

**Fiscal Analysis Department**  
Minnesota House of Representatives

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**A SUMMARY OF  
THE FISCAL ACTIONS  
OF THE  
2015 LEGISLATURE**

Money Matters 15.01  
July 2015

*This document is a summary of 2015 legislation with fiscal implications. Part One describes the overall budget picture while Part Two gives detailed analysis organized by conference committee jurisdiction. Contact information for the Fiscal Analyst who wrote the summary can be found at the end of each section.*

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## The Overall Budget Picture

In contrast to recent years, the budget situation facing the 2015 Legislature was positive. The February 2015 state budget forecast projected a general fund balance of \$1.867 billion on June 30, 2017. That forecast was based on the current law level of revenues and expenditures. Of the \$1.867 billion, \$475.9 million was a balance carried forward from the end of the FY 2014-15 biennium.

The 2015 Legislature enacted two fiscal bills prior to the release of the February 2015 budget forecast. Table 1 below shows the fiscal effects of 2015 Laws, Chapter 1, a bill conforming state tax law with certain federal tax laws changes that had recently been enacted and also making changes in the formula for funding the Destination Medical Center (DMC) project in Rochester, and of 2015 Laws, Chapter 2, a bill providing funding for disaster relief related to flooding in summer 2014. The fiscal effects of these bills were already built into the February 2015 budget forecast.

Table 1 2015 Session Legislative Actions Prior to February 2015 Forecast Dollars in millions					
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Chapter 1 - Tax Conformity					
Tax Revenue Change	-19,905	22,400	-1,430	-13,585	-18,890
Spending Change (DMC)	0	0	0	5,593	11,185
Chapter 2 - Disaster Assistance	2,246	0	0	0	0
Total Net Cost - Chapters 1 & 2	22,151	-22,400	1,430	19,178	30,075
<small>(Net cost is spending minus revenue loss)</small>					

For the FY 2016-17 biennium, the February 2015 budget forecast projected biennial revenue of \$42.497 billion and spending of \$41.128 billion. For FY 2014-15, the forecast projected a budget balance of \$475.9 million that would carry forward as resources in FY 2016-17. The reserve account for the Vikings Stadium-related payments is projected to be drawn down by \$23.1 million. Those numbers result in the projected June 30, 2017 budget balance of \$1.867 billion.

For FY 2018-19, the February forecast projected that revenues would be \$46.266 billion and spending would be \$43.081 billion. The cumulative balance on June 30, 2019 would be \$5.058 billion.

Table 2 illustrates the general fund budget situation as outlined in the February 2015 state budget forecast.

Table 2 General Fund Budget Situation - February 2015 Forecast Dollars in millions			
	<u>FY 2014-15</u>	<u>FY 2016-17</u>	<u>FY 2018-19</u>
Beginning Balance	705,444	475,880	1,867,389
Revenue/Other Resources	39,438,431	42,496,797	46,265,594
Total Resources Available	40,143,875	42,972,677	48,132,983
Expenditures	39,300,150	41,128,425	43,081,234
Change in Reserves	367,845	-23,137	-6,840
Balance	475,880	1,867,389	5,058,589

Bills enacted during the 2015 Legislative session and the 2015 First Special Session made changes in spending for FY 2015 (the current biennium) and changes to both spending and revenue for FY 2016-17.

Table 3 shows that general fund spending was increased by a net \$428.8 million in FY 2015. The FY 2015 spending changes can be grouped into three categories: (1) \$15.846 million of spending for deficiencies or shortfalls in FY 2015, (2) \$42.071 million of cancellations of appropriations originally made for FY 2015, and (3) a \$455.0 million transfer to the Health Care Access Fund that would be spent later.

Table 3			
Budget Comparison - FY 2014-15 Biennium - February Forecast versus End of Session			
Dollars in thousands			
	Feb. 2015 <u>Forecast</u>	End of 2015 <u>Session</u>	<u>Percent Change</u>
<b>FY 2014-15</b>			
Balance Forward	705,444	705,444	
Forecasted Revenues	39,438,431	39,438,431	
Revenue Changes	0	0	
Net Resources	40,143,875	40,143,875	0.0%
Forecasted Spending	39,300,150	39,300,150	
Spending Changes	0	428,975	
Net Spending	39,300,150	39,729,125	1.1%
Changes in Reserves	367,845	367,845	
Balance	475,880	46,905	

Table 4 shows the FY 2015 spending changes by committee area.

Table 4	
FY 2015 Spending Changes	
Dollars in thousands	
Education	-1,203
Higher Education	-8,394
Health & Human Services	468,552
Environment	1,401
Agriculture	893
Transportation	-32,080
State Government	-194
<b>Total FY 2015 Spending Change</b>	<b>428,975</b>

For FY 2016-17, bills enacted during the 2015 legislative session and the 2015 first special session increased spending \$705.3 million above the projected base for that biennium and increased revenue \$132.0 million above the projected base revenue.

Of the \$705.3 million in spending changes, \$526.4 million is in Education, \$174.4 million is in Higher Education and \$114.9 million is in Public Safety and Judiciary. Health and Human Services spending is reduced \$290.2 million below the projected base.

Of the \$132.0 million in increased revenue, \$65.7 million is transfers into the General Fund in the Environment area and \$30.5 million is from two changes that increase income and sales tax revenue.

Table 5 shows the changes in the general fund budget for FY 2016-17 made during the 2015 legislative sessions as compared to the budget situation in the February 2015 state budget forecast.

	Feb. 2015 <u>Forecast</u>	End of 2015 <u>Session</u>	Percent <u>Change</u>
<b>FY 2016-17</b>			
Balance Forward	475,880	46,905	
Forecasted Revenues	42,496,797	42,496,797	
Revenue Changes	0	132,028	
Net Resources	42,972,677	42,675,730	-0.7%
Forecasted Spending	41,128,425	41,128,425	
Spending Changes	0	705,305	
Net Spending	41,128,425	41,833,730	1.7%
Changes in Reserves	-23,137	-23,137	
Balance	1,867,389	865,137	

For the next biennium, FY 2018-19, the February forecast projected that revenue would exceed spending by \$3.191 billion. In the end of 2015 session projections that amount changed to \$1.305 billion. Spending in FY 2018-19 was projected to be \$43.081 billion in the February 2015 forecast. That amount increased by \$1.913 billion to \$44.994 billion in the end of 2015 session numbers.

Table 6 illustrates the revenue and spending information for FY 2018-19 in the February 2015 forecast and in the end of 2015 session information. The chart does not include any amount that might be carried forward from FY 2016-17.

Table 6 Budget Comparison - FY 2018-19 Biennium - February Forecast versus End of Session Dollars in thousands			
	Feb. 2015 <u>Forecast</u>	End of 2015 <u>Session</u>	Percent <u>Change</u>
<b>FY 2018-19</b>			
Forecasted Revenues	46,265,594	46,265,594	
Revenue Changes	0	26,445	
Net Resources	46,265,594	46,292,039	0.1%
Forecasted Spending	43,081,234	43,081,234	
Spending Changes	0	1,912,813	
Net Spending	43,081,234	44,994,047	4.4%
Changes in Reserves	-6,840	-6,840	
Balance	3,191,200	1,304,832	

Table 7 shows the changes in revenue and spending from biennium to biennium after the 2015 legislative changes. As shown on the chart general fund spending in the FY 2014-15 biennium was increased \$428.8 million in the 2015 sessions.

General fund revenue increased 8.1 percent in FY 2016-17 over revenue in FY 2014-15. Spending is projected to increase 5.3 percent over the same period.

In FY 2018-19 general fund revenue is projected to increase 8.6 percent over revenue in FY 2016-17. Spending in FY 2018-19 is projected to be 7.6 percent higher than in FY 2016-17.

The projected budget balance on June 30, 2015 is \$47.1 million. That balance carries forward into FY 2016-17. The balance on June 30, 2017 is projected to be \$865.3 million. The balance on June 30, 2019 is projected to be \$2.170 billion. That amount assumes the June 30, 2017 balance carries forward in FY 2018-19.

	<u>FY 2014-15</u>	<u>FY 2016-17</u>	<u>Percent Change</u>	<u>FY 2018-19</u>	<u>Percent Change</u>
Balance Forward	705,444	46,905		865,137	
Revenue - Base	39,438,431	42,496,797		46,265,594	
Revenue - Change	0	132,028		26,445	
Total Current Resources	39,438,431	42,628,825 <sup>▼</sup>	8.1%	46,292,039	8.6%
Total Available Resources	40,143,875	42,675,730		47,157,176	
Expenditures - Base	39,300,150	41,128,425		43,081,234	
Expenditures - Change	428,975	705,305		1,912,813	
Total Expenditures	39,729,125	41,833,730 <sup>▼</sup>	5.3%	44,994,047	7.6%
Balance Before Reserve Changes	414,750	842,000		2,163,129	
Change in Reserves	367,845	-23,137		-6,840	
Balance After Reserves	46,905	865,137		2,169,969	

### General Fund Revenue for FY 2016-17 is \$132.0 million Higher than Forecasted Revenue

General fund revenue for the FY 2016-17 biennium is projected to be \$42.629 billion, \$132.0 million higher than that was projected in the February 2015 budget forecast.

Of the \$132.0 million in revenue increases \$85.8 million is transfers from other funds. \$58.2 million of the transfers are transfers to the General Fund from the Closed Landfill Investment Fund.

Table 8 shows the major general fund revenue sources and shows the dollar amounts and percentages of general fund total revenue for each of those revenue sources. Table 8 also shows, by category, changes in revenue made in the 2015 legislative sessions to revenue for FY 2016-17.

Individual income tax at 51.8 percent and sales tax at 25.7 percent make up 77.5 percent of total general fund revenue.



Table 8 General Fund Revenue - FY 2016-17 Biennium Based on February 2015 Forecast and 2015 Session Changes Dollars in Millions			
Revenue Type	Total Dollars	Percent of Total	Change From Forecast
Individual Income Tax	22,067.1	51.8%	10.3
Corporate Tax	2,575.6	6.0%	0.0
Sales Tax	10,939.8	25.7%	20.1
Statewide Property Tax	1,698.6	4.0%	0.0
Estate & Gift Tax	303.7	0.7%	0.0
Liquor, Wine & Beer Taxes	174.8	0.4%	0.0
Cigarette & Tobacco Products Taxes	1,198.1	2.8%	0.0
Mortgage Registry Tax	211.8	0.5%	0.0
Deed Transfer Tax	217.3	0.5%	0.0
Insurance Gross Earnings & Fire Marshall	782.1	1.8%	0.0
Lawful Gambling Taxes	96.9	0.2%	0.0
Medical Assistance Surcharges	514.2	1.2%	0.0
Lottery Revenue	120.1	0.3%	-0.8
Tobacco Settlement	324.3	0.8%	0.0
Fees - Department Earnings	383.4	0.9%	14.5
DHS State Operated Service Collections	137.2	0.3%	7.7
Fines & Surcharges	161.6	0.4%	0.0
Other Revenue Including Refunds	322.8	0.8%	1.4
Transfers Into the General Fund	329.3	0.8%	78.8
Prior Year Adjustments	70.0	0.2%	0.0
<b>Total</b>	<b>42,628.8</b>	<b>100.0%</b>	<b>132.0</b>

Some changes were made in fees and other charges in the 2015 sessions. Those general fund changes are incorporated into the amounts listed in Table 8. A list of all 2015 session fee and other changes (General Fund as well as other funds) is included in Appendix 1. Appendix 1 shows estimated change information for each of the four years in the FY 2016-17 and FY 2018-19 biennia. The FY 2016-17 changes total \$22.8 million, \$14.2 of that amount is in the General Fund. Of the \$22.8 million, \$9.2 million is fees, the other \$13.6 million is assessments, fines and third party payments.

Table 9 shows the general fund revenue changes enacted in the 2015 sessions by committee area. Most of the changes are in the Environment and Natural Resources area where the transfer from the Closed Landfill Investment Fund makes up most of the Environment total. Many of the revenue changes are one-time as indicated by the revenue change of \$132.0 million in FY 2016-17 dropping to \$26.4 million in FY 2018-19.

	<u>FY 2016-17</u>	<u>FY 2018-19</u>
Education	0	0
Higher Education	0	0
Taxes	30,460	10,520
Health & Human Services	11,679	11,462
Environment & Natural Resources	65,703	-612
Agriculture	-50	-50
Transportation	11	15
Public Safety	3,854	-476
Jobs & Energy	17,310	2,316
State Government	3,061	3,270
Totals	132,028	26,445

### General Fund Spending for FY 2016-17 is \$705.3 million Higher than Forecasted Spending

Total enacted FY 2016-17 general fund spending is \$41.834 billion, \$705.3 million or 1.7 percent higher than the base budget for FY 2016-17 as projected in the February 2015 state budget forecast. Table 10 shows general fund spending in the enacted budget for the FY 2016-17 biennium by committee area. Table 10 also compares FY 2016-17 enacted spending to spending in the FY 2014-15 spending. The FY 2016-17 enacted spending of \$41.834 billion is a \$2.105 billion or 5.3 percent increase over the spending in the FY 2014-15 biennium.

The largest dollar increase in spending compared to the forecasted amount is in Education at \$526.4 million or 3.2 percent. Education spending is \$618 million or 3.7 percent higher than general fund spending for Education in FY 2014-15.

Table 10 shows the percentage change amounts for each spending program area and compares enacted FY 2016-17 spending to the base for FY 2016-17 to enacted spending for FY 2014-15.

	Change FY 2015	Forecast		Enacted FY 2016-17	Percentage Change: Enacted FY 2016-17 vs. FY 2014-15 as Changed*	Percentage Change Enacted FY 2016-17 versus Base FY 2016-17	Enacted FY 2018-19
		FY 2014-15 as Changed*	Forecast Base FY 2016-17				
Education	-1,203	16,618,396	16,709,783	17,236,186	3.7%	3.2%	18,003,306
Higher Education	-8,394	2,834,388	2,892,530	3,066,924	8.2%	6.0%	3,065,693
Tax Aids & Credits	0	2,955,869	3,361,341	3,361,401	13.7%	0.0%	3,451,590
Health & Human Services	468,552	11,648,542	12,771,184	12,480,963	7.1%	-2.3%	14,828,579
Environment & Natural Resources	1,401	303,611	255,529	256,894	-15.4%	0.5%	271,598
Agriculture	893	84,654	81,661	120,323	42.1%	47.3%	110,172
Transportation	-32,080	245,020	213,072	275,139	12.3%	29.1%	243,072
Public Safety	0	1,980,534	2,006,509	2,121,380	7.1%	5.7%	2,145,928
Jobs & Energy	0	432,644	351,493	401,656	-7.2%	14.3%	391,724
State Government	-194	976,919	962,604	978,173	0.1%	1.6%	1,016,395
Debt Service	0	1,242,995	1,271,238	1,267,459	2.0%	-0.3%	1,207,103
Capital Projects	0	411,273	271,481	287,232	-30.2%	5.8%	278,887
Other		9,280	0	0			0
Cancellations		-15,000	-20,000	-20,000			-20,000
<b>Net GF Total</b>	<b>428,975</b>	<b>39,729,125</b>	<b>41,128,425</b>	<b>41,833,730</b>	<b>5.3%</b>	<b>1.7%</b>	<b>44,994,047</b>

\* FY 2014-15 "as changed" includes changes in FY 2015 spending enacted in the 2015 sessions.

Spending amounts in Table 10 include the amounts for the omnibus finance bill for each committee area plus any other bills that affected agencies or programs in the area. Those bills and the committee areas in which they are included are listed in Table 11.

Chapter 3 - Deficiencies	Environment & HHS
Chapter 12 - Avian Influenza	Agriculture
Chapter 45 - Electronic Gaming Prohibition	State Government
Chapter 61 - Claims	Public Safety & Judiciary
Chapter 68 - Pensions	State Government
Chapter 70 - Elections	State Government

The detailed summaries for each committee area that follow provide more specific information on the fiscal actions of the 2015 sessions in those areas.

*For more information on General State Budget issues, contact Bill Marx, Chief Fiscal Analyst, at 651-296-7176 or [bill.marx@house.mn](mailto:bill.marx@house.mn)*

## Agriculture Finance

First Special Session, Chapter 4, as enacted in 2015 appropriates money for the agricultural activities of the state. Agencies and programs funded include the Minnesota Department of Agriculture, Board of Animal Health and Agricultural Utilization and Research Institute. Chapter 4 enacts total general fund appropriations of \$120.323 million for the FY 2016-17 biennium; there is also \$50,000 in lost general fund revenue which needs to be included when discussing total general fund impact. The total net general fund impact is \$120.373 million for the FY 2016-17 biennium. The amount appropriated, including lost revenue, is \$38.712 million over base level funding or an increase of about 47.4 percent. The following chart and agency narrative provides details on the appropriations.

<b>Agriculture Finance</b>						
<b>Total General Fund Spending</b>						
(all dollars in thousands)						
	Forecast	Forecast		<i>Percentage</i>	<i>Percentage</i>	
	FY 14-15	Base	Enacted	<u>Change</u>	<u>Change</u>	Enacted
		FY 16-17	FY16-17	Enacted	Enacted vs.	Enacted
				FY 16-17	Base	FY 18-19
				vs.	FY16-17	
				FY 14-15		
Department of Agriculture	66,959	63,840	85,866	28.2%	34.5%	92,118
Board of Animal Health	10,409	10,535	10,702	6.8%	1.6%	10,768
AURI	7,286	7,286	7,286	0.0%	0.0%	7,286
Avian Flu Response	0	0	16,469	N/A	N/A	N/A
Total Expenditures	84,654	81,661	120,323	42.1%	47.3%	110,172
GF Revenue			(50)			(50)
<b>Net GF Total</b>	<b>84,654</b>	<b>81,661</b>	<b>120,373</b>	<b>42.2%</b>	<b>47.4%</b>	<b>110,222</b>

### Department of Agriculture

The Department of Agriculture received \$85.866 million over the 2016-17 biennium in direct general fund appropriations in Chapter 4. The total biennial appropriation from all funds is \$190.524 million.

**Protection Services:**

The biennial total direct appropriation from the General Fund for the Protection Services Division is \$31.698 million, with the total direct appropriations from all funds being \$32.854 million. There were a number of changes in the General Fund and other funds (non-General Fund) that contributed to the total appropriation. General Fund changes included:

- A biennial appropriation of \$350,000 for animals destroyed or crippled due to wolves.
- A biennial appropriation of \$600,000 for improving dairy lab work and decreasing the waiting time for dairy inspections.
- A biennial appropriation of \$500,000 for additional meat inspectors to reduce the inspection waiting list. The agency will also receive \$500,000 from the U.S. Department of Agriculture for these activities.
- A biennial appropriation of \$4.748 million for increased inspections of manufactured, wholesale and retail food licenses in response to changing federal food safety regulations.
- A biennial appropriation of \$140,000 to increase commercial canning inspections.
- A biennial appropriation of \$200,000 to expedite the waiting time for retailers submitting a food handler plan.
- A biennial appropriation of \$50,000 to develop training and regulatory infrastructure for the direct sale of food licenses to cottage food industry producers.
- A biennial appropriation of \$100,000 for destroyed or damaged fences due to elk.
- A biennial appropriation of \$150,000 for inmate vocational training.

Non-General Fund Changes included:

- A biennial total of \$7.260 million in fee increases, license increases, or transfers from the agricultural fund and special revenue fund.
- The following fee, license or transfer changes were enacted:
  - Seed permit fee increase
  - Plant export certification fee increase.
  - Plant export certification penalty increase.
  - Structural pest control license increase.
  - Corporate farm filing fee increase.
  - Bulk milk sampling and hauling fee change.
  - Milk procurement fee increase.
  - Specialty pet food late fee increase.
  - Commercial fee license increase.
  - Regular and specialty pet food registration.
  - Ammonia fertilizer inspection fee increase.
  - A fertilizer tonnage increase of 9 cents/ton.
  - A total of \$2.3 million dollars of revenue will be transferred to a dedicated account in the Agricultural Fund from the General Fund.

**Promotion and Marketing:**

The total general fund appropriation for this division is \$7.746 million for the biennium. This is the only direct appropriation the division receives. The only change enacted was a one-time appropriation of \$100,000 to initiate the marketing of Minnesota agricultural products to Cuba.

**Agriculture, Bioenergy, and Bioproduct Advancement:**

The general fund appropriation for the division is \$34.003 million for the biennium. The total amount appropriated for the Agricultural, Growth, Research and Innovation program did not change from the base. However, of the appropriation \$2 million per year will be directed to bio-fuel incentive payments. Other changes within the division included:

- A biennial appropriation of \$12.983 million for production agricultural research and rapid response. Of the appropriation \$2 million will be transferred to the Board of Regents of the University of Minnesota for avian flu research and \$4 million will be directed to farm business management.
- A biennial appropriation of \$500,000 for E15 fuel pump grants.
- A biennial appropriation of \$50,000 for the Southern Minnesota Initiative Foundation for the creation of an annual event to promote local foods and connect local producers with potential buyers.

**Administration and Financial Assistance:**

Direct biennial appropriations for the division included \$12.319 million from the General Fund. There were a number of changes in the general fund that contributed to the total appropriation:

- A biennial appropriation of \$300,000 for the Center for Rural Policy and Development.
- An increase of funding for MnSCU mental health grants of \$38,000 for the biennium.
- A biennial appropriation of \$100,000 to Second Harvest Heartland to fund the milk grant program.
- A biennial operating increase of \$892,000.

**Board of Animal Health**

The Board of Animal Health received a general fund appropriation of \$10.702 million for the 2016-17 biennium from the General Fund. The agency received an operating increase of \$167,000 for the biennium.

**Agricultural Utilization and Research Institute (AURI)**

A general fund appropriation of \$7.286 million for the 2016-17 biennium was made to AURI and is the base amount. The annual statutory general fund appropriation of \$1 million was repealed

and a corresponding base increase of \$1 million was enacted to raise the direct appropriation to the original combined general fund base amount.

## **Other Issues**

### **Avian Flu Response**

In response to the avian flu outbreak several appropriations were enacted in Chapter 12 and Chapter 4 to address the additional cost burden that would be felt by agencies participating in the response efforts.

#### **Chapter 12**

Chapter 12 appropriated \$513,000 to the Department of Agriculture and \$379,000 to the Board of Animal Health for costs related to the outbreak of the avian flu. The appropriations were one-time.

#### **Chapter 4**

Chapter 4 contained the following one-time appropriations for operational costs related to the avian flu outbreak:

- \$3.619 million to the Department of Agriculture.
- \$1.853 million to the Board of Animal Health.
- \$103,000 to the Department of Health.
- \$350,000 to the Department of Natural Resources.
- \$544,000 to the Department of Public Safety.

### **Disaster Assistance**

Additionally, the Rural Finance Authority received \$10 million dollars to increase the availability of disaster recovery loans. Chapter 4 also instructs Minnesota Management and Budget to transfer \$4.4 million from the close of FY 2015 to the Disaster Assistance Contingency Account in the Special Revenue Fund. This amount is in addition to transfers of \$15 million in Chapter 65.

*For additional information on Agricultural Finance issues, contact Ken Savary at 651.296.7171 or email: [ken.savary@house.mn](mailto:ken.savary@house.mn).*



## Capital Investment

Minnesota Laws First Special Session 2015, Chapter 5, authorizes \$360 million in state borrowing, of which \$190.7 million is General Obligation (GO) bonds (including \$10.6 million in User Financed GO bonds), \$140 million is Trunk Highway Bonds, and \$29 million is Appropriations Bonds. There is also \$13.6 million in one-time general fund spending for capital projects, mostly related to disaster relief from the 2014 floods. The table below shows a comparison summary of the capital budget for the end of session versus the February 2015 forecast.

<b>Capital Investment Committee</b>						
<b>Total General Fund Spending</b>						
(all dollars in thousands)						
	FY 14-15 Forecast with changes	Forecast Base FY 16-17	Enacted FY16-17	<i>Percentage Change Enacted FY 16-17 vs. FY 14-15 with Changes</i>	<i>Percentage Change Enacted vs. Base FY 16-17</i>	Enacted FY 18-19
General Obligation Debt Service	1,242,995	1,271,238	1,267,459	2%	-0.3%	1,207,103
Cash Capital Projects (One-Time)	198,748	0	13,600	-93%	NA	0
Capital Projects (Debt Service)	212,525	271,481	273,632	29%	1%	278,887
<b>Net GF Total</b>	<b>1,654,268</b>	<b>1,542,719</b>	<b>1,554,691</b>	<b>-6.0%</b>	<b>0.8%</b>	<b>1,486,990</b>

Chapter 5 authorizes additional GO bonding, yet end of the session debt service estimates on GO bonds were lower than the base budget. The base budget in the February 2015 budget forecast includes a debt service amount that is adequate to fund bonding equal to the average GO bonding authorized in odd-numbered-year legislative sessions over the past 10 years. The base amount for debt service in the February 2015 forecast was adequate to fund a \$220 million GO bonding bill in the 2015 session. Because the \$179.9 million in new GO (non User Financed debt) was \$40 million less than the \$220 million of bonding assumed in the forecast, general fund debt service is \$3.8 million lower in FY 2016-17 than the amount assumed in the forecast and \$6.5 million lower in FY 2018-19.

## Capital Budget Highlights

### Appropriations Bonds

1. \$10 million is authorized for Minnesota Housing Finance Agency's Housing Infrastructure Bonds (appropriations bonds), used for nonprofit housing providers. The debt service is estimated to be \$800,000 a year for 25 years starting in FY 2017.
2. The Lewis and Clark water project in Southwestern Minnesota received a \$19 million appropriations bond through the Public Facilities Authority. The \$19 million amount will not complete the project, but will complete a section of it. The debt service for the \$19 million in appropriations bonds is estimated to be \$1.351 million a year for 25 years starting in FY 2017.

