Fiscal Analysis Department
Minnesota House of Representatives

A SUMMARY OF THE FISCAL ACTIONS OF THE 2011 LEGISLATURE

Money Matters 11.05
December 2011

This paper provides a summary of 2011 legislation with fiscal implications. Part one is the summary section. Part two provides details organized according to the jurisdictions of the House of Representatives' fiscal committees and divisions.

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The Overall Budget Picture

The 2011 Legislature faced a major budget deficit as it assembled a budget for the upcoming FY 2012-13 biennium. The February 2011 state budget forecast projected that general fund expenditures for the FY 2012-13biennium would exceed available resources by $5.02 billion. This deficit of $5.02 billion was equal to 12.9 percent of projected expenditures for the same period.

When the regular legislative session ended on May 23, 2011 only one of the major budget bills, the Agriculture Finance bill, had been enacted. Budget discussions for the rest of the budget remained stalemated until mid-July. The lack of an enacted budget resulted in a state government shutdown because most of the budget was not in place at the beginning of the new biennium on July 1. The shutdown affected all state government programs and agencies except those funded in the Agriculture Finance Bill. A district court order kept some state government functions determined to be essential operating through the shutdown. The court also determined that some agencies that were not dependent on direct state appropriations could continue operating. (The Minnesota State Colleges and Universities and the Minnesota Zoo are two examples.) A complete FY 2012-13 budget was finally enacted on July 20, 2011 and state government re-opened shortly after.

The February 2011 budget forecast projected available revenue of $33.996 billion and spending, based on current law, of $39.016 billion for the FY 2012-13biennium. The projections included a $666 million balance carrying forward from FY 2011 into the FY 2012-13biennium. Table 1 illustrates the general fund budget situation as presented in the February 2011 budget forecast for the FY 2010-11 and FY 2012-13 biennia.

Table 1
Budget Situation - February 2011 Forecast
Dollars in Millions

	FY 2010-11	FY 2012-13
Beginning Balance	172	666
Revenue/Other Resources	30,662	33,330
Total Resources Available	30,834	33,996
Expenditures	30,168	39,016
Balance	666	-5,020

The 2011 Legislature made changes in fiscal year 2011 revenue and spending that reduced the projected FY 2011 ending balance by $216 million from $666 million to $450 million. The largest of these changes was repealing a 2010 law that delayed payment of sales and corporate tax refunds normally paid in FY 2011 into FY 2012. This change was made after the February 2011 budget forecast showed that there were adequate resources in FY 2011 to pay these refunds. The only fiscal impact of this change over the two biennia is some interest payment savings, otherwise this moved the payment of these refunds from FY 2012 back into FY 2011.

A number of tax changes for FY 2011 conformed Minnesota taxes for tax year 2010 with changes made in the federal tax system. Table 2 shows the FY 2011 budget changes.

Table 2
FY 2011 General Fund Budget Changes
Dollars in Thousands

FY 2011 Projected Balance - Feb. 2011 Forecast	666,220
Federal Tax Conformity - Chapter 8	-13,095
Tax Refund Timing - Chapter 8 & Administrative Action	-205,900
Tax Refund - Interest - Chapter 8	100
Delay Land Sale Requirement - Chapter 113	-2,135
Adjust Health Care Access Fund Transfers - Chapter 113	4,252
Sex Offender Program Cancellation - Chapter 113	3,000
Tax Court Deficiency - Chapter 113	-38
Public Safety FEMA Disaster Match - Chapter 113	-2,043
Secretary of State Deficiency - Chapter 113	-471
Revenue Department - Claims Bill - Chapter 113	-1
FY 2011 Projected Balance - End of 2011 Special Session	449,889

Bills passed during the 2011 regular legislative session and the 2011 first special session resulted in a balance budget for the FY 2012-13biennium and reduced the projected deficit for the FY 2014-15biennium.

Most of the FY 2013-14 budget deficit was resolved by reducing general fund spending from the level projected in the February 2011 forecast. General fund revenue was increased by $395 million for FY2012-13 while general fund spending was reduced by $4.677 billion. Of the $395 million increase in revenue in FY 2012-13, $206 million is because of the 2011 session change to pay tax refunds in FY 2011 rather than in FY 2012 as discussed above.

Of the spending reductions more than half of the reduction amount is due to reductions in spending because of delays in making payments to school districts and a reduction in debt service payments as a result of the tobacco bonds.

Table 3 compares the budget for fiscal years 2011, 2012 and 2013 as projected in the February 2011 budget forecast and at the end of the 2011special session. The percent change in Table 3 shows the change in revenue and in spending in the end of session numbers compared to the numbers from the February 2011 forecast (the base).

Table 3
Budget Comparisons - FY 2011, 2012 and 2013 - February Forecast versus End of Session
Dollars in Thousands

	Feb. 2011 Forecast	End of Session	Percent Change
FY 2011			
FY 2011 Forecasted Balance	666,220	666,220	
FY 2011 Revenue Changes		-216,878	
FY 2011 Spending Changes		547	
FY 2011 Balance Carried Forward	666,220	449,889	
FY 2012-13			
FY 2012-13 Forecasted Revenues	33,329,646	33,329,646	
FY 2012-13 Revenue Changes	0	394,613	
FY 2012-13 Net Revenue	33,329,646	33,724,259	1.2%
FY 2012-13 Forecasted Spending	39,015,867	39,015,867	
FY 2012-13 Spending Changes	0	-4,677,108	
FY 2012-13 Net Spending	39,015,867	34,338,759	-12.0%
Use of Cash Flow Account & Budget Reserve	0	179,665	
Balance	-5,020,001	15,054	

For the next biennium, FY 2014-15, the February forecast projected that spending would exceed revenue by $4.393 billion. In the end of 2011 special session projections this deficit was reduced to $1.891 billion. Table 4 illustrates the revenue and spending information for FY 2014-15.

Table 4
Budget Comparisons - FY 2014 and 2015 - February Forecast versus End of Session
Dollars in Thousands

FY 2014-15	Feb. 2011 Forecast	End of 2011 Session	Percent Change
Resources Available	35,330,289	35,330,289	
Revenue Changes		-34,176	
Net Resources After Changes	35,330,289	35,296,113	-0.1%
Projected Spending	39,722,790	39,722,790	
Spending Changes		-2,535,412	
Net Spending	39,722,790	37,187,378	-6.4%
Projected Balance - End of FY 2014-15 Biennium	-4,392,501	-1,891,265	

Table 5 illustrates the changes in revenue and spending from biennium to biennium after 2011 legislative changes. General fund revenue increases 10.8 percent in FY 2012-13 over FY 2010-11. Spending is projected to increase 13.8 percent over the same period. The spending increase can be higher than the revenue increase because a FY 2011 balance is carried forward into FY2012-13.

Both spending and revenue are projected to increase at lower percentages in FY 2014-15 over FY 2012-13 than similar comparisons a biennium earlier. These changes result in a projected deficit of $1.876 billion in the FY 2014-15 biennium.

Table 5

General Fund Biennial Budget Summary and Comparisons - Biennial Change

Dollars in Thousands

	FY 2010-11	FY 2012-13	Percent Change	FY 2104-15	Percent Change
Balance Forward	172,256	449,889		15,054	
Revenue - Base	30,662,122	33,329,646		35,330,289	
Revenue - Change	-216,878	394,113		-34,176	
Total Current Revenues	30,445,244	33,723,759	10.8%	35,296,113	4.7%
Total Available Resources	30,617,500	34,173,648		35,311,167	
Expenditures - Base	30,168,158	39,015,867		39,722,790	
Expenditures - Changes	-547	-4,677,608		-2,535,412	
Total Expenditures	30,167,611	34,338,259	13.8%	37,187,378	8.3%
Balance Before Reserve Changes	449,889	-164,611		-1,876,211	
Change in Reserves	0	-179,665			
Balance After Reserves	449,889	15,054		-1,876,211	

The increase in general fund spending from the FY 2010-11 biennium to spending in the FY 2012-13 biennium was presented in several different ways at the end of session. Table 6 shows several ways to present the spending change.

The first line shows the change in general fund spending. That increase is 13.8 percent, consistent with the general fund change amount shown in Table 5.

However, some argued that a more accurate representation of spending change should take into account the federal stimulus funds received by the state and treated like general fund spending in the FY 2010-11 biennium and should also take into account the FY 2012-13 general fund spending being replaced by tobacco bond receipts. The first Subtotal-Spending line in the middle of Table 6 shows a 7.8 percent increase – the result of the adjustments described in this paragraph.

Finally, an argument can also be made that in addition to the adjustments described in the previous paragraph changes in the K-12 education shifts should also be counted in spending comparisons. While the state is not actually spending the shifted amounts in these biennia, the state is telling school districts to count the revenue (and spend the amount if they have the cash) at that time even though the actual cash payments from the state will come later. When shift changes are added in (treated as spending in that biennium) the increase in spending from FY 2010-11 to FY 2012-13 is 4.5 percent as shown in the second Subtotal-Spending line in Table 6.

All of these spending percentage change comparisons are correct but it is important to specify what is being compared.

Table 6
Spending Comparisons FY 2012-13 to FY 2010-11
Dollars in Millions

	FY 2010-11	Enacted FY 2012-13	Biennial Change	Percent Change
General Fund Only Spending	30,168	34,339	4,171	13.8%
ARRA (Federal Stimulus)	2,272			
Tobacco Bonds		640		
Subtotal - Spending	32,440	34,979	2,539	7.8%
K-12 Education Shift Changes	1,897	911		
Subtotal - Spending	34,337	35,890	1,553	4.5%

Federal stimulus (ARRA) funds listed above are those that replaced general fund spending in FY 2010-11.
Tobacco bond funding will replace general fund debt service appropriations in FY 2012-13.
The education shifts changes reduce general fund spending on a one-time basis while directing school district to continue recognizing that amount as revenue.

General Fund revenue for the FY 2012-13biennium is projected to be $33.724 billion, $394.6 million higher than was projected in the February 2011 forecast. The discussion in conjunction with Table 3 already pointed out that $206 million of this revenue increase is due to law and administrative changes that paid tax refunds in FY 2011 rather than FY 2012. The second largest amount is an increase in the State Government area primarily related to increased enforcement of existing tax law.

Table 7 illustrates the major general fund revenue sources and show the dollar amounts and percentage of the general fund total revenues for each of those major revenue sources. Individual income tax and the general sales tax make up 75 percent of general fund revenue.

Table 7
General Fund Revenue - Fiscal Years 2012 & 2013
Based on February 2011 Forecast and 2011 Session Changes
Dollars in Millions

Revenue Type	Total Dollars	Percent of Total
Individual Income Tax	16,127.7	47.8%
Corporate Income Tax	1,664.4	4.9%
Sales Tax	9,418.5	27.9%
Statewide Property Tax	1,572.2	4.7%
Estate Tax	322.6	1.0%
Liquor, Wine & Beer Taxes	158.4	0.5%
Cigarette & Tobacco Products Taxes	391.2	1.2%
Mortgage Registry Tax	136.5	0.4%
Deed Transfer Tax	135.0	0.4%
Insurance Gross Earnings & Fire Marshall	582.1	1.7%
Lawful Gambling Taxes	80.6	0.2%
Medical Assistance Surcharges	493.9	1.5%
New Tax Compliance Revenue	86.6	0.3%
Lottery Revenue	126.0	0.4%
Tobacco Settlements	319.7	0.9%
Fees - Departmental Earnings	492.1	1.5%
DHS State Operated Service Collections	90.9	0.3%
Fines & Surcharges	189.0	0.6%
Other Revenue Including Refunds	254.0	0.8%
Transfers Into General Fund	628.4	1.9%
Transfers In - Health Impact Fee	404.0	1.2%
Prior Year Adjustments	50.0	0.1%
Total	33,723.8	100.0%

Some changes were made in fees in the 2011 sessions. Those changes are incorporated into the amounts listed in Table 7. A list of all 2001 session fee changes (general fund as well as other funds) is included in Appendix 1. Appendix 1 shows estimated fee change information for each of the four years in the FY 2012-13 and FY 2104-15 biennia. The FY 2012-13 changes total $25.3 million, $8.0 million of that amount is in the general fund.

Table 8 shows all general fund revenue changes totaling $394.1 million by program area. In addition to tax and fee changes, Table 8 includes transfers from other funds to the general fund. As mentioned earlier, $206 million of this $394 million FY 2012-13 revenue increase is due to the state paying sales and corporate tax refunds in FY 2011 rather than in FY 2012.

Table 8
General Fund Revenue Changes - By Program
Dollars in thousands
(A positive number is a gain to the general fund)

	FY 2012-13	FY 2104-15
Education	0	0
Higher Education	0	0
Taxes	192,795	-47,709
Health & Human Services	74,994	106,242
Environment & Energy	16,190	-5,410
Agriculture	-240	-240
Transportation	0	0
Public Safety & Judiciary	8,001	2,282
Jobs & Economic Development	16,275	0
State Government	86,098	100,186
Tobacco Securitization	0	-189,527
Totals	394,113	-34,176

Total General Fund Spending for FY 2012-13 is $4.677 Billion Lower than Forecasted Spending for This Biennium

Total enacted FY 2012-13 general fund spending is $34.339 billion, $4.677 billion or 12 percent lower than the base budget for FY 2012-13. Table 9 (on the next page) shows general fund spending in the enacted budget for the FY 2012-13 biennium by program area. Table 9 also compares the FY 2012-13 enacted expenditures to spending in the previous biennium (FY 2010-11). The FY 2012-13 spending of $34.339 billion is a $4.171 billion or 13.8 percent increase over the general fund spending in the previous biennium.

General fund spending in most budget areas is below the forecasted base level. The change is especially high is two areas, transportation and debt service. Transportation is reduced because transit funding was reduced one-time in FY 2012-13with that funding reduction being covered by transit funds drawn from other sources. More information on this change is in the Transportation summary. The general fund appropriation for debt service is lower because the proceeds of the tobacco securitization bonds are used in make a one-time reduction in the general fund debt service appropriation.

Table 9

General Fund Spending - Enacted Budget - By Program Area FY 2012-13

Dollars in thousands

FY 2010-11 amounts include any 2011 session changes

Program	Enacted FY 2010-11	Base FY 2012-13	Enacted FY 2012-13	% Change Enacted versus FY 10-11	% Change Enacted vs. Base FY 12-13
K-12 Education	11,429,585	15,623,595	13,638,571	19.3%	-12.7%
Higher Education	2,814,217	2,916,580	2,565,517	-8.8%	-12.0%
Tax Aids & Credits	3,016,002	3,502,026	2,864,001	-5.0%	-18.2%
Health & Human Services	8,575,672	12,337,837	11,372,201	32.6%	-7.8%
Environment & Energy	312,018	293,463	252,704	-19.0%	-13.9%
Agriculture	86,727	89,396	76,601	-11.7%	-14.3%
Transportation	167,036	180,158	125,658	-24.8%	-30.3%
Public Safety & Judiciary	1,822,206	1,782,650	1,807,417	-0.8%	1.4%
Jobs & Economic Development	195,430	168,246	170,270	-12.9%	1.2%
State Government	884,802	912,922	905,000	2.3%	-0.9%
Debt Service/Capital Projects	852,599	1,225,794	577,619	-32.3%	-52.9%
Others	10,817	-16,800	-16,800	-255.3%	0.0%
Totals	30,167,111	39,015,867	34,338,759	13.8%	-12.0%

The detailed summaries for each program area provide more information on the fiscal actions of the 2011 regular and special sessions in those areas.

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

Agriculture and Rural Development Finance

The Agriculture and Rural Development budget provides funding for the state activity related to the agricultural sector of the economy. Agencies funded by this budget are the Agriculture Department, the Animal Health Board, and the Agriculture Utilization Research Institute. This summary is for the budget appropriations found in Laws 2011, Chapter 14. The total General Fund appropriations for the fiscal years 2012 and 2013 contained in Chapter 14 is $76,601,000. This is a decrease of $12.8 million from the forecasted base.

Agriculture and Rural Development Policy and Finance
Total General Fund Spending
(dollars in thousands)

	Forecast Spending in FY 2010-11	Base Funding FY 2012-13	Appropriations Chapter 14 FY 2012-13	Percentage Change FY 2012-13 vs. FY 2010-11	Percentage Change FY 2012-13 vs. Base
MN Department of Agriculture	70,841	73,638	**61,633**	-13.00%	-16.30%
Board of Animal Health	10,320	10,192	**9,682**	-6.18%	-5.00%
Agriculture Utilization Research Institu	5,566	5,566	**5,286**	-5.03%	-5.03%
Total Appropriation	**86,727**	**89,396**	**76,601**	-11.68%	-14.31%
General Fund Revenues			(240)		
Net General Fund			**76,841**		

Department of Agriculture (MDA)

Chapter 14 appropriates a total Department of Agriculture budget of $154.1 million dollars for the FY 2012-13 biennium, of which $61.6 million dollars is from the General Fund. This is a 16.3 percent decrease in General Fund appropriations from the biennial base. Changes to the base budget by in Chapter 14 to the MDA include the following items.

- A General Fund reduction of $12.4 million was made to the Agricultural Growth, Research and Innovation program.
- The Ethanol Producer payment appropriation was reduced by $986,000.
- The appropriation to the NextGen grant program was increased by $2.5 million.
- The operations budget of the MDA was reduced by $1.016 million each year.
- The MDA food inspection program appropriation was increased by $245,000 each year. The additional funding will be used to hire additional inspectors needed to meet the increasing demand.
- The anhydrous ammonia inspection program funding was increased by $280,000. This is a onetime appropriation. Funding will be used to increase inspections. The department is required by rider language to report back to the Legislature on progress in addressing the level of inspections needed and recommendations for program changes.
- The Center for Rural Policy, in St. Peter, MN was given a grant of $100,000 in the second year of the biennium.

- $100,000 was appropriated for a grant to be used for the planned biomass energy plant to be located in Lake of the Woods County.
- The Ag in the Classroom program received an appropriation of $100,000 in each year. The funds are to be used for activities to advance agriculture literacy and incorporating agriculture into classroom curriculum.

Animal Health Board

Chapter 13 appropriates a total Animal Health Board budget of $11.856 million, of which $9.682 million is a General Fund appropriation. This is a General Fund reduction of $510,000 from the agency base. The reduction will be to the Bovine TB programs of the board.

Agriculture Utilization Research Institute (AURI)

AURI received a total General Fund appropriation of $5.286 million. This is a reduction of $140,000 dollars in each year from the agency base.

For additional information on Agriculture and Rural Development Finance issues, contact Jim Reinholdz, House Fiscal Analyst, at 651.296.4281 or email: jim.reinholdz@house.mn.

Capital Investment

Minnesota Laws 2011, First Special Session, Chapters 7 and 12 authorize additional bonding. Chapter 7 authorizes the sale of tobacco securitization bonds and appropriation bonds, which would provide a total of $640 million in cash for paying current general fund capital obligations. Chapter 12 authorizes approximately $500 million in additional general fund-supported general obligation bonds for a variety of capital projects. Below is a comparison summary of the capital budget for the end of session versus the February 2011 forecast.

Capital Investment Committee
Total General Fund Spending
(all dollars in thousands)

	February Forecast			**End of Session Estimates**		
	FY 2010-11	FY 2012-13	FY 2014-15	FY 2010-11	FY 2012-13	FY 2014-15
Debt Service	827,922	1,180,575	1,196,748	827,922	532,400	1,258,425
Line of Credit	1,779	0	0	1,779	0	0
Capital Projects	22,898	45,219	55,668	22,898	45,219	55,668
Net GF Total	**852,599**	**1,225,794**	**1,252,416**	**852,599**	**577,619**	**1,314,093**

As shown above, the Legislature did not authorize any capital projects requiring additional general fund cash nor was additional funding necessary for the line of credit. The changes in the debt service line for the FY 2012-13 and FY 2014-15 biennia are related to an increase in debt service costs for the bonds authorized by the 2011 Legislature, a $640 million decrease in debt service costs related to the securitization of the tobacco revenues/sale of appropriation bonds, and a $28 million decrease in debt service costs related to the refinancing of maximum effort capital loans (discussed in the K-12 section of this summary). Below are additional details on the tobacco securitization bonds and appropriation bonds in Chapter 7 and the additional bonds authorized in Chapter 12.

Budget Highlights

Minnesota Laws 2011, First Special Session, Chapter 7, Article 11 - Tobacco Bonds

Chapter 7, Article 11 authorizes two types of bonds: 1) Tobacco securitization bonds; and 2) Appropriation bonds. The net proceeds from selling these two types of bonds can be up to $640 million combined. MN Management and Budget anticipates net proceeds of $400 million in FY 2012 and $240 million in FY 2013, which will be used to pay capital costs or to cover a portion of the general fund debt service payments. Debt service payments on the bonds are not anticipated to begin until the FY 2014-15 biennium and will be dependent on the type of bonds sold, the structure of the bonds, and market conditions at the time of the sale. July 2011 estimates indicate the debt service payments for the FY 2014-15 biennium could reach $170 million based on market conditions at that time and if tobacco securitization bonds were the sole source of bonding. Below is additional information on each of the types of bonds and how they are structured in statute.

1) Tobacco Securitization Bonds

Chapter 7, Article 11, Section 3 creates a new statute (M.S. 16A.98), which establishes a new process, entity, and fund/accounts for selling the tobacco securitization bonds. The new entity, which is titled the Tobacco Securitization Authority, is governed by a three member board consisting of the Commissioners from MN Management and Budget, Department of Revenue, and Department of Health. This entity is established in statute to sell the tobacco securitization bonds, and to manage the finances related to the bonds.

The Authority may sell tobacco securitization bonds with an aggregate principal amount of up to $900 million with net proceeds totaling $640 million or less. The bonds may be sold through either a public or a private, negotiated sale, and the term of the bonds may not exceed 30 years. In July of 2011, MN Management and Budget assumed 20-year bonds would be issued.

In order to pay the debt service on the bonds, the State would sell its tobacco revenues to the Authority in exchange for the bond proceeds. If the total amount of tobacco revenues available in one year were not needed to pay the debt service on the bonds, the additional funds would be transferred back into the State's general fund. Although the State would not pledge its taxing powers to cover the debt service on the bonds, the state would agree to enforce its right to collect the tobacco revenues and transfer the total amount of revenues collected to the Authority.

For the Tobacco Securitization Authority to manage the tobacco revenues and bond proceeds separately from the State's finances, its financial accounts are established outside of the state treasury. The Authority's main account is the tobacco settlement recovery account. This account has three subaccounts, including the general tobacco subaccount, tobacco settlement revenues subaccount, and tobacco settlement residual subaccount.

The Tobacco Securitization Authority deposits the tobacco revenues it receives from the State into two of the three subaccounts. The amount needed to pay the debt service on the tobacco securitization bonds is deposited in the tobacco settlement revenues subaccount. The Authority then makes the debt service payments from this account. The tobacco revenues not needed for debt service payments are deposited into the tobacco settlement residual subaccount. After debt service obligations are met for a specific year, this money is then transferred back to the Commissioner of MN Management and Budget for deposit in the State's general fund.

The third subaccount within the tobacco settlement recovery account is the general tobacco subaccount. The Tobacco Securitization Authority deposits the net proceeds of tobacco securitization bonds plus any other money that does not go into the other two subaccounts into the general tobacco subaccount. The money in this subaccount is then transferred to the Commissioner of MN Management and Budget and is deposited in a new account within the state treasury titled the tobacco settlement bond proceeds fund. Money in this fund is available for paying working capital and making debt service payments on the State's previously issued bonds.

2) Appropriation Bonds

The newly created process for selling appropriation bonds, which is established in a new statute (M.S. 16A.99) is vastly different from the process required for the tobacco securitization bonds. Appropriation bonds would be sold directly by MN Management and Budget. The principal amount of bonds issued may not exceed $800 million, and the net proceeds must be $640 million or less. As with the tobacco securitization bonds, the term of the bonds cannot exceed 30-years. In addition, the bonds may be sold through either a public or a private bond sale. Also, the State would not pledge its full faith and credit to back the bonds, and the debt service on the bonds would not be paid directly with a tax of statewide application. Unlike the tobacco securitization bonds the sale of appropriation bonds would not require the existence of a separate authority, nor would it require the establishment of accounts outside of the state treasury.

However, the sale of appropriation bonds would require a judgment validation by the MN Supreme Court based on the requirements outlined in M.S. 16A.99. This judgment validation would determine the validity of the bonds and whether or not the State has the authority to issue appropriation bonds based on current law and the state constitution. The judgment validation is necessary due to questions raised by the attorney general in a 2009 letter to former Senate Majority Leader Larry Pogemiller related to the constitutionality of the bonds.

Fiscal Considerations

The legislation in Chapter 7 does not prescribe whether one type of sale should be prioritized over the other or if a combination of both types of bonds should be sold. There are both benefits and challenges associated with each that will need to be weighed at the time of the bond sale(s). Some of these considerations include: statutory and constitutional limitations and requirements, long-term costs, exposure to risk from revenue fluctuations, and market volatility.

There are a number of challenges associated with each type of bonding in terms of the statutory and constitutional limitations and requirements. As discussed above, the tobacco securitization bonds require setting up a new entity, accounts, and process. With appropriation bonds, there are the constitutional questions which led to the statutory requirement of the judgment validation by the MN Supreme Court.

