hazardous Materials program accelerates the phase out of that program. The program was eliminated in statute last year because it is largely redundant with a federal program, which continues.

Although the dollar amounts of these reductions are relatively modest in the scope of the General Fund appropriations, many of these transit operators are relatively small and have little capacity for making manageable, incremental reductions.

The accompanying spreadsheet contains some additional detail on the existing General Fund appropriations to Mn/DOT and reductions referred to in this memo. Please contact me at 651-366-4817 or 651-231-8225 if you have any questions or concerns.

Cc: Erin Campbell
Jim Schowalter
Tom Sorel
Bernie Arseneau
Tim Henkel

Preliminary Budget Options Template
FY 2012-2013 Budget Development: Mn/DOT

Preliminary Budget Option Name/Title	Agency Program	Fiscal Impact					Primary Impact	Type of Change	FTE Impact	Brief Description
		Fund	FY 2012	FY 2013	FY2014	FY2015				
16.1% Scenario										
Hazardous Materials	Multimodal Systems	100	$75,000	$75,000	$75,000	$75,000	State Administrative Activites SA	Consolidation of Services/Activities CS	0.10	Terminate all aspects of the state hazardous waste program. Federal program will still regulate hazardous waste shipments.
Transit Program Admin	Multimodal Systems	100	$0	$0	$0	$0	State Administrative Activites SA	Other Funding Sources OF	0.20	
Grtr MN Transit Assistance	Multimodal Systems	100	$2,015,000	$2,015,000	$2,015,000	$2,015,000	Grants to Local Units of Government GG	Service Reduction SR	0.00	Projected loss of 36,600 annual service hours (no new service starts in 2011 plus 4.5% reduction of transit system service hours)
Grtr MN Transit Assistance	Multimodal Systems	100	$672,000	$672,000	$672,000	$672,000	Grants to Non-Governmental Entities GN	Service Reduction SR	0.00	Projected loss of 12,000 annual service hours (4.5% reduction)
Roosevelt Weather Station	Electronic Communications	100	$0	$0	$0	$0	Direct State Services DS	Elimination/Ending Service or Activity EL	0.00	
Rail program	Multimodal Systems	100	$0	$0	$0	$0	Direct State Services DS	Service Reduction SR	0.40	
Space Rental		100	$0	$0	$0	$0	State Administrative Activites SA	Other Funding Sources OF	0.00	
Passenger Rail Program	Multimodal Systems	100	$0	$0	$0	$0	State Administrative Activites SA	EL	2.00	
16.1% Scenario		Total	$2,762,000	$2,762,000	$2,762,000	$2,762,000			2.60	
28.1% Scenario										
Hazardous Materials	Multimodal Systems	100	$75,000	$75,000	$75,000	$75,000	State Administrative Activites SA	Consolidation of Services/Activities CS	0.20	Terminate all aspects of the state hazardous waste program. Federal program will still regulate hazardous waste shipments.
Transit Program Admin	Multimodal Systems	100	$0	$0	$0	$0	State Administrative Activites SA	Other Funding Sources OF	0.30	
Grtr MN Transit Assistance	Multimodal Systems	100	$3,560,000	$3,560,000	$3,560,000	$3,560,000	Grants to Local Units of Government GG	Service Reduction SR	0.00	Projected loss of 76,300 annual service hours (no new service starts in 2011 plus 4.5% reduction of transit system service hours)
Grtr MN Transit Assistance	Multimodal Systems	100	$1,186,000	$1,186,000	$1,186,000	$1,186,000	Grants to Non-Governmental Entities GN	Service Reduction SR	0.00	Projected loss of 25,000 annual service hours (4.5% reduction)
Roosevelt Weather Station	Electronic Communications	100	$0	$0	$0	$0	Direct State Services DS	Elimination/Ending Service or Activity EL	0.00	
Rail program	Multimodal Systems	100	$0	$0	$0	$0	Direct State Services DS	Service Reduction SR	0.50	
Space Rental		100	$0	$0	$0	$0	State Administrative Activites SA	Other Funding Sources OF	0.00	
Passenger Rail Program	Multimodal Systems	100	$0	$0	$0	$0	State Administrative Activites SA	EL	2.00	
28% Scenario		Total	$4,821,000	$4,821,000	$4,821,000	$4,821,000			2.80	

Kelly, Margaret (MMB)

From: Kromschroeder, Sherry (MDVA)
Sent: Friday, March 11, 2011 3:51 PM
To: Kelly, Margaret (MMB)
Cc: Shellito, Larry (MDVA); Acevedo, Gilbert (MDVA); Worlds, Reggie (MDVA); McElhiney, Mike (MDVA); Seuffert, Will (GOV); Cowell, Alisha (MMB)
Subject: MDVA Reduction Scenarios
Attachments: Budget Options MDVA.xlsx

Good afternoon, Margaret,

With the potential for a significant reduction to the MN Department of Veterans Affairs (MDVA), we would have to consider reducing programs. Attached is a spreadsheet with potential program reductions that greatly impacts the services provided by the MDVA; however, meets a 4% reduction in FY12 and 9% reduction in FY13. Please let me know if you need additional information or scenarios at greater percentage of reduction.