### GO Debt and General Fund Spending

GO Debt authorizations and cash spending in Chapter 5 are split between two articles. Article 1 contained various projects, while Article 2 had projects that pertained specifically to 2014 flood disaster relief and one unrelated project.

#### Article 1:

**University of Minnesota** - The University received GO bond authority for two projects, an \$8.5 million poultry testing laboratory in Willmar and an \$18 million replacement to a veterinary isolation lab on the St. Paul Campus. The University will also issue \$9 million of its own debt for the veterinary lab.

**Minnesota State Colleges and Universities** - MnSCU received a \$31.9 million GO authorization for four projects. MnSCU will pay the state for one-third of the debt service of the projects. The four projects are:

1. Minnesota West CTC - Classrooms and Power Line Facility for \$3.3 million
2. Dakota County CTC - Transportation and Emerging Technology renovation for \$7.7 million
3. Anoka TC - Manufacturing Technology Hub and Auto Tech Renovation for \$2.1 million
4. St. Paul College - Health and Science Alliance Center Addition for \$18.8 million

**Department of Natural Resources** - In Article 1, DNR received \$23.5 million in GO bonds for flood hazard mitigation, which can include construction of levees, retention ponds, and other infrastructure, as well as purchasing of properties in flood plains. Of the \$23.5 million, \$10 million is specified for Otter Tail County, while the other projects will be determined by the agency.

**Minnesota Pollution Control Agency** - The MPCA received \$11 million in GO bonds for two programs. \$1.75 million is for the Superfund Drinking Water Program, and \$9.275 million for the

Capital Assistance Program relating to recycling, \$8 million of which is for a solid waste facility in Polk County.

**Board of Water and Soil Resources** - \$1 million in GO bonds is for flood mitigation in the Minnesota River Valley area.

**Department of Agriculture** - \$50,000 in GO bonds is for replacing windows in a potato inspection facility.

**Department of Administration** - \$32.9 million in GO bonds is for two projects relating to the State Capitol restoration. The first is \$26.7 million for out of scope items in the initial authorizations for the Capitol restoration, mostly relating to water infiltration damage under the capitol steps. The second is a \$6.2 million authorization for security improvements around the Capitol complex pending approval by the Capitol Preservation board.

**Amateur Sports Commission** - \$2 million is from the General Fund for grants to public ice rink owners to mitigate the effects of diesel fumes and to convert from R-22 systems.

**Department of Transportation** - \$172.5 million in GO and Trunk Highway bonds is for numerous projects and programs detailed below:

1. \$140 million in Trunk Highway bonds to be used on the State Trunk Highway System of highways and bridges at the direction of MnDOT. The debt service for this bond authorization will be paid out of the Trunk Highway Fund, and was already allocated in the Transportation Bill.
2. \$7.4 million for bridges owned by local units of government.
3. \$18.9 million for local road projects, with set asides for:
  - \$850,000 for Sandstone
  - \$3.8 million for Willmar relating to a railroad crossing
  - \$10 million for an underpass in Richfield
  - \$4.3 million to be administered by MnDOT
4. \$1 million for the Minnesota Valley Regional Railroad Authority, a joint powers board between several central Minnesota counties.
5. Grants for two Railroad grade crossing safety projects, \$4.7 million for Plymouth's Vicksburg Lane, and \$460,000 of a crossing in Rainy River.

**Metropolitan Council** - \$1.5 million in GO bonds is for Inflow and Infiltration grants to metropolitan municipalities in addressing storm and sanitary sewer separation.

**Department of Veteran Affairs** - \$650,000 in GO bonds is for repairs to a bridge over Minnehaha Creek leading to the Minneapolis Veterans Home.

**Department of Corrections** - \$1.2 million in GO bonds is granted to the Northeast Regional Corrections Center in St. Louis County.

**Department of Employment and Economic Development** - DEED received \$3.3 million in spending between three items:

- \$1 million in GO bonds for the Greater Minnesota Business Development Public Infrastructure program.
- \$2 million in GO bonds for the Transportation Economic Development Program.
- \$300,000 in General Fund spending for a private nursing home in Salk Center serving veterans

**Public Facilities Authority** - \$10 million in GO bonds is for the Wastewater Infrastructure Fund.

**Minnesota Historical Society** - \$500,000 in GO bonds is for the pre-design of a new visitor's center at Fort Snelling.

**Minnesota Management and Budget** - \$180,000 in GO bonds is for bond sales expenses, and \$140,000 in Trunk Highway Bonds is for the Trunk Highway bond sale expenses.

## Article 2

**Department of Natural Resources** - \$5.2 million in GO bonds and General Fund between two programs. The first is for Flood Hazard Mitigation Grants related to the 2014 floods, with \$2.5 million from GO bonds, and \$500,000 from the General Fund. The second is \$2.14 million for damaged DNR facilities.

**Board of Water and Soil Resources** - \$15.3 million between GO bonds and general fund spending for two programs relating to the 2014 flood. The first is \$4.7 million in GO bonding for Reinvest in Minnesota conservation easements. The second is \$10.6 million for erosion, sediment, and water quality control cost share for flood damage.

**Department of Transportation** - \$800,000 in GO bonds in the local road program for flood damage in the 2014 flood.

**Minnesota Historical Society** - \$100,000 for flood related damage.

**Department of Employment and Economic Development** - DEED was assigned grant funds for two local projects. The first is \$4 million for a Steel County public works building relocation

outside of a flood plain, this was not included in the FEMA 2014 disaster declaration. Second is \$100,000 for flood damage to the Southeastern Minnesota Children's Museum.

**Minnesota Management and Budget (MMB)** - \$11,000 is for bond sale expenses.

**Cancellations** – There was one cancellation of \$50,000 for part of a previously authorized GO bonding project, a library in Bagley Minnesota.

## Debt Management Guideline Implications

There are two state debt management guidelines that limit the amount of debt the state can issue based on the amount of principal borrowed for GO bonds, statutory appropriations, and other state obligations, as a percentage of total state personal income. The debt management guidelines are not binding or written into state statute because volatility in the bond market or an economic crisis could put the state over the guideline limits without over issuing bonds. Exceeding the guidelines could reflect poorly on the state's credit rating. A third debt management guideline directs MMB to structure bonds such that 40 percent of GO bonds are paid off in five years and 70 percent are paid off in ten years.

The first debt management guideline restricts the total issued principal debt of the state to less than 3.25 percent of state personal income. As of the February 2015 forecast there was about \$8.2 billion outstanding principal debt and an estimated \$272.7 billion in combined state personal income, leaving about \$689 million left in Guideline 1 capacity. MMB will likely have a bond sale in August or September to issue debt from bonds authorized in this session and previously authorized GO various purpose, Trunk Highway bonds, and an undetermined amount of statutory appropriations for the Minnesota Housing Finance Agency and Public Facilities Authority. The principal amount of that issued debt will decrease the debt capacity in Guideline 1, while at the same time personal income growth and the principal amount of debt being paid off will increase the debt capacity in Guideline 1.

The second debt management guideline, which accounts for total principal debt outstanding, authorized but unissued debt, and Minnesota Housing Finance Agency (MHFA) moral obligation debt and equipment leases, is 6 percent of state personal income. All of the debt in Guideline 1, the principal outstanding, is also in Guideline 2, in addition to the unissued and moral obligation bonds. There is currently \$3.57 billion in remaining capacity in Guideline 2. The bonding authorized in Chapter 5 will move \$353 million into Guideline 2 by the time of the November 2015 Forecast, and an undetermined amount into Guideline 1, depending on the cash flow needs of the authorized projects.

*If you have further questions on Capital Investment issues, please contact Andrew Lee at 651-296-4181 or e-mail at [andrew.lee@house.mn](mailto:andrew.lee@house.mn).*

## Education Finance

For the FY 2016-17 biennium, the 2015 Legislature passed a budget signed by Governor Mark Dayton that includes \$17.2 billion in general fund state aid for K-12 and early childhood education programs (First Special Session, Chapter 3). When compared with the February 2015 forecast of FY 2016-17 spending of \$16.7 billion, this represents a total increase of \$525.2 million, or 3.2 percent over forecast base.

Chapter 3 also includes certain tax provisions and property tax interaction projections which are discussed in detail at the end of this section.

<b>Education Finance</b>						
<b>Total General Fund Spending</b>						
(all dollars in thousands)						
	Change FY 15	Forecast Base FY 14-15 with changes	Forecast Base FY 16-17	Enacted FY 16-17	<i>Percentage Change Enacted FY 16-17 vs. FY 14-15 with Changes</i>	<i>Percentage Change Enacted vs. Base FY 16-17</i>
General Education		13,353,241	13,114,959	13,471,836	0.9%	2.7%
Education Excellence	-904	390,319	455,350	492,574	25.9%	8.2%
Standards and Assessments		36,956	42,002	37,118	0.4%	-11.6%
Charter Schools		113,680	140,390	140,390	23.5%	0.0%
Special Education		2,192,132	2,404,594	2,405,015	9.7%	0.0%
Facilities and Technology	-299	97,893	95,776	128,537	30.9%	34.2%
Nutrition and Libraries		80,744	89,895	89,895	11.3%	0.0%
Early Childhood & Family Supports		270,519	287,441	388,085	43.5%	35.0%
Department of Education		45,627	41,902	43,219	-5.3%	3.1%
Minnesota State Academies		23,713	23,928	25,672	8.3%	7.3%
Perpich Center		13,572	13,546	13,845	2.0%	2.2%
<b>GF Total</b>	<b>-1,203</b>	<b>16,618,396</b>	<b>16,709,783</b>	<b>17,236,186</b>	<b>3.7%</b>	<b>3.2%</b>
<b>FY 15 Carry-forward</b>				<b>1,203</b>		
<b>Net GF Total</b>				<b>17,234,983</b>		
<b>Payment Shifts</b>		<b>812,574</b>	<b>0</b>	<b>0</b>		
<b>GF Education Expenditures Not Incl. Shifts</b>		<b>15,805,822</b>	<b>16,709,783</b>	<b>17,234,983</b>	<b>9.0%</b>	

The following summarizes Chapter 3, with costs expressed as a biennial total for FY 2016-17 from the General Fund, unless otherwise noted:

### **General Education Program**

- \$346.3 million for an increase in the basic formula allowance of \$117 per pupil in FY 2016 and an additional \$119 per pupil in FY 2017. The formula allowance for FY 2016 will be \$5,948 and for FY 2017 will be \$6,067. Programs with funding mechanisms linked to changes in the formula allowance will see corresponding increases. These include nonpublic pupil aid, nonpublic pupil transportation and Early Childhood Family Education (ECFE). The total fiscal impact of the formula allowance increase to these linked programs is \$4.2 million.
- \$3.1 million beginning in FY 2017 to expand eligibility for English Learner (EL) funding from six years to seven years.
- \$2.5 million for an increase in extended time revenue for school districts. The extended time formula is increased by \$100, to \$5,117 per adjusted pupil unit.
- \$2.0 million for extended time revenue for charter schools. Beginning in FY 2016, charter schools offering an extended day, extended week or summer program will receive extended time aid equal to 25 percent of the statewide average extended time revenue per adjusted pupil unit.
- \$1.3 million beginning in FY 2017 for enhanced operating capital equalization aid. The increase in equalization aid is used to offset overall levy increases that will result, in part, from the new Long-Term Facilities Maintenance program. The equalizing factor for operating capital revenue will increase to \$14,740.
- \$295,000 in additional state aid and \$800,000 in additional local property tax levy beginning in FY 2017 for the Owatonna School District's referendum revenue. This fix was needed to address an error in operating referendum ballot language from the District's November 2013 election.
- \$11,000 in FY 2016 for the early learning service needs of students residing in South Dakota, but having a Minnesota postal address.
- \$8.8 million, beginning in FY 2018 to begin phase-out of the Student Achievement Levy.

### **Education Excellence**

- \$9.5 million, beginning in FY 2017, to increase the cap on funding for the Alternative Compensation revenue (Q-Comp) program for districts with approved plans.
- \$10 million for the continuation of the compensatory pilot grant program. Provides grants to seven eligible school districts. The base for FY 2018 is \$2.325 million.
- \$9.5 million for a new Indian Education Formula Aid program. All districts, charters and tribal contract or grant schools with over 20 American Indian students are eligible for this aid program. The "Success for Future," competitive grant program is rolled into the new aid program.
- \$5 million for a one-time increase in funding for Tribal Contract Schools formula aid.
- \$4 million for additional funding for the concurrent enrollment program.

- \$3.5 million in additional funding for the Minnesota Reading Corps program. The forecast base for FY 2018 and FY 2019 is \$5.6 million per year.
- \$1 million in savings from not funding the Starbase program at its base level for FY 2016-17. An estimated \$924,000 of the \$1 million appropriated for the Starbase program was not expended in the FY 2014-15 biennium. This \$924,000 appropriation will be cancelled on June 30, 2015 and re-appropriated for use in the FY 2016-17 biennium.
- \$20,000 in FY 2015 is appropriated for teacher evaluation purposes for educational coops.
- \$300,000 for the Principal's Academy program at the University of Minnesota.
- \$500,000 for the Full Service Community Schools program. Selected school sites will receive \$100,000 annually and up to \$20,000 for one year of planning. This is a one-time appropriation.
- \$100,000 for a grant to the Northwest Online College in High School program. This is a one-time appropriation.
- \$150,000 for Race 2 Reduce Water Conservation grants. This is a one-time appropriation.

### **Standards and Assessments**

- \$4.6 million in savings from a correction to the testing and assessment budget base resulting from a drafting error in 2013. This correction clarifies legislative intent for the testing and assessment budget for the FY 2016-17 biennium and beyond.
- \$5.1 million in savings due to changes in ACT testing requirements. The ACT test will no longer be mandatory for all high school students. Instead it will be an optional test, with testing fees covered by state aid.
- \$4.2 million savings due to the elimination of the Explore and Plan and Compass diagnostic tests.

### **Special Education Programs**

- \$421,000 for accelerated aid payments to charter schools who serve a high number of special education students. Most special education aid is paid based on prior year data. This change allows eligible charters to receive accelerated payments based on current year data.

### **Facilities & Technology**

- \$31.96 million beginning in FY 2017 for the new Long-Term Facilities Maintenance Revenue Program. It was modeled on a key recommendation of the Capital Facilities Working Group which was convened during the fall of 2013.
  - The existing deferred maintenance, health and safety and alternative facilities revenue streams are "rolled in" to this new Long-Term Facilities Maintenance Revenue Program.
  - All districts are held harmless.
  - Phased-in over three years - maximum revenue per adjusted pupil is \$193 in FY 2017, \$292 in FY 2018 and \$380 in FY 2019.
  - Requires a ten-year facilities maintenance plan that is adopted by the school board and approved by the Commissioner.
  - Equalized levy based on property value per adjusted pupil unit.



- Charter schools, intermediate districts and other cooperative units are eligible to participate.
- \$500,000 for the Information Technology Certification Program. This program will provide information technology education opportunities to students in grades 9 through 12. This is a one-time appropriation. \$300,000 of this amount results from cancellation of the unspent FY 2015 appropriation for this program. This amount will in turn be re-appropriated for use during the FY 2016-17 biennium.
- \$300,000 for a grant for Innovative Technology Cooperatives. The funding is intended to provide professional development for members participating in the cooperative(s). This is a one-time appropriation.

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

- \$48.25 million in new funding for the Early Learning Scholarships program. The base budget for this program in FY 2018 is \$59.9 million.
- \$30.75 million in new funding for School Readiness programs.
- \$3.5 million for the Statewide Early Childhood Rating System, sometimes referred to as the Parent Aware program. This funding will be a pass through to the Minnesota Department of Human Services.
- \$100,000 additional each year for the Parent-Child Home Program. This program sends trained home visitors to work with families in their homes on early literacy skills.
- \$10 million for additional state support of the Head Start program.

### **Prevention**

- \$2,000,000 for a grant to the Northside Achievement Zone, located in North Minneapolis.
- \$2,000,000 for a grant to the St. Paul Promise Neighborhood program, located in the Frogtown neighborhood of St. Paul.
- \$1 million for Education Partnership pilot grants. This is a one-time appropriation.

### **Minnesota Department of Education (MDE)**

- \$818,000 for an agency operating increase.
- \$9,000 for an operating increase to the Board of School Administrators.
- \$100,000 annual operating increase for the Board of Teaching.
- \$169,000 in savings due to the delay of the State Math Standards review.
- \$1.2 million for administrative support for changes to the English Learner (EL) program.

### **Minnesota State Academies for the Deaf and Blind (MSA)**

- \$546,000 for an operating increase.
- \$1.2 million for technology improvements at the State Academies.

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

- \$299,000 for an operating increase.

**Tax interactions resulting from E-12 levy change**

Chapter 3 contains a referendum market value (RMV) levy increase of \$783,000 beginning in payable year 2016 for the Owatonna School District. Typically, provisions that change property taxes paid on residential homesteads (including farm homesteads) also change the amount homeowners receive in property tax refunds. Likewise, changes in property taxes paid on residential, agricultural or business property also impact the property tax deduction amount these taxpayers claim on their income tax return. Thus, the anticipated tax interactions of the Owatonna ISD levy increase are 1) a \$40,000 loss in income tax revenues and 2) a \$60,000 increase in property tax refunds, both beginning in FY 2017 and continuing through the FY 18-19 biennium.

**Other Tax Related Items**

Chapter 3 contains three tax provisions that are estimated to raise \$30.4 million in general fund revenue in the FY 2016-17 biennium and \$10.4 million in the FY 2018-19 biennium. Of the three tax provisions, one tax law change has a zero revenue impact because the language provides clarification about how the expansion of an existing tax credit is to be funded. For the remaining two tax provisions, one tax law change is estimated to result in a one-time revenue gain in sales tax revenue and the other law change is estimated to provide an on-going increase in income tax revenue. Table 1 shows the fiscal impact of these changes along with the related interaction impacts to the tax system as a result of the enactment of the E-12 omnibus bill.

**Table 1: Summary of 2015 Tax Provisions in Chapter 3 (First Special Session, 2015 Laws)  
General Fund Tax Revenues and Tax Aids & Credits**

Dollars in Thousands

	FY 2016	FY 2017	FY 16-17	FY 2018	FY 2019	FY 18-19
<b>Tax and Other Revenue Changes</b>						
<i>Positive numbers reflect a revenue gain and negative numbers show revenue loss.</i>						
<b>Individual Income &amp; Corporate Franchise Taxes</b>						
Working Family Credit, Disallowance for Non Residents	5,100	5,200	10,300	5,300	5,300	10,600
Working Family Credit, TANF Funding Clarification	0	0	0	0	0	0
Interaction Impact with E-12 Omnibus Bill	0	(40)	(40)	(40)	(40)	(80)
<b>Sales &amp; Use Taxes</b>						
Delay Exemption for Special Taxing Districts, Joint Powers & Instrumentalities to 1/1/2017*	8,400	11,800	20,200			0
<b>Total Tax Revenue changes</b>	<b>13,500</b>	<b>16,960</b>	<b>30,460</b>	<b>5,260</b>	<b>5,260</b>	<b>10,520</b>
<b>Tax Aids &amp; Credits Changes</b>						
<i>Positive numbers reflect an increase in spending and negative numbers reflect cost savings.</i>						
Property Tax Refund Interaction Impact with E-12 Omnibus Bill	0	60	60	60	60	120
<b>Total Tax Aids &amp; Credits Changes</b>	<b>0</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>120</b>
<b>Net Revenue Changes (Revenues less Aids &amp; Credits)</b>	<b>13,500</b>	<b>16,900</b>	<b>30,400</b>	<b>5,200</b>	<b>5,200</b>	<b>10,400</b>

\* This provision also contains an estimated one-time revenue increase of \$1.2 million in the FY2016-17 Biennium to non-general fund accounts (Legacy Funds).

## Individual Income Tax

### 2014 Working Family Credit Expansion and TANF Funding Clarification.

During the 2014 session in Chapter 150, the credit rates for the working family credit were increased and the credit structure was modified. Legislative tracking sheets show that this expansion was to be paid for from the General Fund. The 2015 clarifying language in Chapter 3 provides that the 2014 expansion of the working family credit is to be paid for from the General Fund and the 1999 expansion of the working family credit is to be paid for with TANF Funds. With this clarification in law, there is no tax revenue impact from this law change.

### Disallowance of Working Family Credit for Full-Year Non Residents

Beginning in tax year 2015, full-year nonresidents will no longer be eligible for the working family credit. This law change would prohibit residents from other states with income earned in Minnesota from claiming the Minnesota Working Family Credit. This is a tax law provision that

was originally proposed by Governor Dayton. Without this law change, the governor's budget recommendation pages cited as an example how Wisconsin residents that are working in Minnesota and are income eligible for the working family credit may receive the credit from both Minnesota and Wisconsin. These budget pages also cited how Minnesota residents working in Wisconsin are not eligible for the Wisconsin Working Family Credit equivalent which is called the Wisconsin Earned Income Credit. With this law change in Chapter 3, about 9,200 tax returns will no longer be able to claim this tax credit and the estimated to increase to the general fund income tax revenue is \$10.3 million in the FY 2016-17 biennium and \$10.6 million in the FY 2018-19 biennium.

## Sales & Use Tax

### **Delay the Effective Date for Sales Tax Exemption to Certain Local Government Entities from January 1, 2016 to January 1, 2017.**

In October 2011, qualifying purchases by townships became exempt from sale and use tax. In January 2014, qualifying purchases by cities and counties became exempt from sales tax and use tax. During the 2014 session in Chapter 308, the sales tax exemption for cities, counties, townships was extended to special districts, joint powers board, and instrumentalities of local government and was to be effective on January 1, 2016. The same exemption was also extended to the Metropolitan Council and was scheduled to be effective on January 1, 2017.

Chapter 3 delays the effective date for the sales tax exemption to certain local governments by one year to January 1, 2017. With this effective date change, both the Metropolitan Council and certain local governments will have to access to this exemption on January 2017<sup>1</sup>. This law change is estimated to result in a one-time sales tax revenue gain to the General Fund of \$20.2 million and a one-time sales tax revenue gain to the Legacy Funds of \$1.2 million in the FY 2016-17 biennium. This change is not estimated to have a tax revenue impact in the FY 2018-19 biennium.

*For further information on Education finance issues contact Melissa R. Johnson at 651-296-4178, [melissa.johnson@house.mn](mailto:melissa.johnson@house.mn).*

*For further information on State Tax or Tax Aids, Credits and Refunds issues contact Cynthia Templin at 651-297-8405, [cynthia.templin@house.mn](mailto:cynthia.templin@house.mn) or Katherine Schill at 651-296-5384, [katherine.schill@house.mn](mailto:katherine.schill@house.mn).*

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<sup>1</sup> Starting January 1 2017, the exemption will become available to:

- Special districts, as defined in [M.S. 6.465](#) including the Metropolitan Council, Metropolitan Airports Commission, Regional Development Commissions, Metropolitan Mosquito Control Commission and Regional Rail Authorities.
- Any instrumentality of a statutory or home rule charter city, county, and township as defined in [M.S. 471.59](#)
- Any joint powers board or organization created under M.S. 471.59

## Environment & Natural Resources Finance

Chapter 4, Article 3, as enacted in the First Special Session of 2015, appropriates money for the environment and natural resources activities of the state. Agencies and programs funded include the Pollution Control Agency, Department of Natural Resources, Minnesota Conservation Corps, Metropolitan Council Parks, Minnesota Zoo, Board of Water and Soil Resources and the Science Museum of Minnesota.

<b>Environment and Natural Resource Policy and Finance Committee</b>							
<b>Total General Fund Spending</b>							
(all dollars in thousands)							
	Change FY15	FY 14-15 Forecast with Changes	Forecast Base FY 16-17	Enacted FY 16-17	<i>Percentage Change</i> Enacted FY 16-17 vs 14-15	<i>Percentage Change</i> Enacted vs. Base FY 16-17	Enacted FY 18-19
Pollution Control Agency		9,513	9,526	16,733	76%	76%	11,354
Transfer to Closed Landfill Inv. Fund		61,276	29,683	0	-100%	-100%	-
Department of Natural Resources	51	177,211	169,356	185,777	5%	10%	184,534
Transfer to Mining & Env. Reg. Acct.		989	2,024	2,024	105%	0%	2,074
Board of Water and Soil Resources	2,476	33,539	25,282	26,652	-21%	5%	48,328
Metropolitan Council Parks		5,815	5,740	6,140	6%	7%	5,740
Conservation Corp of Minnesota		910	910	910	0%	0%	910
Minnesota Zoo	1,350	12,200	10,850	16,500	35%	52%	16,500
Science Museum of Minnesota		2,158	2,158	2,158	0%	0%	2,158
<b>Subtotal-GF Spending</b>	<b>3,877</b>	<b>303,611</b>	<b>255,529</b>	<b>256,894</b>	<b>-15%</b>	<b>1%</b>	<b>271,598</b>
Net General Fund Revenue Changes		0	0	65,703			(612)
<b>Net GF Total</b>		<b>303,611</b>	<b>255,529</b>	<b>191,191</b>	<b>-37.0%</b>	<b>-25.2%</b>	<b>272,210</b>

Chapter 4, Article 3 enacts \$256.894 million in total appropriations from the General Fund for the 2016-17 biennium; there are also a number of general fund revenue changes and transfers with a net revenue gain to the General Fund of \$65.703 million. The General Fund revenue gain offsets general fund spending and lowers the net impact to the General Fund. The net impact to the General Fund from environment and natural resource appropriations is \$191.191 million. The total amount appropriated is \$1.365 million over base level funding, if the general fund revenue changes are taken into account the net general fund impact is \$64.338 million below

base for fiscal years 2016 and 2017. The table provided at the beginning of this section and agency narratives in the following summary provide details about the appropriations.