From a cost perspective, appropriation bonds appear to be the better option. In July, MN Management and Budget estimated a 4.75 percent interest rate on appropriation bonds and a 6.65 percent interest rate on bonds securitized by tobacco revenues. In addition to higher interest rates, the tobacco securitization bonds would require a debt service reserve and would likely carry a higher cost of issuance and a higher underwriter’s discount. Based on the interest rates noted above as well as a number of other assumptions, the estimated cost to net $640 million in bond proceeds would be approximately $980 million over 20 years if appropriation bonds were issued whereas the cost for bonds securitized by the tobacco revenues would be approximately $1.1 billion over 20 years.

In addition, appropriation bonds would face less market volatility. Although the State has never sold appropriation bonds, other states have faced greater market volatility with tobacco securitization bonds than appropriation bonds. There have also been periods in which there has been no market access for tobacco securitization bonds due to investors' concerns related to the volatility of the tobacco revenues.

Because of this volatility related to the tobacco securitization bonds, there is also a benefit of selling the tobacco revenues; the bond investors would hold the risk if tobacco revenues decline to a point in which they are no longer sufficient for paying the debt service on the bonds. However, the assumption that bond holders would face more of a risk is also based on the premise that the State of Minnesota would not pay the debt service on the bonds if the tobacco revenues no longer existed; this scenario is highly unlikely because it would impact the State's credit rating.

Minnesota Laws 2011, Chapter 12 – Supplemental Capital Budget

Chapter 12 authorizes approximately $530 million in capital projects, which includes $521 million in new general fund-supported general obligation bonds, $34 million in user-financed bonds, and $24 million in cancellations of general fund-supported general obligation bonds. Below is breakdown of funding by agency:

Agency	Authorization
Board of Water and Soil Resources	$22,614
Dept. of Administration	$10,980
Dept. of Corrections	$19,000
Dept. of Employment and Economic Development	$25,450
Dept. of Human Services	$13,900
Dept. of Natural Resources	$103,450
Dept. of Public Safety	$8,700
Dept. of Transportation	$55,900
Metropolitan Council	$25,000
Military Affairs	$5,605
MN Historical Society	$1,900
MN Management and Budget	$553
MN State Academies	$2,160
MN State Colleges and Universities	$131,586
MN Zoological Gardens	$4,000
Office of Enterprise Technology	$5,659
Pollution Control Agency	$7,550
Public Facilities Authority	$20,000
University of Minnesota	$88,833
Veterans Affairs	$2,300
Subtotal: New Bonds (All Sources)	$555,140
Various Agency Cancellations	($23,700)
Total	**$531,440**

The February forecast assumed the 2011 Legislature would authorize $140 million in general fund-supported general obligation bonds. As noted above, new general fund-supported general obligation bond authorizations totaled approximately $521 million and cancellations totaled approximately $24 million for a net impact of $498 million. Therefore, $358 million in funds above the forecasted amount were authorized. The table below summarizes the debt service for general fund-supported general obligation bonds.

Estimated Debt Service Payments by Biennium
(dollars in thousands)

	FY 2010-11	FY 2012-13	FY 2014-15
Forecasted Amount	$827,922	$1,180,575	$1,196,748
Chapter 12 Authorizations	$0	$20,283	$61,677
Total	**$827,922**	**$1,200,858**	**$1,258,425**
% Change *(Biennium over Biennium)*		45.0%	4.8%

It is important to note that when comparing the FY 2010-11 biennium to the FY 2012-13 biennium, a portion of the percent change in debt service payments is due to significant refunding of bonds during the FY 2010-11 biennium; the State receives a one-time premium payment when refunding occurs. This in turn lowers the general fund debt service payment, which creates a type of artificial reduction in the debt service costs and in turn does not accurately reflect a change in borrowing patterns.

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

Education Finance

For the FY 2012-13biennium, the 2010 Legislature passed a budget signed by Governor Mark Dayton that includes $13.6 billion in general fund state aid for Early Childhood and K-12 education. This compares with the February forecast of current law FY 2012-13 spending of $15.6 billion, for a total reduction of $2.0 billion, or 12.9 percent compared to current law. For the FY 2014-15 biennium, the adopted budget recommendations include total state appropriations of $15.1 billion, an increase of $273.6 million from the February forecast appropriations, or 1.8 percent. However, the adopted budget includes an accounting shift change that obscures the actual funding changes for education. Excluding shifts, FY 2012-13 funding is $14.5 billion, a $194.9 million (1.4 percent) increase compared to the February forecast base. For FY 2014-15, the budget is $15.3 billion, an increase of $359.6 million (2.4 percent) over the February forecast base.

Education Finance Committee
Total General Fund Spending
(all dollars in thousands)

	February Forecast FY 2010-11	Forecast Base FY 2012-13	SS Chapter 5 Enacted FY 2012-13	Percentage Change Enacted FY 2012-13 vs. FY 2010-11	Percentage Change Enacted vs. Base FY 2012-13
Education Aids	11,351,614	15,545,975	13,531,274	19%	-13%
Education Aids, Excluding Shifts	13,234,555	14,244,292	14,442,542	9%	1%
Education Aids, Excl. Shifts, Incl. ARRA	13,734,555	14,244,292	14,442,542	5%	1%
Minnesota Department of Education	39,973	39,622	37,640	-6%	-5%
Minnesota State Academies	23,824	23,824	23,206	-3%	-3%
Perpich Center for Arts Education	14,174	14,174	13,466	-5%	-5%
Net GF Total	**11,429,585**	**15,623,595**	**13,605,586**	**19%**	**-13%**

School district property tax levies under the enacted budget recommendations would decrease slightly compared to current law for each year from FY 2013 to FY 2015. Compared to current law, the budget would decrease property taxes for FY 2013 by $13,000.

The following summarizes the changes enacted this year, with the cost (or savings) expressed as a biennial total for FY 2012-13 from the general fund, unless otherwise noted:

General Education

- $117.5 million for an increase in the basic formula allowance of $50 per pupil, per year. Under current law, the formula allowance for both FY 2012 and FY 2013 is $5,124. The increase results in formula allowances of $5,174 in FY 2012 and $5,224 in FY 2013.

- $9.6 million beginning in FY 2013 for a new Small Schools Revenue component of the General Education program. Small Schools Revenue will be allocated to school districts (excluding charter schools) based on their enrollment. Districts with more than 1,000 students will not qualify for the revenue. The formula amount for the revenue is 10 percent of $5,224 per pupil, multiplied by a factor that allocates more revenue per pupil to smaller school districts, on a sliding scale.

- $9.8 million on a one-time basis in FY 2013 for a new compensatory revenue pilot grant program, which awards districts with the twenty largest enrollments additional compensatory revenue if their current compensatory revenue does not exceed $1,400 per pupil.

- $7.1 million in savings on a one-time basis from a recapture of forecasted Alternative Compensation Revenue. In the February 2011 forecast, an increase in projected Alternative Compensation Revenue was included based on the assumption that the largest district in the state would join the program for FY 2012. That did not happen, so the budget reduces the forecasted expenditures for the program by the amount the district would have qualified for, which reduced program expenditures without limiting the number of schools that could participate now or in the future.

- $1.1 million in net savings due to the implementation of an Early Graduation Incentive program. Under current law, students who graduate early during a given school year continue to be counted as pupils for their district for the entire year. This would eliminate that provision, and provide students who leave early for college with a scholarship check that may be used for higher education tuition, and provide students who leave early for military service a bonus check for their early graduation.

- $700,000 in general fund costs due to the elimination of the January 15th teacher contract settlement deadline. Prior to FY 2012, districts which did not have a signed collective bargaining agreement with their teachers by January 15th of the first year of a biennium (for example, during the 2009-10 school year in the FY 2009-2011 biennium) were penalized $25 per student. Elimination of this deadline results in a cost to the general fund due to the state not collecting that $25 per student.

- $319,000 in savings from eliminating the Training and Experience component of the General Education program. This component had begun phasing out in 1997.

- **SHIFT SAVINGS:** The enacted budget includes $2.2 billion in additional shift savings from two different sources. The shifts and related changes include:

  - School payment percentage shift: Under current law, for FY 2011, school districts receive aid payments split 70 percent in the current year and 30 percent in the next year. Current law called for this schedule to revert to the pre-FY 2010 ratio of 90 percent current / 10 percent final for FY 2012 and later. The adopted budget increases the shifted amount by converting the payments schedule to a 60 percent / 40 percent split for FY 2012 and later. Extending this shift saves $2.2 billion in payments during the current biennium.

  - School payment percentage shift, charter schools: Charter schools are paid at the same annual rate as school districts (60 percent current year / 40 percent makeup), but their current year payments are accelerated so that the aid payments are made at the rate 90 percent current payments would be, so charter schools receive aid payments from July to February, and then no state aid payments from March to June. In addition, the 40 percent makeup payment for charter schools is made at a quicker rate, with 75 percent of the 40 percent paid on July 15th of the subsequent fiscal year.

- Property tax levy recognition shift: Under current law, school districts recognize 48.6 percent of their levy revenue each calendar year as revenue for the fiscal year ending that calendar June 30. The 48.6 percent is applied to district levies AFTER the levy is reduced by state property tax aids and credits. The adopted budget includes a provision that requires calculation of the 48.6 percent against levies BEFORE reductions for state aids and credits, resulting in additional property tax recognition shift savings of $13.9 million.

- Cash flow shifting: The adopted budget repeals Minnesota Statutes 127A.46, which allows Minnesota Management and Budget to shift payments to school districts within a fiscal year, withholding those payments until May of the current fiscal year, in order to improve the State's cash flow situation.

- Under Minnesota Statutes 16A.152, the school aid payment shift and the property tax recognition shift are automatically repaid if there are forecasted budget surpluses. However, before education shifts are repaid budget surpluses must first be used to return the cash flow account to $350 million and the state budget reserve to $653 million.

Education Excellence

- $29.2 million in a new literacy incentive aid, beginning in FY 2013. Schools will be eligible for additional aid based on how well students in the third grade read (called "Proficiency Aid"), and how much progress is being made between the third and fourth grades in reading skills (called "Growth Aid"). Proficiency aid is calculated by multiplying $85 times the average percentage of students in a school that meet or exceed proficiency over the current year and previous two years on the third grade reading portion of the Minnesota Comprehensive Assessment, multiplied by the number of students enrolled at the school in the previous year. Similarly, Growth aid is calculated by multiplying $85 times the percentage of students that make medium or high growth on the fourth grade reading Minnesota Comprehensive Assessment multiplied by the previous year's student count.

- $1.8 million in savings from eliminating charter school startup aid for charter schools starting operation in FY 2012 and later. For their first two years of operation, charter schools had qualified for $500 per pupil or $50,000, whichever was greater.

- $1.0 million in savings from reducing charter school lease aid. Most charter schools are limited to a maximum of $1,200 per pupil in charter school lease aid. This limit was established in FY 2004, but some charter schools with higher lease costs from a higher maximum in previous years were grandfathered in at the higher rate for purposes of calculating their lease aid. The adopted budget eliminates the "grandfather" provision and holds all charter schools to the $1,200 maximum.

- $1.5 million in savings from eliminating magnet school grants. Magnet school grants were initially created to help school districts establish and maintain magnet schools for integration purposes.

- $5.5 million in additional funding for the Minnesota Reading Corps program.

- For FY 2013 and later, the Integration Revenue program is eliminated. The current integration rule remains in effect. No savings were accomplished with this repeal, as the funding for that program is committed for an as yet undefined replacement program. A task force is required to report to the 2012 Legislature with recommendations for replacing the program.

Facilities and Technology

- $28.0 million in savings from allowing districts with maximum effort capital loans issued by the State prior to January 1, 1997 to repay the principal of those loans and have the interest forgiven by the State. This will allow those districts to refinance the obligation at more favorable rates, but could cost the State lost interest that had accumulated on those loans at some point in the future.

Early Childhood and Family Support

- $4.0 million, beginning in FY 2013, to create an early childhood education scholarship program. Eligible families with children between the ages of 3 and 5 would be eligible to collect a currently undetermined amount of money for a scholarship to a public or private early childhood preschool program of the parent's choosing.

Self-sufficiency and Lifelong Learning

- $1.1 million in savings from reducing the program growth factor for Adult Basic Education aid. Currently, Adult Basic Education aid grows annually by 3 percent per year. Under the adopted budget, the growth factor would be reduced to 2 percent per year.

Minnesota Department of Education

- $2.0 million in savings from a reduction in the agency's base operating budget. The reduction is equal to 5 percent per year of the agency's general fund budget.

Minnesota State Academies for the Deaf and Blind

- $618,000 in savings from a reduction in the agency's base operating budget, achieved through savings resulting from the Academies contracting for their resident student food service program. This initiative will also eliminate the need for the Minnesota State Academy for the Deaf to do capital renovation of their kitchen area and replace deteriorating kitchen equipment.

Minnesota Department of Education

- $708,000 in savings from a reduction in the agency's base operating budget. The reduction is equal to 5 percent per year of the agency's general fund budget.

Other Relevant Provisions Without State General Fund Impacts

- The current length of school year requirement, based on days in the 1997 calendar, is replaced with a minimum number of hours for student instruction.

- The requirement that schools set aside 2 percent of their basic formula revenue for staff development purposes is suspended for FY 2012 and FY 2013.

- Charter schools become eligible for payments from the Permanent School Fund starting with the second payment for FY 2012, in March, 2012.

- The requirement that districts reserve $3 per pupil of the safe schools levy revenue and maintain a certain level of licensed school support personnel from one year to the next is repealed.

- Districts are allowed to transfer balances from one fund or account to another for FY 2012 and FY 2013 only, with the approval of the Commissioner of Education of a school board resolution authorizing the transfer. The transfer cannot be made from the food service or community service funds, and will not be allowed if doing so increases state aid obligations or local property taxes.

Implications

The reason that the State can accumulate savings using accounting shifts is that the State and school districts use different accounting methods. The State uses "cost" accounting, where obligations are counted in the year they are paid, not in the year in which they are due. School districts use an "accrual" method of accounting: regardless of when a payment toward their current year entitlement is received, they count the entitlement amount as their revenue for the current year. Because of this, from an accrual accounting standpoint, a district's revenue does not change with changes in the fiscal year the State payments are made but the State can record savings by moving payments out of a fiscal year. In reality, however, if payments are delayed, districts experience a fiscal impact. Districts receive state aid in 27 payments, but their expenditures may be less consistent than those receipts. So, if the State uses a shift to move money from one fiscal year to the next, school districts with low reserves may not have sufficient cash on hand in reserves to meet their day to day expenses, and have to engage in short term "aid anticipation" borrowing, which has an interest cost, to manage their cash flow. In addition, districts with sufficient reserves are forced to use those reserves, and lose the interest that they would have earned if they had not had to spend their fund balances.

For FY 2012, total funding on a per student basis increases compared with February 2012 forecast base revenue, primarily as a result of the basic formula increase, by $65 per headcount, unweighted student. Because of the change in the permanent school fund allocation (that includes charter schools starting partway through FY 2012), the increase for charter schools is $82, on average, versus the $64 increase average increase for school districts. For FY 2013, the increase averages $230 per student. Because of the small school revenue in the adopted budget, schools outside of the seven county metropolitan area with under 1,000 students average an increase of $396 per pupil.

For further information on Education Finance related issues contact Greg Crowe at (651) 296-7165 or greg.crowe@house.mn

Environment, Energy and Natural Resources Finance

Chapter 2 as enacted in the 2011 1st Special Session appropriates money for the environment, energy, commerce and natural resource activities of the state. Agencies and programs funded include the Pollution Control Agency, the Department of Natural Resources, the Minnesota Conservation Corps, the Metropolitan Council Parks, the Minnesota Zoo, the Board of Water and Soil Resources, the Minnesota Department of Commerce, the Public Utilities Commission and the recommendations of the Legislative Citizens Committee on Minnesota Resources. Chapter 2 enacts total General Fund appropriations of $252.704 million for the 2012-13 biennium. The following chart and agency narrative provides details on the appropriations.

Environment and Natural Resources/Energy Finance
Total General Fund Spending
($ in thousands)

	February Forecast FY 2010-11	Forecast Base FY 2012-13	1SS chapter 2 FY 2012-13	Percentage Change FY 2012-13 vs. FY 2010-11	Percentage Change FY 2012-13 vs. Base FY 2012-13
Article 1					
Pollution Control Agency	$ 18,319	$ 17,016	$ 10,138	-44.66%	-40.42%
Zoological Garden	12,674	12,462	10,862	-14.30%	-12.84%
Natural Resources, Dept	183,377	174,443	144,434	-21.24%	-17.20%
Water & Soil Resources Bd	32,832	27,960	25,124	-23.48%	-10.14%
Metropolitan Council Parks	7,208	7,140	5,740	-20.37%	-19.61%
Minnesota Conservation Corps	910	910	612	-32.75%	-32.75%
subtotal	$ 255,320	$ 239,931	$ 196,910	-22.88%	-17.93%
Article 2					
Commerce Dept	45,832	42,668	43,430	-5.24%	1.79%
Public Utilities Commission	10,866	10,864	12,364	13.79%	13.81%
subtotal	$ 56,698	$ 53,532	$ 55,794	-1.59%	4.23%
Grand Total	**$ 312,018**	**$ 293,463**	**$ 252,704**	**-19.01%**	**-13.89%**
Gen fund Revenue Changes			$ (4,843)		
Transfers to General Fund			$ 19,598		
General Fund net effect	$ 312,018	$ 293,463	$ 237,949	-23.74%	-18.92%

Pollution Control Agency (PCA)

Chapter 2 appropriates General Fund spending of $10.1 million. Total spending from all funds is recommended to be $315.018. Items recommended for changes include:

- A reduction from the base in the agency operations General Fund budget of $1.682 million.
- Air permit activity funding is increased by $166,000 in FY 2012 and $335,000 in FY 2013. These funds are from the Environmental Fund. Increased funding will be used to maintain current level of Air Program services.

- The Petroleum Remediation program funding is continued. This will continue the agency funding to cleanup sites polluted by petroleum spills. The PCA is appropriated $9.4 million from the Remediation Fund in each year for the program.
- The appropriation from the Environmental Fund for the Voluntary Investigation and Cleanup program is recommended to be reduced by $560,000 each year. This level of funding is estimated to meet the need in FY 2012-13.
- Funding of the Community Technical Assistance program of $289,000 in each year was shifted from the General Fund to the Environmental Fund.
- Funding of the Sub-Surface Treatment System program of $375,000 in each year was shifted from the General Fund to the Environmental Fund.
- The Clean Water Partnership Grant program base appropriation was reduced by $1.767 million in each year.
- The base appropriation for the Feedlot Permit program was increased by $350,000 in each year. Funding is from the Environmental Fund.
- The base appropriation for the Environmental Health Bio-Monitoring program was reduced by $167,000 in each year.
- The department is appropriated $75,000 from the Environmental Fund in FY2012 to be used for a water management study mandated in the Chapter.

Department of Natural Resources (DNR)

Chapter 2 enacts a General Fund appropriation of $144.4 million to the department. Total agency spending from all sources is $642.1 million. Specific changes from the base budget include:

- A $271,000 reduction in each year for the base appropriations for the Lands and Minerals Management Division.
- The Chapter shifts the revenue from certain water use, permit and inspection fees from the General Fund to the Natural Resources Fund. This would move $5 million a year of revenue and expenses between the funds.
- The base appropriation for the Water Management program is reduced by $950,000 in each year.
- The Ring Dike grant program is eliminated. The base appropriation was $125,000 in each year.
- The Ecological Management programs are reduced by $1 million in each year.
- Ecological Management base funding from the ATV account in the Natural Resources Fund is eliminated. Base amount was $156,000 a year.
- The Prairie Wetlands protection program base funding is reduced by $63,000 in each year.

- Terrestrial Invasive Species prevention and control program base funding from the General Fund is reduces by $350,000 in each year. Invasive Species prevention and control funding from the Natural Resources Fund is increased by $600,000 in each year.
- The base General Fund appropriation for the Parks and Trails Division is reduced by $3.15 million in each year. The division appropriation from the Natural Resources Fund is increased by $1 million in each year.
- The fee revenue and the expenditures for forest campgrounds are to be removed from the General Fund and deposited to an account in the Natural Resources Fund. Annual revenue and expenditures are approximately $200,000.
- A new appropriation is enacted from the Water Recreation Account of $500,000 per year to be used for efforts to monitor and maintain lake levels and stream flows.
- A new account in the Game and Fish Fund is created to receive surcharges from certain violations that will then be appropriated to the agency for conservation officer training activity.
- A one-time appropriation of $600,000 is from the Game and Fish Fund to be used to purchase lands for the Lamprey Pass wildlife area. The purchase is to replace land use lost to a transportation easement.
- The base appropriation for grants to maintain ATV trails is increased by $300,000 per year from the ATV account in the Natural Resources Fund.
- The Enforcement Division base funding was increased by $1.329 million from the Natural Resources fund, and by $383,000 from the Game and Fish Fund.
- Changes to Forest Management spending include an annual reduction of $2.85 million from the General Fund, and an increased appropriation of $2.5 million a year from the forest management investment account. Additional forestry base funding changes include a reduction of $127,000 in each year for the Forest Resource Council, a reduction of $83,000 in each year for the forest information programs, and a reduction of Forest Research grants to the University of Minnesota of $197,000 in each year.
- A reduction to the department General Fund support and operations budget of $634,000 in each year.
- The lottery in lieu appropriations to the agency are increased by $100,000 per year for the local trail grants, and by $300,000 per year for the agency.
- Funding of snowmobile trail grant programs costs is increased by $200,000 per year. The funding is from the dedicated snowmobile account.

Board of Water and Soil Resources (BWSR)
The General Fund budget of the BWSR appropriated in Chapter 2 is $25.124 million for the biennium. Total spending from all sources appropriated in Chapter 2 is $30.72 million. Included in the enacted budget are the following changes to the base funding.

- Agency operational funding is reduced by $290,000.
- The cost share grant programs are reduced by $1.436 million.
- Grants to local boards and organizations are reduced by $396,000.
- The Wetland Conservation Act activity is reduced by $714,000 for the biennium.

Metropolitan Council Parks
The Metro Council parks appropriation as enacted in Chapter 2 is $5.750 million. This is a reduction of 20 percent from the agency base amount.

MN Conservation Corp
The Minnesota Conservation Corp appropriation for the biennium is $612,000. This is a reduction of 33 percent from the base amount.

Minnesota Zoo
The General Fund appropriation to the Zoo is reduced by 13 percent from the base to $10.862 million for the biennium. Total expenditures from all souces by the Zoo are expected to be $45.7 million for the biennium.

Legislative Citizen Commission on Minnesota Resources
Chapter 2 appropriated $51.406 million for projects from the Environment and Natural Resources Trust fund.

Detailed funding and project descriptions can be found at the Commissions web site: http://www.lccmr.leg.mn/lccmr.htm

Minnesota Department of Commerce (DOC)
Chapter 2 contains appropriation of $43.430 million from the General fund for the agency for the biennium. Total spending from all funds is forecasted to be $521.774 million. Changes enacted to the base budget include the following:

- The General Fund administrative services budget is reduced $204,000 in each year of the biennium.
- The Financial Examinations program budget is increased by $350,000 in each year.
- The Market Assurance office budget is reduced by $316,000 in each year.
- An increase appropriation is for the Office of Energy Security of $176,000 in each year. These funds will be recovered through increased assessment on regulated utilities.

- The Petroleum Tank Release Cleanup Fund program was extended for an additional five years. The program was set to expire in June 2012. Continuing the program will bring in revenue of $26.3 million per year. Of that revenue, $18.2 million per year is spent by the DOC for the program.

Public Utilities Commission (PUC)

Chapter 2 enacted a General Fund budget of $12.364 million for the PUC. This is an increase of $1.5 million from the agency base budget and is to be used to expedite regulatory decision making. The increased funding will be recovered in assessments to the regulated utilities.

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

Health and Human Services

The final special session budget agreement for Health and Human Services (Laws of 2011 First Special Session, Chapter 9) creates a net positive impact on the general fund of $1.04 billion for the FY 2012-13 biennium as compared to the base budget for this biennium. The budget relies heavily on cuts to programs, both permanent and temporary, in all areas of Human Services. Contained in the legislation are over 60 policy changes to health care, economic assistance, long term care, child care and other programs implemented state wide.

Health and Human Services Finance Division
Total General Fund Appropriations
(all dollars in thousands)

APPROPRIATIONS	November Forecast FY 2010-11	Forecast Base FY 2012-13	Special Session Bill FY 2012-13	% Change FY12-13 vs. FY 10-11	% Change vs. Base FY 2012-13
Department of Huma Services	$8,501,229	$11,320,619	$11,178,598	31.5%	-1.3%
Department of Health	130,949	152,189	143,231	9.4%	-5.9%
Emergency Medical Services Board	5,865	5,484	5,484	-6.5%	0.0%
Council on Disability	1,048	1,048	1,048	0.0%	0.0%
Mental Health Ombudsman	3,310	3,310	3,310	0.0%	0.0%
Ombudsman for Families	530	530	530	0.0%	0.0%
Total Appropriations	**$8,642,931**	**$11,483,180**	**$11,332,201**	**31.1%**	**-1.3%**

Below is a summary of provisions and the impact on the state's budget.