Thanks,
Sherry

Sherry Kromschroeder | Finance Director
Minnesota Department of Veterans Affairs
Direct 651-757-1543 | Fax 651-757-1575
20 West 12th Street, 2nd Floor | St. Paul, MN 55155
www.mdva.state.mn.us | www.minnesotaveteran.org

Preliminary Budget Options Template

FY 2012-2013 Budget Development: MN Department of Veterans Affairs

Preliminary Budget Option Name/Title	Agency Program	Fiscal Impact Fund	FY2012	FY2013	FY2014	FY2015	Primary Impact	Type of Change	FTE Impact	Brief Description
VETERANS PROGRAMS AND SERVICES										
Tribal Veterans Service Offices Closure (Bois Forte, Grand Portage, Metro, Mille Lacs, Red Lake, Upper Sioux, southwest Minnesota and White Earth)	P&S	100	$470,000	$730,000	$730,000	$730,000	Direct State Services DS	Elimination/Ending Service or Activity EL	10.00	Eliminate Tribal Veterans Service Office program. Required services for Native American veterans living on MN reservations would be assessed and redistributed to existing staff in the Claims/Outreach unit. Frequency and time of services provided would be impacted because reps will be required to do more with less. FY12 includes cost of layoff.
Non-salary reduction	P&S	100	$50,000	$50,000	$50,000	$50,000	State Administrative Activities SA	Service Redesign/Alternative Delivery AD	0.00	Reduce office supplies, eliminate advertising veterans programming, extend computer replacement, reduce travel.
Cemetery Fees	P&S	200	$10,000	$10,000	$10,000	$10,000	State Administrative Activities SA	Other Funding Sources OF	0.00	Increase burial fee at state cemetery. Current rates range between $200 and $750. The rate increase would implement a flat rate of $750/burial. Statutory authority is granted to the Commissioner of Veterans Affairs.
Bronze Star Marker	P&S	100	$42,000	$42,000	$42,000	$42,000	Direct State Services DS	Elimination/Ending Service or Activity EL	0.00	Direct recipients to federal program that provides a grave marker (the federal marker does not plant in the ground.)
Subtotal - Programs & Services			$572,000	$832,000	$832,000	$832,000			10.00	
% of GF Budget	13,779,000		4%	6%	6%	6%				
VETERANS HOMES										
Admission by Veteran Status	Homes	211	$422,310	$422,310	$422,310	$422,310	Direct State Services DS	Other Funding Sources OF	0.00	Decrease non-veteran (spouse) admissions to allow billing USDVA for veterans eligible per diem. Could be undesirable because some veteran's spouse would be refused and they would have to reside in separate facilities.
^^Hastings Veterans Home Closure	Homes	100	$1,751,663	$4,526,663	$4,526,663	$4,526,663	Direct State Services DS	Elimination/Ending Service or Activity EL	107.00	Close the Hastings Veterans Home - eliminate 200 bed domiciliary facility. Will require repayment of federal construction grant dollars. FY12 includes layoff costs.
Repayment MOE (see below)			($568,301)	($568,301)	($568,301)	($568,301)				
Subtotal - Homes			$1,605,672	$4,380,672	$4,380,672	$4,380,672			107.00	
% of GF Budget (biennial avg)	44,006,000		4%	10%	10%	10%				
Total			$2,177,672	$5,212,672	$5,212,672	$5,212,672			117.00	
% of MDVA GF Budget	57,785,000		4%	9%	9%	9%				
^^VETERANS HOMES FEDERAL MAINTENANCE OF EFFORT IF HASTINGS IS CLOSED										
Funding to pay back Federal USDVA for Hastings Veterans Home federal construction grant MOE.	11,366,016	USDVA maintenance of effort over a twenty year period. Current MOE on federal funds received by the Hastings veterans home is approximately $11 million that when divided by 20 years is $568K/year. This assumes no interest, which may not be a valid assumption. More analysis will be performed if the Homes program is tasked with a reduction (actual lay off costs, repayment schedule, etc.)								