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

Appropriations to the PCA from the General Fund total \$15.990 million for the biennium. An additional \$743,000 is transferred from the General Fund to the Dry Cleaner Response and Reimbursement Account in the Remediation Fund. Total direct appropriations from all funds are \$186.866 million. A number of changes are made within the agency programs as listed below.

### **Water Program:**

The total general fund appropriation for the PCA's Water Program is \$7.934 million. The direct appropriation from all funds is \$52.469 million. Funding changes that were made in the Water Program came from the Environmental Fund and the General Fund. These changes include:

- The agency is appropriated a 1.8 percent operating adjustment from the General Fund and from the Special Revenue Funds when available. This amounts to \$60,000 from the General Fund and \$1.101 million from the Environment Fund to the Water Program for the biennium.
- The Clean Water Partnership Program is cut from the budget. The base level of funding for the program was \$400,000 per year from the General Fund.
- A new general fund appropriation of \$250,000 per year is added to the program. This appropriation is to fund staff at PCA to act as a municipal liaison to assist municipalities with the water quality standards rulemaking process, provide enhanced economic analysis in the rulemaking process, develop a statewide economic analysis and templates to assist municipalities when applying for a variance and to coordinate and advocate with the Public Facilities Authority for the resources the municipalities may need.
- A one-time general fund appropriation of \$500,000 is for transfer to Minnesota Management and Budget for a cost analysis of water quality standards.
- The Red River Basin Commission received a \$200,000 general fund grant for the development of a water quality strategic plan for the Red River of the North.

### **Air Program:**

PCA's Air Program does not receive any general fund appropriations. The direct appropriation for the Air Program comes from the Environmental Fund; this appropriation totals \$31.727 million. The change items for the Air Program are through the Environmental Fund and are:

- An operating adjustment from the Environmental Fund totals \$722,000 for the biennium.
- Revenue from air emissions fees allow for an appropriation increase of \$200,000 in FY 2016 and \$403,000 in FY 2017. This will allow the agency to maintain the same level of service to industrial and municipal emissions sources.
- Two base appropriation riders for monitoring ambient air in the metro area and for localized air monitoring efforts were combined into one new rider. The total appropriation is \$686,000 for the biennium, this is the same appropriation level as the base level for the two riders combined.

**Land Program:**

The Land Program within PCA has not received any general fund support in recent biennia. This year two appropriations were made from the General Fund totaling \$3.368 million. The total direct appropriations from all funds are \$40.247 million.

- Operating adjustments for the biennium to the Land Program total \$349,000 from the Environmental Fund and \$506,000 from the Remediation Fund.
- A number of changes were made in the Land Program from the Remediation Fund. These changes include: a \$250,000 per year reduction from the appropriation for closed landfill administration, a \$250,000 per year addition to superfund administration, a \$250,000 per year appropriation for underground storage tank inspections and a \$350,000 per year addition for superfund and petroleum site cleanup work.
- A one-time general fund appropriation of \$868,000 is for a grant to the city of Mountain Iron for the remediation of an abandoned wastewater treatment pond.
- Up to \$2.5 million from the general fund is for a one-time grant to the city of Paynesville to add a treatment process for the removal of volatile organic compounds.
- \$743,000 is available in FY 2017 for transfer from the General Fund to the dry cleaner environmental response and reimbursement account in the Remediation Fund. This transfer is contingent on legislation being passed in 2016 to address the long term insolvency of the account.

**Environmental Assistance and Crossmedia:**

General Fund appropriations for this program are \$4.688 million. Total direct appropriations from all funds are \$62.423 million. There are a number of different changes in several different funds.

- The agency is appropriated a 1.8 percent operating adjustment from the General Fund and from the special revenue funds when funds were available. This amounts to \$36,000 from the General Fund and \$389,000 from the Environment Fund to the program for the biennium.
- \$1 million per year from the General Fund will be used for a new competitive recycling grant program that was created. Grants are for political subdivisions outside the seven county metropolitan area with populations under 45,000 people. The grants are capped at \$250,000 and must be used to increase the amount of materials being recycled.
- The Environmental Quality Board received a one-time general fund appropriation of \$500,000 for activities to streamline the environmental review process.
- A one-time environmental fund appropriation of \$900,000 for the biennium is to develop and maintain systems to support permitting and regulatory business processes and agency data.
- A \$100,000 one-time general fund appropriation for the biennium is to acquire and co-locate waste and recycling receptacles in the State Office Building and the Capitol Complex. This work is to be completed in cooperation with the commissioner of administration.

- \$156,000 is from the Special Revenue Fund from fees collected by the agency to oversee a product stewardship plan for architectural paint. This extends the statutory appropriation of the fees already being collected.

**Administrative Support Program:**

The administrative support program does not receive any direct appropriations for FY 2016-17.

**Department of Natural Resources (DNR)**

Chapter 4, Article 3 enacts a general fund appropriation of \$186.777 million to the department for the biennium, of this amount \$149.393 million are direct appropriations with the remainder coming from the open appropriations the agency oversees. Within the \$186.777 million total, there is a \$1.0 million general fund appropriation reduction in the FY 2016-17 biennium.<sup>1</sup> Total agency spending from all sources is anticipated to be \$753.218 million for the biennium. Specific changes from the base budget to each division include:

**Land and Minerals Management:**

The division receives \$3.17 million from direct general fund appropriations and \$38,000 from the General Fund as an open appropriation for the Consolidated Conservation Areas. Direct biennial appropriations from all funds totaled \$11.982 million for the division.

- The operating adjustment for the division is \$32,000 from the General Fund and \$178,000 from the Minerals Management Account in the Natural Resources Fund.
- A statutory appropriation is created for the monitoring of conservation easements held by the agency. The appropriation is from the newly created Conservation Easement Stewardship Account. Money appropriated to the account will be invested and the agency will be able to spend from the account up to a certain percentage of the value. The estimated FY 2016 and FY 2017 expenditure is \$52,000 per year.
- \$1 million is appropriated from the Natural Resources Damage Account in the Remediation Fund. The appropriation is available for the DNR to work with the University of Minnesota to acquire the university's interest in salt lands in Bear Head State Park. Previously the only appropriation out of the account was a statutory appropriation to the agency.
- A modification to a utility crossing fee exemption will cost the division \$10,000 of general fund revenue in the first year to cover the retroactive start date. Beginning in FY 2016 the division will annually collect \$5,000 per year of general fund revenue, \$164,000 per year in additional revenue to the Permanent School Fund and an additional \$25,000 per year in total to three other funds due to the change.

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<sup>1</sup> In the FY 2014-2015 biennium, there was general fund appropriation that was available through FY 2017. This appropriation was canceled to general fund in FY 2016 in Chapter 4, Article 3, Section 3, subdivision 9.



**Ecological and Water Resources:**

The general fund appropriation for the division is \$34.636 million. Total direct appropriations from all funds are \$64.581 million for the biennium. A number of changes are made in this division relating to the General Fund, Natural Resource Fund and the Game and Fish Fund.

- The operating adjustment for the division is \$311,000 from the General Fund, \$283,000 from the Game and Fish Fund and \$220,000 from the Natural Resources Fund.
- The funding for heritage enhancement of rare resource preservation is changed. A reduction of \$273,000 per year from the Nongame Wildlife Account in the Natural Resources Fund is made and a new appropriation of \$375,000 per year is made for the same purpose out of the Heritage Enhancement Account in the Game and Fish Fund.
- A one-time \$74,000 appropriation is made for the DNR portion of a study to determine the feasibility of the state assuming responsibility for 404 permits. These permits regulate the discharge of dredge or fill material into waters of the United States.
- A one-time \$100,000 general fund appropriation is to the agency to work in consultation with the Metropolitan Council to develop cost estimates of augmenting White Bear Lake from the Sucker Lake chain of lakes.
- \$400,000 of one-time appropriation from the general fund is appropriated to assist in the construction of ring levees in the Red River Watershed.
- A grant of \$75,000 is from the general fund was appropriated on a one-time basis to the city of Virginia for erosion control on the northeast side of Silver Lake.
- A grant to the Mississippi Headwater Board is increased by \$21,000 per year from the General Fund, this brings the total annual amount to \$124,000 per year.

**Forest Management:**

The Forestry Division's direct general fund appropriation is \$52.796 million for the biennium. An additional open appropriation of \$20 million for the biennium from the General Fund for firefighting is accounted for in the division. Total direct appropriations from all funds will be \$79.395 million.

- The operating adjustment for the division is \$1.196 million from the General Fund and \$779,000 from the Forest Management Investment Account in the Natural Resources Fund.
- General fund appropriations for forest management increase \$2 million the first year and \$1.5 million per year thereafter. An additional increase of \$500,000 per year for fiscal years 2016 and 2017 is from the Forest Management Investment Account in the Natural Resources Fund. These funds will be used to manage state forest lands, including timber harvest, forest inventory, reforestation, and forest road maintenance. At least \$500,000 the first year is for forest road maintenance in conjunction with timber sales.
- The Forest Resources Council will receive an additional \$200,000 per year from the General Fund for implementation of the Sustainable Forest Resources Act. This brings the total appropriated to the council to \$780,000 per year.

**Parks and Trails:**

The Parks and Trails Division is appropriated \$49.394 million from the General Fund for the biennium. The total direct appropriations for the division are \$147.714 million. Changes include:

- A General Fund increase of \$4.25 million per year is appropriated to support operations and customer service. An additional \$500,000 for both fiscal year 2016 and 2017 is appropriated out of the State Parks Account in the Natural Resources Fund.
- The operating adjustment for the division is \$594,000 from the General Fund, \$21,000 from the Game and Fish Fund and \$731,000 from the Natural Resources Fund.
- Changes are made to the Off-Road Vehicle Account in the Natural Resources Fund to provide more local support. The changes include: decreasing the DNR parks and trails appropriation by \$300,000 per year, increasing the off-road vehicle grant in aid appropriation by \$225,000 per year and appropriating \$75,000 per year for a new employee or contract to address off-road vehicle touring routes and safety issues in northern Minnesota.
- Five one-time appropriations are made in the division including: \$500,000 from the General Fund for restoration or replacement of the historic trestle bridge in Blackduck, \$190,000 from the General Fund for a grant to the city of Virginia for additional costs associated with supporting a trail due to highway rerouting, \$50,000 from the General Fund to develop a master plan for the Mississippi Blufflands Trail, \$61,000 from the Natural Resources Fund for reciprocity payments for the Red River State Recreation Area and \$65,000 from the Natural Resources Fund for the costs associated with designating the Shell Rock River Trail.

**Fish and Wildlife Management:**

The division receives no direct general fund appropriations. The general fund open appropriations accounted for in the division total \$17.346 million. Total direct appropriations for the division are \$142.89 million which come from the Game and Fish Fund and the Natural Resource Fund. Changes include:

- The operating adjustment for the division is \$2.668 million from the Game and Fish Fund and \$8,000 from the Natural Resources Fund.
- Game and Fish Fund appropriations are increased by \$10.518 million for the biennium. The base appropriation increase into the next biennium is \$3.786 million. These funds are for the fish and wildlife enhancement and reinvestment initiative brought to the legislature as a change item from the governor.
- Shooting sports facilities will receive \$2 million from the Game and Fish Fund as a one-time appropriation. Up to \$100,000 may be used for facilities on state owned lands, the remainder are for grants under Minnesota Statutes, section 87A.10.

**Enforcement:**

The general fund appropriation for the Enforcement Division is \$8.397 million for the biennium. Total direct appropriations are \$77.721 million from all funds.

- A one-time appropriation is made for aviation services rightsizing. The appropriation included \$200,000 from the General Fund and \$1.9 million from the Game and Fish Fund. The funds will be used to replace the aging aircraft the agency uses including a helicopter.
- The operating adjustment for the division is \$1.263 million. The increase is \$154,000 from the General fund with the remainder being from the Game and Fish Fund and the Natural Resources Fund.

- A number of appropriations are made to cover the increased employer portion of the conservation officers retirement funding. These appropriations are from a number of accounts in the Natural Resources Fund and the Game and Fish Fund. In total \$765,000 was appropriated, of which \$93,000 was from the General Fund, with the remainder coming out of the Natural Resources Fund and the Game and Fish Fund.
- Two appropriations are made from the Game and Fish Fund totaling \$2.197 million for delivery of natural resource law enforcement. These appropriations will be used to hold a conservation officer academy and fill vacant positions.
- The division also received a fiscal year 2015 appropriation in the deficiency bill, Minnesota Laws 2015, Chapter 3. The appropriation included: \$128,000 from the Natural Resources Fund, \$371,000 from the Game and Fish Fund and \$69,000 from the General Fund. The law also required a general fund reduction of \$18,000. These appropriations were intended to assist the agency in meeting their financial obligations through the end of fiscal year 2015.

**Operations Support:**

Two general fund appropriations for the division totaled \$1 million for the biennium; these are the only direct appropriation the division receives for operations. Most of the work of the Operations Support Division is internally billed, to the other divisions, for the services provided to those divisions. The division does have \$320,000 per year appropriated to it from the Natural Resources Fund for pass through grants to the Duluth Zoo and Como Zoo. Changes to the division include:

- A one-time appropriation of \$750,000 from the General Fund to be used for the agency's legal support costs related to water management.
- A general fund appropriation of \$250,000 made on a one-time basis to increase citizen engagement of natural resources in Minnesota.

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

The Board of Water and Soil Resources general fund appropriations totaled \$26.652 million for the biennium. The general fund is the only fund from which BWSR receives direct appropriations. BWSR also received an appropriation in the disaster bill.

- Minnesota Laws 2015, Chapter 2 (Disaster Relief) provided \$2.476 million from the general fund in fiscal year 2015 to the board for work related to 2014 disaster relief.
- The 1.8 percent operating adjustment the agency received amounts to \$282,000 for the biennium.
- \$778,000 is appropriated to cover the costs associated with the enhanced implementation of the Wetlands Conservation Act.
- A one-time \$270,000 appropriation is for the BWSR portion of a study to determine the feasibility of the state assuming responsibility for 404 permits.
- A statutory appropriation is created for the monitoring of conservation easements held by the board. The appropriation is from the newly created conservation easement stewardship account. Money appropriated to the account will be invested and the board will be able to

spend from the account up to a certain percentage of the value. The estimated FY 2016 and FY 2017 expenditures are \$72,000 per year.

- Funding for Grants to Area II Minnesota River Basin were increase by \$20,000 per year from the general fund. The grant will now total \$140,000 per year.
- The BWSR will no longer be required to transfer \$310,000 per year from returned grants to the general fund. The agency will now be able to use the full amount of the appropriation they receive for grants and services.
- Starting in FY 2018 \$11 million per year from the General Fund is added to the base for grants to soil and water conservation districts to implement buffer requirements.

## **Metropolitan Council Parks**

The Metropolitan Council parks appropriation is \$6.14 million from the General Fund. Metropolitan Council Parks also received an appropriation of \$11.34 million from the Natural Resources Fund.

- \$400,000 from the general fund is added as a one-time appropriation for the Metropolitan Area Water Supply Policy Advisory Committee study and the Metropolitan Area Water Supply Technical Advisory Committee.

## **MN Conservation Corp**

The Minnesota Conservation Corp has an appropriation of \$910,000 from the General Fund and \$980,000 from the Natural Resources Fund. No changes were made from the base level of funding for the Minnesota Conservation Corp.

## **Minnesota Zoo**

The general fund appropriation to the zoo is \$16.5 million for the biennium. There is an additional \$320,000 appropriation from the Natural Resources Fund. Total expenditures for the zoo are anticipated to be \$43.282 million with the non-direct expenditures coming from the Special Revenue Fund and the Gift Fund. The Minnesota Zoo also received a fiscal year 2015 appropriation in the deficiency bill.

- The general fund appropriation to the Minnesota Zoo was increased by \$5.65 million for the biennium. This increase was intended to bring the state's share of the zoo's budget to 33 percent.
- In addition to the increase listed above a fiscal year 2015 appropriation of \$1.35 million is made for zoo operations in Minnesota Laws 2015, Chapter 3 (deficiency bill). This appropriation was intended to maintain current operations through the end of the fiscal year.

## **Legislative Citizen Commission on Minnesota Resources**

Appropriations for the Environment and Natural Resources Trust Fund were made in Minnesota Laws 2015, Chapter 76. The appropriations made totaled \$46.383 million for 65 projects. The Environment and Natural Resources Trust Fund is currently appropriated on an annual basis. All of these appropriations are for fiscal year 2016, the 2016 Legislature will appropriate the fiscal year 2017 funds.

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

## **Minnesota Laws 2015, Chapter 25 (Omnibus Lands Bill)**

Chapter 25 includes a number of parcels of land to be offered for sale. The majority of these parcels have no fiscal impact to the state. The revenues from the parcels typically benefit the county in which the land is located. This year there were three parcels owned by the state with potential revenue from the sale. All revenues are deposited in the Land Acquisition Account. The largest parcel is 81.4 acres in Pine County with an estimated revenue amount of \$210,000. Two other parcels are a fraction of an acre and are estimated at \$1,000 of revenue each.

*For additional information on Environment and Natural Resources Finance issues, contact Brad Hagemeyer at 651-296-7165 or email: [brad.hagemeyer@house.mn](mailto:brad.hagemeyer@house.mn).*

## Health & Human Services Finance

The 2015 Legislature passed, and the Governor signed, two bills affecting Health and Human Services funding. Laws of Minnesota 2015, Chapter 3, the deficiency bill, includes \$10.7 million in FY 2015 general fund appropriations for the Department of Human Services and the Department of Health. Laws of Minnesota 2015, Chapter 71, the Omnibus Health and Human Services Finance Bill, includes net general fund spending of \$12.469 billion for FY 2016-17 for all agencies in the jurisdiction of Health and Human Services. This represents a decrease of \$301.9 million (-2.4 percent) from the FY 2016-17 forecast base and an increase of \$820.7 million (7.0 percent) from FY 2014-15 forecast spending including FY 15 changes included in these Chapters. Chapter 71 has general fund tails of \$14.817 billion for FY 2018-19.

<b>Health and Human Services Finance Committee</b>							
<b>Total General Fund Spending</b>							
(all dollars in thousands)							
	Change FY 15	Forecast FY 14-15 with Changes	Forecast Base FY 16-17	Enacted FY 16-17	Enacted FY 18-19	<i>Percentage Change Enacted FY 16-17 vs. FY 14-15 with Changes</i>	<i>Percentage Change Enacted vs. Base FY 16-17</i>
<b>APPROPRIATIONS</b>							
<i>Chapters 3 &amp; 71</i>							
Human Services Department	465,677	11,477,777	12,660,315	12,352,407	14,700,312	7.6%	-2.4%
Health Department	2,875	164,452	154,689	180,726	180,624	9.9%	16.8%
Emergency Medical Services Bd		5,552	5,482	5,941	6,074	7.0%	8.4%
Council on Disabilities		1,228	1,228	1,251	1,258	1.9%	1.9%
Ombudsman for Families		667	668	845	906	26.7%	26.5%
Ombudsman for Mental Health/DD		3,672	3,608	3,949	4,064	7.5%	9.5%
Commerce Department		0	0	423	426		
General Fund Xfer to HCAF		50,000					
<b>REVENUES</b>							
<i>DHS Spending Adjustments</i>							
DHS Forecast FFP		-54,806	-54,806	-54,806	-54,806		
Change in FFP				-10,745	-11,308		
Compulsive Gambling Funds				972	1,029		
<b>GF Spending Total</b>	<b>468,552</b>	<b>11,648,542</b>	<b>12,771,184</b>	<b>12,480,963</b>	<b>14,828,579</b>	7.1%	-2.3%
<i>Other Spending Adjustments</i>							
Change in Non-FFP Revenue				-11,679	-11,462		
<b>Net GF Total</b>	<b>468,552</b>	<b>11,648,542</b>	<b>12,771,184</b>	<b>12,469,284</b>	<b>14,817,117</b>	7.0%	-2.4%

## Department of Commerce

Chapter 71 appropriates \$423,000 to the Department of Commerce for the purpose of developing a proposal to allow individuals to purchase qualified health plans outside of MNsure and still receive advanced premium tax credits and cost sharing reductions. The proposal would need to receive federal approval or law changes to be implemented

## Department of Health (MDH)

Chapter 71 appropriates a general fund total of \$180.7 million to the Department of Health for FY 2016-17. This is an increase of \$26.01 million (16.8 percent) over base and \$16.2 million (9.9 percent) over FY 2014-15 forecast spending including FY 15 changes in Laws 2015, Chapter 3. Chapter 71 has general fund tails for the Department of Health of \$180.6 million. Chapter 3 (the Deficiency Bill) also contains appropriations for the Department of Health (see below). Specific appropriation (General Fund unless otherwise noted) changes in Chapter 71 for the Department of Health include:

- An annual increase of \$1 million for local public health grants
- An annual increase of \$1 million for family planning grants
- An annual increase of \$1 million for the Positive Alternatives program
- An increase of \$650,000 in the first year and \$2 million in the second year and on-going for a new evidence based home visiting program
- An annual increase of \$700,000 for the Safe Harbor program for prevention of sexual exploitation of youth. Additional funds are appropriated to DHS for the housing portion of this program. (See DHS section)
- An annual increase of \$2.5 million for the Health Professional Loan Forgiveness program
- New appropriations for health care workforce development of \$1 million annually and \$1.5 million annually, respectively for residencies and Home and Community Based Services provider scholarships
- Also in the area of health care work force promotion is \$1 million annually from the Health Care Access Fund to assist foreign trained medical graduates to become licensed
- An increase of \$750,000 annually for the Minnesota Poison Control Center
- An increase of \$350,000 annually to develop a Minnesota Stroke System
- New appropriations of \$250,000 annually for health disparities data analysis
- New appropriations of \$4,000 annually for expanded Epinephrine access
- \$312,000 for the biennium and \$140,000 a year on-going for an early prevention dental initiative
- \$449,000 for the biennium and \$208,000 a year on-going for suicide prevention
- An increase of \$1.3 million annually for health care grants for uninsured individuals
- Funding from both the General Fund and the Health Care Access Fund for a 1.8 percent annual operating increase

New one-time appropriations at the Department of Health include:

- \$200,000 for a working group to examine violence against Asian women
- \$250,000 for a grant to a non-profit organization to promote health care advanced planning
- \$50,000 for health care workplace violence prevention
- \$200,000 to promote organ donation in various communities
- \$110,000 for a grant to a non-profit to promote Somali women's health
- \$2 million for Federally Qualified Health Center's
- \$290,000 for "Steve's Law" expanding access to opiate antagonist (Narcan)

## Department of Human Services (DHS)

Chapter 71 appropriates a general fund total of \$12.4 billion to the Department of Human Services for FY 2016-17. This is a change of (-\$307.9) million (-2.4 percent) under base and \$874.6 million (7.6 percent) over FY 2014-15 forecast spending including FY 2015 changes in Laws 2015, Chapter 3. Chapter 71 has general fund tails for the Department of Health of \$14.7 billion. Chapter 3 (the Deficiency Bill) also contains appropriations for the Department of Human Services (see below). There are several broad areas at DHS that are of particular note:

*Chemical/Mental Health* - Chapter 71 includes a significant amount of new funding for mental health systems and programs. \$11.2 million for the biennium is appropriated to increase operational funding for the Minnesota Security Hospital; \$5.6 million for the biennium is to stabilize the payment structure for some chemical dependency (CD) programs; \$6.4 million for the biennium is to increase capacity for individuals with complex conditions, \$6.6 million for the biennium is for a psychiatric residential treatment facility; \$5.4 million is for behavioral health homes; \$8.6 million is to expand mental health crisis services; \$847,000 is to expand access to respite care; \$1.3 million is to expand assertive community treatment and \$3.6 million is to increase rates paid to CD providers.

Additional items in this area include \$100,000, one-time, for SE Asian veteran's mental health grants, \$134,000, one-time, to develop a plan for Clubhouse services, \$260,000 in FY 2016-17 and \$685,000 in the tails to develop services and supports for first episode psychosis, and \$398,000, one-time, to develop certification of behavioral health homes.

Chapter 71 also includes \$15.3 million in increased appropriations to keep the CARE chemical dependency treatment program open, requires Counties to pay increased costs after 100 days for patients who could be released from the Anoka Regional Treatment facility but aren't because the County has not found a placement for the patient.

*Child Protection* – Chapter 71 appropriates \$52.2 million, on-going, for the FY 2016-17 biennium to improve the statewide child protection system. Of this amount, \$46.7 million in each biennium is in grants to Counties for increased efforts in this area.

*Nursing Homes* – Chapter 71 completely redoes the payment system for nursing facilities in the state. It establishes a new statewide methodology, does away with the current payment distinctions between metro, rural, and deep rural locations and updates many aspects of the cost



calculations for nursing facilities. \$138.2 million in FY 2016-17 and \$289 million in the tails is appropriated to pay for the new methodology.

*Savings/Payment Delays* – Chapter 71 includes several items which result in lower appropriations in FY 2016-17. These include a \$135 million delay in payments to managed care organizations, \$3 million in one-time savings from underspending in the child care program, recognition of \$7.4 million in lower forecasted costs in foster care programs, \$1.2 million in savings from revising eligibility for group residential housing, \$26 million in savings in FY 2016-17 and \$138 million in savings in the tails from an initiative to use data matching to verify eligibility for public benefit programs, and \$18.3 million in savings in FY 2016-17 and \$31 million in savings in the tails from reducing managed care organization administrative costs.