Department of Human Services

Agency Administrative

The final legislation included a Governor's recommendation in the administrative area of the Department. Total savings from these items are just under $8.5 million for the biennium. The first provision includes a reduction of 27 FTE's (full time equivalents) in the Department's central office. This would be a reduction of $4.6 million in state spending but also includes a loss of $1.6 million in federal matching funds. Net savings to the general fund is estimated at $3 million per year.

The reduction in staff will be compounded on other recent reductions in agency administrative cuts. Full time equivalents for DHS were 6,500 for state fiscal year 2010 and are projected to be around 6,200 in fiscal 2013 as a result of the newly enacted budget.

The department also administers several licensing functions of many types of providers of government services. These licensing functions will be reduced and some license fees increased creating a net savings to the general fund of $2.5 million for the biennium. Total general fund reductions for the department and its programs exceed $1 billion for the biennium.

Some nursing facility payment increases that were built into statute were eliminated. These statutory rate increases had been provided to offset differences in property rates, for planned bed closures and also included single bed incentives. The elimination of these annual add-ons to individual facility rates will save an estimated $4.4 million in the FY 2012-13 biennium.

The most significant change to nursing facilities will not affect spending in the FY 2012-13 biennium. The legislature acted to remove statutory rebasing of nursing facilities. Rebasing is a term used to describe automatic inflationary increases that were to be provided to nursing homes based on their actual costs of delivering service. Rebasing had been in statute though increases to facilities had been put off until the FY 2014-15 biennium in past legislative sessions to save money. This action would eliminate rebasing entirely and saves the general fund $133 million in fiscal FY 2014-15.

Other major provisions in continuing care include a decrease in the rate paid to personal care attendants (PCA) who are related to the client. The rate paid to related PCA's will be reduced by 20 percent, saving an estimated $24 million in FY 2012-13. And counseling for Housing with Services is estimated to save $3.8 million for the biennium by matching individuals with the service level they need and eliminating prescribing un-needed services.

Health Care Programs

In the health care area, the legislature passed over $850 million in cuts in state health care programs. Reductions in spending against the forecast come in the form of program reductions, reductions in payments to providers, elimination of inflationary increases, savings from competitive bidding, and payment delays. Reductions will affect both MA and MinnesotaCare programs, which include savings to the general fund as well as the health care access fund.

Savings from managed care reforms will save the state over $277 million in FY 2012-13. The majority of the savings comes from installing a competitive bidding process for managed care organizations to compete to receive state business. This one reform is expected to save nearly three quarters of a billion over the next four years alone. Also included is a provision to place a cap on the rate at which payments top HMO's can increase in future years. The rate caps vary by the population covered.

A payment delay will save the state $135 million in the biennium. This delay of payments to managed care organizations will essentially shift some costs from the FY 2012-13 biennium into the FY 2014-15 biennium. In order to keep expenditures down in FY 2014-15, a second delay is used to move $135 million in expenditure from the FY 2014-15 to the FY 2016-17 biennium. This second payment delay will make the delays cost neutral in the FY 2014-15 biennium.

An agreement reached by the Department of Human Services with the federal government will bring in additional federal money and reduce state costs. The federal government will provide a match on single adults that are between 75 percent and 200 percent of federal poverty guidelines in MinnesotaCare until the federal health care reform is fully implemented in 2014. This population did not receive a federal match prior to the agreement, but the federal government will provide some funding to save the state money as opposed to removing eligibility of these cases in the short term to ensure fewer un-insured in the population. The state will save less than

Grant Programs
Savings of $18.3 million were realized by reducing or eliminating some smaller pass-through grants to local governments or community organizations. The FAIM program, U Special Kids program, and $13.5 million in adult mental health grants were eliminated, saving $14.4 million for the biennium. One time reductions were made to other grants to make up the balance of the savings. Programs receiving the one-time cuts were Child Care Service Development, Resource and Referral Grants as well as grants for child care facilities. Children's Mental Health Screening and Evidence Based Practice grants were affected, as well as small grants for Health Care Outreach.

Continuing Care
The legislature passed changes to continuing care programs that will save the general fund over $164 million in the FY 2012-13 biennium. In addition, the finance plan provides an additional savings in future biennia with the repeal of nursing home rebasing. The legislation includes many changes to programs for the elderly and disabled in need of long term care.

Several changes to waivered programs were enacted. The first change removes the annual one percent developmental disabilities (DD) waiver acuity increase. The pool of dollars a county receives to pay for its DD waiver clients is increased by one percent per year to meet the increasing needs of the client base. This provision suspends the increase for one year and saves $8.9 million for the biennium.

The law also extends the disability waiver caps for an additional biennium. The caps are a limit to the number of waiver "slots" or individuals that may come into the program each month. The caps have been used in previous years to limit the growth in spending and save dollars versus an unconstrained level of people entering the waivered services. The proposal would limit new slots in the CADI, DD and TBI waiver programs, saving an estimated $48.1 million in the next biennium but create longer waiting lists at the county level.

A provision decreasing payments for low need recipients in the elderly waiver and alternative care programs was also included. This change paired with expanding the case mix for the lowest need category will save the general fund $16 million in the upcoming biennium.

Also included was a change that would decrease congregate living rates for the lowest need categories. The 10 percent cut would save an estimate $12.7 million for the biennium. The change would affect housing for many clients in several disabled waiver programs.
The final change to waivered services would separate the elderly waivered programs from automatic rate adjustments that are paid to nursing facilities. This change would save $1.2 million for the biennium.

An across the board rate increase was handed down to all long term care providers except for nursing facilities. The rate cut will equal 1.5 percent for the FY 2012-13 biennium and then the cut will be reduced to 1.0 percent thereafter. The rate cut will save just shy of $44 million for the biennium and affect providers and grantees in the long term care area, including waivered service providers, ICF/DD, alternative care providers and personal care attendants.

Some nursing facility payment increases that were built into statute were eliminated. These statutory rate increases had been provided to offset differences in property rates, for planned bed closures and also included single bed incentives. The elimination of these annual add-ons to individual facility rates will save an estimated $4.4 million in the FY 2012-13 biennium.

The most significant change to nursing facilities will not affect spending in the FY 2012-13 biennium. The legislature acted to remove statutory rebasing of nursing facilities. Rebasing is a term used to describe automatic inflationary increases that were to be provided to nursing homes based on their actual costs of delivering service. Rebasing had been in statute though increases to facilities had been put off until the FY 2014-15 biennium in past legislative sessions to save money. This action would eliminate rebasing entirely and saves the general fund $133 million in fiscal FY 2014-15.

Other major provisions in continuing care include a decrease in the rate paid to personal care attendants (PCA) who are related to the client. The rate paid to related PCA's will be reduced by 20 percent, saving an estimated $24 million in FY 2012-13. And counseling for Housing with Services is estimated to save $3.8 million for the biennium by matching individuals with the service level they need and eliminating prescribing un-needed services.

Health Care Programs

In the health care area, the legislature passed over $850 million in cuts in state health care programs. Reductions in spending against the forecast come in the form of program reductions, reductions in payments to providers, elimination of inflationary increases, savings from competitive bidding, and payment delays. Reductions will affect both MA and MinnesotaCare programs, which include savings to the general fund as well as the health care access fund.

Savings from managed care reforms will save the state over $277 million in FY 2012-13. The majority of the savings comes from installing a competitive bidding process for managed care organizations to compete to receive state business. This one reform is expected to save nearly three quarters of a billion over the next four years alone. Also included is a provision to place a cap on the rate at which payments top HMO's can increase in future years. The rate caps vary by the population covered.

A payment delay will save the state $135 million in the biennium. This delay of payments to managed care organizations will essentially shift some costs from the FY 2012-13 biennium into the FY 2014-15 biennium. In order to keep expenditures down in FY 2014-15, a second delay is used to move $135 million in expenditure from the FY 2014-15 to the FY 2016-17 biennium. This second payment delay will make the delays cost neutral in the FY 2014-15 biennium.

An agreement reached by the Department of Human Services with the federal government will bring in additional federal money and reduce state costs. The federal government will provide a match on single adults that are between 75 percent and 200 percent of federal poverty guidelines in MinnesotaCare until the federal health care reform is fully implemented in 2014. This population did not receive a federal match prior to the agreement, but the federal government will provide some funding to save the state money as opposed to removing eligibility of these cases in the short term to ensure fewer un-insured in the population. The state will save less than it would have if it had elected to eliminate the eligibility for this category, but gets additional federal money if the state covers half the cost until the expanded MA program for single adults is fully implemented.

Another major change to MinnesotaCare was to establish the Healthy Minnesota defined contribution plan. Enrollees above 200 percent of federal poverty guidelines will no longer participate in MinnesotaCare but instead be enrolled in the Healthy Minnesota plan. The new program will give the participants a stipend which they can use to go into the private market and purchase coverage. The stipend is granted on a sliding scale depending on the household income. Enrollees are free to choose any private plan they want and customize it to their specific needs, but also pay premiums for the portion of cost not covered by the stipend. Healthy Minnesota plans must also include mental health and chemical dependency coverage as a requirement. The new program is projected to save $9.4 million in fiscal 2013 on the eligible enrollees over the cost of traditional MinnesotaCare, and $27 million in the FY 2014-15 biennium.

Additional changes to the MinnesotaCare program will save an additional $38 million in the FY 2012-13 biennium. Those changes will include coverage for legal non-citizens in the MinnesotaCare program instead of Medical Assistance. The coverage for this population under MA was optional, and to be a state only expense in either program. The costs in MinnesotaCare are lower than in MA due to the inpatient hospital coverage cap and lower benefit set level. The total savings will be $5.4 million in the biennium.

Repeal of certain MinnesotaCare expansions from recent years will make up the rest of the savings. Repeal of the MA Bridge program will save $23.2 million in FY 2012-13, removal of rolling eligibility and grace month saves $7 million, and elimination of auto renewal, child premiums and verification of ESI will save $2.4 million.

A 10 percent reduction in fee for service rates and performance target for reduced admission is expected to save $42 million in FY 2012-13. An additional $2.2 million in savings is expected from requiring evidence based practices in child delivery and $4.1 million is saved by reducing rates paid to medical transportation providers.

Another proposal would affect 100,000 “dual eligibles” on Minnesota’s MA program. A dual eligible is a person who is primarily covered by the Medicare program for the elderly but also, due to very low income and assets, eligible for Medicaid coverage as well. In the past, Medicare would cover costs related to a range of services and require a patient share. For dual eligibles, these costs were them covered by Medicaid. The Medicaid payment would then pay for the patient’s share at the Medicare rate, which is generally higher than rates paid under Medicaid. Under the new law, the Medicaid share will only pay providers up to the maximum rate allowed by Medicaid, saving an estimated $39.7 million in FY 2012-13.

The disabled population will now be required to enroll in managed care (with allowable opt-out provisions) instead of strict fee-for-service coverage. This provision will save an estimated $26 million in the biennium.

Hospitals will be affected by the repeal of rebasing. Much like nursing homes, hospitals had a provision in law that allowed for periodic review of actual costs and allowed rates to be "rebased" or increased to reflect the costs of delivering the services. The provision had been suspended until January of 2013 in previous legislative sessions to save money against the forecast. The change removes the automatic increases entirely from state law, and would require hospitals to have rate increases authorized in law in the future. The provision is projected to save $106 million in FY 2012-13, but will save nearly a half billion ($491 million) in the FY 2014-15 biennium.

Eligibility under emergency Medical Assistance was tightened for certain legal non-citizens. The provisions will eliminate eligibility for a limited number of enrollees and save $14 million over the FY 2012-13 biennium.

Co-pays required under both MinnesotaCare and Medical Assistance will be increased under the legislation. The increased cost sharing will save the state $4 million for the biennium.
Funds for MERC programs will be reduced. The Medical Education and Research Cost payments will be reduced by $12.8 million per year for the FY 2012-13 biennium, but then increase to a net reduction of $6.4 million per year in the FY 2014-15 biennium and beyond. These reductions will affect the University of Minnesota, and Hennepin County Medical Center teaching hospital programs.

And finally, a donation of $30 million in FY 2012 from a managed care organization was realized against the budget deficit and included s part of the Health and Human Services Finance committee budget target.

Mental Health and Chemical Dependency

The legislation includes two provisions to reduce state costs of chemical dependency treatment. The first change would tighten the criteria for those who qualify for residential treatment. The change would provide only outpatient treatment for those affected and would save an estimated $9 million for the biennium. The second change would increase the county share for treatment and reduce the state share. This proposal would save an estimated $6.7 million in fiscal FY 2012-13.

In the mental health area, a provision to close a facility to be designated and shift patients to other facilities was included. This closure would save an estimated $3.2 million for the biennium.

Minnesota Sex Offender Program

Two provisions make changes to the Minnesota Sex Offender Program. The first increases the county financial share from 10 percent to 25 percent for new admissions. This will reduce state expenditure on the program by $2 million in the FY 2012-13 biennium. The legislature also provided a general increase in the sex offender budget of $7.8 million over the next two years to meet projected shortfalls created by increasing caseload.

Public Health

The Public Health Finance budget provides funding for a number of agencies. This portion of the Health and Human Services committee covers the Minnesota Department of Health (MDH), and the Health-Related Boards. In addition to the 15 boards funded through the State Government Special Revenue fund, the committee appropriates General Funds to the Disability Council, Ombudsman for Mental Health and Developmental Disabilities, Ombudsperson for Families, and the Emergency Medical Services Board.

Department of Health

The agency has four main areas that are funded by the state: Community & Family Health; Policy, Quality and Compliance; Health Protection; and Administrative Services. The legislation includes changes to the base funding in each of these program areas, with a total allowance of $143 million in general funds for the FY 2012-13 biennium.

- *Community & Family Health*

  The budget provides an appropriation of $91.3 million for this program in the 2012-13 biennium, and would be implemented through the following recommendations:

  Statewide Health Improvement Plan (SHIP): This budget item does not affect general fund appropriations for the department. An appropriation of $15 million for SHIP was included for the entire biennium. The funding for SHIP comes from the Health Care Access Fund (HCAF) and is not a permanent increase in the budget for this program.

  Fetal Alcohol Spectrum Disorders: An additional $340,000 is included to expand this program and would bring total spending for prevention and support of individuals and families impacted by the disorders to $2 million per year.

- *Policy, Quality & Compliance*

  The legislation includes a general fund appropriation of $19.2 million for this program in FY 2012-13. The changes in spending are shown in the following change items:

  Miscellaneous Grant Reductions: Small pass through grants are reduced by $2 million for the biennium. Programs with reductions in funding include Health and Long Term Care Grants, Loan Forgiveness, FQHC grants, Migrant Grants, Donated Dental, and Summer Health Care Internships

  MERC Direct Grants: This law eliminates any direct grants from the Medical and Educational Research Costs (MERC) program. The change would save the state $4.613 million each year, starting in FY 2012.

MERC Transfer: In addition to the MERC grant elimination, also included is a transfer of any accumulation in the MERC fund to the general fund. This would provide a savings to the general fund of $9.8 million in FY 2012.

FQHC Funding: The budget eliminates $1 million in one-time funding from the HCAF that would have provided partial funding for Federally Qualified Health Centers (FQHCs).

- *Health Protection*

The bill provides a general fund appropriation of $18.74 million for this program in FY 2012-13.

- *Administrative Support Service*

  The legislation includes an appropriation of $13.648 million for this program in FY 2012-13.

Ombudsman for Mental Health and Developmental Disabilities
No changes were made to the budget for this agency.

Ombudsperson for Families
No changes were made to the budget for this agency.

Disability Council
No changes were made to the budget for this agency.

Emergency Medical Services Board
The only change in the base budget for this board was to transfer program and funding for the Health Professionals Service Program to the Board of Dentistry. The transfer of funds totals $704,000 annually.

Health-Related Boards
There are 15 health-related boards the Health and Human Services committee oversaw during the 2011 legislative session. These boards have historically received funding through the State Government Special Revenue (SGSR) fund.

There are also a few change items in the budget for fee changes and a program transfer:

- A fee for the registration and regulation of Animal Chiropractors, which is housed under the Chiropractic Examiners Board. The new fee would raise $6,000 in revenue each year.

- The Health Professionals Services Program (HPSP) is currently housed under the Emergency Medical Services (EMS) Board. The HPSP is moved from the jurisdiction of the EMS Board to the Dentistry Board – the administering board for the past two years. Funding for HPSP would continue at the base level of $704,000 each year.

- The Nursing Board has several fee changes. A $50 registration fee for nurses from bordering states is authorized; late fees are repealed; and temporary permits for graduate nurses are repealed. The net effect of these fee changes would be a loss of $32,000 in revenue for the board annually.

- There is a fee increase for the Pharmacy Board in order to meet increasing operating costs. The new fees would generate $364,000 each year.

For questions relating to Human Services issues, contact John Walz, House Fiscal Analyst at (651)296-8236 or john.walz@house.mn

For questions relating to Public Health issues, contact Emily Adriaens, House Fiscal Analyst at (651)296-7171 or emily.adriaens@house.mn

Higher Education

The 2011 Omnibus Higher Education finance bill, Laws of Minnesota, 2011, First Special Session, Chapter 5, includes total General Fund appropriations of $2.566 billion for the Mayo Medical School and Family Practice Residency Program, the Minnesota State Colleges and Universities, the Office of Higher Education and the University of Minnesota.

The enacted General Fund budget is $351.1 million, or -12 percent, below the February 2011 forecast base funding levels for FY 2012-13 for these accounts in total. Compared to forecast spending in the prior biennium (FY2010-11) this represents a General Fund reduction of $246 million, or -9 percent. The following table summarizes Chapter 5 General Fund appropriations by account.

Higher Education Policy and Finance Committee
Total General Fund Spending
(all dollars in thousands)

	February Forecast FY 2010-11	Forecast Base FY 2012-13	SS Chapter 5 Enacted FY 2012-13	Percentage Change Enacted FY 2012-13 vs. FY 2010-11	Percentage Change Enacted vs. Base FY 2012-13
Mayo Medical	2,651	2,702	2,702	2%	0%
Minnesota State Colleges & Uni	1,219,663	1,260,702	1,090,731	-11%	-13%
Office of Higher Education	372,232	368,874	381,396	2%	3%
University of Minnesota	1,217,008	1,284,302	1,090,688	-10%	-15%
Net GF Total	**2,811,554**	**2,916,580**	**2,565,517**	-9%	-12%

Mayo Foundation

The Mayo Foundation receives a General Fund appropriation of $2.702 million for the Medical School capitation grant program and the Family Practice Residency program. This is the full General Fund base level for FY 2012-13 and is an increase of $51,000 or 1.9 percent from the FY 2010-11 biennium.

Minnesota State Colleges and Universities (MnSCU)

For the Minnesota State Colleges and Universities Chapter 5 appropriates a general fund total of $1.091 billion for the FY 2012-13 biennium. This represents a reduction of $169.971 million (-13.5 percent) from the FY 2012-13 General Fund forecast base. Compared to forecast spending in the prior biennium (FY 2010-11) this represents a General Fund reduction of $128.932 million or -10.5 percent.

In addition to the appropriation changes noted above, Chapter 5 includes several language provisions relative to MnSCU finances. The Board of Trustees is encouraged to consider adopting a plan offering guaranteed tuition rates for the course of a student's degree program. The Board already has existing authority to manage all aspects of tuition policy. Also, an appropriations rider prevents the system central office from charging any of its reductions back to campuses. Finally, a rider sets aside one percent of the Board's FY2013 operations and maintenance appropriation ($5.08 million) until the Board demonstrates to the Commissioner of Management and Budget that they have achieved at least three of the following performance goals:

- Increase the number of degrees, diplomas and certificates conferred by at least seven percent over FY 2009.
- Increase the number of students of color by at least 10 percent over FY2010.
- Increase the amount of online enrollment/blended enrollment by at least 15 percent over FY2010.
- Increase the fall persistence/completion rate by at least one percent over the prior year.
- Decrease total energy consumption per square foot by at least two percent compared to calendar year 2009.

A piece of language that applies to both MnSCU and the U of M decreases the age at which persons may receive free tuition on a space available basis from 66 to 62 for classes beginning in fall of 2011.

Office of Higher Education (OHE)

For the Office of Higher Education Chapter 5 includes General Fund appropriations of $381.4 million for the FY 2012-13biennium. This represents an increase of $12.5 million (3.4 percent) over the FY 2012-13 General Fund forecast base. Compared to forecast spending in the prior biennium (FY 2010-11) this represents a General Fund increase of $9.2 million or 2.5 percent.

Unusually, no changes were made to eligibility in the state grant program so FY2011 parameters for tuition limits and the living and miscellaneous expense allowance in the formula remain the same for the FY12-13 biennium. Some additional funding was provided to the state grant fund as part of the overall reduction to OHE's budget. OHE now projects that funding provided for state grants may be sufficient to cover need in the program.

Two pieces of language affect OHE. The matching portion of the state 529 college savings program operated by OHE is eliminated. This does not change the basic savings program which remains available but eliminates the small matching grants that the state provided to some low income savers. OHE is also directed in language to complete a study of graduate education in the for-profit sector in Minnesota.

University of Minnesota (U of M)

For the University of Minnesota Chapter 5 appropriates a General Fund total of $1.091 billion for the FY 2012-13 biennium. This represents a General Fund reduction of $193.6 million (-15.1 percent) from the FY 2012-13 General Fund forecast base. Compared to forecast spending in the prior biennium (FY 2010-11) this represents a General Fund reduction of $126.3 million or -10.4 percent.

In addition to the appropriation changes noted above, Chapter 5 includes several language provisions relative to U of M finances. The Board of Regents is encouraged to consider adopting a plan offering guaranteed tuition rates for the course of a student's degree program. The Board already has existing authority to manage all aspects of tuition policy. Also, an appropriations rider encourages the Board to reduce administrative spending proportionally to reductions in other areas. Finally, a rider sets aside one percent of the U of M's FY2013 operations and maintenance appropriation ($5.5 million) until the Board demonstrates to the Commissioner of Management and Budget that they have achieved at least three of the following performance goals:

- Increase the amount of institutional financial aid in FY 2012 so that it is greater than FY 2010.
- Produce at least 13,500 degrees on all campuses in FY2012.
- Increase the Twin Cities Campus four and six year graduation rates.
- Maintain research and development expenditures at FY2010 levels or higher.
- Maintain sponsored funding from business and industry at FY2010 levels or higher.

A piece of language that applies to both MnSCU and the U of M decreases the age at which persons may receive free tuition on a space available basis from 66 to 62 for classes beginning in fall of 2011.

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

Jobs and Economic Development

The Legislature's enacted FY 2012-13 budgets, Chapter 4, 1st Special Session 2011, appropriates $170.27 million from the General fund to the 12 state departments, agencies and boards under the budget jurisdiction of the Jobs and Economic Development Finance Committee. The enacted budget is $2.024 million over the agencies combined FY 2012-13 base budget, an increase of 1.2 percent. On the revenues side, the enacted budget increases FY 2012-13 General Fund revenues by $16.275 million.

The combined expenditures and revenues General fund impact is $14.251 million below forecast for the FY 2012-13 biennium. This represents an 8.5 percent reduction

Looking at the biennium to biennium comparisons, the Legislature enacted FY 2012-13 General Fund budget is a decrease of $ 25.16 million (12.9 percent) from the Jobs' agencies FY 2010-2011 forecasted expenditures. One-time appropriations, particularly flood relief, largely explain this difference.

Jobs & Economic Development Finance Division
Total General Fund Appropriations & Revenues
(all dollars in thousands)

APPROPRIATIONS	November Forecast FY 2010-11	Forecast Base FY 2012-13	Special Session Bill FY 2012-13	% Change FY12-13 vs. FY 10-11	% Change vs. Base FY 2012-13
Dep. of Employment & Economic Development	$96,353	$75,882	$83,152	-13.7%	9.6%
Housing Finance Agency	88,356	81,256	76,096	-13.9%	-6.4%
Department of Labor & Industry	1,720	1,720	1,634	-5.0%	-5.0%
Mediation Services Bureau	3,201	3,168	3,168	-1.0%	0.0%
Board of Accountancy	970	960	960	-1.0%	0.0%
Board of Architecture, Engineering, et al.	1,565	1,548	1,548	-1.1%	0.0%
Board of Barber Examiners	450	514	514	14.2%	0.0%
Board of Cosmetologist Examiners	1,737	2,092	2,092	20.4%	0.0%
Combative Sports Commission	160	0	0	-100.0%	N/A
Science & Technology Authority	383	214	214	-44.1%	0.0%
Region 3 -- Occupation Tax (open appropriation)	535	892	892	66.7%	0.0%
Iron Range Resources (non GF only)	N/A	N/A	N/A	N/A	N/A
Workers Comp Court of Appeals (non GF only)	N/A	N/A	N/A	N/A	N/A
Total Appropriations	**$195,430**	**$168,246**	**$170,270**	**-12.9%**	**1.2%**
REVENUES					
DEED - UI Contingent Account Transfer			$12,900		
DEED - UI State Admin Deposits &Transfer			$3,375		
Total Revenues			**$16,275**		
Total General Fund Impact (Spending & Rev)		**$168,246**	**$153,995**		**-8.5%**

Department of Employment and Economic Development (DEED)

The story regarding the Department of Employment and Economic Development appropriations largely drives the Jobs Finance Division's overall appropriation trends for FY 2012 and FY 2013. The enacted General Fund budget for DEED is $7.24 million, or 9.6 percent, more than the Department's FY 2012-13 forecast base. The major appropriation increases include:

- $3 million onetime appropriation for the Minnesota Investment Program,
- $2 million onetime appropriation for the Redevelopment Program,
- $500,000 onetime appropriation for Enterprise Minnesota,
- $2 million per year ongoing appropriation to match Federal funds for the State Vocational Rehabilitation Program,
- $150,000 per year ongoing appropriation to match Federal funds for the State Services for the Blind Program.