In addition, because the Health Care Access Fund (HCAF) pays an additional \$537.7 million for medical assistance (MA) costs over the HCAF base for MA in FY 2016-17, general fund MA costs are reduced by a like amount.

*Future financing of Health Care programs* – Chapter 71 appropriates \$500,000 and establishes a task force to look at the future financing of health care programs in Minnesota. The task force has a broad charge but will primarily look at the long term financing of MinnesotaCare, the long-term solvency of the HCAF and the long-term financial viability of MNsure. The task force is required to report its recommendations to the 2016 Legislature.

Other specific appropriation (General Fund unless otherwise noted) changes in Chapter 71 for the Department of Human Services include:

- \$10 million is appropriated for the biennium and on-going to reduce the waiting list for basic sliding fee child care
- \$7.9 million is appropriated for the biennium and on-going to fund a \$100 disregard for child support collections for Minnesota Family Investment Program (MFIP) recipients
- \$3.3 million is appropriated for the biennium and on-going to increase rates for dental providers
- \$2 million for the biennium, one-time, is for grants to hunger solutions and to fund their mobile food shelf
- \$4.8 million is appropriated for the biennium and on-going is to reverse premium increases in the employed persons with disabilities (MA-EPD) program
- \$3.4 million is appropriated for the biennium and on-going to buy the elderly & disabled medical assistance spend down to 80 percent
- \$2 million for the biennium, one-time, is for Beltrami county for a mental health diversion facility
- \$500,000 per year, on-going, is for the Text For Life program
- \$350,000, one-time, is to expand awareness of the safe place for newborns program
- \$1.6 million for the biennium and on-going is for dementia grants
- \$1.6 million, one-time is for deaf and hard of hearing grants
- \$4.7 million for the biennium and on-going is for supportive housing
- \$3.4 million for the biennium and on-going is for Jensen settlement administrative costs
- \$1.2 million in each biennium is for the state quality council

- \$6.5 million for the biennium and on-going is for an operating increase for State Operated Services (SOS)
- \$844,000 each biennium is for civil commitment reviews
- \$7.8 million for the biennium and on-going is for increased operating costs in the Minnesota Sex Offender Program (MSOP)
- \$5.7 million for the biennium and on-going is for a 1.8 percent operating increase
- \$5.2 million for the biennium and on-going is to cover MA costs related to a court ruling on the treatment of assets in determining eligibility for long term care
- \$3.7 million for the biennium and \$15 million in the tails is to reverse rate cuts for Non-Emergency Medical Transport
- \$5.6 million for the biennium and on-going is to exempt durable medical equipment providers in MA from competitive bidding
- \$5.1 million for the biennium and on-going is for changes to inpatient hospital rates
- \$3.9 million for the biennium and on-going is for a rate increase for Gillette Hospital
- \$1.4 million for FY 2017 and on-going is to create a quality incentive pool for Home and Community Based Service (HCBS) providers
- \$17.2 million in FY 2016-17 and 25.2 million in the tails is to fund the labor contract costs for newly organized home care workers
- \$1 million per year on-going is for the Homeless Youth Act
- \$800,000 per year on-going is for housing in the Safe Harbor program for sexually exploited youth
- \$250,000 per year on-going is for emergency support services
- \$1 million per year on-going is for long term homeless supports and services
- \$250,000 per year on-going is for Fetal Alcohol Spectrum Disorder (FASD)
- \$300,000 one time is for a chemical dependency prevention program
- \$105,000 one-time to set up the ABLE account program providing savings accounts for disabled people that do not reduce public benefits
- \$684,000 for the biennium and on-going is for new managed care organization audit activities
- \$500,000 one-time is to fund a task force on health care financing

## **Council on Disabilities**

Chapter 71 appropriates \$1.251 million to the Council on Disabilities from the General Fund. This is an increase of \$23,000 (1.9 percent) over base and the same amount over the FY 2014-15 biennium. The appropriation includes a 1.8 percent annual operating increase. Chapter 71 has general fund tails for the Council of \$1.258 million in FY 2018-19.

## **Emergency Medical Services Regulatory Board**

Chapter 71 appropriates \$5.941 million to the EMS Board from the General Fund. This is an increase of \$459,000 (8.4 percent) over base and \$389,000 (7.0 percent) over the FY 2014-15

biennium. The appropriation includes a 1.8 percent annual operating increase and the funding for a new Community Medical Technician certification program. Chapter 71 has general fund tails for the Board of \$6.074 million in FY 2018-19.

### **Ombudsman for Families**

Chapter 71 appropriates \$845,000 to the Ombudsman for Families from the General Fund. This is an increase of \$177,000 (26.5 percent) over base and \$178,000 (26.7 percent) over the FY 2014-15 biennium. The appropriation includes a 1.8 percent annual operating increase and the restoration of a half-time office position. Chapter 71 has general fund tails for the Ombudsman of \$906,000 in FY 2018-19.

### **Ombudsman for Mental Health and Developmental Disabilities**

Chapter 71 appropriates \$3.949 million to the Ombudsman for Mental Health/DD from the General Fund. This is an increase of \$341,000 (9.5 percent) over base and \$277,000 (7.5 percent) over the FY 2014-15 biennium. The appropriation includes a 1.8 percent annual operating increase. Chapter 71 has general fund tails for the Ombudsman of \$4.064 million in FY 2018-19.

## **Non-General Fund Items**

### ***Health Care Access Fund***

Chapter 71 includes several items that have an impact on the Health Care Access Fund (HCAF) but the overall picture for the upcoming biennium and tails does not change much. The February 2015 revenue forecast showed HCAF balances of \$124.9 million at the end of FY 2016, \$12.6 million in FY 2017 and zero in FY 2019-20 each. Chapter 71 results in balances of \$147.8 million in FY 2016 and zero in FY 2017-19.

Within this overall context, Chapter 71 appropriates \$455 million from the General Fund in FY 2015 to the Commissioner of Human Services for transfer into the HCAF. Chapter 71 then increases appropriations from the HCAF for Medical Assistance cost by \$455 million in FY 2016 and \$82.7 million in FY 2017.

Also, changes to premiums and cost sharing in the MinnesotaCare program bring in \$65 million in FY 2016-17 and \$95 million in the tails in additional revenue.

It is important to note that in FY 2020, beyond the current planning horizon, the main source of revenue into the HCAF, the health care access tax, is scheduled to sunset. When this happens it is questionable whether the fund will have enough annual revenue to support the expenditure base. Chapter 71 does begin a process of examining future health care needs and financing in Minnesota by setting up a task force to examine the issue and report to the 2016 Legislature (see DHS section).

### ***Health Related Boards***

The 15 health licensing boards are all fee supported through the State Government Special Revenue Fund (SGSR) and do not receive any general fund support. Chapter 71 appropriations from the SGSR include an operating increase for each of the boards in FY 2016-17. In addition, there are changes to the fee schedule/revenues for the Boards of Dentistry, Optometry, and Social Work. Chapter 71 also allocates additional SGSR funds for the Health Professional Support Program (HPSP, housed at the Board of Dentistry), and the Administrative Support Unit (ASU, housed at the Board of Nursing Home Administrators).

### **Deficiency Appropriations**

In the area of Health and Human Services, Chapter 3 appropriates a net total of \$13.552 million in FY 2015. Of this amount, \$10.7 million is to the Department of Human Services for FY 2015 operating costs at the Minnesota Security Hospital. \$2.9 million is appropriated to the Department of Health for unanticipated expenditures related to Ebola preparedness, \$2 million of that amount is allocated to four hospitals and the Emergency Medical Services Regulatory Board for extraordinary costs related to Ebola.

*For more information on Health and Human Service Finance issues, contact Doug Berg, Fiscal Analyst, at 651-296-5346 or [doug.berg@house.mn](mailto:doug.berg@house.mn)*

## Higher Education Finance

The 2015 Higher Education finance bill (Laws of Minnesota 2015, Chapter 69) includes total general fund appropriations of \$3.066 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 \$174.3 million, or 6.0 percent, above the February 2015 forecast base funding levels for FY 2016-17 for these accounts in total. Compared to forecast spending in the prior biennium (FY2014-15) this represents a general fund increase of \$232.536 million, or 8.2 percent. The following table summarizes Chapter 69 general fund appropriations by account.

<b>Higher Education Finance and Policy</b>						
<b>Total General Fund Spending</b>						
(all dollars in thousands)						
	Change FY 15	FY 14-15 Forecast with Changes	Forecast Base FY 16-17	Enacted FY 16-17	<i>Percentage Change FY 16-17</i> vs. FY 14-15 with Changes	<i>Percentage Change</i> Enacted vs. Base FY 16-17
Office of Higher Ed	0	444,830	447,644	467,473	5.1%	4.4%
Mayo Foundation	0	2,702	2,702	2,702	0.0%	0.0%
MN State Colleges & Universities	0	1,210,058	1,244,286	1,345,651	11.2%	8.1%
University of Minnesota	0	1,176,798	1,197,898	1,251,098	6.3%	4.4%
<b>Net GF Total</b>	<b>0</b>	<b>2,834,388</b>	<b>2,892,530</b>	<b>3,066,924</b>	<b>8.2%</b>	<b>6.0%</b>

### 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 2016-17 and represents no change over the FY 2014-15 biennium.

### Minnesota State Colleges and Universities (MnSCU)

For the Minnesota State Colleges and Universities, Chapter 69 appropriates a general fund total of \$1.345 billion for the FY 2016-17 biennium. This represents an increase of \$101.365 million (8.1 percent) from the FY 2016-17 general fund forecast base. Compared to forecast spending in the prior biennium (FY 2014-15) this represents a general fund increase of \$135.593 million or 11.2 percent.

The specific spending provisions that were agreed to in conference committee include:

- Tuition relief for students in the MnSCU system in the form of a partial two year freeze on tuition for the FY 2016-17 biennium only with \$50 million of the appropriation designated to cover the tuition relief cost in FY 2016 and \$50 million designated for that purpose in FY 2017. Two-year college tuition will be frozen in FY 2016 and reduced by 1 percent in FY 2017. Four-year tuition will be frozen in FY 2017 only. Funding of \$100 million is built into the 2016-17 biennium base to continue tuition relief efforts.
- One-time funding of \$450,000 to establish an agriculture teacher program and \$50,000 (added to the base) to fund online agriculture courses.
- Annual funding of \$35,000 for the foreign born nurses program.
- Annual funding of \$40,000 to establish a reporting system for on-campus sexual violence and harassment.
- Annual funding of a transfer degree/baccalaureate degree pathways program of \$57,000 in FY 2016 and \$58,000 in FY 2017.
- Annual funding of \$175,000 for establishing a veterans to agriculture program.
- One-time funding of \$200,000 to establish a year-long student teaching program.

In addition to the appropriation changes noted above, Chapter 69 includes a language provision that holds back five percent of the Board's FY 2017 operations and maintenance appropriation (\$33.6 million) until the Board of Trustees demonstrates to the Commissioner of Minnesota Management and Budget at least three of the following performance goals have been achieved:

- Increase the number of degrees, diplomas and certificates conferred in FY 2015 by at least four percent over FY 2008.
- Increase the FY 2015 degrees awarded to students who took more than 128 credits for a baccalaureate degree and 68 credits for an associate's degree by five percent as compared to the rate for 2011 graduates.
- Increase the employment rate in FY 2015 for 2014 graduates by five percent compared to the 2011 rate for 2010 graduates.
- Decrease the number of students enrolled in developmental courses by ten percent based upon the FY 2015 headcount as compared to FY 2013 headcount of students enrolled in developmental courses.
- Reallocate \$22 million made available by expense realignment in FY 2016.

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

For the Office of Higher Education, Chapter 69 includes general fund appropriations of \$467.473 million for the FY 2016-17 biennium. This represents an increase of \$19.829 million (4 percent) over the FY 2016-17 general fund forecast base. Compared to forecast spending in the prior biennium (FY 2014-15) this represents a general fund increase of \$22.643 million or 5 percent.

New spending for the Office of Higher Education (OHE) will be used for changes in eligibility for the state grant program. The cost of all the changes to the grant program in the FY 2016-17 biennium is \$7 million. The specifics of the state grant changes include the following:

- Sets the living and miscellaneous expense allowance equal to the federal poverty level line if no such expense allowance is otherwise established in law.
- Authorizes the commissioner of higher education to increase the tuition and fee maximum in the second year of the biennium if the appropriation is determined to exceed demand.

Additional funding was provided to OHE for the following non-grant program initiatives:

- Annual funding of \$400,000 to help reduce the waiting list for American Indian scholarships.
- The United Family Practice program will receive an increase of \$150,000 annually to train additional practitioners in family medicine.
- Annual funding of \$200,000 to establish a teacher shortage loan forgiveness program.
- College Possible will receive \$250,000 annually to expand the program beyond the metropolitan area.
- Annual funding of \$340,000 for concurrent enrollment course development grants and concurrent enrollment expansion grants.
- The Department of Labor and Industry will receive \$200,000 for dual training programs. The Office of Higher Education will receive \$1 million in FY 2016 and \$2 million in FY 2017 for the same purpose.
- One-time funding of \$250,000 for the large animal veterinarian loan forgiveness program.
- Annual funding of \$500,000 for spinal cord research grants.
- Annual funding of \$25,000 to establish a reporting system for on-campus sexual violence and harassment.
- \$5 million annually (beginning in FY 2017) for two-year vocational program tuition assistance.

In addition to these changes \$8.39 million was canceled from FY 2015 from monies used to provide tuition reciprocity payments to participating states and provinces. The High School to College Transition program was also repealed and provided \$100,000 in annual savings.

### **University of Minnesota (U of M)**

For the University of Minnesota, Chapter 69 appropriates a general fund total of \$1.251 billion for the FY 2016-17 biennium. This represents a general fund increase of \$53.2 million (4.4 percent) from the FY 2016-17 general fund forecast base. Compared to forecast spending in the prior biennium (FY 2014-15) this represents a general fund increase of \$74.3 million or 6.3 percent.

The specifics of the appropriation changes noted above from Chapter 69 include the following:

- Funding for tuition relief for undergraduate and graduate students in the form of a tuition subsidy for the two years of the FY 2016-17 biennium with \$11.1 million of the

appropriation designated to cover the tuition subsidy in FY 2016 and \$11.1 million designated for that purpose in FY 2017. This funding continues into the FY 2018-19 biennium at \$22.2 million in order to continue to offset tuition costs.

- \$15 million in FY 2016 and FY 2017 as well as \$15 million each year thereafter for investments and improvements to the University of Minnesota Medical School.
- An additional \$500,000 each year for Alzheimer's and other dementia related research.

Similar to the agreed-upon language for MnSCU, a rider holds back five percent of the U of M's FY 2017 operations and maintenance appropriation (\$31.2 million) until the Board of Regents demonstrates to the Commissioner of Minnesota Management and Budget that at least three of the following performance goals have been achieved:

- Increase (by at least one percent) the four-year, five-year, or six-year undergraduate graduation rates, averaged over three years, for students of color system wide at the University of Minnesota reported in fall 2016 over fall 2014.
- Increase (by at least two percent) the total number of undergraduate STEM degrees, averaged over three years, conferred system wide by the University of Minnesota reported in FY 2016 over FY 2014.
- Increase (by at least one percent) the four-year undergraduate graduation rate at the University of Minnesota reported in fall 2016 over fall 2014.
- Reallocate administrative costs by \$15 million in FY 2016 to direct mission activities, cost of attendance, and programs that benefit students.
- Increase invention disclosures by three percent for FY 2016 over FY 2015.

Policy changes in Chapter 69 allows the University of Minnesota to refund the bonds associated with TCF Bank Stadium and utilize \$10 million of that savings for design and predesign expenses related to the University of Minnesota Medical School and Academic Health Center. Once the \$10 million has been allocated to the Medical School and Academic Health Center any further debt service savings may be used for other purposes as determined by the Board of Regents. Any savings in FY 2029, FY 2030, or FY 2031 will cancel to the General Fund.

*If you have any questions on Higher Education Finance issues, please contact Ken Savary at 296-7171 or [ken.savary@house.mn](mailto:ken.savary@house.mn).*



## Jobs, Economic Development, & Energy Finance

Chapter 1 of the First Special Session of 2015 contains the FY 2016-17 budgets for Jobs, Economic Development, and Energy as originally passed by the House Job Growth and Energy Affordability Policy and Finance Committee. The legislature approved \$401.7 million in direct and statutory appropriations from the General Fund, which represents a 14.3 percent increase over the general fund base budget for FY 2016-17. General fund revenue for the biennium totals \$17.3 million, resulting in a net general fund impact of \$384.3 million, a 9.3 percent increase over base budget. Compared to forecasted FY 2014-15 spending, the enacted budget is 7.2 percent lower without revenue changes, or 11.2 percent lower with revenue changes.

<b>Total General Fund Spending</b>						
(all dollars in thousands)						
	Forecast	Forecast	Enacted	<i>Percentage Change Enacted FY 16-17 vs. FY 14-15</i>	<i>Percentage Change Enacted vs. Base FY 16-17</i>	Enacted
	FY 14-15	FY 16-17	FY 16-17			FY18-19
Dept. of Employment and Economic Development	205,731	147,887	175,365	-14.8%	18.6%	158,452
Minnesota Housing Finance Agency	103,946	98,096	104,596	0.6%	6.6%	100,596
Explore Minnesota Tourism	28,474	27,976	28,366	-0.4%	1.4%	28,496
Department of Labor and Industry	3,944	2,332	2,386	-39.5%	2.3%	2,404
Bureau of Mediation Services	4,306	4,366	4,442	3.2%	1.7%	4,468
Workers Compensation Court of Appeals	0	0	0	0.0%	0.0%	0
Iron Range Resources	3,560	6,071	6,071	70.5%	0.0%	6,220
Department of Commerce	69,785	47,775	61,990	-11.2%	29.8%	52,060
Public Utilities Commission	12,898	12,446	13,896	7.7%	11.7%	13,860
Public Facilities Authority	0	0	0	0.0%	0.0%	0
Destination Medical Center	0	4,544	4,544	N/A	0.0%	25,168
Total Expenditures	432,644	351,493	401,656	-7.2%	14.3%	391,724
Total Revenue Changes			17,310			2,316
<b>Net GF Total</b>	<b>432,644</b>	<b>351,493</b>	<b>384,346</b>	<b>-11.2%</b>	<b>9.3%</b>	<b>389,408</b>

A second significant funding source in the area of Jobs & Economic Development is the Workforce Development Fund. Revenue into this fund comes from a 0.1 percent assessment fee Minnesota employers pay on each employee's taxable wages (\$30,000 in 2015). Projected revenue into the fund for FYs 2016 and 2017 is \$50.7 million and \$52.7, respectively. The legislature approved \$54.1 million in direct appropriations from the fund for FY 2016-17, which represents a 32 percent increase over base budget. Money in the fund that is not directly appropriated by the legislature is statutorily appropriated to DEED for the Dislocated Worker Program. The 2015 Legislature amended this part of statute to include incumbent worker training as a possible use of the fund.

	Forecast FY14-15	Forecast Base FY 16-17	Enacted FY 16-17	Percentage <u>Change</u> Enacted FY 16-17 vs. FY 14-15	Percentage <u>Change</u> Enacted vs. Base FY 16-17	Enacted FY 18-19
Dept. of Employment and Economic Development	42,282	38,994	52,020	23.0%	33.4%	50,628
Department of Labor and Industry	2,053	2,058	2,100	2.3%	2.0%	2,114
<b>Net WDF Total</b>	<b>44,335</b>	<b>41,052</b>	<b>54,120</b>	<b>22.1%</b>	<b>31.8%</b>	<b>52,742</b>

\* Direct appropriations only.

## Department of Employment and Economic Development (DEED)

### General Fund Summary

DEED's enacted general fund budget for FY 2016-17 is \$175.4 million (see Table 1). The dollar and percent increases from current law base are \$27.5 million and 18.6 percent, respectively.

The legislature continued base funding for all DEED programs and approved increases to the following existing and new programs:

- \$10.6 million in FY 2016 to the Border-to-Border Broadband Development Grant Program. This program received \$20 million in FY 2015 and awarded \$19.4 million in grants to expand broadband services in unserved and underserved regions.
- The Minnesota's Film and TV Board's Job Creation Program (also known as Snowbate) received a \$2 million increase over base in FY 2016, resulting in a total appropriation of \$3.5 million in FY 2016 and \$1.5 million in FY 2017. The Snowbate Program provides

incentive rebates to film production corporations that film (part of) their projects in Minnesota.

- The 2014 Legislature established a Workforce Housing Pilot Program that provides grants to cities for costs related to the construction of market rate residential workforce housing projects in greater Minnesota. Chapter 1 of the Special Session establishes this pilot program in statute and funds it on an on-going basis at \$4 million for the biennium.
- \$1.9 million in FY 2016 and \$1.3 million in FY 2017 for the Greater MN Business Development Public Infrastructure (BDPI) Grant Program. This program provides grants to cities to fund capital costs of public infrastructure that is deemed necessary in order to further economic development. Of the \$1.9 million in the first year, the legislature earmarked \$1.8 million for a grant to the City of Cambridge for development and improvement of Trunk Highway 95 and \$100,000 for an economic development grant to the City of Taylors Falls.
- \$139,000 each year for the Center for Rural Policy & Development. This non-profit provides research and analysis to policy-makers on issues of concern to rural Minnesota. The Center received another \$300,000 for the biennium in Chapter 4 of the Special Session, which contains the agriculture and environment budgets.
- \$400,000 in FY 2016 for a collaborative pilot project by the South and Southwest Initiative Foundations to support entrepreneurs in diverse populations in the areas served by the two foundations.
- \$500,000 in FY 2016 for the Eastside Enterprise Center. This appropriation is to be equally divided between African Economic Development Solutions, the Asian Development Association, and the Latino Economic Development Center.
- \$500,000 each year for rural Career Counseling Coordinators. These positions are within the workforce service areas outside the metropolitan area and will be responsible for improving coordination and communication of workforce development programs and services within the service areas.
- \$400,000 in FY 2016 for a grant to the YWCA in St. Paul.
- The Olmstead Implementation Office received a \$425,000 increase each year over base. The new annual appropriation is \$1.3 million.
- \$1 million each year for Individual Placement Services for persons with mental illness. This appropriation is added to the base item Employment Support Services, which received \$1.6 million each year, resulting in a total annual appropriation of \$2.6 million.
- An additional \$250,000 each year for Extended Employment Services for rate increases to providers of extended employment services for persons with severe disabilities.
- \$35,000 in FY 2016 for a grant to the City of Delano for unanticipated tax liabilities related to the city's Fourth of July celebrations.
- \$1 million in FY 2016 for a grant to Assistive Technology of Minnesota (now known as EquipALife). This state-wide non-profit dedicates its resources to issues of access to and acquisition of assistive technology for individuals using this technology for career development.

### *Workforce Development Fund Summary*

DEED's enacted workforce development fund budget for FY 2016-17 is \$52 million in direct appropriations (see Table 2). The dollar and percent increases from current law base are \$13 million and 33 percent respectively.

The legislature continued base funding for all DEED programs, and approved increases to the following existing and new programs:

- \$1 million each year for employment support services for people who are deaf, deaf-blind, and hard-of-hearing.
- \$900,000 each year for the Job Training Grants Program. This program is based on a pilot program established by DEED in 2014 and offers grants to new or expanding businesses to train new employees. The program requires business to pay an application fee of no more than \$500, which is deposited into the Special Revenue Fund and appropriated to the Commissioner of DEED for program administration. The estimated revenue from this fee is \$12,000 for FY 2016-17.
- \$900,000 in FY 2016 and \$1.1 million in FY 2017 for a grant to the Minnesota High Tech Association to support SciTechsperience, a program that supports STEM internship opportunities for two- and four-year college students.
- An \$860,000 yearly increase for the Adult Workforce Development Competitive Grant Program, resulting in an annual appropriation of \$3.1 million.
- A \$500,000 yearly increase for the Youth Workforce Development Competitive Grant Program, resulting in an annual appropriation of \$3.3 million.
- \$500,000 each year for a grant to Resource Inc. to provide individuals with low incomes career education and job training skills that are integrated with chemical and mental health services.
- \$200,000 each year for a grant to Twin Cities RISE!, an organization that provides job training to individuals with low-incomes who reside in the Twin Cities area.
- \$200,000 in FY 2016 for uniform outcome report card requirements, a statutory mandate that requires DEED to develop and implement outcome measures for all adult-workforce programs funded by state dollars.
- A \$90,000 yearly increase in the base budget of Big Brothers/Big Sisters. This results in an annual appropriation of \$215,000.
- \$50,000 each year for a grant to the St. Cloud Area Somali Salvation Organization to fund youth development and crime prevention activities.

### *Other Changes in DEED*

- The department received agency-wide operating increases from the General Fund and the Workforce Development Fund, at \$577,000 and \$26,000 for the biennium, respectively.
- The legislature made a clarification in current law that allows DEED to deposit the Greater MN Job Expansion Program Fee into the Special Revenue Fund. The money is then appropriated to the commissioner of DEED for program administration. The total fee revenue is estimated to be \$420,000 for the biennium.

## Minnesota Housing Finance Agency (MHFA)

MHFA's enacted general fund budget for FY 2016-17 is \$104.6 million (see Table 1). The dollar and percent increases from current law base are \$6.5 million and 6.6 percent respectively.