Competitive Grants Programs – One major change in DEED's program format is the movement in the second year (FY 2013) from making direct appropriation to individual organizations and programs to new competitive grant programs in the areas of Business and Community Development, Adult Workforce Development, and Youth Workforce Development. The change is reflected in the above General Fund table above, and the Workforce Development table below. The programs making up each competitive area are indented under the new competitive programs.

Most other DEED programs received General Fund budget reductions under the enacted budget. The table that follows shows the General Fund appropriations changes for all of DEED's major program areas.

Department of Employment and Economic Development 2012-13 General Fund Appropriations *(dollars in thousands, numbers are biennial)*			
Program	**Current Base**	**Legislative Change**	**New Funding**
Business & Community Development (BCD)	$7,818	$(376)	$7,360
Trade Office	3,142	(158)	2,984
Minnesota Investment Fund (onetime)		3,000	3,000
Redevelopment Fund (onetime)		2,000	2,000
Enterprise Minnesota (onetime)		500	500
Contaminated Sites Cleanup Grants	2,544	(500)	2,044
BCD Competitive Grant Program (2nd Year)	980	(223)	757
BioBusiness Alliance (1st Year)	475	(119)	356
Advocating Change Together(1st Year)	150	(15)	135
Metro Ec. Dev. Assn(1st Year)	105	(26)	79
Women Venture (1st Year)	200	(50)	150
MN Inventors Congress(1st Year)	50	(13)	37
Job Skills Partnership Program	8,834	(442)	8,392
Rehabilitation Services	17,600	4,000	19,600
Services for the Blind	11,556	300	11,706
Extended Employment	10,810	(1,366)	9,444
Mental Illness - Support Employment	3,110	(152)	2,958
Independent Living Services	4,522	(222)	4,300
Adult Workforce Competitive (2nd Year)	920	(90)	830
Twin Cities Rise (1st Year)	350	(35)	315
Rise Inc. Center for Deaf (1st Year)	145	(15)	135
LifeTrack Resources(1st Year)	100	(10)	90
MN Diversified Inc. (1st Year)	175	(15)	160
Northern Connections(1st Year)	150	(15)	135
General Support Services	2,146	(108)	2,038
Total General Fund DEED	**$75,882**	**$7,270**	**$83,152**

For the 16 DEED programs which receive FY 2012-13 direct appropriations totaling $32,844 from the Workforce development Fund, the enacted budget includes no changes to the current law base appropriations. However, the new competitive grants programs will replace direct appropriations for 13 of the programs in Fiscal Year 2013.

Department of Employment and Economic Development **2012-13 Workforce Development Fund Appropriations** *(dollars in thousands, numbers are biennial)*			
Program	**Current Base**	**Legislative Change**	**New Funding**
Extended Employment	13,660	0	13,660
Minnesota Youth Program	7,000	0	7,000
YouthBuild	2,000	0	2000
BCD Competitive Grant Program (2nd Year)	339	0	339
Metro Ec. Dev. Assn(1st Year)	50	0	50
Entrepreneurs & Sm Bus (1st year)	189	0	189
Rural Policy & Dev (1st year)	100	0	100
Adult Workforce Competitive (2nd Year)	1,905	0	1,905
Rise Inc. Center for Deaf (1st Year)	175	0	175
Twin Cities RISE! (1st Year)	105	0	105
Northern Connections (1st Year)	50	0	50
LifeTrack Resources (1st Year)	200	0	200
O I C's	1,325	0	1,325
Youth Workforce Competitive (2nd Year)	2,848	0	2,848
Mpls. Summer Youth (1st Year)	900	0	900
Learn-to-Earn (1st Year)	300	0	300
Boys & Girls Clubs (1st Year)	750	0	637
St. Paul Summer Youth (1st Year)	558	0	750
Deaf/Deaf-Blind Students (1st Year)	340	0	340
Total WDF Appropriations	**$32,884**	**$0**	**$32,884**

The Legislature also enacted two statutory changes that impact DEED's FY 2012-13 budgets.

Department of Employment and Economic Development **2012-13 Statutory Appropriations** *(dollars in thousands, numbers are biennial)*			
Program	**Current Base**	**Legislative Change**	**New Funding**
Monitoring Pass-Through Grant Recipients (5%)		$550	$550
Contaminated Grants (Petro Fund Extension)	$6,200	$6,200	$12,400

The $550,000 appropriation is to strengthen the Department's oversight monitoring of pass-though and competitive grant recipients. The change reduces each recipient's appropriation by 5 percent, and uses the proceeds to monitor their grant. The effect of this proposal is to reduce the actual amount of money going to the respective pass-troughs by 5 percent and is in addition to any other appropriation changes in the recipient organization's funding.

The second statutory appropriation change extends the Petro Fund for five years to June 30, 2017. Under prior law, the Fund would have expired on June 30, 2012. The change means DEED's Contaminated Cleanup Grants program will continue to receive $6.2 million each though fiscal year 2017.

The Legislature also enacted provisions which increased General Fund revenues through transfer from special revenue accounts in DEED to the General Fund. In total, the transfers increase General Fund revenues by $16.275 million in the 2012-13 biennium.

DEED 2012-13 General Fund Revenues	
Revenue Source	**Amount**
UI Contingency Account Transfer (ongoing)	$12,900
UI State Administration Account Transfers (onetime)	3,375
Total General Fund Revenue	**$16,275**

The UI Contingency Account Transfer is ongoing, meaning that the same amount will be transferred to the General Fund in the 2014-15 biennium. The UI State Administration Account transfers are onetime in fiscal years 2012 and 2013 only.

Minnesota Housing Finance Agency

The Legislature enacted FY 2012-2013 General Fund appropriations of $76.096 million. This is a decrease of $5.16 million (6.4 percent) from MHFA's FY 2012-2013 forecast base. On an individual program level the enacted budgets vary considerable. One MHFA program is increased significantly, two programs receive no change, and six programs are decreased from 3 to 23 percent. The individual program appropriation changes are shown in the table:

Minnesota Housing Finance Agency **2012-13 General Fund Appropriations** *(dollars in thousands, numbers are biennial)*			
Program	**Current Base**	**Legislative Change**	**New Funding**
Econ Dev. & Housing Challenge Program	$ 18,786	$ (4,876)	$ 13,910
Housing Trust Fund	17,110	2,000	19,100
Family Homeless Prevention	14,930	0	14,930
Rental Assistance for Mentally Ill (Bridges)	5,276	0	5,276
Homeownership Assistance Program	1,770	(176)	1,594
Affordable Rental Investment Fund	15,092	(466)	14,626
Housing Rehabilitation Program	6,062	(1,164)	4,898
Homeownership Ed., Counseling & Training	1,730	(228)	1,502
Non-Profit Capacity Building Grants	500	(250)	250
Total General Fund MHFA	**$ 81,256**	**($5,160)**	**$76,096**

Department of Labor and Industry

The Legislature enacted budget appropriates $1.634 million from the General Fund to the Department in FY 2012-13. This is a decrease of $86,000 (5 percent) from the FY 2012-2013 forecast base. The enacted reductions are from the Labor Standards program at the agency.

Department of Labor and Industry **2012-13 General Fund Appropriations** *(dollars in thousands, numbers are biennial)*			
Program	**Current Base**	**Legislative Change**	**New Funding**
Labor Standards Division	$ 1,720	$ (86)	$ 1,634

The enacted budget includes no changes in funding for the three DOLI programs funded from the Workforce Development Fund. Together, the three programs receive biennial appropriations of $2.058 million

2012-13 Workforce Development Fund Appropriations *(dollars in thousands, numbers are biennial)*			
Program	**Current Base**	**Legislative Change**	**New Funding**
Apprenticeship Program	$ 1,558	$ 0	$ 1,558
Labor Education & Advance Program Grants	200	0	200
Prevailing Wage Enforcement	300	0	300
Total WDF DOLI	**2,058**	$ 0	**2,058**

The Department's Construction Codes and Licensing Division will see a $1.871 million increase under the Legislature's enacted budget. To fund this increase, the Legislature agreed to the Governor's recommendations that the $5 fixed rate permit surcharge be extended two years, and made additional changes to the license consistency reforms that were enacted by the 2010 Legislature. The table below summarizes the Division's enacted budget and revenue changes. The change regarding Manufactured Home inspections is a result of moving inspections from the state to local level.

2012-13 Construction Code Fund Appropriations *(dollars in thousands, numbers are biennial)*			
Program	**Current Base**	**Legislative Change**	**New Funding**
Construction Codes and Licensing Division	$50,102	$1,871	$51,973

2012-13 Construction Code Fund Revenues	
Revenue Source	**Amount**
Extension of Fixed Rate Permit Surcharge ($5.00 permit surcharge)	$2,400
Manufactured Home Inspection Modifications	(216)
License Consistency - Continue 2010 Legislation	$99
Total Construction Code Fund Revenue	**$2,283**

Bureau of Mediation Services

The FY 2012-2013 General Fund appropriations to the Bureau will be $3.168 million under the Legislature's enacted budget. This represents no change from the Bureau's FY 2012-2013 forecast base. The respective program funding within the Bureau are shown in the chart:

Bureau of Mediation Services 2012-13 General Fund Appropriations *(dollars in thousands, numbers are biennial)*			
Program	**Current Base**	**Legislative Change**	**New Funding**
Representation/Mediation/LMC	$3,032	$ 0	$3,032
Labor Management Co-op Grants	136	0	136
Total General Fund BMS	**$3,168**	0	**$3,168**

Board of Accountancy

The Legislature's enacted budget appropriates $960,000 from the General Fund to the Board in the FY 2012-13 biennium. This is no change from Board's base funding. One item the enacted budget does not include is the Governor's recommendation for a one-time increase of $150,000 in Fiscal Year 2012 to fund linking the Board's existing data and web based services to the state's e-Licensing centralized one stop shopping system.

Board of Accountancy 2012-13 General Fund Appropriations *(dollars in thousands, numbers are biennial)*			
Program	**Current Base**	**Legislative Changes**	**New Funding**
Operating Budget	*$ 960*	*$ 0*	*$960*

Board of Architecture and Engineering

The Legislature's enacted budget appropriates $1,548,000 from the General Fund to the Board in the FY 2012-13 biennium. As with the Board of Accountancy, the budget does not include the Governor's recommendation for a one-time increase of $150,000 in Fiscal Year 2012 to fund linking the Board's existing data and web based services to the state's e-Licensing centralized one stop shopping system.

Board of Architecture and Engineering **2012-13 General Fund Appropriations** *(dollars in thousands, numbers are biennial)*			
Program	**Current Base**	**Legislative Changes**	**New Funding**
Operating Budget	$ 1,548	$ 0	$ 1,548

Board of Cosmetologist Examiners

The Legislature's enacted budget includes no changes in the Board of Cosmetologist Examiners' FY 2012-13 General Fund appropriations from forecast base. The board will receive a general fund appropriation of $2.092 million in the biennium.

Board of Cosmetologist Examiners **2012-13 General Fund Appropriations** *(dollars in thousands, numbers are biennial)*			
Program	**Current Base**	**Legislative Changes**	**New Funding**
Operating Budget	$ 2,092	$ 0	$ 2,092

Board of Barber Examiners

The Legislature's enacted budget includes no changes in the Board of Barber Examiners' FY 2012-13 General Fund appropriations from forecast base. The board will receive a general fund appropriation of $514,000 in the biennium.

Board of Barber Examiners **2012-13 General Fund Appropriations** *(dollars in thousands, numbers are biennial)*			
Program	**Current Base**	**Legislative Changes**	**New Funding**
Operating Budget	$ 514	$ 0	$ 514

Combative Sports Commission

In keeping with the 2009 Legislature directive that the Combative Sports Commission be self supported from license fees and event commissions by FY 2012, the Legislature agreed to the Governor's recommendation that the Commission not receive any general fund appropriations to support its operations in the FY 2012-13 biennium. Rather, the Legislature enacted the

Governor's recommendation that the Commission's fees and event revenues be increased by $134,000 to fund the Commission's $380,000 biennial operating budget in FY 2012-2013.

Combative Sports Commission **2012-13 General Fund Appropriations** *(dollars in thousands, numbers are biennial)*			
Program	**Current Base**	**Legislative Changes**	**New Funding**
Operating Budget	$ 0	$ 0	$ 0
2012-13 Non-General Fund Appropriations			
Statutory Appropriation			
Operating Budget	$ 380	$ 0	$ 380
Revenue			
Fee Increases to Support Operations	$ 174	$ 134	$ 308

It is noteworthy that even with the enacted fee increases, the Commission will not be fully self-supported since revenues will still be $78,000 short for paying expenses. In the short-term, the deficiency will be covered with $163,000 in carryover funds the Commission has accumulated from prior fiscal years. But within four years, fees may need to be increased again unless revenues prove to be more than estimated or expenses are less than anticipated.

Science & Technology Authority

The Legislature made no changes in the Science & Technology Authority's General Fund appropriations from forecast base. The authority will continue to receive general fund appropriations of $214,000, or $107,000 each year, in the FY 2012-13 biennium.

Science & Technology Authority **2012-13 General Fund Appropriation** *(dollars in thousands, numbers are biennial)*			
Program	**Current Base**	**Legislative Changes**	**New Funding**
Operating Budget	$ 214	$ 0	$ 214

Iron Range Resources and Rehabilitation (IRRR)

The Legislature enacted the Governor recommendation for no changes in FY 2012-2013 to the forecast base of $72.684 million of statutory appropriations to the Iron Range Resources and

Rehabilitation agency. The appropriations are made from the Iron Range Resources and Rehabilitation Fund, the Giants Ridge Golf and Ski Resort Fund, and the Northeast Minnesota Economic Protection Fund. The agency receives no General Fund appropriations.

Iron Range Resources & Rehabilitation
2012-13 Statutory Appropriations
(dollars in thousands, numbers are biennia

Program	Current Base	Legislative Changes	New Funding
Various Programs	72,684	$ 0	72,684

Region 3 Occupation Tax

The Iron Range Resources and Rehabilitation serves as the fiscal agent for the Region 3 Occupation Tax general fund appropriation. The IRRR does not spend this money, but only serves as the fiscal agent to distribute this appropriation to that the counties specified by state law as qualifying recipients. Currently, Carlton and Koochiching Counties receive this appropriation. The Legislature made no changes to this appropriation.

Region 3 Occupation Tax
2012-13 General Fund Appropriation
(dollars in thousands, numbers are biennial)

Program	Current Base	Legislative Changes	New Funding
Tax Distribution (Carlton and Koochiching)	$ 892	$ 0	$ 892

Workers Compensation Court of Appeals

This court receives no General Fund appropriation. The Legislature passed FY 2012-2013 appropriations of $3.406 million from the Workers Compensation Special Fund for the court's operations. This represents no change from the Court's forecast base.

Workers Comp Court of Appeals
2012-13 Workers Comp Fund Appropriation

Program	Current Base	Legislative Changes	New Funding
Operating Budget	$3,406	$ 0	$3,406

Fiscal Year 2014-15 Biennium

The enacted budget sets the combined 2014-15 General Fund “tails” appropriations for the Jobs and Economic Development Finance Committee’s agencies at $165,270,000. This is $2,976,000 reduction (1.8 percent) from the forecast base. The enacted budget also includes $12.9 million in additional Fiscal Year 2014-15 revenues by making the transfer of the deposits in U. I contingency account to the General Fund permanent.

If you have any questions on Jobs and Economic Development Finance Committee related issues, please contact Ron Soderberg at 296-4162 or ron.soderberg@house.mn.

Legacy Funds

The 2011 Legislature enacted $449.842 million in fiscal year 2012-13 appropriations from the four Funds established under the Constitutional Amendment passed by voters in November 2008. The total appropriations by fund and fiscal year are shown below.

Governor's & Outdoor Heritage Council's FY 2012-13 Recommendations
Clean Water, Land and Legacy Constitution Amendment
(Dollars in Thousands)

	Fiscal Year 2012	Fiscal Year 2013	Total
Outdoor Heritage Fund	$ 86,484	$ 471	$ 86,955
Clean Water Fund	90,517	88,912	179,429
Parks & Trails Fund	39,676	38,468	78,144
Arts & Cultural Heritage Fund	52,600	52,714	105,314
Total	**$269,277**	**$180,565**	**$449,842**

Outdoor Heritage Fund

The Legislature enacted Fiscal Year 2012 appropriations totaling $86.484 million from the Outdoor Heritage Fund. The appropriations fall into five categories consistent with the constitutional language creating the fund.

• ***Prairies***	$32,671,000	37.8%
• ***Forests***	$ 14,371,000	16.6%
• ***Wetlands***	$ 15,827,000	18.3%
• ***Habitat***	$22,914,000	26.5%
• ***Administration & Other***	$ 688,000	0.8%

The following table shows the Legislative appropriations by agency, category and project description. Only 2012 appropriations are shown because, unlike the other Legacy funds where appropriations are for two years, appropriations from the Outdoor Heritage Fund are for only one year. FY 2013 appropriations will be made by the 2012 Legislature based on the recommendations received from the Lessard –Sams Outdoor Heritage Council. The Council FY 2013 recommendations will be presented to the Legislature by January 15, 2012.

Outdoor Heritage Fund
2012 Enacted Legislative Appropriations
(Dollars in Thousands)

Agency/Program	FY 2012 Enacted Appropriation
Department of Natural Resources	
Prairies	
• WMA, SNA, and Prairie Bank Easement Acquisition	3,931
• Accelerated Prairie Restoration and Enhancement	1,652
• MN Buffers for Wildlife & Water	2,249
• Northern Tallgrass Prairie Nat'l Wildlife Refuge Land Acq.	1,720
• Minnesota Prairie Recovery Project	4,500
• Cannon River Headwaters Habitat Complex	1,533
• Accelerating the Wildlife Management Area Program	5,500
• Accelerating the Waterfowl Production Area Program	9,815
• The Green Corridor Legacy Program	1,771
Forests	
• Minnesota Forests for the Future	5,409
• La Salle Lake: Protecting Mississippi Headwaters Habitat	4,632
• Accelerated Forest Habitat Enhancement	826
• N.E .MN Sharp-tailed Grouse Habitat Partnership	988
• Lower Mississippi River Habitat Partnership	707
• Protect Key Forest Habitat Lands in Cass County	604
• State Forest Acquisition	1,205
Wetlands	
• Accelerated Shallow Lakes & Wetlands Restore & Enhance	936
• Shallow Lake Shoreland Protection: Wild Rice Lakes	1,891
Habitat	
Accelerated Aquatic Management Area Habitat Program	6,500
• Coldwater Fish Habitat Enhancement Program	1,533
• Land Addition to the Janet Johnson Memorial WMA	577
• Metro Big Rivers Habitat	5,000
• Protecting Sensitive Shore Lands in North Central MN	1,098
• Restore Native Habitat & Water Quality to Shell Rock River	2,577
• Outdoor Heritage Conservation Partners Program	5,629
Administration & Other	
• Technical Assistance Panel: Restoration Audit	42
Total Department of Natural Resources	**70,576**

Board of Water and Soil Resources	
Prairies	
• Minnesota Buffers for Wildlife & Water	2,249
Wetlands	
• RIM Wetlands Reserve Acquisition. & Restoration Partnership	13,000
Total Board of Water and Soil Resources	**15,249**
Legislature	
Administration & Other	
• LCC: LSOHC Administrative Support & Council Expenses	471
• LCC: Pass-Through Contract Management to DNR	175
• LCC: Public Information Website	13
Total Legislature	**659**
TOTAL ENACTED FY 2012APPROPRIATIONS	**$86,484**

The fund balance percentage at the end of fiscal year 2012 is estimated to be $12.103 million, or approximately 14.0 percent of the Outdoor Heritage Fund's forecasted collections in Fiscal Year 2012.

Clean Water Fund

The 2011 Legislature appropriated $90.517 million in FY 2012 and $88.912 million in FY 2013 from the Clean Water Fund. The appropriations by agencies and programs are summarized in the table.

Clean Water Fund
2012-2013 Enacted Legislative Appropriations
(Dollars in Thousands)

Agency/Program	FY 2012	FY 2013
Department of Agriculture		
• Agriculture Best Practices Loan Program	4,500	4,500
• Drinking Water Protection	850	850
• Pesticide Monitoring and Assessment	350	350
• Research & Evaluation –Nonpoint	775	775
• Research & Evaluation –BMP's	1,050	1,050
• Research & Evaluation –Database	175	175
Total Department of Agriculture	**7,700**	**7,700**
Board of Water & Soil Resources		
• Surface and Drinking Water Grants	13,750	13,750
• Targeted Local Resource Protection and Enhancement	1,500	1,500
• County SSTS Programs	1,500	1,500
• Measures, Results, and Accountability	900	900
• Targeted Nonpoint Restoration Tech Assistance	1,000	1,000
• Water Riparian Buffer Easements	6,000	6,000
• Wellhead Protection Areas	1,300	1,300
• Water Retention & Runoff Grants	1,500	1,500
• Restoration Audits; Technical Assistance	84	84
Total Board of Water & Soil Resources	**24,484**	**24,484**
Department of Health		
• Drinking Water Contaminants	1,020	1,020
• Source Water Protection	1,415	1,415
• County Well Index & Well Water Risk Evaluation	303	365
• Well Sealing Cost Share	250	250
Total Department of Health	**3,564**	**3,616**
Metropolitan Council		
• Water Supply Planning	500	500
Total Metropolitan Council	**2,500**	**1,500**

Department of Natural Resources		
• Stream Flow Monitoring	1,825	1,825
• Lake Index of Biological Integrity Assessments	1,150	1,150
• Assessing Mercury Contamination in Fish	130	130
• TMDL Development & Implementation Impaired Waters	1,730	1,730
• Water Supply Planning, Protection & Monitoring	1,500	1,500
• Web-Based Electronic Permitting for Water Use	450	450
• Shore land Stewardship & TMDL Implementation	1,450	1,450
• Watershed Boundaries & Modeling	235	235
• Biomonitoring Database	40	40
• High-Resolution Elevation Data (LIDAR)	1,350	1,350
• Metro Groundwater Monitoring & Protection	1,000	0
Total Department of Natural Resources	**10,860**	**9,860**
Pollution Control Agency		
• Water Quality Assessment & Monitoring	7,400	7,400
• Red River Watch Program	100	100
• TMDL Development	9,400	9,400
• Groundwater Assessment & Protection	1,125	1,125
• St. Louis River/Duluth Harbor Cleanup	750	750
• Clean Water Partnership Grants	1,000	1,000
• Storm Water Research & Guidance	400	400
• TMDL Research & Database	1,150	1,150
• National Pollutant Discharge System	800	800
• EQB for Geological Survey; I-94 Corridor	225	225
• Wild Rice Study	1,000	500
• Drinking Water Protection; SSTS	862	708
Total Pollution Control Agency	**24,212**	**23,558**
Public Facilities Authority		
• TMDL Grants Program	11,185	11,185
• Phosphorous Reduction Grants	4,275	4,275
• Small Community Wastewater Treatment	1,250	1,250
Total Public Facilities Authority	**16,710**	**16,710**
TOTAL ENACTED CLEAN WATER APPROPRIATIONS	**$90,517**	**$88,912**

The fund balance percentage at the end of fiscal year 2013 is estimated to be $2.641 million, or approximately 3.0 percent of the Clean Water Fund's forecasted collections in Fiscal Year 2013.

Parks and Trails Fund

The 2011 Legislature appropriated $77.058 from the Parks and Trails Fund in the 2012-2013 biennium. The respective fiscal year appropriations by agencies and programs are summarized in the following table.

Parks and Trails Fund
2012-2013 Enacted Legislative Appropriations
(Dollars in Thousands)

Agency/Program	FY 2012	FY 2013
Department of Natural Resources		
• Investing in Our State Parks & Trails Legacy	14,262	14,603
• LaSalle Lake Recreation Area	2,100	
• Grants to Parks and Trails of Regional Significance	7,506	7,686
• Restoration Audits	38	38
Total Department of Natural Resources	23,906	22,327
Metropolitan Council		
• Parks & Trails Legacy Grants	15,763	16,141
ENACTED PARKS AND TRAILS APPROPRIATIONS	**$ 39,676**	**$ 38,468**

The fund balance percentage at the end of fiscal year 2013 is estimated to be $1.169 million, or approximately 3.0 percent of the Parks and Trails Fund's forecasted collections in Fiscal Year 2013.