The legislature continued base funding for all MHFA programs, with increases to the following existing and new programs:

- \$2 million in FY 2016 for the Housing Job Growth Initiative, which is housed under the Challenge Program. This initiative supports housing development in areas with low housing vacancy rates that experience or anticipate job expansion.
- A \$1.25 million yearly increase to the Bridges Program, which provides rental assistance to people with mental illness. The new base for the program is \$4.088 million per year.
- \$2 million in FY 2016 for rental assistance to families with school-age children who have changed their school or home at least once in the last school year. This initiative had been funded once before in FY 2014 at the same level.
- A \$125,000 yearly set-aside from the \$375,000 appropriation to Capacity Building Grants. This money will allow the agency to support the Homeless Management Information System (HMIS), “a local information technology system used to collect client-level data and data on the provision of housing and services to homeless individuals and families and persons at risk of homelessness.”<sup>1</sup>

## Explore Minnesota Tourism

Explore Minnesota Tourism's enacted general fund budget for FY 2016-17 is \$28.4 million (see Table 1). The dollar and percent increases from current law base are \$390,000 and 1.4 percent respectively.

The legislature continued base funding for Explore MN Tourism and approved the following increases:

- \$30,000 for Mille Lacs Lake tourism promotion.
- A yearly operating increase over base of \$100,000 in FY 2016 and \$260,000 in FY 2017.

## Department of Labor and Industry (DOLI)

The Department of Labor and Industry's enacted general fund budget for FY 2016-17 is \$2.4 million (see Table 1). The dollar and percent increases from current law base are \$54,000 and 2.3 percent respectively. The legislature continued base funding for all DOLI programs and an operating adjustment of \$54,000 represents the only general fund increase.

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<sup>1</sup> <https://www.hudexchange.info/hmis/>

*Non-general fund changes*

- \$4 million in FY 2016 and \$6 million in FY 2017 from the Workers Compensation Fund for Information Technology (IT) system modernization. The base for FY 2018 and 2019 is \$3 million each year and zero in the following fiscal years.
- An operating adjustment of \$548,000 in FY 2016 and \$1.1 million in FY 2017 from the Workers Compensation Fund.
- The legislature adjusted Construction Code license fees downward for FY 2016 and 2017 (fees will go back to current levels in FY 2018). This leads to a reduction of revenues into the Construction Code Licensing Fund of \$1.5 million each year and a reduction in expenditures of \$1.8 million each year.
- The legislature adjusted Combative Sports fees downward. This leads to a reduction of revenues into the Special Revenue Fund of \$2,000 each year and a corresponding reduction in expenditures from the Special Revenue Fund.

**Bureau of Mediation Services (BMS)**

BMS's enacted general fund budget for FY 2016-17 is \$4.4 million (see Table 1). The dollar and percent increases from current law base are \$76,000 and 1.7 percent respectively. The legislature continued base funding for all BMS programs and an operating adjustment of \$76,000 represents the only general fund increase.

**Workers Compensation (WC) Court of Appeals**

The WC Court of Appeals receives no general fund appropriations. The legislature increased the Court's base budget of \$3.4 million from the Workers Compensation Fund by \$324,000. No other changes were made.

**Department of Commerce**

The Department of Commerce's enacted general fund budget for FY 2016-17 is \$62 million (see Table 1). The dollar and percent increases from current law base are \$14.2 million and 29.8 percent respectively.

The legislature continued base funding for all Department of Commerce programs, and approved increases to the following existing and new programs:

- \$162,000 in FY 2016 and \$33,000 in FY 2017 for rulemaking and administrative activities related to MNvest registration exemptions. The new MNvest law allows businesses to crowdfund investments in their business by raising capital online.
- \$92,000 for a transfer to the Department of Administration for a study into the reorganization of certain functions and staff within the division of Energy Resources from the Department of Commerce to the Public Utilities Commission.
- \$279,000 each year for health care enforcement funding. This funds 2.5 FTEs who are currently funded by MNsure funds that are set to expire. The positions investigate consumer complaints regarding health insurance claims and coverage.
- \$424,000 in FY 2016 and \$430,000 in FY 2017 for activities related to Energy-Intensive, Trade-Exposed rate scheduling. This provision allows electric power utilities with fewer

than 200,000 customers to propose an alternative rate schedule for a retail customer who is subject to globally competitive pressures and whose electric energy costs are at least ten percent of the customer's overall cost of production.

- \$642,000 each year for Health Insurance Rate Review Staffing.
- \$91,000 in FY 2016 for a No-Fault Auto Insurance Task Force.
- \$5 million each year for the Pre-purchase Propane Program, which will allow the Department to purchase propane during the summer months when propane is typically cheaper. The same amounts will be transferred to the General Fund from federal funds that the state receives under the Low-Income Home Energy Assistance Program (LIHEAP).

*Non-general fund changes:*

- A sunset date for an assessment for the department's regional and national duties to represent Minnesota's interests was extended to the end of FY 2017. This leads to revenue and expenditure changes in the Special Revenue Fund of \$400,000 each year.

### **Public Utilities Commission (PUC)**

The PUC's enacted general fund budget for FY 2016-17 is \$13.9 million (see Table 1). The dollar and percent increases from current law base are \$1.5 million and 11.7 percent respectively.

The legislature continued base funding for the PUC, and approved the following increases:

- \$525,000 each year to enhance the PUC's decision-making capabilities. This amount will be recovered through an assessment on regulated utilities.
- An operating adjustment of \$200,000 each year. This amount will be recovered through an assessment on regulated utilities.

*If you have any questions on Jobs, Economic Development, & Energy Finance, please contact Henriët Hendriks at 651-296-4162 or [henriet.hendriks@house.mn](mailto:henriet.hendriks@house.mn).*

## Legacy Finance

Minnesota Laws 2015, First Special Session Chapter 2, appropriated \$540.261 million in fiscal years 2016-17 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.

Minnesota Law 2015, 1 <sup>st</sup> Special Session, Chapter 2			
<b>Clean Water, Land and Legacy Constitutional Amendment</b>			
<i>(Dollars in Thousands)</i>			
	<b>FY 2016</b>	<b>FY 2017</b>	<b>Total FY 2016-17</b>
Outdoor Heritage Fund	\$ 97,198	\$ 607	\$ 97,805
Clean Water Fund	116,263	112,039	228,302
Parks & Trails Fund	43,628	45,722	89,350
Arts & Cultural Heritage Fund	61,542	63,262	124,804
<b>Total</b>	<b>\$318,631</b>	<b>\$221,630</b>	<b>\$540,261</b>

### Outdoor Heritage Fund

Chapter 2 provided appropriations totaling \$97.805 million from the Outdoor Heritage Fund. The appropriations fall into five categories consistent with the constitutional language creating the fund.

- |                                     |               |       |
|-------------------------------------|---------------|-------|
| • <i>Prairies</i>                   | \$ 40,948,000 | 41.9% |
| • <i>Forests</i>                    | \$ 12,634,000 | 12.9% |
| • <i>Wetlands</i>                   | \$ 20,390,000 | 20.8% |
| • <i>Habitat</i>                    | \$ 22,368,000 | 22.9% |
| • <i>Administration &amp; Other</i> | \$ 1,465,000  | 1.5%  |

The following table shows the legislative appropriations by agency, category and project description. The Outdoor Heritage Fund is the only fund out of the four funds that makes appropriations for one year at a time. Appropriations for FY 2017 will be made by the 2016 Legislature. The legislature receives recommendations from the Lessard-Sams Outdoor Heritage Council and will receive FY 2017 recommendations by January of 2016. The administration budget for the second year is the only appropriation for FY 2017. This year there was one project



that the Lessard-Sams Outdoor Heritage Council recommended that was not included. The project that was not included was protecting forest wildlife habitat in the wild rice river watershed.

(all \$ in thousands)			Laws of 2015 1st Special Session Chpt 2		
Agency / Initiative	Fund	Agency	FY2016	FY2017	Total
<b>Article 1: Outdoor Heritage Fund</b>					
<b><u>Prairies</u></b>					
WMA, SNA, & Prairie Bank Easement Acq. Phase VII	OHF	DNR	4,570	-	4,570
Accelerating Wildlife Management Area Acquis.- Phase VII	OHF	DNR	7,452	-	7,452
Minnesota Prairie Recovery Project - Phase VI	OHF	DNR	4,032	-	4,032
Northern Tallgrass Prairie NWR Acquisition - Phase V	OHF	DNR	3,430	-	3,430
Accelerated Native Prairie Bank Protection-Phase IV	OHF	DNR	3,740	-	3,740
MN Buffers for Wildlife & Water-Phase V	OHF	BSWR	4,544	-	4,544
Cannon River Headwaters Habitat Complex-Phase V	OHF	DNR	1,380	-	1,380
Prairie Chicken Habitat Partnership of the Southern Red River Valley	OHF	DNR	1,800	-	1,800
Protecting and Restoring Minnesota's Important Bird Areas	OHF	DNR	1,730	-	1,730
Wild Rice River Corridor Habitat Restoration	OHF	DNR	2,270	-	2,270
Accelerated Prairie Restoration - Phase VII	OHF	DNR	4,880	-	4,880
Enhanced Public Grasslands	OHF	DNR	1,120	-	1,120
<b>Subtotal Prairies:</b>			<b>40,948</b>	<b>-</b>	<b>40,948</b>
<b><u>Forests</u></b>					
Protecting Forest Wildlife Habitat in the Wild Rice River Watershed	OHF	DNR	-	-	-
Camp Ripley Partnership: Phase V	OHF	BSWR	1,500	-	1,500
Southeast Minnesota Protection and Restoration- Phase III	OHF	DNR	2,910	-	2,910
Protecting Pineland Sands Aquifer Forestlands- Phase II	OHF	DNR	2,180	-	2,180
Protect Forest Land-Cass Co.-Phase VI	OHF	DNR	442	-	442
Critical Shoreline Habitat Protection-Phase III	OHF	DNR	1,690	-	1,690
Mississippi Headwaters Habitat Partnership	OHF	DNR	3,002	-	3,002
-Department of Natural Resources	OHF	DNR	[961]	-	[961]
-The Trust for Public Land	OHF	DNR	[1,217]	-	[1,217]
-Minnesota Land Trust	OHF	DNR	[824]	-	[824]
Southeast Forest Habitat Enhancement	OHF	DNR	910	-	910
<b>Subtotal Forests:</b>			<b>12,634</b>	<b>-</b>	<b>12,634</b>
<b><u>Wetlands</u></b>					
Accelerating the Waterfowl Production Area - Phase VII	OHF	DNR	7,620	-	7,620
Living Shallow Lakes and Wetland Initiative-Phase V	OHF	DNR	9,040	-	9,040
Wild Rice Shoreland Protection-Phase IV	OHF	DNR	131	-	131
Wild Rice Shoreland Protection-Phase IV	OHF	BWSR	1,469	-	1,469
Accelerated Shallow Lakes and Wetlands Enhancement-Phase VII	OHF	DNR	2,130	-	2,130
<b>Subtotal Wetlands:</b>			<b>20,390</b>	<b>-</b>	<b>20,390</b>

(all \$ in thousands)			Laws of 2015 1st Special Session Chpt 2		
<u>Agency / Initiative</u>	<u>Fund</u>	<u>Agency</u>	<u>FY2016</u>	<u>FY2017</u>	<u>Total</u>
<b><u>Habitat</u></b>					
Aquatic Habitat - Phase VII	OHF	DNR	4,540	-	4,540
Metro Big Rivers Habitat Program - Phase VI	OHF	DNR	2,000	-	2,000
Minnesota Valley National Wildlife Refuge	OHF	DNR	[475]	-	[475]
Friends of the Mississippi River	OHF	DNR	[275]	-	[275]
Great River Greening	OHF	DNR	[400]	-	[400]
Minnesota Land Trust	OHF	DNR	[375]	-	[375]
The Trust for Public Land	OHF	DNR	[475]	-	[475]
Cold Water Fish Habitat - Phase VII	OHF	DNR	1,890	-	1,890
Lake Bemidji South Shore Restoration and Enhancement	OHF	DNR	1,650	-	1,650
Sand Hill River Fish Passage	OHF	DNR	990	-	990
Shell Rock River Habitat & Water Restoration	OHF	DNR	2,414	-	2,414
Lake Nokomis Integrated Habitat Enhancement	OHF	DNR	444	-	444
Conservation Partners Legacy Grant Program: Statewide and Metro Habitat- Ph	OHF	DNR	8,440	-	8,440
-Grants for in the seven-county metropolitan area and cities greater than 50,000	OHF	DNR	[3,692]	-	[3,692]
<b>Subtotal Habitat:</b>			<b>22,368</b>	<b>-</b>	<b>22,368</b>
<b><u>Administration</u></b>					
Contract Management	OHF	DNR	150	-	150
Admin Expenses & Compensation	OHF	LCC	608	607	1,215
Technical Evaluation Panel	OHF	DNR	100	-	100
Pre-Transaction Service Acceleration	OHF	DNR	-	-	-
Public Information Web Site	OHF	LCC	-	-	-
<b>Subtotal Administration:</b>			<b>858</b>	<b>607</b>	<b>1,465</b>
<b><u>OUTDOOR HERITAGE FUND TOTAL:</u></b>			<b>97,198</b>	<b>607</b>	<b>97,805</b>
<b><u>Article Total By Agency</u></b>					
Department of Natural Resources		DNR	89,077	-	89,077
Board of Water & Soil Resources		BWSR	7,513	-	7,513
Legislative Coordinating Commission		LCC	608	607	1,215
<b>Total Article 1: Outdoor Heritage Fund</b>			<b>97,198</b>	<b>607</b>	<b>97,805</b>

## Clean Water Fund

The 2015 Legislature appropriated \$116.263 million in FY 2016 and \$112.039 million in FY 2017 from the Clean Water Fund. The amount available to appropriate was larger compared to the Outdoor Heritage Fund due to two large cancellations of previously appropriated funds to the Public Facilities Authority and two additional \$1 million appropriations the legislature canceled. One large appropriation was made by the legislature to soil and water conservation districts in the amount of \$11 million per year. This appropriation was not in the recommendations of the governor or the Clean Water Council. The appropriations by agencies and programs are summarized in the table.

(all \$ in thousands)			Laws of 2015 1st Special Session Chpt 2		
<u>Agency / Initiative</u>	<u>Fund</u>	<u>Agency</u>	<u>FY2016</u>	<u>FY2017</u>	<u>Total</u>
<b>Article 2: Clean Water Fund</b>					
<b><u>Agriculture Department</u></b>					
Monitoring for Pesticides in Surface Water and Groundwater	CWF	MDA	350	350	700
Nitrate in Groundwater	CWF	MDA	2,586	2,585	5,171
Ag BMP Loan Program	CWF	MDA	75	75	150
Technical Assistance	CWF	MDA	1,125	1,125	2,250
Academic Research/ Evaluation	CWF	MDA	788	787	1,575
Research Inventory Database	CWF	MDA	50	50	100
MN Agricultural Water Quality Certification Program	CWF	MDA	2,500	-	2,500
Irrigation Water Quality Protection	CWF	MDA	110	110	220
Perennial and Cover Crop Research	CWF	MDA	1,000	-	1,000
Vegetative Cover and Soil Health	CWF	MDA	-	-	-
<b>Subtotal Agriculture Department</b>			<b>8,584</b>	<b>5,082</b>	<b>13,666</b>
<b><u>Public Facilities Authority</u></b>					
PSIG Grants (WWTP and Stormwater)	CWF	PFA	9,000	9,000	18,000
Small Community Wastewater Treatment Program	CWF	PFA	250	250	500
<b>Subtotal Public Facilities Authority</b>			<b>9,250</b>	<b>9,250</b>	<b>18,500</b>
<b><u>Pollution Control Agency</u></b>					
Continue Monitoring and Assessment Efforts to Meet 10- Year Cycle	CWF	PCA	8,250	8,250	16,500
Red River Watch Program	CWF	PCA	100	100	200
Expanded CNC Effort	CWF	PCA	-	-	-
Watershed Restoration/ Protection Strategies (includes TMDL development)	CWF	PCA	9,795	9,795	19,590
Groundwater Assessment	CWF	PCA	1,182	1,181	2,363
Great Lakes Restoration Project	CWF	PCA	750	750	1,500
Stormwater Research and Guidance	CWF	PCA	275	275	550
Watershed Research and Database Development	CWF	PCA	1,150	1,150	2,300
NPDES Wastewater/ Stormwater TMDL Implementation	CWF	PCA	900	900	1,800
Enhances County Inspections/ SSTS Corrective Actions	CWF	PCA	3,623	3,622	7,245
Stormwater BMP Performance Evaluation and Technology Transfer	CWF	PCA	275	275	550
Clean Water Council Budget	CWF	PCA	50	50	100
Wastewater Treatment System Design and Technical Assistance	CWF	PCA	-	-	-
Clean Water Partnership	CWF	PCA	-	-	-
National Park Water Quality Development Grant	CWF	PCA	1,000	1,000	2,000
<b>Subtotal Pollution Control Agency</b>			<b>27,350</b>	<b>27,348</b>	<b>54,698</b>
<b><u>Natural Resources Department</u></b>					
Stream Flow Monitoring	CWF	DNR	2,000	2,000	4,000
Lake IBI Assessment	CWF	DNR	1,300	1,300	2,600
Fish Contamination Assessment	CWF	DNR	135	135	270
Watershed Restoration/ Protection Strategies	CWF	DNR	1,940	1,940	3,880
Aquifer Monitoring for Water Supply Planning	CWF	DNR	1,375	1,375	2,750
Nonpoint Source Restoration and Protection Activities	CWF	DNR	1,000	1,000	2,000
Applied Research and Tools	CWF	DNR	675	675	1,350
County Geologic Atlases	CWF	DNR	250	250	500
Riparian Buffer Information (Color Infrared Imagery and Analysis)	CWF	DNR	325	325	650
<b>Subtotal Natural Resources Department</b>			<b>9,000</b>	<b>9,000</b>	<b>18,000</b>

(all \$ in thousands)			Laws of 2015 1st Special Session Chpt 2		
<u>Agency / Initiative</u>	<u>Fund</u>	<u>Agency</u>	<u>FY2016</u>	<u>FY2017</u>	<u>Total</u>
<b><u>Board of Water and Soil Resources</u></b>					
Grants to Watersheds With Multiyear Plans	CWF	BWSR	4,875	4,875	9,750
Surface and Drinking Water Protection/ Restoration Grants	CWF	BWSR	10,187	10,188	20,375
Washington County Grey Cloud Slough Habitat Improvement	CWF	BWSR	520	-	520
Accelerated Implementation	CWF	BWSR	6,000	6,000	12,000
Measures, Results and Accountability	CWF	BWSR	950	950	1,900
Soil Loss and Shoreland Buffer Compliance	CWF	BWSR	2,500	2,500	5,000
Riparian Buffer-Permanent Conservation Easements	CWF	BWSR	4,875	4,875	9,750
Targeted Wellhead/ Drinking Water Protection	CWF	BWSR	1,750	1,750	3,500
Community Partners Clean Water Program	CWF	BWSR	750	750	1,500
Technical Evaluation	CWF	BWSR	84	84	168
Water Management Transition (One Watershed One Plan)	CWF	BWSR	2,100	2,100	4,200
Conservation Drainage Management and Assistance	CWF	BWSR	750	750	1,500
Conservation Reserve Enhancement Program (CREP)	CWF	BWSR	9,000	9,000	18,000
Critical Shoreland Protection-Permanent Conservation Easements	CWF	BWSR	1,000	1,000	2,000
Tillage and Erosion Transects	CWF	BWSR	500	500	1,000
Soil and Water Conservation District Grants	CWF	BWSR	11,000	11,000	22,000
<b>Subtotal Board of Water and Soil Resources</b>			<b>56,841</b>	<b>56,322</b>	<b>113,163</b>
<b><u>Department of Health</u></b>					
Drinking Water Contaminants of Emerging Concern Program	CWF	MDH	1,100	1,100	2,200
Source Water Protection	CWF	MDH	1,900	1,900	3,800
Well Sealing Cost Share	CWF	MDH	113	112	225
Groundwater Strategies for Local Implementation	CWF	MDH	125	125	250
Private Well Water Supply Protection	CWF	MDH	325	325	650
Groundwater Virus Monitoring Plan	CWF	MDH	275	75	350
Water Reuse	CWF	MDH	175	175	350
Lake Superior Beach Monitoring	CWF	MDH	-	-	-
<b>Subtotal Department of Health</b>			<b>4,013</b>	<b>3,812</b>	<b>7,825</b>
<b><u>Metropolitan Council</u></b>					
Metropolitan Area Water Supply Sustainability Support	CWF	MC	975	975	1,950
Inflow and Infiltration reduction program grants	CWF	MC	-	-	-
Water Demand Reduction Grant Program Pilot	CWF	MC	250	250	500
<b>Subtotal Metropolitan Council</b>			<b>1,225</b>	<b>1,225</b>	<b>2,450</b>
<b><u>Legislative Coordinating Commission</u></b>					
Public Information Web Site	CWF	LCC	-	-	-
<b>Subtotal Legislative Coordinating Commission</b>			<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Article 2: Clean Water Fund</b>			<b>116,263</b>	<b>112,039</b>	<b>228,302</b>
cancellation- ML 2013, Chapter 137, Article 2, Sec. 6 (k)			1,000		
cancellation- ML 2013, Chapter 137, Article 2, Sec. 7 (e)			1,000		
					<b>226,302</b>

## Parks and Trails Fund

The 2015 Legislature appropriated \$43.628 million in FY 2016 and \$45.722 million in FY 2017 from the Parks and Trails Fund. The appropriation followed a split of 40 percent for the state parks and trails, 40 percent for the metropolitan parks and trails and 20 percent for the greater Minnesota regional parks and trails. Prior to the percent allocations listed \$536,000 the first year and \$555,000 the second year was appropriated for collaboration among the three partners. The respective fiscal year appropriations by agencies and programs are summarized in the following table.

(all \$ in thousands)			Laws of 2015 1st Special Session Chpt 2		
<u>Agency / Initiative</u>	<u>Fund</u>	<u>Agency</u>	<u>FY2016</u>	<u>FY2017</u>	<u>Total</u>
<b>Article 3: Parks and Trails Fund</b>					
<b>Department of Natural Resources</b>					
State Parks, Recreation Areas and Trails	P&T	DNR	17,237	18,067	35,304
Grants to Parks and Trails of Regional or Statewide Significance Outside the Metropolitan Area	P&T	DNR	8,618	9,033	17,651
Great Minnesota Regional Parks and Trails Commission	P&T	DNR	[356]	[362]	[718]
Parks and Trails Collaboration Among Partners	P&T	DNR	536	555	1,091
<b>Subtotal Department of Natural Resources</b>			<b>26,391</b>	<b>27,655</b>	<b>54,046</b>
<b>University of Minnesota</b>					
Parks Framework and Inventory	P&T	U of MN	-	-	-
<b>Subtotal University of Minnesota</b>			<b>-</b>	<b>-</b>	<b>-</b>
<b>Metropolitan Council Parks</b>					
Distributed to Implementation Agencies by Minnesota Statute 85.53, Subd. 3	P&T	MC	17,237	18,067	35,304
Phalen Park Chinese Garden	P&T	MC	-	-	-
Culturally Relevant Activities Facilities	P&T	MC	-	-	-
<b>Subtotal Metropolitan Council Parks</b>			<b>17,237</b>	<b>18,067</b>	<b>35,304</b>
<b>Total Article 3: Parks and Trails Fund</b>			<b>43,628</b>	<b>45,722</b>	<b>89,350</b>

## Arts and Cultural Heritage Fund

The Legislature appropriated \$124.8 million from the Arts and Cultural Heritage Fund for programs throughout the state. As required by statute, 47 percent of the spending from the fund must be appropriated for projects through the Minnesota State Arts Board which received \$58 million for grants and programs. The balance of the funds were provided to other agencies to promote cultural and educational programs, and to assist financing public broadcasting. The allocations are provided in the table below.

(all \$ in thousands)			Laws of 2015 1st Special Session Chpt 2		
<u>Agency / Initiative</u>	<u>Fund</u>	<u>Agency</u>	<u>FY2016</u>	<u>FY2017</u>	<u>Total</u>
<b>Article 4: Arts and Cultural Heritage Fund</b>					
<b><u>Board of the Arts</u></b>					
Arts Preservation	ARTS		-	-	-
Arts and Arts Access	ARTS		21,155	25,350	46,505
Arts Education	ARTS		4,248	4,472	8,720
Arts and Cultural Heritage	ARTS		1,416	1,490	2,906
<b>Subtotal Board of the Arts</b>			<b>26,819</b>	<b>31,312</b>	<b>58,131</b>
<b><u>Minnesota Historical Society</u></b>					
Statewide Historical Grants	ARTS		5,525	6,000	11,525
Historical Society Programs	ARTS		5,525	6,000	11,525
History Partnerships	ARTS		2,060	2,140	4,200
Historical Site Survey	ARTS		300	300	600
Digital Library	ARTS		300	300	600
Historical Recognition Fund	ARTS		275	275	550
<b>Subtotal Minnesota Historical Society</b>			<b>13,985</b>	<b>15,015</b>	<b>29,000</b>
<b><u>Minnesota Department of Education</u></b>					
Regional Public Libraries	ARTS		2,200	2,200	4,400
<b>Subtotal Minnesota Department of Education</b>			<b>2,200</b>	<b>2,200</b>	<b>4,400</b>
<b><u>Department of Administration</u></b>					
Big Marine Veteran's Camp	ARTS		113	-	113
Minnesota Public Radio	ARTS		1,600	1,600	3,200
Ampers Public Radio	ARTS		1,600	1,600	3,200
Minnesota Public Television	ARTS		3,700	3,700	7,400
Wilderness Inquiry	ARTS		200	200	400
Como Zoo	ARTS		1,000	1,000	2,000
Science Museum of Minnesota	ARTS		600	600	1,200
Great Lakes Aquarium	ARTS		250	-	250
Lake Superior Zoo	ARTS		75	75	150
Minnesota State Band	ARTS		10	10	20
Midwest Art Conservation Center	ARTS		-	-	-
Historic Memorial Bust	ARTS		-	-	-
Minnesota Capitol Art Preservation	ARTS		3,250	-	3,250
<b>Subtotal Department of Administration</b>			<b>12,398</b>	<b>8,785</b>	<b>21,183</b>
<b><u>Minnesota Zoo</u></b>					
Zoo Programs	ARTS		1,750	1,750	3,500
<b>Subtotal Minnesota Zoo</b>			<b>1,750</b>	<b>1,750</b>	<b>3,500</b>
<b><u>Humanities Center</u></b>					
Humanities Center Programs	ARTS		850	850	1,700
Council on Disability	ARTS		90	-	90
Heritage Fund Competitive Grants	ARTS		300	-	300
Minnesota Children's Museum	ARTS		500	500	1,000
Grand Rapids Children's Museum	ARTS		150	150	300
Duluth Children's Museum	ARTS		150	150	300
Children's Museum of Southern MN	ARTS		150	150	300
Minnesota Civic Education Coalition	ARTS		150	150	300
Ka Joog Fanka Program	ARTS		125	125	250
<b>Subtotal Humanities Center</b>			<b>2,465</b>	<b>2,075</b>	<b>4,540</b>

(all \$ in thousands)			Laws of 2015 1st Special Session Chpt 2		
<u>Agency / Initiative</u>	<u>Fund</u>	<u>Agency</u>	<u>FY2016</u>	<u>FY2017</u>	<u>Total</u>
<b><u>Perpich Center for the Arts</u></b>					
Perpich Center for the Arts	ARTS		600	800	1,400
<b>Subtotal Perpich Center for the Arts</b>			<b>600</b>	<b>800</b>	<b>1,400</b>
<b><u>Indian Affairs Council</u></b>					
Language Preservation	ARTS		1,250	1,250	2,500
Cultural Resources Program	ARTS		75	75	150
<b>Subtotal Indian Affairs Council</b>			<b>1,325</b>	<b>1,325</b>	<b>2,650</b>
<b><u>U of M Board of Regents</u></b>					
Bell Museum of Natural History	ARTS		-	-	-
<b>Subtotal U of M Board of Regents</b>			<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Legislature</u></b>					
Revisors Website	ARTS		-	-	-
<b>Subtotal Legislature</b>			<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Article 4: Arts and Cultural Heritage Fund</b>			<b>61,542</b>	<b>63,262</b>	<b>124,804</b>

For additional information on the Outdoor Heritage Fund, Clean Water Fund and Parks and Trails Fund, contact Brad Hagemeyer at 651-296-7165 or [brad.hagemeyer@house.mn](mailto:brad.hagemeyer@house.mn)  
 For additional information on the Arts & Cultural Heritage Fund, contact John Walz at 651-296-8236 or [john.walz@house.mn](mailto:john.walz@house.mn).

## Public Safety & Judiciary Finance

Minnesota Laws of 2015, Chapter 65, included an increase of \$115 million (or 7.1 percent) over forecast base to programs in the Public Safety and Judiciary area of the state budget. The legislation sets budgets for several agencies for the fiscal 2016-17 biennium which begins July 1, 2015. The summaries below detail the budget priorities of the conference committee and policy changes made by the omnibus bill.

<b>Judiciary and Public Safety Finance</b>					
<b>Total General Fund Spending</b>					
(all dollars in thousands)					
	Forecast Forecast FY 14-15	Forecast Base FY 16-17	Enacted FY 16-17	<u>Percentage Change</u> Enacted FY 16-17 vs. FY 14-15	<u>Percentage Change</u> Enacted vs. Base FY 16-17
Supreme Court	89,739	89,582	94,807	5.6%	5.8%
Court of Appeals	21,676	22,228	23,496	8.4%	5.7%
District Courts	504,082	513,244	543,792	7.9%	6.0%
Guardian ad Litem	25,170	25,512	28,474	13.1%	11.6%
Tax Court	2,058	2,070	3,925	90.7%	89.6%
Uniform Laws Commission	231	168	181	-21.6%	7.7%
Board on Judicial Standards	1,059	912	972	-8.2%	6.6%
Board of Public Defense	145,080	147,224	160,091	10.3%	8.7%
Department of Public Safety	183,609	169,719	190,538	3.8%	12.3%
Private Detectives Board	284	240	376	32.4%	56.7%
Human Right Commission	7,318	7,446	7,909	8.1%	6.2%
Department of Corrections	999,005	1,026,992	1,065,620	6.7%	3.8%
POST Board	50	0	0	-100.0%	0.0%
Sentencing Guidelines	1,173	1,172	1,199	2.2%	2.3%
<b>Net GF Total</b>	<b>1,980,534</b>	<b>2,006,509</b>	<b>2,121,380</b>	<b>7.1%</b>	<b>5.7%</b>



## **Supreme Court**

Funding for the Supreme Court was increased by \$5.2 million for the biennium, most of which will be used for employee compensation increases and health insurance costs. Employees will receive a 4 percent increase in each year of the biennium.

An \$879,000 annual increase was provided to Civil Legal Services to hire additional staff and reduce caseloads for those assisting the indigent with legal issues.

## **Court of Appeals**

The Court of Appeals staff and judges received the same budgetary increase for salary as the Supreme Court. Employees and judges will receive a 4 percent increase in each year of the biennium, and the Court was also provided \$206,000 for insurance cost increases.

## **District Courts**

The budget for the district courts contained similar provisions for pension, salary, and health insurance costs as the other courts. Employees and judges will receive a 4 percent increase in each year of the biennium. Total cost of these employee related items is \$29.8 million for the biennium. The district courts were also granted an additional \$350,000 annually for Specialty Courts. Specialty Courts, sometimes referred to as “problem solving courts”, are institutions that have a narrow focus and deal with issues and people who make frequent appearances before the court. Drug courts, veteran’s courts, and mental health courts are examples of specialty courts that deal with people who may have chronic ongoing issues that may bring them before the judiciary more frequently than the average person. The specialty courts focus on giving more support, attention and expertise at dealing with these specific issues in an attempt to achieve better long term outcomes for the individual and the public.

The Governor had requested \$3.1 million in additional funding for juror reimbursements. The request would have increased the per diem and mileage paid to jurors for serving, but was not funded by the legislature.

## **Tax Court**

The budget for the Tax Court contained similar provisions for pension, salary, and health insurance costs as the other courts. Employees and judges will receive a 4 percent increase in each year of the biennium. Total cost of these employee related items is \$137,000 for the biennium.

The Tax Court was also granted \$1.4 million for a new case management system. The Court was also appropriated \$140,000 for increased information technology (IT) project service and support costs and \$170,000 for an additional law clerk for the biennium.

## **Guardian Ad Litem Board**

The Guardian Ad Litem Board was given an additional \$2.9 million for the biennium to cover employee salary, pay equity, and health insurance cost increases.

### **Uniform Laws Commission**

The Uniform Laws Commission was budgeted an additional \$13,000 over forecast base for the biennium to pay dues to the national conference and increases in travel costs.

### **Board on Judicial Standards**

The Board on Judicial Standards received an increase of \$30,000 per year to fund a half time investigative attorney position.

### **Board of Public Defense**

The Board of Public Defense was budgeted an additional \$12.9 million for the biennium for various purposes. The legislature provided \$6.4 million for 30-35 additional public defender attorney positions. Funds will be used for caseload reductions per attorney as well as additional public defender availability at defendant court appearances.

The omnibus bill also provided \$6.2 million for salary and insurance cost increases and an extra \$100,000 per year for public defender training.

### **Department of Public Safety**

The Office of Homeland Security and Emergency Management received just under \$2 million for new projects this session. From the general fund, the office received an additional \$121,000 for the biennium for salaries and insurance and an additional \$250,000 was appropriated for an anti ISIL/al-Shabaab recruitment program.

The legislature provided \$1 million for the Disaster Contingency Account, with additional language that will provide an additional \$15 million to the account at the end of the fiscal year. Funding for Chemical Assessment and Hazmat Teams received an additional \$592,000 from the Fire Safety Account.

The Bureau of Criminal Apprehension was granted \$13.6 million over base funding for the 2016- 17 biennium. A small portion, or about \$1.6 million was for salary and insurance cost increases. The program to replace Livescan digital fingerprinting machines was increased by \$325,000 per year. The Livescan machines are provided to communities statewide to digitally capture fingerprints and analyze fingerprint evidence.

The rest of the increase, totaling \$11.4 million, went to increase BCA services and resources. Of this amount, \$7.4 million went toward increasing personnel resources in digital forensics, predatory crimes, and financial crimes. Fingerprint examiners and DNA analysts were increased with \$1.7 million in funding for the biennium. The remaining \$2.3 million was appropriated for lab equipment replacement and additional supply needs.

The State Fire Marshall received an increase of \$6.5 million, all from the Fire Safety Account in the state Special Revenue Fund. The increases were for fire fighter training (\$2.5 million), Task

Force 1 (\$2 million) and a newly created Air Rescue team (\$380,000). The rest of the funding is dedicated increases at the Fire Marshall for expanded service, and salaries and insurance costs. Office of Justice Programs received \$5.8 million for the biennium, with \$109,000 dedicated to salary and insurance costs. Nearly \$5.7 million was provided for increases in existing programs, as well as a few new grants. The largest increases went to Youth Intervention Programs (\$1.5 million), Crime Victim Services Grants (\$1.35 million) and to grants to Child Advocacy Centers (\$800,000). The remaining half of the increase went toward smaller grants in many areas, but included domestic abuse shelters, law enforcement training, juvenile detention alternatives, a crime and suicide survivor support line, and a program that helps locate lost people who may be children, mentally impaired, or suffering from dementia.

The office of Emergency Communication Networks requested and was provided \$26.8 from the dedicated Emergency 911 fund. The fund, derived from a tax on phone bills, helps pay for 911 service and emergency communication networks statewide. The funding will be used for grants to local governments, technology upgrades, operation and maintenance of equipment.

### **Post Board**

The Peace Officer Standards and Training Board received an increase of \$120,000 per year for an operating increase and \$51,000 for the biennium for salary and insurance costs. The legislation also provided \$100,000 per year for law enforcement “crisis de-escalation” training grants.

### **Human Rights Department**

The Human Rights Department requested and was granted \$150,000 per year for two additional enforcement officers to deal with contract compliance that will have bilingual skills. Salary and insurance needs were met with an additional \$163,000 for the biennium.

### **Minnesota Department of Corrections**

The Department of Corrections was appropriated an additional \$29 million for the biennium to deal with employee related expenses. The \$29 million level the department received will retain all of the current complement. The appropriated funds should keep Corrections free from any layoffs through the biennium, but will most likely have some structural salary issues due to the conversion of 74 contract employees to state employees at higher salaries and benefit levels. The conversion had come with a request for an additional \$2.4 million to fund the higher costs, which was not funded by the legislature.

The agency also received dollars for increased information technology needs (\$500,000 per year) and additional personnel in the fugitive apprehension unit (\$1.6 million for the biennium).

Community supervision programs received significant increases in the legislation. A caseload grant increase to Scott County of \$85,000 per year was to compensate that county for lost state aid due to changes in their community supervision election years ago. Funding was also provided for intensive supervised release agents (\$1 million per year) and Challenge Incarceration agents (\$250,000 per year)

The legislature also provided dollars for some probation pass through programs. The Community Corrections Act (CCA) formula counties received an additional \$1.8 million per year put into the formula each year to be spread throughout the state, and an additional \$295,000 per year was provided to County Probation Officers (CPO counties).

And lastly, also provided to the Department of Corrections in separate legislation, Laws of 2015 Chapter 61 (the claims bill), was \$17,000 from the General Fund to settle several small legal claims.

### **Sentencing Guidelines Commission**

The legislature provided \$27,000 for the biennium for salary and insurance cost increases.

### **Disaster Relief, Laws of 2015, Chapter 2**

In addition to the Public Safety finance omnibus appropriations bill, the legislature passed a relief package to fund additional needs left over from a heavy rain event in 2014. The bill contained a provision to provide \$9.6 million to the Disaster Contingency Account under Minnesota Statutes section 12.221, subdivision 6. The funds were to be used for additional disaster recovery projects not eligible for FEMA aid.

*For questions regarding Public Safety and Judiciary Finance issues, contact John Walz at (651)296-8236 or [john.walz@house.mn](mailto:john.walz@house.mn)*

## State Government Finance

The omnibus State Government Finance bill (Laws 2015, Chapter 77) authorizes net general fund spending totaling \$974.2 million. This amount is an increase of \$11.5 million, or 1.2 percent, from the forecast base.

<b>State Government Finance</b>							
<b>Total General Fund Spending</b>							
(all dollars in thousands)							
	Change	Forecast	Forecast	Enacted	<i>Percentage Change Enacted</i>	<i>Percentage Change Enacted vs.</i>	Enacted
	FY 15	FY14-15	Base FY 16-17	FY 16-17	FY 16-17 vs. FY 14-15	Base FY 16-17	FY 18-19
<b><u>Chapter 77</u></b>							
Legislature		150,255	138,352	158,180	5.3%	14.3%	163,010
Governor		6,706	6,706	7,231	7.8%	7.8%	7,232
Attorney General		44,121	44,250	44,250	0.3%	0.0%	44,250
Secretary of State		12,372	13,262	13,262	7.2%	0.0%	13,262
State Auditor		4,196	4,246	4,420	5.3%	4.1%	4,466
<b><u>Agencies:</u></b>							
Accountancy Board		1,367	1,236	1,280	-6.4%	3.6%	1,282
Administration Dept.		43,109	39,561	42,390	-1.7%	7.2%	39,261
Administrative Hearings		736	642	763	3.7%	18.8%	766
Amateur Sports Commission		582	532	600	3.1%	12.8%	600
Architecture etc. Board		1,592	1,548	1,578	-0.9%	1.9%	1,588
Arts Board		15,028	15,028	15,052	0.2%	0.2%	15,060
Asian Pacific Council		708	708	723	2.1%	2.1%	728
Barber Examiners Board		644	634	646	0.3%	1.9%	650
Campaign Finance Board	-150	1,850	2,000	2,192	9.6%	9.6%	2,056
Public Subsidy		2,711	2,766	2,766	2.0%	0.0%	2,766
CAAP Board		684	670	685	0.1%	2.2%	690
Cosmetologist Examiners Bd		2,712	2,692	5,149	89.9%	91.3%	5,168
Historical Society		43,562	43,312	44,215	1.5%	2.1%	44,286
Historic Preservation Grants		1,073	5,238	5,238	388.2%	0.0%	3,176
Humanities Center		542	502	1,350	149.1%	168.9%	1,350

<b>State Government Finance</b>							
<b>Total General Fund Spending</b>							
(all dollars in thousands)							
	Change FY 15	Forecast FY14-15	Forecast Base FY 16-17	Enacted FY 16-17	Percentage Change Enacted FY16-17 vs. FY 14-15	Percentage Change Enacted vs. Base FY 16-17	Enacted FY 18-19
<b><u>Agencies:</u></b>							
Indian Affairs Council		1,124	1,124	1,145	1.9%	1.9%	1,152
Investment Board (SBI)		278	278	278	0.0%	0.0%	278
MN Council on Latino Affairs		750	750	767	2.3%	2.3%	772
MN.IT Services		19,893	4,862	5,148	-74.1%	5.9%	5,244
MN Management & Budget		46,540	40,980	46,089	-1.0%	12.5%	47,382
MMB Non-Operating		25,088	30,760	30,760	22.6%	0.0%	30,766
MNs of African Heritage Council		784	784	797	1.7%	1.7%	802
Public Broadcasting		5,538	5,238	6,038	9.0%	15.3%	5,238
Racing Commission		0	0	341			
Revenue Department		280,257	277,434	285,930	2.0%	3.1%	287,604
Pension Aids		132,519	142,804	106,804	-19.4%	-25.2%	129,852
Political Contribution Refund				-8,900			
Indirect Costs Receipts		-47,111	-35,408	-35,408	-24.8%	0.0%	-35,408
Military Affairs		53,794	39,528	39,528	-26.5%	0.0%	39,528
Veterans Affairs	-44	122,915	129,585	146,864	19.4%	13.3%	151,538
<b>Total Expenditures:</b>	<b>-194</b>	<b>976,919</b>	<b>962,604</b>	<b>978,151</b>	<b>0.1%</b>	<b>2%</b>	<b>1,016,395</b>
<b>Revenue Changes:</b>				<b>3,999</b>			<b>4,342</b>
<b>Net GF Total, Chapter 77:</b>	<b>-194</b>	<b>977,113</b>	<b>962,604</b>	<b>974,152</b>	<b>0%</b>	<b>1.2%</b>	<b>1,012,053</b>
<b><u>Other Bills</u></b>							
Chapter 45, Lottery (Revenue loss)				-938			-1,072
Chapter 70, Elections (Expenditure)				22			
<b>Total All Bills:</b>				<b>975,112</b>			<b>1,013,125</b>

## Constitutional Offices

### Attorney General's Office (AGO)

The attorney general's office (AGO) receives \$44.25 million in direct appropriations from the General Fund, which is base level funding.

In addition to the direct general fund appropriation for the AGO, the office also receives funding through partner agreements with state agencies. Total budgeted expenditures for partner agencies are estimated at \$24.2 million for the biennium.

#### *Other Funds*

\$3.6 million is appropriated from the State Government Special Revenue Fund for services provided to health related licensing boards. The AGO also received \$290,000 from the Environmental Trust Fund and \$500,000 from the Remediation Fund for investigating and prosecuting environmental crime and for responsibilities associated with insurance claims settlements and recovery associated with landfills in the landfill cleanup program.

### Governor's Office

The governor receives \$7.2 million to fund his own office, a total increase of \$525,000 or 7.8 percent, from base level funding. This amount includes \$145,000 for the 1.8 percent operating adjustment, and \$380,000 for additional staff to work on legal issues, emergency preparedness and constituent services.

The governor's office also receives contributions 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. Estimated annual expenditures for FY 2016 from these agency contributions are \$1.2 million.

### Secretary of State

The secretary of state (SOS) receives \$13.3 million in direct appropriations from the General Fund for the biennium, no change from base level funding.

### State Auditor (OSA)

The state auditor (OSA) is funded at \$4.4 million from the General Fund. The majority of the OSA's funding is from a statutory appropriation from the Audit Enterprise Fund, estimated at \$13.86 million for FY 2016-17.

In the 2013 session, the majority of the state auditor's office was restructured from a direct general fund appropriation to a new revolving fund, with revenues collected from Audit Practice activities now statutorily appropriated to the OSA's revolving fund. Under the previous funding mechanism, revenues were deposited in the General Fund and audit activities were funded through a direct General Fund appropriation.

Functions of the office that are not reimbursable – including the government information division, pension oversight and the special investigations activities – are still funded through a direct general fund appropriation.

The 2015 Legislature amended the statutory requirements for county audits. The new language allows a county to choose to have an audit performed by the state auditor, or a private CPA firm. This provision is effective August 1, 2016.

### Legislature

Chapter 77 appropriates a total of \$158.2 million for the operations of the legislature. This is an increase of \$19.9 million, or 14.3 percent, from the FY 2016-17 base.

<b>Legislature: FY 2016-17 General Fund Appropriations</b>				
(dollars in thousands)				
<b>Program</b>	<b>Base</b>	<b>Chapter 77</b>	<b>\$ Change</b>	<b>% Change</b>
House	61,048	63,822	2,774	4.5%
Senate	45,266	60,248	14,982	33.1%
Leg. Coordinating Cmsn.	<u>32,038</u>	<u>34,132</u>	<u>2,094</u>	<u>6.5%</u>
<b>Total Legislature</b>	<b>138,352</b>	<b>158,202</b>	<b>19,850</b>	<b>14%</b>

The increases include general operating budget increases for the House and Senate, and some specific changes for the Legislative Coordinating Commission (LCC):

- \$500,000 for staff funding in the Office of the Legislative Auditor.
- \$527,000 for a 1.8 percent annual increase to the overall LCC operations.
- \$380,000 to the Revisor for Phase I of the administrative rules system.
- \$595,000 to the Revisor for increased information technology services and staff.

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

Chapter 77 also amends existing law to clarify that the amount equivalent for the debt service on the new parking facility in the Senate Office Building must be transferred to the General Fund from parking fees deposited in the state parking account. This transfer will offset any direct appropriations made to the Senate for debt service on the parking garage. The revenues are estimated to be \$1.6 million for the biennium.



## State Agencies

### Department of Administration

The department's total authorized general fund spending is \$48.4 million for the biennium. This is an increase of \$3.6 million, or 8.1 percent, from base. Funding for the operations of the department totals \$40.7 million. The remaining general fund amounts are for grants to Public Broadcasting and for the state's Workers Compensation Reinsurance Premium (WCRA).

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 77 authorizes total direct general fund spending of \$18.1 million, a net increase of \$2.7 million from base. This program includes the state architect's office, plant management, real estate management, travel management, the information policy analysis office, the state demographer, and the state archaeologist.

Funding changes for this program include:

- \$296,000 for the 1.8 percent operating adjustment.
- \$1.2 million for staff and services to support equity in public contracting for veteran, minority and women owned businesses.
- \$800,000 (one-time) for a Target Group Disparity Study. This is a statutorily required study to determine if state purchases from minority and female-owned small business are statistically proportionate to the market representation of such businesses.
- \$400,000 to be deposited in a new accommodation account created to reimburse state agencies for reasonable accommodations (defined in M.S. 363A.08) provided to employees or applicants for employment.

### Non-General Fund activities:

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

<b>Fund</b>	<b>Purpose</b>	<b>Projected FY 16-17 Expenditures</b>
Fleet Services	Provides long-term rental vehicles and support services	\$20.5 million
Surplus Property	Manages the disposal of state and federal surplus property	\$2.6 million
Cooperative Purchasing	Makes various state contracts available to local government units	\$37.5 million
MN Bookstore	Centralized publishing for state agency materials, and operation of the MN mailing list service	\$2.5 million

<b>Fund</b>	<b>Purpose</b>	<b>Projected FY 16-17 Expenditures</b>
Plant Management	Building and grounds operations for buildings under the custodial control of the department	\$106.9 million
Central Mail	Metering and processing of mail in the Capitol complex	\$18.8 million
Risk Management	Self-insurance company for the state's property and casualty insurance coverage	\$28.2 million

### ***Strategic Management Services***

The legislature approved total general fund spending of \$3.98 million, an increase of \$100,000, or 2.6 percent, from base. This program includes the executive support, financial management and human resources functions for the department. The increased funding is for the 1.8 percent compensation adjustment.

### ***Fiscal Agent***

This program includes both the in-lieu-of-rent activity and public broadcasting grants.

The in-lieu-of-rent appropriation funds space costs for the legislature, governor's residence, Veterans Services organizations, and ceremonial spaces in the capitol and the capitol mall. Chapter 77 appropriates \$16.3 million for this activity. In addition, \$2.3 million in one-time funds are appropriated for moving costs for the Capitol restoration project.

The department is required to evaluate and provide recommendations to the legislature on the appropriate level of funding for in-lieu-of-rent in the future.

### ***Public Broadcasting***

State grant funds for public broadcasting are administered by the department of administration. Chapter 77 appropriates \$6.0 million for these grants, which is an increase of \$800,000 or 15.3 percent, from base.

<b>Public Broadcasting: FY 2016-17 General Fund Appropriations</b> (dollars in thousands)				
<b>Program</b>	<b>Base</b>	<b>Chapter 77</b>	<b>\$ Change</b>	<b>% Change</b>
Public TV Matching Grants	3,100	3,100	0	0.0%
Public TV Equipment Grants	<u>500</u>	<u>800</u>	<u>300</u>	<u>60.0%</u>
<b>total Public TV:</b>	<b>3,600</b>	<b>3,900</b>	<b>300</b>	<b>8.3%</b>
AMPERS Community Grants	784	984	200	25.5%
AMPERS Equipment Grants	<u>234</u>	<u>284</u>	<u>50</u>	<u>21.4%</u>
<b>total AMPERS</b>	<b>1,018</b>	<b>1,268</b>	<b>250</b>	<b>24.6%</b>
MPR Equipment Grants	620	870	250	40.3%
<b>Total Public Broadcasting:</b>	<b>5,238</b>	<b>6,038</b>	<b>800</b>	<b>15.3%</b>

### Minnesota Historical Society

Chapter 77 authorizes total direct general fund appropriations of \$44.2 million, a 2.1 percent increase from base. The historical society also will administer and estimated \$5.2 million for the grant-in-lieu-of credit program for preserving historic structures.

<b>Minnesota Historical Society: FY 2016-17 General Fund Appropriations</b> (dollars in thousands)				
<b>Program</b>	<b>Base</b>	<b>Chapter 77</b>	<b>\$ Change</b>	<b>% Change</b>
Operations & Programs	42,670	43,398	728	1.7%
Fiscal Agents	642	817	175	27.3%
Historic Structure Grants (open)	<u>5,238</u>	<u>5,238</u>	<u>0</u>	<u>0.0%</u>
<b>Total General Fund</b>	<b>48,550</b>	<b>49,453</b>	<b>903</b>	<b>1.9%</b>

The specific changes for the historical society are:

- \$728,000 for the 1.8 percent compensation adjustment.
- \$100,000 in one-time funds for an archivist at the Minnesota Military Museum.
- \$75,000 for a one-time increase to FarmAmerica for capital improvements.