Arts and Cultural Heritage Fund

The 2011 Legislature appropriated $52.6 million in FY 2012 and $52.714 million in FY 2013 from the Arts & Cultural Heritage Fund**.** The appropriations by agencies and programs are summarized in the table.

Arts & Cultural Heritage Fund
2012-2013 Enacted Legislative Appropriations
(Dollars in Thousands)

Agency/Program	FY 2012	FY 2013
Arts Board		
• Arts & Arts Access Initiatives	17,003	18,150
• Arts Education Collaborations	3,276	3,276
• Arts & Cultural Heritage	1,073	1,073
• Fiscal Oversight & Accountability	815	815
Total Arts Board	**22,167**	**23,314**
MN Historical Society		
• Statewide Historic & Cultural Grants	5,250	5,250
• Statewide History Grants	4,800	4,800
• History Partnership Grants	1,500	1,500
• Statewide Survey Historical & Archaeological Site	250	250
• Minnesota Digital Library	250	250
Total MN Historical Society	**12,050**	**12,050**
Department of Education		
• Grants to Regional Libraries	3,000	3,000
Total Department of Education	**3,000**	**3,000**
Minnesota Zoo		
• Program Development	1,500	1,500
Total Minnesota Zoo	**1,500**	**1,500**
Humanities Center		
• Program Development	325	325
• Councils of Color Competitive Grants	500	500
• Civics Education Competitive Grants	250	250
• Children's Museums Competitive Grants	500	500
Total Humanities Center	**1,575**	**1,575**

Department of Administration		
• Minnesota Public Television	3,700	3,700
• Public Radio Competitive Grants	2,650	2,650
• Como Zoo	200	200
• Lake Superior Zoo	100	100
• Minnesota Children's Museum	500	500
• Science Museum of Minnesota	500	500
• Minnesota Film & TV Board	500	500
• Veteran Camp– Big Marine Lake	400	
• Veteran Camp– Fall Lake	75	
• State Capitol Preservation Commission	550	
Total Department of Administration	**9,175**	**8,150**
Perpich Center for the Art		
• Arts Education & Access	850	850
Total Perpich Center for the Art	**850**	**850**
Indian Affairs Council		
• Language Working Group	75	75
• Language Preservation & Education	550	550
• Language Immersion: Niigaane Ojiibwe	125	125
• Language Immersion: Wicoie Nandagikendan Urban Project	125	125
Total Humanities Center	**875**	**875**
TOTAL ENACTED ARTS & CULTURAL HERITAGE APPROPRIATIONS	**$ 52,600**	**$ 52,714**

The fund balance percentage at the end of fiscal year 2013 is estimated to be $1.016 million, or approximately 1.9 percent of the Arts & Cultural Heritage Fund's forecasted collections in Fiscal Year 2013.

For additional information on Legacy Finance issues, contact Ron Soderberg at 296-4162 or ron.soderberg@house.mn

Public Safety and Judiciary

The final budget for Public Safety and Judiciary, 2011 First Special Session Laws, Chapter 1, is a general fund appropriation of $1.807 billion for the FY 2012-13 biennium. This is a $25.135 million (1.37 percent) decrease from the previous biennium, and a 1.39 percent increase from current law, also known as the base budget. The table below reflects general fund money, and dollar amounts are for the biennium.

Public Safety and Judiciary
Total General Fund Spending
(all dollars in thousands)

	Forecast FY 2010-11	Base FY 2012-13	Enacted FY 2012-13	Enacted 2012-13 vs. FY 2010-11	Enacted 2012-13 vs. Base
Supreme Court	85,675	84,360	83,249	-3%	-1%
Court of Appeals	20,246	20,136	20,334	0%	1%
District Courts	482,585	464,400	470,339	-3%	1%
Guardian Ad Litem	24,734	24,734	24,134	-2%	-2%
Tax Court	1,599	1,580	1,650	3%	4%
Uniform Laws Commission	100	98	98	-2%	0%
Judicial Standards Board	935	884	1,202	29%	36%
Public Defense Board	130,163	129,452	131,952	1%	2%
Public Safety Department	184,962	156,530	153,370	-17%	-2%
Private Detective Board	241	240	240	0%	0%
Human Rights Department	6,728	6,682	6,342	-6%	-5%
Corrections Department	893,345	892,382	913,275	2%	2%
Sentencing Guidelines	1,179	1,172	1,172	-1%	0%
Total	**1,832,492**	**1,782,650**	**1,807,357**	**-1%**	**1%**

Supreme Court

This appropriation includes two lines of funding – one for Supreme Court operations and another for Civil Legal Services. The funding for Supreme Court operations was increased by $489,000 in the FY 2012-13 biennium, which was a request from the court to meet increasing costs for health insurance and pensions. The biennial total for operations is $61.217 million in FY 2012-13.

The funding for Civil Legal Services was reduced by $800,000 each year. This results in $22.032 in funds for fiscal years 2012-13. The total Supreme Court appropriation is $83.249 million in FY 2012-13.

Court of Appeals

The Appellate Court made a request similar to the Supreme Court for an increase in funds in order to meet higher insurance and pension costs. The result was an increase of $198,000 for the biennium, which provides the court with $20.334 million in funds during the FY 2012-13 biennium.

District Courts

The District Court (also known as the Trial Courts) received an increase in funds to deal with rising health care and pension costs as well, to the tune of an additional $6.063 million in the FY 2012-13 biennium. The spreadsheet reflects a reduction of funds as well, which is a result of new legislation that changes the way citizens can provide proof of insurance. The legislative change results in an estimated savings to the courts of $62,000 each year. The net effect of the increase and savings for the District Courts is a new funding level of $470.339 million in the FY 2012-13 biennium.

Tax Court

This court received an increase of $35,000 each year, resulting in $1.65 million in funds for fiscal years 2012-13.

Board of Judicial Standards

The Board made a request for a one-time increase of $290,000 in order to satisfy contractual obligations. The request was met in the final bill, with no other change in base funding which is $884,000 for the FY 2012-13 biennium.

Public Defense Board

The public defenders will see an increase in their appropriation for the FY 2012-13 biennium. The new funding level is $131.952 million, which includes an additional $1.25 million each year. This is an increase of approximately two percent.

Public Safety

The Public Safety Policy and Finance Committee is responsible for six programs in the Department of Public Safety (other programs in the agency are the responsibility of the Transportation Finance Committee). The final agreement resulted in a biennial appropriation of $153.37 million for these public safety programs. This is a decrease of $3.16 million in general fund money from the FY 2012-13 base. The changes include the following:

- A reduction to the Bureau of Criminal Apprehension. This results in a savings of $250,000 per year.
- Reduce Office of Justice programs by $1.33 million annually.

The Department of Public Safety also received funds in FY 2011 for disaster relief in Chapter 113 of 2011 Session Laws. There was a one-time appropriation of $2.043 million for the state match on costs related to 2009 spring flooding.

Private Detectives Board
There was no change in the base funding for this board, which will remain at $240,000 for the FY 2012-13 biennium.

POST Board
The base funding was reduced by $225,000 each year. This funding is from the special revenue fund and will be $7.54 million in the 2012-13 biennium.

Department of Corrections
The final bill as a biennial appropriation of $913.275 million in general funds, which is a decrease of $6.054 million from the FY 2012-13 base. The changes include the following:

- $1.35 million increase for chemical dependency treatment.
- $800,000 general reduction to Institutions.
- $1.826 million decrease for Institutions efficiencies.
- $70,000 in savings as a result of an increase placed on inmate co-pays for health care.
- $4.038 million reduction in Community Services.
- $670,000 reduction in the Operations Support budget.

Sentencing Guidelines
There is no change for funding levels in this program. The biennial total continues at $1.172 million for the 2012-13 fiscal years.

Human Rights Department
The Human Rights department received a five percent reduction in funding. This is a reduction of $170,000 each year for an appropriation of $6.342 million in FY 2012-13.

Uniform Laws Commission
This commission saw no change in its funding for the FY 2012-13 biennium, which will continue at $98,000 for both fiscal years.

Revenue Adjustments
The Public Safety and Judiciary bill contained some revenue adjustments. The following are all one time transfers to the general fund for FY 2012-13:

- $3.719 million from the Fire Safety account.
- $800,000 from the Department of Corrections.
- $1.2 million from the MINNCOR Revolving fund.

For additional information on public safety issues, contact Emily Adriaens at 296-7171 or emily.adriaens@house.mn.

State Government Finance

The omnibus State Government Finance bill (Laws 2011, First Special Session Chapter 10) authorized direct and open General Fund spending totaling $905 million. This amount is a decrease of $7.9 million, or one percent, from base. Most of the agencies in this committee received operating budget reductions, but these reductions were offset by increases to the departments of Military Affairs, Veterans Affairs, and Revenue. Chapter 10 also includes provisions expected to generate $86.1 million in new revenues, primarily from additional tax compliance and tax analytics initiatives in the Department of Revenue.

Constitutional Offices

Attorney General's Office (AGO)

The Attorney General's Office (AGO) received $42.2 million in direct appropriations from the General Fund, a reduction of $2.2 million, or five percent, from base.

In addition to the direct General Fund appropriation for the AGO, the office also receives funding through partner agreements with state agencies. Total budgeted general fund expenditures for partner agencies are $15.9 million for the biennium. Non-general fund expenditures for partner agreements are planned at $1.3 million.

Other Funds

$3.8 million is appropriated from the State Government Special Revenue Fund for services provided to health related licensing boards, a three percent increase over base. The AGO also received $290,000 from the Environmental Trust Fund and $500,000 from the Remediation Fund for investigating and prosecuting environmental crime and for responsibilities associated with insurance claims settlements and recovery associated with landfills in the landfill cleanup program.

Governor's Office

The Governor received $6.4 million to fund his own office, a total decrease of $336,000 or five percent, from the FY 2012-13 base level funding.

Chapter 10 also allows the Governor's Office to receive up to $720,000 each year from executive branch agencies for personnel costs incurred by certain activities of the office. This includes several policy advisors in the Governor's office that have a portion of their salary paid by other executive branch agencies

Secretary of State

The Secretary of State (SOS) received $10.9 million in direct appropriations from the General Fund for the biennium, a $370,000 or three percent reduction from base level funding. No reduction was applied to the elections portion of the office because of federal maintenance of effort requirements of the Help America Vote Act (HAVA).

The deficiency bill (Laws 2011, Chapter 113) included two one-time appropriations for the Secretary of State:

- $322,000 in FY 2011 to reimburse counties for costs incurred in the automatic recount of the 2010 Governor's race.

- $149,000 for a FY 2011 deficiency for court ordered payment of legal fees in the case of American Broadcasting Companies, Inc. et al v. Mark Ritchie.

State Auditor

The State Auditor's office received $17.3 million in direct general fund appropriations, a reduction of $910,000, or five percent, from FY 2012-13 base funding.

Legislature

Chapter 10 appropriates a total of $125.9 million for the operations of the Legislature. This is a reduction of $6.6 million, or five percent, from the FY 2012-13 base.

Legislature: General Fund Appropriations in Special Session Chapter 10
General Fund only, $ in thousands

	Base	Chapter 10 Appropriations	$ Change
House	58,682	55,748	-2,934
Senate	43,648	41,466	-2,182
Legislative Coordinating Commission	30,180	28,670	-1,510
Totals:	**132,510**	**125,884**	**-6,626**

In addition, $256,000 is appropriated from the Health Care Access Fund to the LCC for expenses of the Health Care Access Commission.

State Agencies

Department of Administration

The department's total authorized general fund spending is $43.5 million for the biennium. This is a reduction of $1.2 million, or three percent, from base. Funding for the operations of the department totals $35.9 million. The remaining general fund amounts are for grants to Public Broadcasting and for the state's Workers Compensation Reinsurance premium.

The majority of the funding for the department's activities comes from non-general fund activities of its major internal service and enterprise funds.

Government & Citizen Services

Chapter 10 authorizes total direct general fund spending of $32.7 million, a net reduction of $1 million from base. This program includes the State Architect's office, Plant Management, Real Estate Management, and the In-Lieu-of-Rent activity, which funds space costs for the Legislature, Governor's residence, Veterans Services organizations, and ceremonial spaces in the Capitol and the Capitol mall.

Other activities include Travel Management, the Information Policy Analysis office, the State Demographer, Land Management Information Center (LMIC), the Environmental Quality Board, and the State Archaeologist.

Non-General Fund activities:

In addition to these General Fund activities, significant non-general fund accounts include eight internal service and enterprise funds:

Internal Service Fund	Purpose	Projected FY 12-13 Expenditures
Central Motor Pool	Provides long-term rental vehicles and support services	$35.8 million
Surplus Services	Manages the disposal of state and federal surplus property	$2.85 million
Cooperative Purchasing	Makes various state contracts available to local government units	$26.7 million
Bookstore	Centralized publishing for state agency materials, and operation of the MN mailing list service	$2.8 million
Plant Management	Building and grounds operations for buildings under the custodial control of the department	$94.3 million
Central Mail	Metering and processing of mail in the Capitol complex	$18.4 million
Risk Management	Self-insurance company for the state's property and casualty insurance coverage	$26 million

Administrative / Management Services

The Legislature approved total General Fund spending of $3.3 million, a reduction of $172,000, or five percent, from base. This program includes the financial management and human resources functions for the department.

Public Broadcasting

State grant funds for Public Broadcasting are administered by the Department of Administration. Chapter 10 appropriate $3.6 million for these grants, which is a reduction of $278,000, or 7.2 percent, from base.

Public Broadcasting: General Fund Appropriations (dollars in thousands)			
Program	**Base**	**Appropriation**	**$ Change**
Public TV Matching Grants	2,226	2,114	(112)
Public TV Equipment Grants	380	380	0
total Public TV	**2,606**	**2,494**	**(112)**
AMPERS Public Radio Community Grants	556	528	(28)
AMPERS Public Radio Equipment Grants	194	184	(10
total AMPERS	**750**	**712**	**(38)**
MN Public Radio Equipment Grants	476	380	(96)
Twin Cities Regional Cable Channel	32	0	(32)

Explore Minnesota Tourism

The Legislature appropriated $17.5 million for Explore Minnesota Tourism, a five percent reduction from base.

Minnesota Historical Society

Chapter 10 authorizes total direct General Fund appropriations of $41.4 million, a 7.3 percent reduction from base. The Historical Society also will administer and estimated $10.6 million for the new grant-in-lieu-of credit program for preserving historic structures.

Minnesota Historical Society 2012-13 General Fund Appropriations (dollars in thousands)			
Program	**Base**	**Appropriation**	**$ Change**
Education & Outreach	25,192	23,336	-1,856
Preservation & Access	18,842	17,486	-1,356
Fiscal Agents	608	548	-60
Historic Structure Grants (open)	10,553	10,553	0
Total General Fund	**55,195**	**51,923**	**-3,272**

MN State Arts Board

Chapter 10 appropriates $15 million from the general fund to the State Arts Board. This is a $1.7 million or ten percent reduction from base.

Minnesota Arts Board: FY 2012-13 General Fund Appropriations (dollars in thousands)			
Program	**Base**	**Appropriation**	**$ Change**
Operations & Services	1,260	1,134	(126)
Grants Program	10,666	9,600	(1,066)
Regional Arts Council	4,754	4,278	(476)
Total Arts Board	**16,680**	**15,012**	**(1,668)**

Office of Enterprise Technology (OET)

Chapter 10 authorizes a direct General Fund appropriation of $10.4 million for this office, a cut of $546,000, or five percent, from the office's general fund base.

Non-General Fund activities

The majority of the non-general fund portion of OET is the Enterprise Technology Fund. Computer services and telecommunications management provided by OET are funded through state agency reimbursements to the agency's internal service fund.

Enterprise Technology Fund: FY 2012-13 Projected Expenditures *(dollars in thousands)*	
Computing Services	60,277
Telecomm Services	50,202
Enterprise IT Security	6,250
Customer Service & Management	14,718
Planning & Management	25,386
Technology Development	32,259
Total Enterprise Technology Fund	**189,092**

Chapter 10, Article 4 also requires all information technology related powers, duties, personnel and assets to be transferred to OET by October 1, 2011.

Minnesota Management & Budget (MMB)

MMB received a direct general fund appropriation of $36.5 million for the biennium, a reduction of $1.8 million or 4.6 percent, from current law. Funding for one new initiative was approved:

- $75,000 each year for new staff to implement the duties of the "Pay for Performance Program" pilot. MMB is authorized to administer a pilot program for contracts that compensate providers of services based on performance outcomes. $10 million in appropriation bonds is authorized to fund the provider payments. Services under these contracts must provide a Return on Investment through increased revenues or avoided state costs that will be sufficient to cover the estimated debt service on the bonds.

Department of Revenue

Chapter 10 includes a direct general fund appropriation of $274.1 million for the biennium, a net increase of $9.4 million, or 3.5 percent, from the base. This amount includes increased expenditures of $13.7 million for additional efforts to identify taxes owed to the state. The new spending is offset by $4.4 million in operating budget reductions to the compliance support portion of the department.

New Initiatives:

The Legislature approved $13.7 million to increase tax auditing and enforcement activities, including the use of tax analytics and business intelligence tools. Chapter 10 also authorizes the department to enter into reciprocal agreements with the federal government to collect additional revenues through the federal tax offset program.

These two initiatives are expected to generate $86.6 million in new revenues, for a net gain of $72.9 million for the General Fund.

Department of Revenue: New Initiatives *(dollars in thousands)*		
	FY 12-13	**FY 14-15**
New Expenditure	**13,719**	**16,936**
New Revenues		
Tax Analytics & Compliance	82,314	93,228
Federal Offset Program	4,300	7,600
Total New Revenues	**86,614**	**100,828**
	-	-
Net General Fund Gain	**72,895**	**83,892**

Operating Budget Reductions:

The $4.4 million in operating budget reductions will be spread across activities that would not directly impact the compliance efforts funded in previous sessions. Possible reductions include:

- Eliminating positions through attrition or layoff.
- Reduction to information services for taxpayers, local governments and tax practitioners.
- Restricting the purchase of information technology.
- Reducing rent costs through increased use of telecommuting.

Department of Military Affairs

The Legislature approved a direct General Fund appropriation of $41.7 million for the biennium, an increase of $3 million, or eight percent, over base funding. This funding level includes one change item:

- $3 million to keep funding for the tuition reimbursement program at 100 percent.

In addition to this direct General Fund appropriation, the Department has an open and standing appropriation for emergency services. Planned expenditures from this appropriation are $260,000 for the biennium.

Department of Veterans Affairs

The Legislature approved a direct General Fund appropriation of $116.3 million for this department, an increase of $2.8 million, or two percent, over base. Forecast spending for the Minnesota GI bill is $2.7 million, bringing total spending to $118.9 million.

Department of Veterans Affairs: FY 2012-13 General Fund Appropriations
(dollars in thousands)

Program	Base	Appropriation	$ Change
Veterans Services	25,668	27,558	1,890
Veterans Health Care (Homes)	87,832	88,732	900
MN GI Bill (open GF)	2,658	2,658	0
total Veterans Affairs	**116,158**	**118,948**	**2,790**

Approved increases include:

- $738,000 for operating costs of the 21-Bed specialty care / Alzheimer's unit at Fergus Falls
- $162,000 for the operations of the Adult Day Care program at the Minneapolis Veteran's Home
- $1.89 million to continue funding for the Higher Education Veterans Service Officers.

Small Agencies/ Boards

Office of Administrative Hearings (OAH)

This agency is supported mainly by the Workers' Compensation Special Fund and revolving fund revenues. Chapter 10 includes direct appropriations of $14.5 million for the biennium from the Workers Compensation Fund.

OAH also receives general fund appropriations for two smaller activities. The Legislature authorized $638,000 for activities, a $26,000 or four percent reduction from base:

- $508,000 for the Municipal Boundaries Adjustment unit, which was transferred to this office in 2005.
- $130,000 for Fair Campaign complaint hearings.

Campaign Finance and Public Disclosure Board

The Legislature approved a General Fund operating budget of $1.38 million, which is a decrease of $72,000, or five percent, from base funding.

Public Subsidy Program:
The Legislature did not make any changes to this program. Estimated funding for this program is $3.5 million for the biennium.

Capitol Area Architectural Planning Board (CAAPB)

Chapter 10 includes a direct appropriation of $50,000 for the CAAPB in the FY 2012-13 biennium. This is a five percent reduction to the Board's base funding.

Contingent Accounts

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

In addition to the General Fund appropriation, Chapter 10 also authorizes contingent appropriations of $800,000 from the State Government Special Revenue Fund, and $200,000 from the Workers Compensation Special Fund.

Humanities Commission

The Humanities Commission received $474,000 from the general fund for the biennium. This is a $26,000, or 5.2 percent reduction from base level funding.

MN Amateur Sports Commission (MASC)

The MASC received $496,000 for the biennium, which is a five percent reduction from base funding.

Public Facilities Authority

Chapter 10 eliminated the general fund appropriation of $172,000 for the Public Facilities Authority in the FY 2012-13 biennium. This funding was used to support PFA’s Small Cities Technical Assistance program.

The Public Facility Authority is funded almost exclusively non-general fund statutory appropriations.

Science Museum of Minnesota

Chapter 10 authorizes a $2.1 million grant to the Science Museum of Minnesota. This is $238,000, or ten percent, cut from base.

State Board of Investment (SBI)

The SBI is primarily funded through charges to each retirement plan for its share of the Board’s operations. The expected revenues and expenditures for this activity are $4.9 million for the biennium. A small general fund appropriation ($302,000) is used to fund the Board’s investment activities directly related to the General Fund itself.

Minority Councils
Chapter 10 includes $2.6 million from the General Fund for the four minority councils. These funding amounts are a five percent reduction from base funding.

Minority Councils: 2012-13 General Fund Appropriations (dollars in thousands)			
Program	**Base**	**Appropriation**	**$ Change**
Asian-Pacific Affairs	534	508	(26)
Black Minnesotans	614	584	(30)
Chicano-Latino Affairs	578	550	(28)
Indian Affairs	972	924	(48)
Total General Fund	**2,698**	**2,566**	**(132)**

Gambling Related Agencies

Lawful Gambling Control Board
The Gambling Control Board received a direct Special Revenue fund appropriation of $5.5 million for the biennium. This is a reduction of $400,000 from base, and reflects the decrease in lawful gambling activity in the state. The Board's activities are funded from a percentage (0.1 percent) of gross receipts on charitable gambling, and license/permit fees for manufacturers and distributors.

Lottery
The Legislature approved total operating expenses for the Lottery of $55.7 million for the biennium, with net proceeds estimated at $179.2 million. Total state proceeds are projected to be $271.2 million for the biennium, with $149.2 million in estimated General Fund revenues. These total revenues include the net proceeds, in-lieu-of-sales tax, and unclaimed prizes.

Lottery: Approved FY 2012-13 Budget *(dollars in thousands)*	
Gross Revenue	**1,002,404**
Direct Costs	767,504
Operating Expense	55,707
Net Proceeds	**179,193**

Minnesota Racing Commission
Chapter 10 includes a direct Special Revenue fund appropriation of $1.8 million for the biennium. The Commission's activities are directly funded through racetrack, racing, and occupational license fees, as well as reimbursements from the Canterbury Downs Racetrack for the cost of stewards, veterinarians, and laboratory services.

Public-Local Employees Retirement

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

- MN State Retirement System - $5.8 million for benefits paid to former legislators and elected officials.
- First Class City Teachers State Aid - a $37.25 million appropriation to reduce the unfunded liabilities of the St. Paul & Duluth teachers retirement funds and to the Teachers Retirement Association TRA) for the assumed liabilities of the Minneapolis Teachers Retirement Association.
- Public Employees Retirement Fund (PERA): The Minneapolis Employees Retirement Fund (MERF) - $45.5 million to reduce the plan's unfunded liability.

Provisions impacting all state agencies:

SEGIP Dependent Audit: Chapter 10, Article 3 requires the State Employee Group Insurance Plan (SEGIP) to enter into a contract for dependent eligibility verification audit services. MMB is required to reduce General Fund appropriations to state agencies by $1.7 million by June 30, 2013, to capture the estimated savings from this provision.

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

Transportation

The omnibus transportation finance bill, First Special Session, Chapter 3, authorized $4.7 billion in direct appropriations for the FY 2012-13 biennium. This represents a $340 million (7.8 percent) increase over the amount appropriated for transportation agencies for the FY 2010-11 biennium. This difference is due to increases in appropriations from the trunk highway, county state aid highway, and municipal state aid street funds.

General fund appropriations decreased from $166 million to $126 million between the two biennia. This represents a 24.7 percent reduction in comparison to the previous biennium and a 30.3 percent reduction in comparison to base. The table below includes a summary of the general fund appropriations for the Department of Transportation, Metropolitan Council Transit, and the transportation portion of the Department of Public Safety budget. Additional details by agency follow.

Transportation Policy and Finance Committee
Total General Fund Spending
(all dollars in thousands)

	February Forecast FY 10-11	Forecast Base FY 12-13	Enacted FY 12-13	Percent Change Enacted FY 12-13 vs. FY 10-11	Percentage Change Enacted vs. Base FY 12-13
Dept of Transportation	$30,648	$34,472	$31,674	3%	-8%
Met Council Transit	$119,674	$129,778	$78,076	-35%	-40%
Dept of Public Safety	$16,714	$15,908	$15,908	-5%	0%
Net GF Total	**$167,036**	**$180,158**	**$125,658**		

Department of Transportation

Unless otherwise noted below, budget activities for the Department of Transportation were funded at their base funding levels for the FY 2012-13 biennium.

- **Aeronautics:** $1.8 million increase in FY 2013 for grants and navigational aids. This increase spends down the balance in the state airports fund and is a one-time appropriation.

- **Transit**: $2.5 million decrease in the general fund appropriation in comparison to base for grants to greater Minnesota transit providers for the FY 2012-13 biennium. This reduction is a one-time reduction and represents a 7.8 percent reduction in comparison to base level funding.

- **Freight**: $49,000 decrease per fiscal year in the general fund appropriation in comparison to base. This was a Governor's recommendation and is related to the repeal of the hazardous materials provisions during the 2010 legislative session.

- **State Road Construction**: $43 million decrease in the trunk highway fund appropriation for fiscal year 2011 based on anticipated federal funds, and a $213 million increase in the trunk highway fund appropriation for the FY 2012-13 biennium. The increase for the FY 2012-13 biennium includes a $66 million increase due to federal fund changes, a $20 million deposit into the newly created trunk highway economic development account (discussed below), and an appropriation of $127 million to implement the Better Roads for a Better Minnesota program.

- **Trunk Highway Fund Debt Service:** $14.1 million increase in trunk highway fund debt service related to the Better Roads for a Better Minnesota program. No additional bonds were issued. Rather, the Department is planning to use bonds previously authorized but had not yet cash flowed.

- **Program Planning and Delivery**: Increase in the appropriation from the trunk highway fund by approximately $1.7 million for the 2012-2013 biennium and $1.5 million for the 2014-2015 biennium. Of this, $800,000 in fiscal year 2012 and $600,000 in each fiscal year thereafter is related to an increase in federal funding for state planning and research activities. The Department will use these funds for meeting additional federal reporting requirements and enhancing traffic data collection. In addition, an additional $130,000 was appropriated per fiscal year beginning in 2012 for the disadvantaged business enterprise collaborative. The $130,000 per fiscal year will be used for two additional FTE positions to administer the Department's Targeted Group Business Program.

- **Agency Services**: Increase in the appropriation from the trunk highway fund for agency services by $65,000 per fiscal year beginning in 2012. This increase is related to the increase for state planning and research activities discussed in detail directly above.

In addition to the budgetary changes noted above, there were two additional changes impacting the Department of Transportation's budget, including the creation of a trunk highway economic development account in First Special Session, Chapter 3 and the passage of 2011 Session, Chapter 44 related to waterfront structures. The trunk highway economic development account is a new account in the trunk highway fund. As noted above, a $20 million appropriation was made from the trunk highway fund to this account within the state road construction portion of the budget. The funding is for trunk highway construction, reconstruction, and improvements that will promote economic development. The legislation directs the Department of Transportation to develop a process for distributing the funds with 50 percent of the funds going to the metro area district and the remaining 50 percent going to greater Minnesota districts.

2011 Session, Chapter 44 expands the permit for commercial boat hauling to include the transportation of waterfront structures (e.g. portable docks and boat lifts). This expansion is expected to raise approximately $2,000 to $3,000 in additional revenue per year for the trunk highway fund.

Metropolitan Council

- **Bus Transit and Rail Operations**: $51.9 million reduction for the FY 2012-13 biennium in comparison to base. This represents a 39.9 percent reduction in the general fund appropriation in comparison to base and a 34.8 percent reduction in comparison to the previous biennium. The $51.9 million reduction is a one-time reduction and is not carried forward into the FY 2014-15 biennium.

  To help offset this reduction, First Special Session, Chapter 3 increases the Council's funding from the motor vehicle sales tax and mandates a required operating subsidy from the Counties Transit Improvement Board for fiscal years 2012 and 2013. Additional details on each of these financing mechanisms follow:

  1. Motor Vehicle Sales Tax: The Metropolitan Council will retain a greater portion of the motor vehicle sales tax revenues, and the suburban transit providers will receive less of the motor vehicle sales tax revenues. Suburban transit providers will be held at FY 2011 levels less $1.65 million per year. This equates to a reduction of approximately $7.2 million for the FY 2012-13 biennium for the suburban transit providers. Therefore, the Metropolitan Council is expected to receive an additional $7.2 million in motor vehicle sales tax revenues than anticipated.

  2. Operating Subsidy: The Counties Transit Improvement Board must fund at least 75 percent of the operating costs of transit ways that previously received operating grants through the Board.

- **Bonding for Capital Improvements: $**35 million in additional capacity to bond for transit capital improvements. These bonds are usually used to fund bus purchases and other capital expenditures not funded through the state's capital bonding process.

Department of Public Safety

The Department of Public Safety was funded at base levels for all direct appropriations. However, there were three changes to statutory appropriations and fees related to the Department. Those changes are highlighted below.

- First Special Session, Chapter 3 extends the sunset date of the of the driver and vehicle services technology fee. The fee will be extended to June 30, 2016 and will decrease to $1 beginning July 1, 2012 (currently the fee is set at $1.75). In addition, First Special Session, Chapter 3 authorizes a $7.1 million transfer from the driver services and vehicle services operating accounts to the driver and vehicle services technology account. The additional funding will be used for the Minnesota Licensing and Registration System (MnLARS), which is expected to cost between $90-$95 million to build.

- 2011 Session, Chapter 117 increases the filing fees on vehicle registration renewals and other types of vehicle transactions by $1.50. The fee increase is expected to generate approximately $2 million per year in state funds and approximately $7.5 million per year for deputy registrars. The additional state revenue generated by this fee increase will be deposited in the driver and vehicle services technology account for the MnLARS system.

- 2011 Session, Chapter 80 creates an anatomical gift account within the special revenue fund to collect the proceeds from an optional fee on specific driver and vehicle transactions. The optional fee is expected to generate $122,000 in FY 2012, and $244,000 each year after for anatomical gift education grants.

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

Taxes

State Revenue

Overview

The 2011 Regular Session and First Special Session produced several bills with significant changes to Minnesota laws governing state taxes. During the regular session, a federal conformity bill (Chapter 8), tax policy bill (Chapter 112), and an omnibus tax bill (Chapter 38) passed the Legislature but only the federal conformity bill and the tax policy bill were enacted into law. During the First Special Session, an omnibus tax bill (Chapter 7) was later enacted and signed into law.

Table A below shows the total net general fund tax revenue changes for each major tax bill during the 2011 regular and first special session compared to the general fund tax revenue base for the current biennium under current law. Each major bill had no more than plus or minus one percentage point change in the total net general fund tax revenue relative to current law.

Table A: 2011 Session - - Changes to General Fund Tax Revenue Base Dollars in Thousand and By Percent		
	Total Net Tax Revenue Change in FY 2012-13	
	Dollars	*Percent*
Current Law Base Tax & Non Tax Revenues Based on the 2011 February Forecast	*32,330,312*	*100.00%*
Regular Session: Chapter 8 (HF 79) - Federal Conformity Update	*5,470*	*0.02%*
Regular Session: Chapter 38 (Vetoed Omnibus Tax Bill/HF 42-3E) - Regular Session	*(202,714)*	*-0.63%*
Regular Session: Chapter 112 (HF 1219) – Tax Policy Bill	*No Fiscal Impact*	*No Fiscal Impact*
First Special Session: Chapter 7 (HF 20)- First Special Session	*(31,670)*	*-0.10%*

NOTE: Positive numbers show revenue gain, negative numbers show revenue loss

The vetoed omnibus tax bill, Chapter 38 in the 2011 regular session, contained tax revenue reductions for individual income, corporate taxes, sales tax, property tax, estate tax, and federal conformity update provisions such the increase in the standard deduction for married filers .[1] Setting that vetoed bill aside, the focus of this tax revenue summary will be on the provisions enacted in 2011 to date, Chapter 8 and Special Session Laws Chapter 7.[2]

[1] For detail about the state tax provisions in the vetoed omnibus tax bill, see spreadsheet for HF 42-3E.

[2] As of the end of the 2011 First Special Session, July 20, 2011.

Update to Federal Law. Minnesota tax calculations (for both individuals and corporate tax) start with federal taxable income (FTI). Any changes to federal law that change the definition of FTI requires that Minnesota either conform to the federal change or add a line on the Minnesota tax return to add back the difference.

In 2011, there were two federal conformity bills enacted. During the regular session in March 2011, Chapter 8 conformed Minnesota's individual income and corporate tax laws to most federal laws enacted since March 2010 for tax year 2010 only. Later in the same year in July 2011 during the First Special Session, Chapter 7 also was enacted and conformed to most federal law definitions changes through April 14, 2011 for tax year 2011 and following years. The four federal bills referenced in both federal conformity bills enacted in 2011 are:

- The Patient Protection & Affordable Care Act [Public Law 111-148] and The Reconciliation Act [Public Law 111-52];
- The Small Business Jobs Act [Public Law 111-240]; and
- The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 [Public Law 111-312].

Table B. Federal Conformity Fiscal Summary

2011 Session - - Federal Conformity Provisions Adopted	**Regular Session (Enacted March 2011)**			**1st Special Session (Enacted July 2011)**			**Total**		
	Chapter 8	**Chapter 8**	**Chapter 8**	**Chapter 7**	**Chapter 7**	**Chapter 7**	**Chapter 8 + Chapter 7**		
(Negative numbers represent revenue reductions or expenditures.)									
Description	**FY 11**	**FY 12-13**	**FY 14-15**	**FY 2011**	**FY 12-13**	**FY 14-15**	**FY 11**	**FY 12-13**	**FY 14-15**
The Patient Protection & Affordable Care Act & The Reconciliation Act [Public Law 111-148 & Public Law 111-152]									
Health Care Bills Total (Individual Income & Corporate Franchise Tax)	(350)	0	0	(1,930)	(8,370)	4,580	(2,280)	(8,370)	4,580
The Small Business Jobs Act (Public Law 111-240)									
Individual Income Tax Provisions	(530)	5,750	(7,560)	(200)	4,830	(1,015)	(730)	10,580	(8,575)
Corporate Tax Provisions	(1,450)	11,520	(13,500)	225	3,380	600	(1,225)	14,900	(12,900)
Small Business Jobs Act Total	(1,980)	17,270	(21,060)	25	8,210	(415)	(1,955)	25,480	(21,475)
The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (TRUIRJCA) [Public Law 111-312]									
Individual Income Tax Provisions	(8,405)	180	(1,765)	(5,900)	(41,415)	2,350	(14,305)	(41,235)	585
Corporate Tax Provisions	(2,360)	1,115	(3,695)	(4,340)	20,745	1,525	(6,700)	21,860	(2,170)
TRUIRJCA Act Total	(10,765)	1,295	(5,460)	(10,240)	(20,670)	3,875	(21,005)	(19,375)	(1,585)
All Federal Conformity Acts - Grand Total	***(13,095)***	***18,565***	***(26,520)***	***(12,145)***	***(20,830)***	***8,040***	***(25,240)***	***(2,265)***	***(18,480)***

As shown in Table B, the total revenue impact for both federal conformity bills (Chapter 8 - regular session and Chapter 7 -first special session) is estimated to reduce general fund tax revenue by $27.505 million from FY 11 to FY 13 and by $18.480 million in the FY 14-15 biennium. Federal conformity provisions adopted during the regular and special session with more than $1 million in annual revenue are highlighted in this summary and have been grouped into three categories: (1) Business Investment/ Development Incentives; (2) Education Incentives; and (3) other.

Business Investment and Development Tax Incentives:
Partial Conformity Treatment to Section 179 Expensing Amount (to $500,000) and Phase-out Threshold (to $2 Million) Increased. Also the Definition of Property Eligible for Section 179 Expensing Expanded. Minnesota did not fully conform to the expansion of the new federal limits for Section 179 expensing for tax year 2010 and 2011. Since 2005, Minnesota has never fully conformed to Section 179 expensing. Instead, Minnesota current law requires that taxpayers add-back 80 percent of the additional amount of expensing allowed at the federal level in the first year the property is placed in service and then deduct one-fifth of the amount added back in each of the five following tax years. This is known as Minnesota's partial conformity approach for expensing. This partial conformity approach takes place over six years versus regular depreciation over 10 years.

For small businesses, the partial conformity approach to Section 179 expensing shifts depreciation toward the early years of asset life which is expected to result in net tax savings to businesses relative to ordinary depreciation. In terms of impact to businesses, this tax provision is intended to encourage businesses to buy new and used equipment and make investments. In terms of impact to the state general fund, this partial conformity approach for tax year 2010 to tax year 2012 is estimated to generate $10.915 million in FY 2011 to FY 2013 and reduce $1.505 million in tax revenue in the FY 2014-15 biennium.[3]

Partial Conformity Treatment to the Extension of 50 Percent Bonus Depreciation to Tax Year 2010 to Tax Year 2013 with a Temporary 100 Percent Bonus Depreciation for Property Placed in Service after September 8, 2010 and before January 1, 2012. Similar to Section 179, Minnesota did not fully conform to the expansion for Bonus Depreciation. Instead, Minnesota current law requires taxpayers to add-back to taxable income 80 percent of the additional appreciation amount in the first year, and then subtract one-fifth of the amount added in each of the five following years.

Bonus Depreciation also benefits business taxpayers because it allows them to recover the costs of certain capital expenditures more quickly than under ordinary depreciation schedules by allowing those businesses to immediately write-off 50 percent or 100 percent of the cost of depreciable property placed in service. Capital equipment eligible for bonus depreciation applies to new equipment only. The partial conformity approach with the 80 percent add-back and 5-year recovery allows business to shift depreciation to the early years of asset life.
In terms of impact to the state general fund, this provision is estimated to generate $48. 9 million from FY 11 to FY 13 and is estimated to reduce tax revenue by $22.7 million in the FY 14-15 biennium.

The Special Rule for Long-Term Contract Accounting Authorized. This tax provision allows bonus depreciation to be separated out in long-term contracts for accounting purposes. This separation allows contractors that do not complete contracts within the same year in which they

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[3] The timing of the revenue gains or losses depends upon the class life of the property. The revenue gain to the state in the initial years is due to a smaller net deduction being allowed in those years, compared to depreciation.

are entered into to benefit from bonus depreciation. This provision is effective for property placed in service after December 31, 2009. To conform to this provision in tax year 2010 only, the estimated state general fund tax revenue reduction loss is $3.4 million in the FY 2012-13 biennium and $1.5 million in tax revenue loss in the FY 2014-15 biennium.

Increase in Allowable Deduction for Start-Up Expenditures. According to the Internal Revenue Service (IRS) website, this provision benefits taxpayers starting an active trade or business. Federal conformity to this provision at the state level increases the amount the taxpayer is allowed to elect as a deduction for start-up expenditures under section 196(b) for taxable years beginning after December 31, 2009. This provision allows up to $10,000 as a deduction for start-up expenditures, but requires a dollar –for-dollar reduction of the $10,000 deduction if the startup expenditures exceed $60,000. The general fund impact with federal conformity to this provision is estimated to reduce tax revenue by $1.350 million from FY 2011 to FY 2013 and increase tax revenue by $190,000 in the FY 2014-15 biennium.

Extension of Expensing of Brownfield's Environmental Remediation Costs . An example of a Brownfield site could include a former gas station, convenience stores, factories, dry cleaners, shooting ranges, paint stores, equipment yards. As an incentive to re-develop Brownfield sites, this federal tax conformity provision allows developers to use expensing for reporting and deducting the costs of remedial work at Brownfield sites in the year the costs were incurred. To conform to this provision for tax years 2010 and 2011, the estimated tax revenue reduction to the general fund is $3.030 million from FY 2011 to FY 2013 and a tax revenue gain of $550,000 in the FY 2014-15 biennium.

Extending the 15-Year Straight Line Depreciation for Leasehold, Restaurant and Retail Improvements and New Restaurants. This provision provides a 15-year depreciation period for improvements. This type of depreciation schedule is supported by the businesses because they view it as more closely reflecting the actual life of market practices. Without this provision, a depreciation schedule of 39 years is used. For property placed in service in tax year 2010 and 2011, the estimated state general fund tax revenue reduction is $3.3 million from FY 2011 to FY 2013 and $1.6 million in the FY 2014-15 biennium.

Extend the Exception Under Subpart F for Active Financing. This provision allows manufacturing and leasing companies to defer U.S. tax on overseas active business income until the income is transferred to the U.S. This provision is estimated to reduce general fund tax revenue by $2.5 million from FY 2011 to FY 2013 and this provision is not estimated to have any impact in the FY 2014-15 biennium.

Education Incentives

Deduction for Educator Classroom Expenses. With conformity to this provision, educators may deduct up to $250 of unreimbursed expenses that have been paid or incurred for books, supplies, computer equipment, other equipment, and supplementary materials used in the classroom from federal taxable income. To conform in tax year 2010 and tax year 2011, the estimated general fund tax revenue reduction is $2.1 million from FY 2011 to FY 2013 with no estimated tax revenue impact in the FY 2014-2015 biennium.[4]

Deduction for Qualified Tuition and Related Expenses. This deduction in the computation of income of up to $4,000 of qualified tuition is a tax benefit that may be used by the taxpayer, the taxpayer's spouse or a dependent. According to the IRS website, taxpayers are not required to itemize to take this deduction. To conform to these provisions in tax year 2010 and 2011, the estimated general fund tax revenue reduction is $8.7 million in the FY 2012-13 biennium. There is no estimated general fund impact in the FY 2014-15 biennium.

Exclusion of Employer Provided Education Assistance. The IRS defines *educational assistance* as the amount paid or incurred by the employers for its employee's education expenses with the income exclusion applying to educational assistance provided to employees under an educational assistance program. The maximum annual exclusion per employee is $5,250. To conform to this provision in tax years 2010 and 2011, the estimated general fund tax revenue reduction is $12.6 million in FY 2011 to FY 2013. There is no estimated general fund impact in the FY 2014-15 biennium.

Student Loan Interest Deduction, Increase the Income Phase-out with 60-Month Rule Waived. This provision increases the income phase-out allowed to be eligible for a deduction for the interest on student loans and allows an unlimited time period for the deduction of student loan interest. The maximum amount of student loan interest allowed to be claimed as a deduction is limited to $2,500. The deduction is limited by the taxpayer's total income. To deduct up to $2,500 in student loan interest, the taxpayer's income must be under $120,000 for married couples filing a joint return (which would have decreased to $70,000 without federal conformity). The estimated cost to conform to this provision is $11.2 million in the FY 2012-13 biennium and a zero estimated revenue impact in the FY 2014-15 biennium. The Minnesota Department of Revenue (DOR) estimates that this federal update provision could affect about 127,000 returns.

Other Incentives

Health Benefits to Children up to Age 26, Exclusion for Employer Provided Amounts. Under prior federal law, the income exclusion was limited to the following: (1) dependents who were under age 19; (2) students under age 24, or (3) permanent and totally disabled. By conforming to this federal provision, the value of health insurance benefits for adult children up to and including age 26 is deductible and may be excluded from income. The estimated tax revenue reduction loss for this provision is $10 million in FY 2011 to FY 2013 and $11.5 million in FY 2014-15 biennium.

Increase the Working Family Credit Phase-out Range for Married Joint Filers. The phase-out range for married filers filing a joint return will continue to be $5,000 more, plus inflation than the phase-out for the other filers in 2011. By conforming to the increased phase-out provision, the marriage penalty is reduced. This increased phase-out also mirrors a similar increase in the phase-out of the federal earned income credit. This provision affects tax year 2011 only and is

[4] The last time Minnesota adopted the educator expense deduction and the higher education tuition deduction was for tax year 2006 (affecting FY 2007). This provision was authorized in Chapter 1 (HF 8), 2007 session with federal conformity for tax year 2006 to the Federal Tax Relief & Health Care Act.

estimated to reduce general fund tax revenue by $15.8 million in FY 2012 with no revenue impact in the FY 2014-15 biennium. DOR data estimates that this federal update provision could affect about 41,000 returns.

Extends Increased Maximum Credit Amounts for the Dependent Care Credit and Extends Increased Credit Rates. The calculation of the state dependent care tax credit is based on the federal child and dependent care credit. To conform to this provision in tax years 2011 and 2012 is $4.6 million in the FY 2012-13 biennium and zero tax revenue impact in the FY 2014-15 biennium.

Extend the Authority for Individuals (age 70 ½ or older) to Transfer Up to $100,000 from a Traditional IRA or Roth IRA to Certain Public Charities and Exclude it from Income. To conform to this provision in tax year 2010 and 2011, the estimated tax revenue reduction is $3.230 million from FY 2011 to FY 2013 and $270,000 in the FY 2014-15 biennium.

Extends the Itemized Deduction for Mortgage Insurance Premiums. To conform to this provision in tax year 2011, the estimated tax revenue reduction is $2.0 million from FY 2011 to FY 2013 with no estimate revenue impact in the FY 2014-15 biennium.
Federal Conformity Provisions Not Adopted. Minnesota did not conform to all of the provisions in the four federal bills. Table C provides a fiscal summary of the federal conformity provisions not adopted (excluding the Section 179 Expensing and Bonus Depreciation provisions).

Table C. Summary of Federal Conformity Provisions Not Adopted

2011 Session - - Federal Conformity Provisions *Not Adopted*	**2011 First Special Session**		
	Chapter 7	**Chapter 7**	**Chapter 7**
(Negative numbers represent revenue reductions or expenditures.)			
Description	**FY 11**	**FY 12-13**	**FY 14-15**
***Federal Update:* The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (TRUIRJCA)**			
Repeal overall limitation on itemized deductions and phase-out of personal exemptions (tax year 2011, 2012)	0	(151,000)	0
Increase the Standard Deduction for Married Filers (tax years 2011 and 2012)	(14,300)	(103,500)	0
For working family credit, increase the phase-out range for married joint filers by $3,000, Indexed (tax year 2012)	0	(10,300)	0
For the working family credit, increase the phase-out range for married joint filers by and $2,000 to $5,000, indexed (tax year 2012)	0	(6,100)	0
TRUIRJCA Act Total (Individual Income & Corporate Franchise Tax)	**(14,300)**	**(270,900)**	**0**

Individual Income Tax, Estate Taxes & Insurance Taxes. Chapter 7 includes individual income tax estate tax and insurance tax provisions that impact the state general fund. Table D provides a fiscal summary of the revenue impact of these provisions.

<u>Non Resident Entertainer Tax Changes to Increase Transparency and Efficiency in Tax Year 2012.</u> Prior law requires nonresident entertainment promoters to withhold two percent from all compensation paid to those nonresident entertainers from the first dollar of income with a $120 nonrefundable credit allowed against the tax. Chapter 7 repeals the $120 credit and requires that a non resident entertainment promoter withhold 2 percent on the amounts above $600 that that the entertainment promoter pays the nonresident entertainer in a year. Nonresident entertainers who receive total compensation less than the individual filing requirements are exempt. In FY 2010, the net collections from nonresident entertainment withholding yielded about $1.3 million. The changes in Chapter 7 are estimated to result in a slight revenue gain of $28,000 in FY 2013 and $61,000 in the FY 2014-15 biennium. The Governor recommended an identical provision in his state taxes budget recommendations.

<u>Qualified Farm and Small Business Property Exclusion of $4 million for Tax Year 2011</u>. Under prior law, there was no exclusion on the Minnesota estate tax return for farm property or small business property. Chapter 7 allows the value of qualified farm property and small business property to be subtracted from the federal taxable estate for the purposes of calculating Minnesota adjusted taxable estate. The sum of the exclusion cannot exceed $4 million. This provision is effective for decedents dying after June 30, 2011. The estimated general fund revenue loss is $5.1 million in the FY12-13 biennium and $9.0 million in the FY 14-15 biennium.

<u>Nonadmitted Insurance Reform.</u> In response to the federal provisions of the Nonadmitted and Reinsurance Reform Act of 2010 (NRRA), Chapter 7 conforms to the federal law change by providing that insurance premiums tax is paid to Minnesota on 100 percent of the premium if the insured person is domiciled in Minnesota rather than on premiums paid to insure risk within Minnesota. The estimated general fund tax revenue gain is $1.3 million in FY 2012-13 and $1.8 million in FY 2014-15. This provision was originally recommended by the Governor in his state taxes budget.

Table D: Fiscal Tax Summary - Individual, Estate & Insurance Taxes			
2011 1st Special Session, Chapter 7	Effective	Dollars in Thousands	
		FY 2012-13	FY 2014-15
Non-Resident Entertainer Tax Changes	TY 2012	28	61
Qualified Property Exclusion of $4 million:			
Farm Property	TY 2011	(2,900)	(5,100)
Small Business Property	TY 2011	(2,200)	(3,900)
Subtotal - Qualified Property Exclusion		(5,100)	(9,000)
Federal Non Admitted Insurance Conformity	TY 2011	1,300	1,800
Total Individual Income, Estate & Insur. Taxes		**(3,772)**	**(7,139)**
Note: Negative numbers show revenue loss, positive numbers show revenue gain.			