### MN State Arts Board

Chapter 77 appropriates \$15.1 million from the general fund to the state arts board. This is a \$24,000 increase from base.

<b>Minnesota Arts Board: FY 2016-17 General Fund Appropriations</b>				
(dollars in thousands)				
<b>Program</b>	<b>Base</b>	<b>Chapter 77</b>	<b>\$ Change</b>	<b>% Change</b>
Operations & Services	1,150	1,174	24	2.1%
Grants Program	9,600	9,600	0	0.0%
Regional Arts Council	<u>4,278</u>	<u>4,278</u>	<u>0</u>	<u>0.0%</u>
<b>Total Arts Board</b>	<b>15,028</b>	<b>15,052</b>	<b>24</b>	<b>0.2%</b>

Chapter 77 specifies that funds appropriated to the Arts Board and distributed as grants may only be spent on projects located in Minnesota. A recipient of a grant must not use more than 10 percent of the grant for travel outside of Minnesota.

### **MN.IT Services (formerly the Office of Enterprise Technology)**

Chapter 77 authorizes a direct general fund appropriation of \$5.1 million for this office, an increase of \$286,000 or 5.9 percent, from the office's general fund base. The additional funding is for a general operating increase.

#### Non-General Fund activities

The majority of MN.IT's funding is from the Enterprise Technology Fund. As a result of the consolidation mandated by the 2011 legislature, all information technology services for the executive branch are now provided by MN.IT (formerly OET). These centrally provided services are funded through the Enterprise Technology Fund, with revenues coming from charge-backs to agency IT budgets. Estimated expenditures for the FY 2016-17 biennium are \$807.6 million for these central services.

MN.IT is authorized to seek cash flow assistance of up to \$110 million from the Special Revenue Fund or other statutory General Funds, in order to manage the revenue and expenditure differences during the continued implementation of IT consolidation. Any funds used must be repaid with interest by the end of the fiscal year 2017 closing period.

### **Minnesota Management & Budget (MMB)**

MMB received a direct general fund appropriation of \$46.1 million for the biennium, an increase of \$5.1 million or 12.5 percent, from current law. The increased funding includes:

- \$866,000 for the 1.8 percent compensation adjustment.
- \$3 million to maintain the agency's enterprise systems. MMB operates several key statewide systems, including the accounting and procurement, payroll, and several budget related systems. This funding will be used for needed upgrades and to replace critical hardware.
- \$1 million to support key functions including supporting the Veterans Preference Act, developing expertise in data mining, and strengthening the coordination of ADA implementation.
- \$243,000 to develop and implement a return on taxpayer investment (ROTI) methodology

to evaluate corrections and human services programs.

### Department of Revenue

The Department of revenue received a direct general fund appropriation of \$282.1 million for the biennium, an increase of \$8.5 million, or 3.1 percent over the base. Changes include:

- \$5.5 million for the 1.8 percent compensation adjustment.
- \$3 million to maintain and enhance the state's integrated tax system (GenTax) technology and Property Records Information Systems of Minnesota (PRISM). Funds may also be used to address increasing costs in tax litigation and in other administrative areas.

Chapter 77 suspends the Political Contribution Refund program for two years. This is discussed in more detail in the Taxes section of this document.

### Department of Military Affairs

The legislature approved a direct general fund appropriation of \$38.7 million for the biennium, which is base level funding. Funds are reallocated from excess funds in the enlistment incentives program. A one-time transfer of \$10 million is made to the maintenance of training facilities program. \$6 million was permanently reallocated to this program, and \$920,000 was reallocated to the general support function.

<b>Department of Military Affairs: FY 2016-17 General Fund Appropriations</b>				
(dollars in thousands)				
<b>Program</b>	<b>Base</b>	<b>Chapter 77</b>	<b>\$ Change</b>	<b>% Change</b>
Maintenance - Training Facilities	13,322	19,322	6,000	45.0%
General Support	4,718	5,638	920	19.5%
Enlistment Incentives	20,696	13,776	-6,920	-33.4%
Emergency Services / Active Duty	<u>792</u>	<u>792</u>	<u>0</u>	<u>0.0%</u>
<b>Total Military Affairs</b>	<b>39,528</b>	<b>39,528</b>	<b>0</b>	<b>0.0%</b>

In addition to this direct general fund appropriation, the department has an open and standing appropriation for emergency services. Projected expenditures from this appropriation are \$792,000 for the biennium.

### Department of Veterans Affairs

The legislature approved a direct general fund appropriation of \$142.8 million for this department, an increase of \$17.3 million, or 13.8 percent, over base. Forecast spending for the Minnesota GI bill is \$4.1 million, bringing total spending to \$146.9 million.

<b>Department of Veterans Affairs: FY 2016-17 General Fund Appropriations</b>				
(dollars in thousands)				
<b>Program</b>	<b>Base</b>	<b>Chapter 77</b>	<b>\$ Change</b>	<b>% Change</b>
Veterans Services	32,480	32,854	374	1.2%
Veterans Health Care (Homes)	93,026	109,931	16,905	18.2%
MN GI Bill (open GF)	<u>4,079</u>	<u>4,079</u>	<u>0</u>	<u>0.0%</u>
<b>total Veterans Affairs</b>	<b>129,585</b>	<b>146,864</b>	<b>17,279</b>	<b>13.3%</b>

\$16.9 million of this increase is for the operations of the veterans homes, including a 5 percent adjustment for compensation costs. The remaining increase is for the 1.8 percent compensation adjustment in the programs and services function. \$44,000 was cancelled from unspent funds appropriated in 2014 for implementation of expedited and temporary licensing for military members.

Chapter 77 includes language requesting the office of the legislative auditor to do a special review of the department's financial management of the state's veterans homes, including management of compensation costs, the use of reserve funds to manage shortfalls, and planning for facilities operating costs.

### ***Small Agencies/ Boards***

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

This agency is supported mainly by the Workers' Compensation Special Fund and revolving fund revenues. Chapter 77 includes direct appropriations of \$14.5 million for the biennium from the Workers' Compensation Fund.

OAH also receives general fund appropriations for three smaller activities. The legislature authorized \$738,000 for activities, a \$121,000 or 18.8 percent increase from base. This funding level includes:

- \$512,000 for the Municipal Boundaries Adjustment unit.
- \$239,000 for Fair Campaign complaint hearings. The funding for this activity was increased by \$100,000 to cover a continuing deficiency.
- \$12,000 to fully cover the costs of data practices hearings. Although there is a \$1,000 filing fee for data practices cases, the revenue generated by those fees has been inadequate to cover OAH's costs for these hearings.
- \$9,000 for the 1.8 percent compensation adjustment.

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

The legislature approved a general fund operating budget of \$2.2 million, which is an increase of \$192,000, or 9.6 percent, from base funding. \$42,000 is for the 1.8 percent compensation adjustment, and \$150,000 is a one-time appropriation for the board's website redevelopment

project. This appropriation is off-set by a cancellation of the same amount in FY 2015 from unspent funds previously appropriated for this project.

*Public Subsidy Program:*

The legislature did not make any changes to this program. Estimated funding for this program is \$2.8 million for the biennium.

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

Chapter 77 includes a direct appropriation of \$685,000 for the CAAPB in the FY 2016-17 biennium. This is a 2.2 percent increase 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 77 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 receives \$1.35 million from the General Fund for the biennium. This is a \$848,000, or 169 percent increase from base level funding. The increased funding is from two change items:

- \$198,000 for an operating increase.
- \$650,000 for the "Healthy Eating, Here at Home" initiative. This is a new program to provide incentives for low-income Minnesotans to use federal Supplemental Nutrition Assistance Program benefits for healthy purchases at local farmers' markets.

**MN Amateur Sports Commission (MASC)**

The MASC receives \$600,000 for the biennium, which is a \$68,000 or 12.8 percent increase from base funding.

**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 expenditures for this activity are \$10.5 million for the biennium. A small general fund appropriation (\$278,000) is used to fund the Board's investment activities directly related to the General Fund itself.

**Ethnic Councils**

Chapter 77 includes \$3.4 million from the General Fund for the four ethnic councils.

<b>Ethnic Councils: FY 2016-17 General Fund Appropriations</b>				
(dollars in thousands)				
<b>Program</b>	<b>Base</b>	<b>Chapter 77</b>	<b>\$ Change</b>	<b>% Change</b>
Asian-Pacific Affairs	708	723	15	2.1%
Black Minnesotans	784	797	13	1.7%
Chicano-Latino Affairs	750	767	17	2.3%
Indian Affairs	<u>1,124</u>	<u>1,145</u>	<u>21</u>	<u>1.9%</u>
<b>Total General Fund</b>	<b>3,366</b>	<b>3,432</b>	<b>66</b>	<b>2.0%</b>

Chapter 77 repeals the previous law governing 3 of the existing ethnic councils, and establishes 3 new councils: The Minnesota Council on Latino Affairs, the Council for Minnesotans of African Heritage, and the Council on Asian-Pacific Minnesotans.

### ***Occupational Licensing Boards***

The legislature appropriated \$2.5 million for the four occupational licensing boards under the committee's jurisdiction.

<b>Occupational Boards: FY 2016-17 General Fund Appropriations</b>				
(dollars in thousands)				
<b>Program</b>	<b>Base</b>	<b>Chapter 77</b>	<b>\$ Change</b>	<b>% Change</b>
Accountancy	1,236	1,280	44	3.6%
Architectural / Engineering, etc	1,548	1,578	30	1.9%
Barber Examiners	634	646	12	1.9%
Cosmetologist Examiners	<u>2,692</u>	<u>5,149</u>	<u>2,457</u>	<u>91.3%</u>
<b>Total General Fund</b>	<b>6,110</b>	<b>8,653</b>	<b>2,543</b>	<b>41.6%</b>

The changes from base funding include:

- 1.8 percent compensation adjustment for all of the boards.
- \$10,000 in one-time funding to the Accountancy Board for costs to notify licensees of statutory changes.
- \$2.4 million to the Cosmetology Examiners board for additional staff to conduct annual inspections, process applications in a more timely manner, and implement a new expedited application process. This expenditure increase is offset by new revenues from increases to the board's fees. The fees are deposited in the General Fund.



## ***Gambling Related Agencies***

### **Lawful Gambling Control Board**

The Gambling Control Board receives a direct special revenue fund appropriation of \$6.6 million for the biennium. This is a net reduction of \$1.3 million from base level funding. The board's activities are funded from a percentage of gross receipts on charitable gambling, and license/permit fees for manufacturers and distributors. Chapter 77 increased this percentage to 0.125 percent, from 0.1 percent.

Chapter 77 also includes fee changes that are expected to result in \$519,000 in new special revenue funds, as shown in the table below. These new revenues will be used to support the direct appropriation to the board, because even with the reduced appropriation, projected revenues under the previous fee schedule would not be enough to support the board's operations.

Type of Fee	Previous Rate	Increase	Total Projected Revenue Increase
Manufacturer license x 10	\$9,000	\$1,000	\$10,000
New Game Testing x 700 paid by manufacturers	\$100	\$25	\$17,500
Game Approval x 5,500 paid by manufacturers	\$25	\$5	\$27,500
Distributor license x 10	\$6,000	\$1,000	\$10,000
Distributor salespersons license x 87	\$100	\$50	\$4,350
Exempt Permit x 3,000 issued to non-licensed charities	\$50	\$50	\$150,000
Monthly regulatory fee on \$1,200,000,000 gross receipts	0.10%	0.03%	\$300,000
<b>Total</b>			<b>\$519,350</b>

### **Lottery**

The legislature approved total operating expenses for the lottery of \$62 million for the biennium, with net proceeds estimated at \$170.5 million. Total state proceeds are projected to be \$266.4 million for the biennium, with \$145.5 million in estimated general fund revenues. These total revenues include the net proceeds, in-lieu-of-sales tax, and unclaimed prizes.

### **Minnesota Racing Commission**

The Racing Commission receives a direct Special Revenue fund appropriation of \$2.3 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.

Currently the revenues received from these sources are not sufficient to support the activities of the Commission. Chapter 77 removes the statutory cap on Class C occupational licenses, and gives

the Commission the authority to issue three year licenses. The projected revenue from these changes is \$182,000 in the first year of implementation, and \$73,000 in future years.

Chapter 77 also includes a \$341,000 one-time appropriation from the General Fund to provide additional resources as the Commission studies and proposes changes needed to develop a long-term dedicated revenue solution.

### ***Public-Local Employees Retirement***

Four public retirement programs under the State Government Finance committee's jurisdiction receive either direct or open general fund appropriations. The appropriations in Chapter 77 are:

<b>Pension Aids: FY 2016-17 General Fund Appropriations</b>				
(dollars in thousands)				
<b>Program</b>	<b>Base</b>	<b>Chapter 77</b>	<b>\$ Change</b>	<b>% Change</b>
MSRS: Pre 97 Legislators & Const. Officers	15,488	15,488	0	0.0%
PERA: MERF Merger Aid	48,000	12,000	(36,000)	-75.0%
Teachers Retirement Association				
Minneapolis Merger Aid	30,908	30,908	0	0.0%
Duluth Merger Aid	28,754	28,754	0	0.0%
St. Paul Teachers	<u>19,654</u>	<u>19,654</u>	<u>0</u>	<u>0.0%</u>
<b>Total General Fund</b>	<b>142,804</b>	<b>106,804</b>	<b>(36,000)</b>	<b>-25.2%</b>

the Public Employees Retirement Association (PERA) because the most current actuarial valuation of MERF showing an 80 percent funding ratio triggered a consolidation of MERF into the PERA General Plan.

PERA's actuaries calculated that with consolidation, and taking into account other projected changes in assumption changes, the total state and employer contributions for MERF needed to total \$37 million instead of a total current state/employer contribution of \$55 million. Chapter 77 assumes the total savings against the base will be recognized by the state, by setting direct appropriations of \$6 million per year, compared to the base of \$24 million. This \$18 million annual savings to the state is only recognized for the FY 2016-17 biennium. The adjusted savings for future years are discussed below under Chapter 68.

### ***Other Bills with Fiscal Impact***

#### **Secretary of State - Business Conversions (Chapter 39)**

Chapter 39 makes technical changes to the Minnesota Business Corporation Act, Limited Liability Company Act, and Revised Uniform Limited Liability Company Act. These changes require the

SOS to make computer programming changes at a total cost of \$34,000 from the special revenue fund.

**Lottery Modifications (Chapter 45)**

Chapter 45 prohibits the lottery from selling tickets through an automated teller machine or the equipment at gas pumps (known as "Play at the Pump"). The lottery is also prohibited from selling instant win tickets over the web. The lottery is projecting a loss of revenues from these changes totaling \$1.8 million in FY 2016-17 from all funds. The general fund portion of this loss is estimated at \$938,000 for the biennium.

**Omnibus Pension Bill (Chapter 68)**

In addition to the appropriations in Chapter 77, the omnibus pension bill (Chapter 68) makes permanent changes to the MERF / PERA aid funding. MERF is completely merged into the PERA General Plan.

The state contribution to PERA-General on behalf of the former MERF division is set at \$6 million each year for FY 2016-2017, and then \$16 million for each year following. The local employer supplemental contribution is set at \$31 million for calendar years 2015 and 2016, and \$21 million for years 2017 through 2031.

**Omnibus Elections Bill (Chapter 70)**

The elections bill (Laws 2015, Chapter 70) appropriates \$22,000 from the General Fund to the Legislative Coordinating Commission for the costs of a new Elections Emergency Planning Task Force.

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

## Transportation Finance

Minnesota Regular Session Law 2015, Chapter 75 appropriated money from the State General Fund, Trunk Highway Fund, Highway User Tax Distribution Fund, Airports Fund, Municipal and County State Aid Highway Funds, and special revenue funds for transportation over the FY 2016-17 biennium. Below is a summary table of State General Fund spending in the Transportation Finance Committee area. For more detail on State General Fund and other transportation funds spending please see the House session tracking sheet for Transportation at: <http://www.house.leg.state.mn.us/fiscal/files/transpo15.pdf>

<b>Transportation Committee Total General Fund Spending</b> (all dollars in thousands)							
	Change FY15	FY 14-15 Forecast with changes	Forecast Base FY 16-17	Enacted FY16-17	Percentage Change Enacted FY 16-17 vs. FY 14-15 with Changes	Percentage Change Enacted vs. Base FY 2016-17	Enacted FY18-19
MnDOT	-2,380	61,793	37,116	65,173	5%	76%	37,116
Metropolitan Council	-29,700	157,993	153,252	182,752	16%	19%	179,640
Dept. of Public Safety (Part)	0	25,233	22,704	27,214	8%	20%	26,316
<b>Net GF Total</b>	<b>-32,080</b>	<b>245,020</b>	<b>213,072</b>	<b>275,139</b>	<b>12.2%</b>	<b>29.1%</b>	<b>243,072</b>

Totals in the table are net figures for the agencies, and include one-time spending increases and reductions. One unique item from the FY 2014-15 biennium: The MnDOT total for FY 2014-15 spending includes a \$15 million payment from the General Fund to the State Airports Fund which is the same amount transferred from the State Airports in 2008.

It should also be noted that the Conference Committee for HF 4, the original House and Senate Transportation Omnibus Finance bills, remains open at the end of the first special session of 2015. The House version of HF 4 when coupled with provisions in the House tax bill (also still in conference) contains various tax items directing revenue from the state general sales tax to transportation funds among other policy changes. The Senate version of HF 4 contains tax provisions that would have imposed a gross receipts tax on gasoline, increased the motor vehicle registration tax, and would have imposed a 0.5 percent sales tax in the seven county metro area for transit, among other policy changes. The Conference Committee on HF 4 was unable to resolve differences during the 2015 session.

## Transportation Budget Highlights

The following narrative will highlight the change items enacted in Chapter 75. Spending items that did not change from the forecast base budget can be seen on the Transportation Tracking sheet provided at the beginning of this section. Change items fall into two general categories:

1. **Appropriation Changes**, which raise or lower a base spending amount, or create a new item for one-time or ongoing spending.
2. **Revenue / Statutory Items** are items that increase or lower fees, taxes or but do not necessarily result in spending changes or direct an agency to spend fund via statute rather than direct appropriation.

## Department of Transportation

### Appropriation Changes

#### Aeronautics

> Chapter 75 appropriated \$11 million over the FY 2016-17 biennium over the base level of \$28.6 million from the State Airports Fund. This was a one-time increase for the FY 2016-17 biennium and spends down part of the \$15 million payback to the State Airports Fund from a 2008 transfer to the General Fund.

>Chapter 75 shifted a \$25,000 annual base appropriation from the State Airports Fund from MnDOT's Agency Management budget area to the MnDOT's Aviation Support and Services budget area.

> Chapter 75 provided an increase associated with salaries for the Aviation Support and Services budget area of \$500,000 over the FY 2016-17 biennium out of the Trunk Highway Fund.

#### Transit / Freight

> Chapter 75 provided an increase associated with salaries for the MnDOT Transit budget area of \$70,000 over the FY 2016-17 biennium out of the Trunk Highway Fund.

> Chapter 75 increased the general fund spending on Greater Minnesota Transit by \$5 million over the base of \$34.5 million during the FY 2016-17 biennium. The general fund increase is one-time.

> Chapter 75 provided an increase associated with salaries for the MnDOT Freight budget area of \$446,000 over the FY 2016-17 biennium out of the Trunk Highway Fund.

>Chapter 75 provided a number of one-time spending items listed below in the MnDOT Freight area for FY 2016 only from the General Fund.

1. \$5 million for the MnDOT Railroad Grade Crossing Safety Account which upgrades and maintains railroad crossing arms and other safety infrastructure.
2. \$3 million for Port Development Assistance, a grant program administered by MnDOT for maintaining and modernizing public water ports.
3. \$145,000 for repairing railroad tracks in the northeast Twin Cities metropolitan area.

### **State Roads**

> Chapter 75 provided an increase associated with salaries for the MnDOT State Roads budget areas of \$24.5 million for Operations and Maintenance, \$18.2 million for Program Planning and Delivery, and \$470,000 for Statewide Radio Communications, all over the FY 2016-17 biennium and out of the Trunk Highway Fund.

> In addition to Trunk Highway Fund spending change items for specific programs and salary increases, chapter 75 spent an additional \$181.7 million from the unreserved Trunk Highway Fund balance over the FY 2016-17 biennium. The appropriations increase was split between the three major budget categories for state roads.

1. \$20 million for Operations and Maintenance
2. \$27.3 million for Program Planning and Delivery
3. \$134.5 million for State Road Construction

>Chapter 75 authorized \$7.8 million in Trunk Highway Fund spending for MnDOT's Program Planning and Delivery budget area for reconstruction of a road in Jay Cooke State Park that was damaged in the 2012 flood. This appropriation was necessary because a past appropriation for this project cancelled back to the Trunk Highway Fund. This appropriation is one-time and only for the FY 2016-17 biennium.

>Chapter 75 increased the base for the Program Planning and Delivery by \$1 million a year out of the Trunk Highway Fund for environmental management.

>Chapter 75 authorized \$97.3 million in spending from newly anticipated federal funds for State Road Construction in addition to the base assumed federal funding level of \$1.292 billion over the FY 2016-17 biennium.

>Chapter 75 authorized \$32,000 from the General Fund in FY 2016 for replacing the Roosevelt weather radio tower in Lake of the Woods County. The appropriation was one-time.

## **Trunk Highway Bonding**

>There was no Trunk Highway Bonding authorized in Chapter 75. However, the debt service was increased to cover \$140 million in Trunk Highway bonds, if the bonds were authorized in another bill, which happened in the First Special Session bonding bill, Chapter Five. The additional debt service will add \$12.1 million in Trunk Highway Fund spending over the base of \$416.4 million over the FY 2016-17 biennium.

## **Local Roads**

>Chapter 75 established a new state aid program for small cities (not townships) under a population of 5,000 people. Prior to the passage of Chapter 75 these cities had not received state aid specifically for transportation needs. The Small Cities program is funded in FY 2016 only with \$12.5 million from the General Fund. The aid funds will be distributed to municipalities based on several weighted formulas, including equal apportionment at five percent, population at thirty five percent, lane miles at thirty five percent, and a factor adjusting for County State Aid Highway road in the small city at twenty five percent.

>Chapter 75 cancelled an unspent \$2.4 million General Fund appropriation for local road aid relating to 2014 flooding made earlier in the 2015 session, for FY 2015 and reappropriated the funds for the same purpose FY 2016.

## **Agency Management**

> Chapter 75 provided increases associated with salaries for the MnDOT Agency Management budget areas including Buildings at \$2.4 million and Agency Services at \$2.3 million both for the FY 2016-17 biennium from the Trunk Highway Fund.

>Chapter 75 moved a base appropriation for tort claims against the Trunk Highway System from an account in Minnesota Management and Budget to MnDOT. The amount appropriated, \$600,000 did not change, nor did the source, the Trunk Highway Fund.

## **Revenue Items**

> Chapter 75 allowed MnDOT to use the proceeds from land sales on Trunk Highways to process other unused trunk highway land for disposal. MnDOT estimates that sales will generate approximately \$1.3 million a year to be deposited into and statutorily spend out of the Trunk Highway Fund.

## **Disaster Relief, Laws of 2015, Chapter 2**

In addition to the Transportation finance omnibus appropriations bill, the legislature passed a relief package to fund additional needs left over from a heavy rain event in 2014. The bill contained a

provision to provide \$3 million from the General Fund to local governments to pay for the local 20 percent share of federal disaster relief for locally owned roads. The omnibus Transportation finance bill cancelled \$2.4 million of the initial \$3 million appropriation in the disaster bill for FY 2015 and re-appropriated it for FY 2016.

## **Metropolitan Council**

### **Appropriation Changes**

>Chapter 75 cancelled the remaining \$29.7 million of a \$37 million General Fund FY 2014 appropriation that was available until expended for the Southwest Light Rail project in Hennepin County. About \$7.3 million of that appropriation had already been spent on design and engineering for the light rail project.

>Chapter 75 appropriated \$27.3 million from the General Fund to the Metropolitan Council for transit operations over the FY 2016-17 biennium, with the bulk of the increase, or \$23.5 million occurring in FY 2017, and the base for the general fund increase was set at \$26.4 million for the FY 2018-19 biennium.

>Chapter 75 made two grants for transit using the Metropolitan Council as a pass through agency, both of the grants where from the General Fund. The first was \$2 million over the FY 2016-17 biennium for a suburb to suburb transit demonstration project by the Suburban Transit Providers in the Twin Cities Metropolitan Area. The second was \$200,000 in FY 2016 for Twin Cities Travel Demand Management Organizations. Both appropriations are one-time.

## **Department of Public Safety (DPS)**

### **Appropriation Changes**

#### **Department of Public Safety Administration**

> Chapter 75 provided increases relating to salaries for the DPS administration budget area. Since the DPS administration functions are funded from both the Trunk Highway Fund and the General Fund the increases came from both sources. Within the DPS administration budget area the office of Communications and Public Safety Support received an increase of \$21,000 from the General Fund, and a \$279,000 increase from the Trunk Highway Fund over the FY 2016-17 biennium.

>Chapter 75 provided \$900,000 on a one-time basis from the General Fund in the FY 2016-17 biennium for St. Cloud and Duluth Emergency Response services.