Sales & Use Tax. Chapter 7 includes seven sales tax exemptions and two other sales tax provisions that impact both the state general fund and the legacy funds. The legacy fund impact for these provisions is discussed in the non general fund section. Table E provides a fiscal summary of the revenue impact of these provisions.

Exemption for Townships. Prior law required local units of government, except school districts, to pay sales or use tax on their purchases. Chapter 7 expands this exemption to also include townships. This exemption may be used for the construction and repair of township roads and bridges in addition to any operational purchases for township administration. This exemption does not apply to goods or services purchased by a township for activities that are generally provided by a private business and would be taxable if purchased by a private business engaged in the same activity. The estimated general fund tax revenue reduction for this provision is $1.7 million in the FY 2012-13 biennium and $2.2 million in the FY 2014-15 biennium.

Exempt Ring Tones. Under prior law, ring tones were a taxable service. The Governor recommended exempting ring tones to be in compliance with the Streamlined Sales and Use Tax Agreement definition of taxable telecommunication services. The estimated general fund tax revenue reduction for this provision is $355,000 in the FY 12-13 biennium and $390,000 in the FY 14-15 biennium.

Exempt Water Used for Public Safety. Water used directly in providing fire protection by a fire department, fire protection district, or fire company providing services to the state or political subdivision is exempt from sales and use tax. This provision is retroactive to June 30, 2007 but no refunds will be made for taxes paid on water used for fire protection before January 30, 2010.[5] The total estimated revenue reduction is $180,000 in the FY 2012-13 biennium and $115,000 in the FY 2014-15 biennium.

Exempt MN State High School League. From July 1, 2007 to June 30, 2011, there was a sales tax exemption for tickets or admissions to games, events and activities sponsored by the Minnesota State High School League. [6] Chapter 7 retroactively extends this exemption from July 1, 2011 to July 1, 2015. The estimated general fund tax revenue reduction with this extension is $1.240 million in the FY 2012-13 biennium and $1.255 million in the FY 2014-15 biennium.

Exempt Resale Ticket Purchases. Prior law required ticket resellers to collect and remit tax on the full sales price of the resold ticket. With this exemption in Chapter 7, ticket resellers are allowed to claim a refund or give the ticket purchaser a credit for any sales tax paid on the original ticket sale. This provision is intended to reduce the competitive advantage of ticket resellers that do not have nexus in Minnesota requiring them to collect sales tax on the full final retail price of the ticket. The estimated general fund tax revenue reduction with this exemption is $87,000 in FY 2012-13 biennium and $109,000 in the FY 2014-15 biennium.

Exempt Mining Production Materials. Current law allows mill liners, grinding rods and grinding balls consumed in the production of taconite to be exempt from sales tax. Chapter 7 broadens

[5] The Freeport City Council Meeting Minutes on May 25, 2010 noted that sales tax payments for 2006, 2007, and 2008 that pertained to invoices missing sales tax should be paid but disputed the sales tax for water used to fight fires, flush fire hydrants, and to clean out the water tower.
[6] 2006 Laws of Minnesota, Chapter 257, section 2.

this exemption to the production of all minerals, metal and other ores (non ferrous). The sales tax exemption for certain equipment used in processing of minerals is intended to provide sales tax treatment for the nonferrous mining industry equivalent to that provided to the taconite mining industry. This exemption is estimated to reduce general fund tax revenue by $49,000 in the FY2012-13 biennium and by $130,000 in the FY2014-15 biennium.

Exempt Data Centers. Chapter 7 authorizes a new sales tax exemption for computer software, enterprise information technology equipment and electricity purchased by a qualified data center.[7] This exemption is only provided to qualified data centers.[8] This exemption for equipment and software is administered as a refund with sales and purchases after June 30, 2012 qualifying for the exemption. However, there is a delay in the when this refund is paid. Refunds for this exemption will only be paid after June 30, 2013 (FY 2014). The total estimated revenue reduction is $28.0 million in the FY 2014-15 biennium.

On-line Travel Lodging Reservations Law Clarification. This provision clarifies how sales tax must be imposed on lodging and related services and that the tax is applicable to the full price and charges paid by the consumer, including any reservation services that are part of the transaction. That new statute clarifies that *accommodations intermediaries* will be required to collect and remit sales tax on the full amount charged for lodging services.[9] The total estimated revenue gain to the general fund with this provision is $8.6 million in the FY 2012-13 biennium and $10 million in the FY 2014-15 biennium. The Governor recommended an identical provision in his state taxes budget.

Sourcing Rules for Florists. Chapter 7 changes the sourcing rules for florist sales from destination-based to origins-based sourcing. This provision was included in the Governor's state tax budget recommendations . This provision is estimated to result in a tax revenue gain of $88,000 in the FY 2012-13 biennium and $109,000 in the FY 2014-15 biennium.

[7] Enterprise information technology equipment means computers and equipment supporting computing, networking, or data storage, including servers and routers.

[8] A definition of qualified data center is in Chapter 7 (HF 20), 2011 First Special Session, Article 3, section 7.

[9] Accommodations intermediary is an entity other than an accommodations provider, that facilitates the sale of lodging services and charges a room charge to the customer (Minn Statute 297A.61, subd. 47)

Table E: Fiscal Tax Summary - Sales & Use Taxes			
2011 1st Special Session, Chapter 7	Effective	Dollars in Thousands	
		FY 2012-13	FY 2014-15
Exempt Qualified Data Centers	7/1/2012*	0	(28,000)
Exempt Townships	10/1/2011	(1,700)	(2,200)
Exempt MN State High School League	7/1/2001	(1,240)	(1,255)
Exempt Ring Tones	10/1/2011	(355)	(390)
Exempt Water Used for Public Safety	7/1/2007**	(180)	(115)
Exempt Resale Ticket Purchases	10/1/2011	(87)	(109)
Exempt Mining Production Materials	10/1/2011	(49)	(130)
On-line Travel Lodging Reservations Law Clarified	DFE***	8,600	10,000
Sourcing Rules for Florists	10/1/2011	88	109
Total Sales & Use Taxes		**5,077**	**(22,090)**
Note: Negative numbers show revenue loss, positive numbers show revenue gain.			
*A refund equal to the tax paid must be paid to the qualified applicant on or after July 1, 2013.			
** No refunds may be made for amounts already paid on water purchased between June 30, 2007 and January 30, 2010			
*** Day following enactment			

Non General Fund Tax Provisions.

Exemption for Emergency Response Vehicles. Current law provides a sales tax exemption for the lease of motor vehicles used as ambulances and an exemption from motor vehicle sales tax (MVST) for the purchase of ambulances. Chapter 7 extends this exemption to also include the purchase or lease of motor vehicles used for emergency response. This exemption is estimated to reduce $9,000 from the Highway User Tax Distribution fund and $6,000 from the Transit Assistance Fund each year or a total revenue reduction of $30,000 for the FY 2012-13 biennium. This provision is permanent with tails impact in the FY 2014-15 biennium. This provision is not expected to impact the general fund.

Repeal Section 125 Health Insurance Credit in Tax Year 2012. Under prior law, the Health Care Access Fund (HCAF) reimbursed the general fund for any lost income tax revenue attributable to this credit. This credit was enacted in 2008 and was available to taxpayers who pay health insurance premiums for the first twelve months of coverage under a Section 125 plan administered by their employers, who did not have health insurance for a least a year prior to Section 125 coverage and who meet certain income restrictions. The Governor proposed repealing this credit in his state taxes budget. The rationale for the repeal was based on these reasons: (1) Eligibility for the credit was too narrow. In 2009, the credit was claimed by 122 taxpayers; and (2) the credit was complicated to administer for the both the state and the taxpayer.[10] The repeal of this credit has zero impact on the general fund with a $55,000 gain to the HCAF in FY 2013 and $125,000 in the FY 2014-15 biennium.

[10] Source: 2012-2013 Biennial Budget for State Taxes, March 18, 2011, page 10.

Exemption for Sales Tax Provisions. There were seven sales tax exemptions and two other sales tax provisions that result in an estimated tax revenue gain of $297,000 in the FY 2012-13 biennium and a revenue loss of $1.224 million in the FY 2012-14 biennium to the Legacy Fund.

Table F: Fiscal Tax Summary - Non General Fund			
2011 1st Special Session, Chapter 7	Fund	Dollars in Thousands	
		FY 2012-13	FY 2014-15
Repeal Section 125	HCAF	55	125
Exempt Emergency Response Vehicles Broadened	HUTDF	(18)	(18)
Exempt Emergency Response Vehicles Broadened	Transit	(12)	(12)
Exempt Qualified Data Centers	Legacy	0	(1,600)
Exempt Townships	Legacy	(100)	(120)
Exempt MN State High School League	Legacy	(70)	(70)
Exempt Ring Tones	Legacy	(20)	(20)
Exempt Water Used for Public Safety	Legacy	(10)	(6)
Exempt Resale Ticket Purchases	Legacy	(5)	(6)
Exempt Mining Production Materials	Legacy	(3)	(8)
One-line Travel Lodging Reservations Law Clarified	Legacy	500	600
Sourcing Rules for Florists	Legacy	5	6
Total Non General Fund Taxes		**322**	**(1,129)**
Note: Negative numbers show revenue loss, positive numbers show revenue gain.			

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Taxes

Aids and Credits

Chapters 13 and 112 of the 2011 Regular Session made numerous changes to Minnesota law governing property taxes and local aids with little fiscal impact, while Chapter 7 of the 2011 First Special Session made striking reductions in state general fund appropriations. As shown in Table 1, general fund appropriations for Property Tax Aids and Credits total $2.869 billion in FY 2012-13, a decrease of $632.6 million or -18.1 percent below the February 2011 forecast base of $3.502 billion. In FY 2014-15, appropriations shrink to $2.823 billion, a level slightly less (-1.6%) than FY 2012-13 funding, but significantly less (-21.5%) than the forecasted amount of $3.598 billion.

Table 1: Summary of 2011 Tax Act Expenditures
General Fund Expenditure Changes – Aids & Credits

Dollars in 000's	FY 2012	FY 2013	FY12-13	FY 2014	FY 2015	FY14-15
February Forecast 2011	$1,750,087	$1,751,939	**$3,502,026**	$1,782,684	$1,815,086	**$3,597,770**
Total Tax Expenditure Changes						
Chapter 13 Green Acres - General Fund	0	35	35	0	35	35
Chapter 112 Taxes Technical changes - General Fund	0	negligible	negligible	negligible	negligible	negligible
SS1, Chapter 7 Omnibus Taxes - General Fund	(249,533)	(383,100)	(632,633)	(383,542)	(391,144)	(774,686)
Total Tax Expenditure Changes Chps 13, 112 & 7, General Fund	**(249,533)**	**(383,065)**	**(632,598)**	**(383,542)**	**(391,109)**	**(774,651)**
Total General Fund Forecast Plus Expenditure Changes			**2,869,428**			**2,823,119**
Total % Change, Forecast Plus Expenditures Changes			**-18.06%**			**-21.53%**

Chapter 13 of the 2011 Regular Session modified Minnesota's Green Acres and Rural Preserve property tax programs, restoring many agricultural classifications to their pre-2008 status. Among other things it allows land removed from Green Acres to re-enroll, and land transferred to the rural preserve program to be considered as Green Acres lands until transfer. Counties are required to refund any additional taxes collected resulting from a withdrawal from the Green Acres program. Because additional preferred properties will receive tax deferral treatment, about $800,000 in property tax burden will shift to other properties in the jurisdiction, including homestead properties. As a result, property taxes for homeowners will increase, causing an increase in property tax refunds of $35,000 per year beginning in FY 2013.

Chapter 112 of the 2011 Regular Session –the Taxes Technical bill—contains many technical and noncontroversial policy changes with little or no fiscal impact. Some highlights include:

1) Extensions of the 2010 Jobs Bill—an additional six months for construction in housing development districts and an additional twelve months for construction in economic development districts, with extended authority to spend increments,
2) Tax increment modifications for the City of Ramsey (district boundaries), Cohasset (uses of tax increments), Lino Lakes (life of district and use of tax increments), and Sauk Rapids (adds parcels to district),
3) Expanding the definition of game birds and waterfowl under the term "agricultural products" by allowing game farms licensed under M.S. 97A.105 to qualify, and
4) Modifying homestead resort 1(c) requirements.

The overall impact of these modifications is negligible.

Chapter 7 of the 2011 First Special Session reflects the lion's share of budget reductions to help close Minnesota's multi-billion dollar FY 2012-13 general fund budget gap. Table 2 compares actual and anticipated spending for the six-year period, FY 2010-2015. Biennial appropriations of $2.869 billion in FY 2012-2013 reflect a 4.86 percent decrease below FY 2010-2011 spending levels. Then appropriations see another drop – 1.6 percent – in FY 2014-2015. This level of spending for Tax Aids & Credits was last experienced eight years ago, during the 2004-05 biennium.

A closer look at categories of spending reveals that all programs with significant funding, save one—the Homeowner Property Tax Refund—experienced a funding reduction in this budget cycle. Two programs, the Homestead Market Value Credit and the Wetlands Reimbursement Credit, face elimination in FY 2013. While the former of these will continue to provide homeowners with property tax relief through the creation of a Homestead Market Value Exclusion (administered at the local level), the state-paid reimbursement of the credit to local governments will cease. Other notable reductions include declines in Local Government Aid and County Program Aid. Finally, despite numerous cost-savings actions, modest one-time spending and other measures are included to help with Disaster Relief for damage in 2011 attributed to spring floods, storms and tornados in various locations throughout the state.

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

	February 2011 Forecast		Appropriations	% Change	% Change	Tails
	Spending in FY 2010-11	Base Funding FY 2012-13	SS1, Chapter 7 FY 2012-13	FY 2010-11 vs. SS1, FY 12-13	Base FY 12-13 vs SS1, FY 12-13	SS1, Chapter 7 FY 2014-15
Tax Refunds	**977,197**	**1,118,343**	**1,085,543**	**11.09%**	**-2.93%**	**1,175,921**
Homeowner Property Tax Refund	594,930	635,000	**664,800**	11.74%	4.69%	**761,600**
Renter Property Tax Refund	330,999	401,000	**374,700**	13.20%	-6.56%	**357,900**
Targeting Property Tax Refund	6,611	7,260	**7,260**	9.82%	0.00%	**11,220**
Sustainable Forest (SFIA) Payments	12,700	31,383	**6,883**	-45.80%	-78.07%	**8,201**
Political Contribution Refund	1,720	11,800	**0**	-100.00%	-100.00%	**12,000**
Tax Refund Interst	30,237	31,900	**31,900**	5.50%	0.00%	**25,000**
Local Aids	**1,311,298**	**1,493,340**	**1,217,021**	**-7.19%**	**-18.50%**	**1,224,646**
Local Government Aid (LGA)	913,203	1,056,850	**853,233**	-6.57%	-19.27%	**853,748**
County Program Aid (CPA)	360,718	395,814	**323,112**	-10.43%	-18.37%	**331,808**
Disparity Reduction Aid	34,512	37,600	**37,600**	8.95%	0.00%	**36,014**
Other Local Aids	2,865	3,076	**3,076**	7.36%	0.00%	**3,076**
Property Tax Credits	**451,722**	**596,019**	**230,651**	**-48.94%**	**-61.30%**	**65,472**
Homestead Market Value Credit	389,657	530,299	**165,044**	-57.64%	-68.88%	**0**
Agricultural Market Value Credit	47,230	47,708	**47,708**	1.01%	0.00%	**46,643**
Border City Disparity Credit	10,613	12,594	**12,594**	18.67%	0.00%	**12,424**
Other Credits	4,222	5,418	**5,305**	25.65%	-2.09%	**6,405**
Taconite Tax Relief Area	26,014	25,881	**25,881**	-0.51%	0.00%	**28,959**
Local Pension Aids	205,473	215,554	**215,554**	4.91%	0.00%	**228,603**
Other Expenditures	**44,198**	**52,889**	**94,744**	**114.36%**	**79.14%**	**99,482**
PILT Payments - DNR	43,601	50,998	50,828	16.58%	-0.33%	**51,432**
Disaster Relief 07 SS1 Chptr 2	131	-	**0**	-100.00%	--	-
Disaster Relief Chp 389, St Chs	250	-	**0**	--	--	**0**
Council on Results Chp 389	-	1,820	**1,820**	--	--	**1,790**
SS2 Flood Local Option Abtmt	216	71	71	--	--	**0**
Disaster Asst, Flood & Tornado	-	-	9,000	--	--	**0**
Studies: Tax Incid, Reciprcty, Estate	-	-	635			
Science & Tech Fund	-	-	500			
P Tax/Incm Tax interactions	-	-	31,890			**46,260**
Totals	**3,015,902**	**3,502,026**	**2,869,394**	**-4.86%**	**-18.06%**	**2,823,083**

Analysis Detail (Chapter 7, 1st SS)

	FY 2012-13	FY 2014-15
Modify the Homeowner Property Tax Refund	**$29.8 mil**	**$ 65.9 mil**

Homeowners in Minnesota may claim a property tax refund when their net property taxes are high relative to their income. Claimants' household income (tax year 2010, filed in calendar 2011) may not exceed $99,240 for filers with no dependents, up to $121,140 for households with five or more dependents, or $124,790 for senior or disabled homeowners with five or more dependents. The property tax refund is calculated using income, property taxes as a percentage of income and copayment factors, up to a maximum refund amount.

Effective for taxes payable in 2012 and beyond, Chapter 7, 2011 1st Special Session makes several changes in the homeowner property tax refund (PTR) by expanding income ranges at which maximum applies, reducing copayments, and increasing the maximum refund from $2,410 to $2,460. Based on approximately 410,000 claimants in the current year, the average refund for most claimants (89%) would increase by about $73. However, individual circumstances will vary with income, property taxes, family circumstances and location of residence, as shown below:

Homeowner Property Tax Refund Program

Chapter 7, 1st First Special Session Changes

Expand income ranges, reduce taxpayer copays and increase maximum refunds

	Pay 2011 / FY 2012		Pay 2012/ FY 2013		
	Feb 2011 Fcst # Claimants	Current Average $ Refund	# Claimants with Increased Refund	% Claimants with Increased Refund	Average $ Refund Increase
Gross Income Range					
$0 to $10,000	21,200	$1,281	4,000	18.9%	$75
$10,000 to $20,000	46,900	$991	32,500	69.3%	$80
$20,000 to $30,000	65,800	$863	64,000	97.3%	$81
$30,000 to $40,000	70,700	$736	70,500	99.7%	$78
$40,000 to $50,000	67,000	$669	66,900	99.9%	$73
$50,000 to $60,000	53,700	$603	53,600	99.8%	$86
$60,000 to $70,000	37,200	$567	35,800	96.2%	$58
$70,000 to $80,000	22,300	$531	20,200	90.6%	$62
Above $80,000	25,200	$474	17,100	67.9%	$60
Total	410,000	$743	364,600	88.9%	$73
County/Region					
Hennepin/Ramsey	148,900	$95	134,300	90.2%	$95
Other Metro	100,200	$77	92,400	92.2%	$77
Greater MN	160,900	$55	137,900	85.7%	$55
Total	410,000	$73	364,600	88.9%	$73
Claimant Category					
Senior/ Disabled	157,200	$75	140,900	89.6%	$75
Other	252,800	$72	223,700	88.5%	$72
Total	410,000	$73	364,600	88.9%	$73

The fiscal impact of this program change is a general fund cost of $29.8 million in FY 2013 and $65.9 million in the FY 2014-15 biennium.

Modify the Renter Property Tax Refund (Renter's Credit) ($ 26.3 mil) ($ 53.4 mil)

Current law allows a renter to receive a property tax refund when annual rent paid and property taxes are high relative to their income. Claimants' household income (tax year 2010, filed in calendar year 2011) may not exceed $53,540 for filers with no dependents, or up to $75,440 for households with five or more dependents. The amount of rent constituting property taxes is 19%, which is used to calculate a refund of up to $1,520.

Effective for tax year 2011 and beyond, Chapter 7, 2011 1st Special Session reduces the amount of rent constituting property taxes from 19% to 17%. No other parameters in the calculation were changed. Based on the more than 310,000 claimants in the current year, the average refund would decrease by about $85. However, individual circumstances will vary as shown below:

Renter Property Tax Refund
Current law @ 19% rent vs Tax Year 2011 @ 17% rent
Sample Calculations for Selected Taxpayers

	Current Law 19% Rent	New 2011 law 17% Rent	$ Change from Current Law	% Change from Current Law
Example 1: Taxpayer Income $15,000/ yr				
Single , Metro area	$1,296	$1,141	**($155)**	-12.0%
Single, Greater MN	$769	$669	**($100)**	-13.0%
Example 2: Taxpayer Income $30,000/ yr				
Couple, no children, Metro area	$753	$625	**($128)**	-17.0%
Couple, no children, Greater MN	$318	$236	**($82)**	-25.8%
Example 3: Taxpayer Income $41,000/ yr				
Senior Couple, Metro area	$472	$354	**($119)**	-25.1%
Senior Couple, Greater MN	$69	$0	**($69)**	-100.0%
Couple, one child, Metro area	$763	$619	**($144)**	-18.9%
Couple, one child, Greater MN	$315	$218	**($97)**	-30.8%

The fiscal impact of this program change is a general fund cost savings of $26.3 million in FY 2013 and $53.4 million in the FY 2014-15 biennium.

Reduce Sustainable Forest Incentive Act Payments ($24.5 mil) ($ 28.5 mil)
Counties are reimbursed for property taxes forgone when private landowners participate in a long-term forest management program in accordance with the Sustainable Forest Incentive Act (2001). In CY 2009/FY 2010, approved claimants enrolled just under 800,000 acres in the program and received a credit of $8.74 per acre. Then in CY 2010/FY 2011, about 1,700 property owners enrolled over 869,000 acres and received a credit of $15.67 per acre: a 79% per acre rate increase (unintended) attributable to a change in law from class 2b, timberland, to higher-valued class 2c, managed forest land. Chapter 7, 2011 1st Special Session reduces the per-acre payments to $7.00 per acre (a pre-FY 2008 level) and caps the annual payment at a maximum of $100,000, effective for aids payable in calendar year 2011 (FY 2012) and thereafter.

Suspend Political Contribution Refunds ($ 11.8 mil) $ -0-
The political contribution refund allows a taxpayer to claim a refund equal to the amount of the taxpayer's contributions made in the calendar year to candidates and to a political party. The maximum refund for an individual must not exceed $50 and for a married couple, filing jointly, must not exceed $100. In calendar year 2009, over 114,000 individuals received an average political contribution refund of $50. Due to budget constraints in 2009, refund provisions were

suspended for contributions made after June 30, 2009, and before July 1, 2011. Chapter 7, 2011 1st Special Session, suspends these refunds for an additional two years.

County Program Aid Reductions **($ 72.7 mil) ($ 64.0 mil)**

County Program Aid (CPA) provides general purpose aid to Minnesota's 87 counties to reduce property tax levies, based on the needs of the populations they serve relative to the size of their tax bases. County Program Aid (CPA) is distributed through two formulas—the need aid formula and the tax base equalization formula—which are roughly equal in size.

Chapter 7, 2011 1st Special Session, temporarily reduces each county's CPA payment in CY 2011 and CY 2012 to the lesser of its paid CY 2010 amount or its certified CY 2011 aid. The cost savings from this program change totals $36.3 million in each year. For CY 2013 and beyond, CPA appropriations are permanently reduced from $197.5 million to $165.5 million per year, a reduction of $32 million per year.

County Program Aid (LGA)
Chapter 7, 1st Special Session Reductions

	CPA Paid CY 10 / FY 11	Certified 2011 CY 11 / FY 12	CPA 1st SS CY 11 / FY 12	CPA 1st SS CY 12 / FY 13	% State Total
Metro[1] Counties	67,008,839	90,048,263	67,008,839	67,008,839	41.6%
Greater MN Counties	97,926,611	107,411,609	94,097,498	94,097,498	58.4%
State Total	$164,935,450	$197,459,872	$161,106,337	$161,106,337	100.0%

[1] Metro counties are Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.

Local Government Aid (LGA) Reductions **($ 203.6 mil) ($ 201.3 mil)**

Local Government Aid (LGA) provides general-purpose funding annually to 763 of Minnesota's 855 cities. LGA is funded by a standing appropriation, distributed according to "need factors" – measured differently for small cities (608 of which have a population less than 2,500 residents) versus large cities (155 cities with populations of 2,500 or more) - minus the "ability to pay" measured by cities' tax base.

Chapter 7, 2011 1st Special Session makes three changes to LGA provisions. First, for CY 2011 and CY 2012, it temporarily reduces the annual LGA appropriation for all cities from the baseline of $527.1 million to $425.3 million, a program decrease of $101.9 million per year. (This action mirrors the temporary LGA reduction made by the 2010 legislature for CY 2010/ FY 2011.) Payments to each eligible city in CY 2011 and CY 2012 will be the lesser of its paid CY 2010 aid (less one-time special payments to St. Paul and Coon Rapids) or its certified CY 2011 aids. The table below shows the extension these lower payment levels from CY 2010 into CY 2011 and CY 2012 by city category within the Metro and Non-Metro regions. Note that in CY 2010, $132.7 million or 31% of LGA payments were made to cities in the Metro while $293.7 million or 69% of LGA payments were made to cities in Greater Minnesota.

Local Government Aid (LGA)
Chapter 7, 1st Special Session Reductions

	LGA Paid CY 10 / FY 11	Certified 2011 CY 11 / FY 12	LGA 1st SS CY 11 / FY 12	LGA 1st SS CY 12 / FY 13	% State Total
Metro					
Center Cities	114,487,756	150,045,467	114,462,756	114,462,756	27%
Older Cities	11,787,241	23,320,888	11,787,241	11,787,241	
Diversified Cities	225,000	400,109	0	0	
High-income Suburbs	60,818	574,205	60,818	60,818	
High Growth Suburbs	37,441	812,412	37,441	37,441	
Small Cities	6,117,088	9,756,152	6,113,286	6,113,286	
Region total	**132,715,344**	**184,909,233**	**132,461,542**	**132,461,542**	31%
Non-Metro					
Major Cities	55,639,790	67,965,783	55,639,790	55,639,790	
Regional Centers	82,939,423	96,069,057	82,939,423	82,939,423	20%
Sub-regional Centers	15,856,012	19,676,243	15,846,852	15,846,852	
Urban Fringe	3,564,842	6,912,484	3,564,842	3,564,842	
Stable Rural	38,601,831	46,033,846	38,514,545	38,514,545	
Low-income Rural	82,964,104	91,548,295	82,660,184	82,553,220	19%
Cities < 500 ppl	14,156,666	13,985,705	13,718,170	13,718,170	
Region total	293,722,668	342,191,413	292,883,806	292,776,842	69%
State Total	**$426,438,012**	**$527,100,646**	**$425,345,348**	**$425,238,384**	100%

Source: LGA runs aidcredss11a, aidcredss12a, House Research, July 20, 2011

Second, the City of Houston will receive its CY 2011 LGA amount due to a one-time increase of $106,964 that was passed in the 2010 legislative session; in CY 2012, Houston's CY 2011 aid will be reduced by this one-time payment. Third, for CY 2013 and beyond, the LGA appropriation is permanently frozen at $426.4 million (the total amount paid for all cities in CY 2010), continuing the reduction of approximately $101 million per year.

Homestead Market Value Credit (MVC)
FY 2012 Reductions **($ 104.1 mil)**
FY 2013 Conversion to Homestead Market Value Exclusion **($ 261.2 mil) ($ 538.6 mil)**

The Homestead Market Value Credit appropriation reimburses taxing districts for property tax credits issued to residential homeowners. Under this program, qualified homeowners receive tax credits equal to 0.4 percent of the market value of the parcel up to a maximum of $304, subject to a phase-out of the credit beginning at $76,000 in market value and reaching zero credit for homes valued at $414,000 and above.

Chapter 7, 2011 1st Special Session significantly alters the Homestead Market Value Credit program. First, for CY 2011/ FY 2012, it reduces appropriations for all local governments except school districts from $203.4 million to $95.0 million, a 53% decrease. Again, this action mirrors the temporary MVC reduction made by the 2010 legislature for CY 2010/ FY 2011.

Market Value Homestead Credit (MVC)[1]
Chapter 7, 1st Special Session, FY 2012-13 Reductions

	MVC Paid CY 10 / FY 11	Certified 2011 CY 11 / FY 12	MVC 1st SS CY 11 / FY 12	MVC 1st SS CY 12 / FY 13
Metro[2]				
Counties	16,131,980	46,614,695	16,131,980	0
Cities	1,234,092	21,476,923	1,234,092	0
Greater Minnesota				
Counties	59,032,066	86,460,146	59,032,066	0
Cities	10,002,416	38,779,230	10,002,416	0
Towns / Special Districts	9,708,000	10,069,000	8,638,000	0
State Total	**$96,108,554**	**$203,399,994**	**$95,038,554**	**$0**

[1] MVC reductions for CY11 / FY 12 do not impact forecasted school district distributions of $70 million. For FY 2013 and beyond, absent some other levy decision by the district, total elimination of the MVC will result in property tax increases for some taxpayers.

[2] Metro counties are Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.

Source: MVC runs aidcredss11a, aidcredss12a, House Research, July 18 - 20, 2011

Second, for CY 2012/ FY 2013 and beyond, the MVC reimbursement to local governments and to school districts is eliminated and the credit for homeowners is converted to a homestead market value exclusion.

The goal of the Homestead Market Value Exclusion (MVE) is to continue to provide tax relief to homeowners but to eliminate the state as a middle-man that provides reimbursements to local governments. The MVE excludes a portion of each homestead's market value for purposes of determining its net tax capacity-based tax. The exclusion is equal to 40% of market value for homes valued up to $76,000. At $76,000 the exclusion is at its maximum of $30,400. For homes above $76,000 in market value, the exclusion would be $30,400 less nine percent of the valuation above $76,000, which diminishes to $0 at a value of $413,800. The exclusion mimics the formula for the market value homestead credit in current law as illustrated below:

CY 2012 Market Value Credit vs. CY 2012 Market Value Exclusion

Homestead Market Value	Homestead Market Value Credit[1]
$50,000	200
$76,000	304
$100,000	282
$200,000	192
$350,000	57
$413,778	0

Homestead Market Value	Homestead Market Value Exclusion	Adjusted Market Value After Exclusion[2]
$50,000	$20,000	$30,000
$76,000	$30,400	$45,600
$100,000	$28,240	$71,760
$200,000	$19,240	$180,760
$350,000	$5,740	$344,260
$413,778	$0	$413,778

[1] Credit is applied to gross property tax amount.
[2] Exclusion is subtracted from property taxable market value.

A sample calculation using a hypothetical homestead with a market value of $200,000 helps to clarify this change:

CY 2012 Homestead Property Tax, Market Value Credit v Market Value Exclusion
(Hypothetical example, assuming 1) No change in local taxes, and 2) Average 4.6% increase in local taxes)

		Market Value Credit	Market Value Exclusion - No chg local taxes	Market Value Exclusion - 4.6% incr local taxes
1	**Determine the property's taxable market value**			
	Market Value	$200,000	$200,000	$200,000
	For Exclusion, 40% of market value up to $76,000 $76,000 * 40% = $30,400	NA	-$30,400	-$30,400
	Then reduce exclusion by 9% for market value greater than $76,000 $200,000 - $76,000 = $124,000 $124,000 * 9% = $11,160	NA	$11,160	$11,160
1A	**Taxable Market Value**	**$200,000**	**$180,760**	**$180,760**
2	**Determine the class rate based on property type**			
2A	**Value up to $500,000**	**Residential: 1.0%**	**Residential: 1.0%**	**Residential: 1.0%**
3	Multiply taxable market value by class rate to obtain the **net tax capacity (NTC)**			
3A	**For values up to $500,000 (NTC) 1A x 2A = 3A**	**$2,000**	**$1,808**	**$1,808**
4	**Determine the total local tax rate**			
	County	40%	40%	41.9%
	City/town	30%	30%	31.5%
	School district	20%	20%	21.0%
	Special district	5%	5%	5.2%
4A	**Total Local Tax rate**	**95%**	**95%**	**99.6%**
5	**Multiply net tax capacity by total local tax rate to determine the gross tax**			
5A	**3A x 4A = 5A**	**$1,900**	**$1,718**	**$1,801**
6	Determine the Homestead Market Value Credit	$192	NA	NA
7	Subtract the homestead credit from the gross tax to obtain the net tax			
7A	5A - 6 = 7	$1,708	$1,718	$1,801

Assuming no changes in local tax levies, the MVE provides roughly the same amount of homeowner property tax relief ($182) as the MVC ($192). However, the assumption of no levy change is questionable. During FY 2011, over 3,700 jurisdictions—including 87 counties, 854 cities, 590 special districts, 337 school districts and over 1900 towns—received MVC reimbursements totaling $151.2 million. These FY 2011 reimbursements, reduced from their certified amounts, reflected only 53.7 percent of the $281.3 million originally forecasted for the program. Elimination of all MVC reimbursements in CY 2012/ FY 2013, absent some other local government decisions, will result in property tax increases for some tax payers.

Agricultural Market Value Credit ($ 1,000) $ 226,000

The Agricultural Market Value Credit (Ag MVC) appropriation reimburses taxing districts for property tax credits issued to owners of agricultural property minus the value of the house, garage and one acre of land. Applicants receive tax credits equal to 0.3 percent of the market value of the parcel up to a maximum of $345 subject to a phase-back of the credit beginning at $115,000 in market value and reaching a maximum of $230 for farms valued at $345,000 and above.

Chapter 7, 2011 1st Special Session provides that the Ag MVC will continue to be a state-paid credit. However, changes in the Homestead Market Value Credit (MVC) will create a secondary impact for the Ag MVC as follows:

1. FY 2012 reductions in MVC will trigger a $135,000 reduction in Ag MV to cities and counties, and
2. The repeal of the Homestead MVC's permanent reductions (effective in FY 2013) will trigger an increase in Agricultural Market Value Credit to cities and counties, $134,000 in FY 2013, $124,000 in FY 2014 and $102,000 in FY 2015.

Payments in Lieu of Taxes (PILT) ($ 170,000) ($ 790,000)

In an effort to support preservation of natural resources lands, counties receive payments for lost revenues attributable to the removal of tax-generating properties from their property tax inventories. These payments in-lieu of tax (PILT) payments are calculated using a formula that is adjusted annually for inflation.

Chapter 7, 2011 1st Special Session modifies the law to reflect calendar year 2011 (FY 2012) as the base year for the PILT calculation and removes the inflation adjustment, effective for aids payable in calendar year 2011 (FY 2012) and thereafter.

Eliminate the Wetlands Reimbursement Credit ($ 13,000) ($ 26,000)

Beginning in calendar year 2012 (FY 2013), Chapter 7, 2011 1st Special Session repeals the Wetlands Reimbursement Credit, eliminating payments to counties for lost revenue resulting from the exemption of land in a wetland preservation area (MS. 103F.612-616). In CY 2011, three counties (Cass, Dodge, and Traverse) participated in the program. The fiscal impact of this repeal is a cost savings of $13,000 in FY 2012-13 and a cost savings of $26,000 in FY 2014-15.

Changes to 4c classification requirements (HF 22) negligible negligible

Chapter 7, 2011 1st Special Session modifies the 4c property tax classification by adding a new category for resorts having 20 or fewer rental units, occupancy less than 250 days per year and a location in a non-metro municipality of less than 2,500 residents that contains a portion of a Department of Natural Resources-administered state trail. Only a few properties are expected to qualify for this new provision, shifting the tax burden from preferred properties to other classes. The property tax refund impact is negligible.

Modify Homestead Market Value Exclusion for spouses and caregivers of disabled veterans and spouses of active duty service members killed in action. ($ 100,000) ($ 430,000)

Previously, a surviving spouse of a disabled veteran was eligible to carry forward a qualifying property tax exclusion for one additional assessment year. Chapter 7, 2011 1st Special Session modifies the market value exclusion law for surviving spouses as follows:

1) Extends for 5 years a market value exclusion for the surviving spouse -

   Chapter 7 extends the exclusion for five additional years and includes all homesteads that initially qualified for the program (retroactive to 2008 assessment). Surviving spouses who are first out of the program for taxes payable 2011 would not receive abatement for property taxes paid for that year. The exclusion becomes null and void when the spouse remarries or sells, transfers or otherwise disposes of the property.
2) Primary Family caregivers become eligible for market value exclusion (joining the surviving spouse provisions) in assessment year 2012 and thereafter.
3) The spouse of service member killed in active duty becomes eligible for a market value exclusion of up to $300,000 (same as the surviving spouse provisions) in assessment year 2012 and thereafter. The exclusion becomes null and void when the spouse remarries or sells, transfers or otherwise disposes of the property.

The fiscal impact of these changes shifts property taxes from preferred properties to all other property types. Lower homestead property taxes for qualifying households would reduce net property tax refunds, creating a savings to the state general fund. More specifically:

1) For surviving spouses, the average state savings per homestead with a disability rating of 100% is estimated to be $420, creating a property tax refund savings of $100,000 for FY 2013, $160,000 for FY 2014 and $230,000 for FY 2015.
2) For primary family caregivers, the average state savings per homestead with a disability rating of 70% or higher is estimated to be $430, creating a property tax refund savings of $10,000 in FY 2014 and $25,000 in FY 2015.
3) For spouses of service members killed in active duty, the average state savings per homestead would be negligible for taxes payable in 2012 (property tax refund year, FY 2014).

County Maintenance of Effort Requirement reduced to 90 percent $ -0- $ -0-

Effective for calendar year 2012 and beyond Chapter 7, 2011 1st Special Session permanently reduces county maintenance of effort (MOE) requirements for regional libraries (MS 134.34),

mental health services (MS 245.4835), child welfare targeted case management (MS 256F.10), and family service collaborative (MS 256F.13) to 90 percent of the amount required for year 2011. The law does not permit an MOE reduction if it causes the state to incur additional costs or triggers a reduction in federal funds for the county or state. The Commissioner of Management and Budget may determine which MOE requirements are not permitted and in doing so, shall publish the determinations on the department's website.
In calendar 2009, the county share of MOE costs were estimated as follows: 1) Regional libraries - $97.2 million, 2) mental health services - $119.9 million, 3) Child welfare targeted case management - $69.4 million, and 4) family service collaboratives – amount not available. This provision has no impact on state funds.

Local governments prohibited from spending public funds to promote local sales tax referendum
Chapter 7, 2011 1st Special Session adds a new provision that prohibits a local government from spending money on the promotion of a local sales tax referendum, but allows the expenditure of funds to conduct the vote. This provision has no impact on state funds.

Personal property of electric generation facility exemption $ -0- $ -0-
Chapter 7, 2011 1st Special Session provides a property tax exemption for the attached machinery of an electric generation facility proposed to be built in the City of Fairmont. The facility is to be designed to utilize natural gas as a primary fuel and, among other things, is to have received approval of the governing body of the city and county for the exemption of personal property covered by this law change. Construction must begin after December 31, 2011, and before January 1, 2015.

Increase holding period from 8 to 9 yrs for property for economic development negligible negligible
Previously, the holding period for property held by a governmental unit for economic development purposes (to be exempt from property taxes) was 8 years, or if the property was in a city of less than 5,000 residents located in a non-metro county, 15 years. Chapter 7, 2011 1st Special Session extends the holding period for most political subdivisions from eight years to nine years. With a small number of additional properties anticipated, the fiscal impact of this change is negligible.

City of Minneapolis - Expand housing replacement TIF district to include disaster damaged parcels $ -0- $ -0-

Chapter 7, 2011 1st Special Session authorizes the City of Minneapolis, under its housing replacement TIF district, to designate up to 200 additional parcels located in the area designated as the FEMA-1990-DR disaster area that suffered damage from the June tornado. This authority is a one-time increase and would not permanently increase the district's current 500 parcel limit. Approval by the City of Minneapolis is required. This provision has no state fiscal impact.
City of Minneapolis –36-month exemption from TIF pooling limits for disaster assistance
Chapter 7, 2011 1st Special Session grants the City of Minneapolis a 36-month exemption from the general law limits on spending tax increments for activities outside of a district's geographic

area (pooling provisions) to be used for disaster response in conjunction with the June 2011 tornado. The exemption may be used to:

1. Assist individuals and businesses to reconstruct or rehabilitate buildings or facilities damaged in the disaster, through loans, interest rate subsidies or other assistance, and
2. Pay for the city's recovery costs, such as property acquisition and demolition related to disaster, and related administrative costs.

Prior to the expenditure of funds, the city must write spending plan, publish notice for and then hold a public hearing, and then approve the plan.

Tornado and Disaster relief abatement for homesteads in Anoka and Hennepin Counties **$ -0-** **$ -0-**

Current law allows a county board to grant an abatement of net taxes for destroyed homestead and non-homestead property when 1) the damage covers 50 percent or more of the property, and 2) the owner submits a written request to the appropriate county officials.
Chapter 7, 2011, 1st Special Session expands this provision by authorizing Anoka and Hennepin Counties to grant property tax abatements for taxes payable in 2011 (one year) to homes that sustained a loss in value due to the May 22, 2011 tornadoes, but that loss was insufficient to meet the 50 percent threshold. The abatement is limited to the difference between (i) the net tax on the property computed using the market value of the property established for the January 2 assessment in the year in which the damage occurred, and (ii) the net tax computed using the reassessed value. Homes receiving abatements under this provision will be ineligible to receive a disaster credit for taxes payable in 2012.
The state will reimburse Anoka and Hennepin Counties for abatements authorized under this provision. Appropriations are estimated at $160,000 in FY 2012 and ($160,000) in FY 2013.

Local Option Sales Tax provisions **$ -0-** **$ -0-**
Special provisions are required in Minnesota law for a local government to impose a local sales and use tax. Similarly, if a local government desires an extension or modified use of an existing local sales tax, the law must be modified to reflect those changes. Chapter 7, 2011, 1st Special Session authorizes the following new local option sales taxes for the cities of:

- Cloquet — 0.5% + flat $20 motor vehicle tax on local dealer sales
- Fergus Falls — 0.5%
- Hutchinson — 0.5% + flat $20 motor vehicle tax on local dealer sales
- Lanesboro — 0.5%
- Marshall — 0.5%
- Medford — 0.5%

It also authorizes the following changes in existing law for the cities of:

- Clearwater — Expands authorized uses to include projects in the city's original 2008 request

o	Hermantown	Modifies existing rate from 0.5% to 1.0%
o	Rochester	Extends the existing tax to December 31, 2012, to allow time before the required referendum during the 2012 general election. If approved the tax will be extended to until revenues are raised to cover $139.5 million in new projects plus related bond costs.

In addition, for the Hennepin County ballpark tax, the law is modified to include a definition of "reserves adequate to meet future obligations", which imposes a limit on the amount of reserves that may be used to fund obligations enumerated in the original law.

Other Appropriations

Chapter 7, 2011, 1st Special Session makes the following appropriations

- **Minnesota –Wisconsin**
  Income Tax Benchmark study **$ 605,000** **$ -0-**
  Directs the Department of Revenue, in conjunction with the Wisconsin Department of Revenue, to conduct a study to determine the tax revenue impact for each state if an income tax reciprocity agreement existed. Data from 2011 income tax returns would be used. A total of $605,000 ($291,000 in FY 2012 and $314,000 in FY 2013) is appropriated for this purpose.
- **Tax Incidence study**
  requirements modified **$ 30,000** **$ -0-**
  Expands the charge of the Department of Revenue's Tax Incidence Study to include information on the distribution of federal taxes paid by Minnesota residents. The report, presented to the legislature in March of odd-numbered years, will contain this new information beginning with the study due in March of 2013. An appropriation of $30,000 over the FY 2012-13 biennium is included for this purpose.
- **Creates and funds the**
  Science & Technology Fund **$ 500,000** **$ -0-**
  Creates a new science and technology program to encourage technology start-up businesses, creates the Minnesota Science and Technology Fund as a special revenue fund in the state treasury and appropriates $500,000 from the general fund to the Minnesota Science and Technology Fund for FY2012. This appropriation carries over to FY 2013 if needed, notwithstanding expenditures in section 8, which allows up to $107,000 to be used for administrative expenses.

Property Tax Refund interactions/ Income Tax interactions **$ 31.89 mil** **$ 46.26 mil**
Provisions that change property taxes paid on residential homesteads (including farm homesteads) are assumed to change the amount homeowners receive in property tax refunds. Likewise, changes in property taxes paid on residential, agricultural or business property are assumed to impact the property tax deduction amount these taxpayers claim on their income tax return. Chapter 7, 2011 1st Special Session reduces many property tax aid and credit programs

(which increase local property taxes), but also increases homeowner property tax refunds (which decrease overall local property taxes). For property tax refund interactions, the net impact of these changes is estimated to be $15.75 million in FY 2012-2013 and $22.55 million in FY 2014-2015. For income tax interactions, the net impact is estimated to be $16.15 million and $23.71 million respectively.

Other Studies and Reports (in addition to those listed under Other Appropriations)

Estate Tax study

Chapter 7, 2011 1st Special Session requires the Commissioner of Revenue to prepare a study that evaluates the estate tax using standard tax policy methods and that examines revenue neutral ways to restructure or replace the tax. A report to the legislature is due by February 1, 2013.

Property Tax Working Group

Chapter 7, 2011 1st Special Session removes the Commissioner of Revenue as a member of the working group and extends the due date of the final report by one year, from February 1, 2012, to February 1, 2013.

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

Changes in Fees, Fines, Penalities and Surcharges in 2011 Legislation

Dollars in thousands

Agency	Description	Fund	FY 2012	FY 2103	FY 2012-13	FY 20134	FY 2015	FY 2104-15	2011 Act
Health & Human Services									
DHS	Restructure DHS Licensing Programs and Fee Increase	SGSR	900	900	1,800	900	900	1,800	SS Ch 9
MDH	Well Program Fee Change	SGSR	300	300	600	300	300	600	SS Ch 9
Chrp Bd	Animal Chiropractic Fee	SGSR	6	6	12	6	6	12	SS Ch 9
Phrm Bd	Pharmacy Board Fee Increase	SGSR	364	364	728	364	364	728	SS Ch 9
DHS	Child Support Recovery Fee	GF	519	1,100	1,619	1,100	1,100	2,200	SS Ch 9
DHS	Sex Offender Program County Share Increased from 10% to 20%	GF	500	1,516	2,016	2,534	3,591	6,125	SS Ch 9
Agriculture									
Ag	ACCRA Surcharge Change	Ag	2	2	4	2	2	4	Ch 14
Environment & Energy									
DNR	Invasive Species Training Provider Fee	NR	41	7	48	7	7	14	Ch 107
DNR	Off Road Vehicle Non Resident Fee	NR	4	8	12	8	8	16	Ch 107
DNR	Environmental Assessment Worksheet-Ethanol Plant Expansion	Env	-40	-40	-80	-40	-40	-80	Ch 107
PCA	Environmental Assessment Worksheet Change	Env	-40	-40	-80	-40	-40	-80	SS Ch 2
PCA	Wastewater Certification & Training	SGSR	27	27	54	27	27	54	SS Ch 2
Commerce	Expedited Decision Making	GF	176	176	352	176	176	352	SS Ch 2
Commerce	Assessments for New Financial Examiners	GF	350	350	700	350	350	700	SS Ch 2
PUC	Assessments for Expedited Decision Making	GF	750	750	1,500	750	750	1,500	SS Ch 2
Public Safety & Judiciary									
DPS	Microbrewery Licensing Fee	SR	5	10	15	10	10	20	Ch 55
DOC	Inmate Co-Pay Increase	SR	35	35	70	35	35	70	SS Ch 1
	Prostitution Penalities	SR	46	46	92	46	46	92	SS Ch 1
Courts	In Forma Pauperis Payments	GF	916	916	1,832	916	916	1,832	SS Ch 1
Transportation									
DOT	Transporting Waterfront Structure Fee	THF	2	2	4	2	2	4	Ch 44
DOT	Motor Vehicle Fee Increase of $1.50 for Driver & Vehicle Services Information System	SR	1,965	1,965	3,930	1,965	1,965	3,930	Ch 117
DPS	Driver & Vehicle Services Technology Fee - Extension at $1.00	SR	0	7,657	7,657	7,657	7,657	15,314	SS Ch 3
	Motor Vehicle Fee Increase for Deputy Registrars (not added into state totals)		*7,453*	*7,453*	*14,906*	*7,453*	*7,453*	*14,906*	*Ch 117*
Jobs & Economic Development									
DOLI	Extension of Fixed Rate Permit Surcharge	CC	1,200	1,200	2,400	0	0	0	SS Ch 3
DOLI	License Consistency	CC	68	31	99	63	37	100	SS Ch 3
DOLI	Manufactured Home Inspection Modifications	CC	-108	-108	-216	-108	-108	-216	SS Ch 3
Com Sprts	Combative Sports Commission Fee Increases	SR	49	49	98	49	49	98	SS Ch 3

No fee changes in Education, Higher Education, State Government or Taxes.

Summary by Fund

Description	Fund	FY 2012	FY 2103	FY 2012-13	FY 20134	FY 2015	FY 2104-15
General Fund	GF	3,211	4,808	8,019	5,826	6,883	12,709
Special Revenue Fund	SR	2,100	9,762	11,862	9,762	9,762	19,524
State Government Special Revenue Fund	SGSR	1,597	1,597	3,194	1,597	1,597	3,194
Construction Codes Fund	CC	1,160	1,123	2,283	-45	-71	-116
Trunk Highway Fund	THF	2	2	4	2	2	4
Environmental Fund	Env	-80	-80	-160	-80	-80	-160
Natural Resources Fund	NR	45	15	60	15	15	30
Agricultural Fund	Ag	2	2	4	2	2	4
	Total	8,037	17,229	25,266	17,079	18,110	35,189

Other Notes:

Ch 14	Wholesale produce dealers fee is moved from the general fund to the agricultural fund but no change is made to the fee amount.
Ch 97	New fee authorization in Ch 97, Sec. 26 of up to $1 million per year for Commerce Dept. replaces fee in M.S. 216C.052, Subd. 2 repealed in Ch. 97, Sec. 34.
SS Ch 2	DNR campground and water fee revenues are transferred from the general fund to the natural resources fund but no change in fee amounts.