## State Patrol

>Chapter 75 provided \$5.98 from the Trunk Highway Fund in increases relating to salaries for the State Patrol in the Patrolling Highways budget area over the FY 2016-17 biennium and set the base for the increase at \$8 million in the FY 2018-19 biennium. Other divisions of the State Patrol receiving salary related increases in Chapter 75 include the Commercial Vehicle Enforcement division, receiving an increase of \$688,000 over the FY 2016-17 biennium from the Trunk Highway Fund and the Vehicle Crimes Unit at \$41,000 over its base from the Highway User Tax Distribution Fund. Finally, the General Fund base for Capital Security increased \$332,000 over the FY 2016-17 biennium.

>Chapter 75 appropriated funds for the State Patrol to purchase a fixed wing aircraft in FY 2016 split between the Trunk Highway Fund at \$858,000 and the General Fund at \$117,000. The appropriation was one-time.

>In addition to salary increases for Capital Security, Chapter 75 also included an increase to the Capitol Security base of \$3.1 million over the FY 2016-17 biennium for security over the State Capitol complex.

## Driver and Vehicle Services

> Chapter 75 increased the base spending from the Vehicle Services Fund by \$782,000 and increased the base from the Driver Services Fund by \$1.3 million both over the FY 2016-17 biennium for salary increases. An additional salary increase for Driver and Vehicle Services was enacted to retain current FTEs with an increase of \$782,000 from the Vehicle Services Fund and \$418,000 from the Driver Service Fund both over the FY 2016-17 biennium.

>Chapter 75 established a new data services unit within Driver and Vehicle Services with a base increase from the Vehicle Services Fund of \$118,000 and a base increase from the Driver Services Fund of \$62,000 both for the FY 2016-17 biennium.

>Chapter 75 increased the base funds for Driver and Vehicle Services out of the Vehicle Services Fund by \$2.4 million in the FY 2016-17 biennium and ongoing into the next biennium to cover the costs of the MINNCORR contract for manufacturing license plates.

>Chapter 75 eliminated a \$16.5 million FY 2016-17 biennium base appropriation from the Highway User Tax Distribution Fund for Vehicle Services, and substituted it with the same level of spending from the Vehicle Services Fund. The base for the FY 2018-19 biennium reestablishes the Highway User Tax Distribution Fund base appropriation at \$16.5 million.

>Chapter 75 eliminated a \$1,000 base appropriation for Driver Services from the Trunk Highway Fund.

### **Traffic Safety**

> Chapter 75 provided an increase associated with salaries for the DPS Traffic Safety budget area of \$33,000 over the FY 2017-18 biennium out of the Trunk Highway Fund.

### **Pipeline Safety**

> Chapter 75 provided an increase associated with salaries for the DPS Pipeline Safety budget area of \$51,000 over the FY 2017-18 biennium out of the Special Revenue Fund.

### **Revenue Items**

>Chapter 75 allowed owners of towed recreational vehicles and trailers to pay the registration tax every three years rather than every year. While over the long term this change is estimated to result in a net zero affect on registration tax revenue. However, the DPS estimates that for the FY 2016-17 biennium there will be a net review gain to the Highway User Tax Distribution Fund of \$452,000 as a result of the towed recreational vehicle change and a \$154,000 revenue gain as a result of the trailer change.

>Chapter 75 allowed the State Patrol to increase the escort rate they charge certain road users to recover costs of providing the escort, the Department of Public Safety estimates this will generate \$150,000 a year for a Special Revenue Fund for the State Patrol.

>Chapter 75 enacted numerous changes in fees relating to Driver and Vehicle Services and include net gains in special revenue funds for Driver and Vehicle Services. Over the FY 2016-17 biennium an IFTA (International Fuel Tax Agreement) reinstatement fee will result in a gain of \$40,000, a filling fee for conditional registration will result in a gain of \$387,000, and a filling fee for motor carrier fuel tax licenses will result in a gain of \$50,000. The Highway User Tax Distribution Fund and the Vehicle Servicers fund will lose an estimated \$35,000 each as the result of a change to the drive-away in-transit license plates.

>Chapter 75 increases texting while driving fees for the second and subsequent offenses, resulting in an estimated gain to the General Fund of \$11,000 for the FY 2016-17 biennium.

*If you have further questions on Transportation Finance issues, please contact Andrew Lee at 651-296-4181 or e-mail at [andrew.lee@house.mn](mailto:andrew.lee@house.mn).*

## Tax Revenue and Tax Aids, Credits and Refunds

Enacted early in 2015, Chapter 1 was the only tax bill that became law in the 2015 Legislative session. In the absence of an omnibus tax bill, a handful of tax provisions were tagged onto other vehicles, e.g. the omnibus Education, Retirement and State Government bills, for enactment. Otherwise, appropriations for tax aids, credits and refunds continue at base-levels, as provided for in current law.

As shown in Table 1, general fund net revenue changes in FY 2016-17 reflect an increase of \$60.3 million over February 2015 forecast levels. Similarly, FY 2018-19 net revenue changes decrease by \$38.85 million.

**Table 1. Summary of 2015 Tax Changes by Act  
General Fund Tax Revenues and Tax Aids & Credits**

Dollars in 000's	FY 2015	FY 2016	FY 2017	FY 16-17	FY 2018	FY 2019	FY 18-19
February 2015 Forecast		1,671,047	1,690,294	3,361,341	1,715,046	1,736,424	3,451,470
<b>Tax and Other Revenue Changes</b> <i>Positive numbers reflect a revenue gain and negative numbers show revenue loss.</i>							
Chapter 1 (Regular Session) Federal Conformity	(19,905)	22,400	(1,430)	20,970	(13,585)	(18,890)	(32,475)
Chapter 3 (2015 Laws, 1SS) Tax Provisions in Omnibus E-12 Education Act	0	13,500	16,960	30,460	5,260	5,260	10,520
<b>Total Tax &amp; Other Revenue changes CH 1 &amp; CH 3 General Fund</b>	<b>(19,905)</b>	<b>35,900</b>	<b>15,530</b>	<b>51,430</b>	<b>(8,325)</b>	<b>(13,630)</b>	<b>(21,955)</b>
<b>Tax Aids &amp; Credits Changes</b> <i>Positive numbers reflect an increase in spending and negative numbers reflect cost savings.</i>							
Chapter 1 (Regular Session) DMC		0	0	0	5,593	11,185	16,778
Chapter 3 (2015 Laws, 1SS) Tax Provisions in Omnibus E-12 Education Act		0	60	60	60	60	120
Chapter 77 (Regular Session) - Tax Provisions in State Government Omnibus		(3,400)	(5,500)	(8,900)	0	0	0
Chapter 68 (Regular Session) - Tax Provisions in Omnibus Retirement Act		0	0	0	0	0	0
<b>Total Tax Aids &amp; Credits Changes, CH's 1, 3, 68 &amp; 77</b>		<b>(3,400)</b>	<b>(5,440)</b>	<b>(8,840)</b>	<b>5,653</b>	<b>11,245</b>	<b>16,898</b>
<b>Net Revenue Changes (Revenues less Aids &amp; Credits)</b>	<b>(19,905)</b>	<b>39,300</b>	<b>20,970</b>	<b>60,270</b>	<b>(13,978)</b>	<b>(24,875)</b>	<b>(38,853)</b>

## Chapter 1 – Federal Conformity and Destination Medical Center

During the 2015 session, the legislature enacted federal conformity provisions that affect general fund tax revenues and provided clarity to a state aid funding formula provision for Destination Medical Center (DMC) affecting general fund expenditures. This section will provide a fiscal summary of these provisions.

### Federal Conformity

Chapter 1 conforms Minnesota law to two federal laws that affect state tax general fund revenues: (1) the Taxpayer Increase Prevention Act (TIPA) of 2014 and Achieving a Better Life Experience Act (ABLE), Public Law 113-295; and (2) Amendments to the Federal Aviation Administration Modernization and Reform Act of 2012, Public Law 113-243. Without conformity to these federal provisions, when filing tax returns, Minnesota taxpayers would be required to compute differences between federal and state allowable income and deduction amounts. To minimize the complexity associated with filing tax returns at the state level, Chapter 1 is enacted. TIPA extended various federal conformity provisions through tax year 2014, Chapter 1 retroactively conforms to most of the federal provisions and this action at the state level is projected to have a net tax general fund tax revenue reduction of \$31.410 million over the 5-year budget forecast window from FY 2015 to FY 2019. Since Chapter 1 was enacted in late January 2015 during the session, its fiscal impact has been incorporated into the 2015 February Forecast and is therefore not included in the 2015 end of session tracking. Table 1 in this section, however, shows the estimated general fund fiscal impact of all federal conformity laws adopted by biennia during 2015 session upon enactment.

<b>Table 1: Federal Conformity Update in Chapter 1, 2015 Session</b>			
General Fund Tax Revenues			
Note: Positive dollars reflect a revenue gain, negative dollars reflect a revenue reduction.			
Dollars in thousands	FY2015	FY 2016-2017	FY 2018-19
<b>Federal Update: Tax Increase Prevention Act of 2014, Public Law 113-295 (TY 2014 Only)</b>			
Individual Income Tax	(19,015)	9,265	(13,620)
Corporate Franchise Tax	(890)	11,705	(18,855)
Total	(19,905)	20,970	(32,475)
<b>Federal Update: Achieving a Better Life Experience Act (ABLE) of 2014, Public Law 113-295</b>			
Individual Income Tax	0	(70)	(350)
Corporate Franchise Tax	0	0	0
Total	0	(70)	(350)
<b>Federal Update: IRA Rollover Payments from Airlines, Public Law 113-243</b>			
Individual Income Tax	0	(100)	(Negli.)
Corporate Franchise Tax	0	0	0
Total	0	(100)	0

Selected federal conformity provisions in Chapter 1 and their biennial tax revenue impact to the General Fund are highlighted in this summary and are categorized as one of the following: (1) differences in income or exclusions; (2) differences in deductions (above-the-line deductions) and (3) differences in itemized deductions (below-the-line deductions).

In the computation of federal personal income tax liability, exclusions and deductions are calculated at the beginning when a filer adds-up all forms of income to compute gross income. Exclusions are allowed to be outside of the computation of gross income. Deductions are subtracted from AGI. Exclusions and deductions are important in the calculation of individual income tax liability in that they may reduce the amount of a taxpayer's adjusted gross income (AGI) subject to taxation.

After AGI is determined in the tax filing process, below-the-line deductions or itemized deductions are subtracted from AGI to arrive at the determination of taxpayer liability. With federal conformity in Chapter 1, Minnesota tax filers will benefit from these exclusions and above-the-line and below-the line deductions both at the federal level and at the state level:

### **Federal Conformity - Exclusions:**

Minnesota adopts federal changes to the internal revenue code for exclusions from income. An exclusion from gross income lowers a taxpayer's AGI. At the state budgeting level, in most cases, exclusions flow through to the state as a reduction in income tax and corporate tax revenue to the General Fund. The revenue impact of the federal exclusion provisions adopted by Minnesota include, but are not limited to the following:

- ***An exclusion related to business & investment:*** the exclusion of Subpart F active financing income. The general fund revenue reduction for the exclusion of Subpart F active financing income is estimated to be \$1.400 million in the FY 2014-15 biennium. This provision has no tax revenue impact in other fiscal years.
- ***An exclusion related to homeownership:*** the exclusion of indebtedness income on principal residence from gross income. The estimated general fund revenue reduction is \$9.500 million in FY 2015. This provision has no tax revenue impact in other fiscal years.
- ***An exclusion related to charitable contributions:*** the transfer of up to \$100,000 tax-free IRA distributions, to certain public charities, for individuals age 70 ½ and older. The estimated general fund revenue reduction is \$1.250 million in FY 2015 and a general fund revenue reduction of \$140,000 in the FY 2016-17 and \$140,000 in FY 2018-19 biennia.
- ***An exclusion related to individuals with disabilities:*** the tax free distribution from an ABLE accounts for qualified expenses. Qualified expenses include amounts used to cover medical expenses as well as costs of education, transportation and housing. ABLE tax provisions are effective for tax year 2015 and the Human Services law, [Chapter 71](#), authorizes ABLE programs in Minnesota starting after federal regulations are finalized.

The estimated revenue reduction for this tax provision is \$70,000 in the FY 2016-17 biennium and \$350,000 revenue reduction in the FY 2018-19 biennium.

- **An exclusion related to IRA Rollovers of Payments from Airlines:** the date extension of the provision that allows transfer of bankruptcy settlement payments to a traditional IRA. This date extension will include more airlines that filed for bankruptcy on November 29, 2011. The federal legislation also extended the deadline for taxpayers to file amended returns. Without this law, some bankruptcy settlement payments rolled over to IRAs would be taxable at both the federal and state level. The estimated general fund tax revenue reduction for this provision is \$100,000 in FY 2016-17 biennium with a negligible tax revenue impact in other fiscal years.

### **Federal Conformity - Deductions (above-the-line deductions):**

Federal conformity provisions adopted by Minnesota also include certain above-the-line deductions. Above-the-line deductions are expenses that can be deducted before arriving at federal adjusted gross income (FAGI). These deductions reduce taxable income. From a budgetary perspective, deductions like exclusions, also reduce general fund tax revenue. The revenue impact of federal deduction provisions adopted by Minnesota include, but are not limited to the following:

#### ***Deductions related to education***

- The deduction for Educator Classroom Expenses: The estimated general fund revenue reduction is \$1.200 million in the FY 2014-15 biennium. This provision has no tax revenue impact in other fiscal years.
- The deduction of Qualified Tuition and Related Expenses: The estimated general fund revenue reduction is \$2.100 million in the FY 2014-2015 biennium. This provision has no tax revenue impact in other fiscal years.

#### ***Deductions related to business & investment***

- Minnesota would not conform to Section 179 Expensing and would retain its current law requirement that taxpayers' addback 80 percent of the expensing amount in the first year and then subtract 16 percent per year over 5-years. The estimated general fund revenue gain is \$2.200 million, a revenue gain of \$6.900 million, and a revenue reduction of \$7.200 million in the FY2014-15 biennium, FY 2016-17 biennium and FY 2018-19 biennium respectively.
- Minnesota would not conform to 50 percent Bonus Depreciation and would retain its current law requirement that taxpayers' addback 80 percent of the expensing amount in the first year and then subtract 16 percent per year over 5-years. The estimated general fund revenue gain is \$2.500 million, a revenue gain of \$15.800 million, and a revenue reduction of \$23.600 million in the FY2014-15 biennium, FY 2016-17 biennium and FY 2018-19 biennium respectively.

- Various expensing and depreciation deduction provisions such as 15-year straight line depreciation for leasehold, restaurant, and retail improvement and new restaurants to special expensing rules for certain film and television productions. The general fund revenue reduction for various expensing and depreciation deduction provisions is estimated to be \$2.330 million, \$1.255 million and \$1.195 million in the FY 2014-15 biennium, FY 2016-17 biennium and FY 2018-19 biennium respectively.

### **Other Federal Conformity Deductions (below-the-line deductions or itemized deductions)**

After the calculation of AGI but before the determination of tax liability (or taxable income) in the tax filing process, the taxpayer subtracts the below-the-line deductions or itemized deductions from AGI to arrive at final tax liability. The following provision is a below-the-line deduction that will benefit some Minnesota tax filers included in Chapter 1.

***Deductions related to homeownership:*** the deduction of premium mortgage insurance as qualified residence interest. The estimated general fund revenue reduction is \$4.600 million in the FY 2014-15 biennium. This provision has no tax revenue impact in other fiscal years.

Finally, Minnesota did not conform to all federal conformity provisions. For a fiscal summary overview about items that were not adopted, see box 1.

For more detail about the federal conformity provisions adopted during the 2015 session, please also see the [House Research Summary for Chapter 1](#) and the [House Fiscal Tracking Sheet for Chapter 1](#)

**Box 1: Federal Conformity:  
Not Adopted by Minnesota during the 2015 Session.**

Chapter 1 did not conform to full section 179 expensing and 50 percent bonus depreciation for tax year 2014. Table 2 shows the estimated general fund tax revenue impact of the provisions not adopted by biennia. Despite not fully conforming to Section 179 Expensing and 50% Bonus Depreciation, Minnesota partially conforms to these provisions as described in this federal conformity tax summary within the *above-the-line deduction* section.

<b>Table 2: Federal Conformity Provisions - Not Adopted during the 2015 Session</b>			
General Fund Tax Revenues			
Note: Positive dollars reflect a revenue gain, negative dollars reflect a revenue reduction.			
Dollars in thousands	FY 2015	FY 2016-2017	FY 2018-19
<b>Federal Update: Full Conformity to Section 179 Expensing for TY 2014</b>			
Individual Income Tax	(31,200)	18,900	8,700
Corporate Franchise Tax	(11,800)	7,100	3,300
<b>Total</b>	<b>(43,000)</b>	<b>26,000</b>	<b>12,000</b>
<b>Federal Update: 50% Bonus Depreciation for TY 2014</b>			
Individual Income Tax	(44,200)	24,200	11,600
Corporate Franchise Tax	(93,300)	51,100	24,400
<b>Total</b>	<b>(137,500)</b>	<b>75,300</b>	<b>36,000</b>
<b>Total - Not Adopted Provisions</b>	<b>(180,500)</b>	<b>101,300</b>	<b>48,000</b>

**Destination Medical Center (DMC)**

Chapter 1 clarifies the computation of state aid payments, originally enacted in 2013, to the Destination Medical Center (DMC) project in the City of Rochester. The language in Chapter 1 clarifies that state aid payments are calculated by multiplying a *cumulative* calculation of qualified expenditures each year by the multiplier of 2.75 percent for general infrastructure aid and 0.75 percent for the transit aid. An initial \$200 million is subtracted from the sum of that calculation. The \$200 million threshold represents the minimum amount of private expenditures that must be paid out before state aid is calculated. Based on the 2014 November Forecast, this threshold is expected to be met by FY 2017. The clarifying formula change in Chapter 1 is estimated to increase general fund aid relative to current law by \$16.778 million in the tails. Since Chapter 1 was enacted in late January 2015 during the session, its fiscal impact has been incorporated into the 2015 February Forecast and is therefore not included in the 2015 end of session tracking. Table 3, however, shows the total forecasted general fund expenditures for this project under current law and with the law change upon enactment.



<b>Table 3: Destination Medical Center (DMC) General Infrastructure and Transit Aid</b>		
General Fund Expenditure		
Note: Positive dollars reflect an expenditure, negative dollars reflect an expenditure reduction		
Dollars in thousands	FY 2016-2017	FY 2018-19
<b>DMC State Funding</b>		
General Infrastructure and Transit Aid (Current Law based on the 2014 Nov Forecast)	5,592	11,184
Change Item - Clarification to Aid Formula being Cumulative	0	16,778
<b>Total DMC Aid</b>	<b>5,592</b>	<b>27,962</b>

### ***First Special Session, Chapter 3 – Omnibus Education Act***

In the First Special Session, Laws of 2015, Chapter 3 contains three tax revenue provisions—two regarding the Working Family Credit and one delaying the effective date of a sales tax exemption—that in total are estimated to raise \$30.5 million in general fund revenue in the FY 2016-17 biennium and \$10.4 million in the FY 2018-19 biennium. In addition, the levy change for the Owatonna School District creates tax interactions for taxpayers. Details of these tax law changes can be found in the Education Finance section of this document.

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

While the Legislature did not pass an omnibus tax act, certain other bills were enacted with tax-related provisions. These provisions are briefly identified below, with reference to other summaries in this *Money Matters* document.

#### **Regular Session, Chapter 68 (Omnibus Retirement Act)**

**Police and Firefighter Retirement Supplemental Aid:** Chapter 143 of the 2013 Legislative session created a supplemental state aid to certain police and fire pension accounts administered by the Department of Revenue. Beginning in FY 2014, a supplemental annual appropriation of \$15.5 million is allocated as follows: \$9.0 million to PERA Amortization Aid, \$5.5 million to municipalities with a public employee and fire plan, and \$1.0 million to the State Patrol Retirement Fund. The aid program would end when assets equal 90 percent of the accrued liabilities of each the State Patrol or the public employee police and fire retirement plans, whichever occurs last.

Chapter 68 adds a provision that makes this aid permanent. The aid program was anticipated to exist for a number of years and thus, there is no additional fiscal impact from this change.

**Regular Session, Chapter 77 (Omnibus State Government Act)**

**Suspend Political Contribution Refund:** 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. Beginning in FY 2009, refund provisions were suspended for four years. With the refund's reinstatement in fiscal year 2014, over 51,000 individuals received an average political contribution refund of \$50.

Chapter 77 again suspends the refund, for only the FY 2016-17 biennium, creating a cost savings of \$8.9 million.

**Summary of Changes in General Fund Expenditures**

The absence of an omnibus tax agreement will not impede existing tax expenditures contained in law. All appropriations for tax refunds, local aids (including Local Government Aid (LGA), County Program Aid (CPA), Township Aid, Disparity Reduction Aid (DRA), Pension Aids), and tax credits are *statutory appropriations* –codified in state statute—rather than direct appropriations, which are contained in session law. This means that spending authority is ongoing and not dependent on the passage of an appropriations bill.

Table 2 compares actual and anticipated spending for the six-year period, FY 2014-2019. Biennial appropriations for tax refunds, aids and credits are funded at base-levels as provided in the February 2015 forecast, save the Homestead Credit Property Tax Refund and the Political Contribution Refund.

	Forecast Spending FY 14-15	Base Funding FY 16-17	Enacted FY 16-17	Percentage Change Enacted FY 16-17 vs. FY 14-15	Percentage Change Enacted vs. Base FY 16-17	Enacted FY 18-19
<b>Tax Refunds</b>						
Homestead Credit Property Tax Refund	697,112	831,300	831,360	19.3%	0.0%	859,720
Renter Property Tax Refund	413,674	443,800	443,800	7.3%	0.0%	464,300
Targeting Property Tax Refund	2,701	16,090	16,090	495.7%	0.0%	15,580
Sustainable Forest (SFIA) Payments	10,472	10,980	10,980	4.9%	0.0%	11,730
Political Contribution Refund	7,373	10,000	1,100	-85.1%	-89.0%	10,000
Tax Refund Interest	28,016	28,000	28,000	-0.1%	0.0%	30,000

<b>Table 2 (Continued): Tax Refunds, Aids &amp; Credits</b>						
<b>Total General Fund Spending</b>						
(all dollars in thousands)						
	Forecast Spending FY 14-15	Base Funding FY 16-17	Enacted FY 16-17	Percentage Change Enacted FY 16-17 vs. FY 14-15	Percentage Change Enacted vs. Base FY 16-17	Enacted FY 18-19
<b>Local Aids</b>						
Local Government Aid (LGA)	935,057	1,036,324	1,036,324	10.8%	0.0%	1,038,796
County Program Aid (CPA)	371,805	418,532	418,532	12.6%	0.0%	416,908
Township Aid	10,000	20,000	20,000	100.0%	0.0%	20,000
Disparity Reduction Aid	36,634	36,038	36,038	-1.6%	0.0%	36,038
Other Local Aids	11,218	31,689	31,689	182.5%	0.0%	33,302
<b>Property Tax Credits</b>						
Homestead Market Value Credit	17	0	0	-100.0%	--	0
Agricultural Market Value Credit	63,831	78,735	78,735	23.3%	0.0%	79,110
Border City Disparity Credit	15,481	20,156	20,156	30.2%	0.0%	20,200
Other Credits	3,844	3,150	3,150	-18.1%	0.0%	5,023
<b>Taconite Tax Relief Area</b>	29,021	29,695	29,695	2.3%	0.0%	30,302
<b>Local Pension Aids</b>	253,599	268,882	268,882	6.0%	0.0%	285,194
<b>Other Expenditures &amp; Appropriations</b>						
PILT Payments - DNR	62,406	63,547	63,547	1.8%	0.0%	77,201
Council on Results Chp 389	804	777	777	-3.4%	0.0%	786
SS2 Flood Local Opt Abtmt (non school)	464	160	160	-65.5%	0.0%	160
SS2 Flood Local Opt Abtmt (school)	340	46	46	-86.5%	0.0%	40
Moose Lake Assmt Reimbrsmt	2,000	0	0	-100.0%	--	0
Minneapolis debt service aid	0	3,720	3,720	--	0.0%	7,440
Bloomington Infrast Proj FD approp.	0	9,680	9,680	--	0.0%	9,720
Grtr MN Intern, DOR trans to OHE	0	40	40	--	0.0%	40
<b>Net GF Total</b>	<b>2,955,869</b>	<b>3,361,341</b>	<b>3,352,501</b>	<b>13.4%</b>	<b>-0.3%</b>	<b>3,451,590</b>

For more information about Tax Aids, Credits and Refunds, please contact Katherine Schill via e-mail at [katherine.schill@house.mn](mailto:katherine.schill@house.mn) or at 651-296-5384. For more information about State Tax Revenues, please contact Cynthia Templin via e-mail at [cynthia.templin@house.mn](mailto:cynthia.templin@house.mn) or at 651-297-8405.

# Appendix, Fee and Other Changes

## Appendix 1

### Changes in Fees, Assessments and Third Party Reimbursements - 2015 Legislation

	<u>FY 16</u>	<u>FY 17</u>	<u>FY 16-17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 18-19</u>	<u>Fund</u>	<u>Type</u>
<b>Education</b>	No Changes							
<b>Higher Education</b>	No Changes							
<b>Taxes</b>	No Changes							
<b>Health &amp; Human Services</b>								
DHS - SOS Operating Adjustment - Cost of Care	503	1,016	1,519	1,016	1,016	2,032	GF	Third Party Pay
DHS - MA Fraud Recoveries - Contract Effectiveness	200	200	400	200	200	400	GF	Third Party Pay
DHS - MA Recoveries - Third Party Liability	700	1,400	2,100	1,400	1,400	2,800	GF	Third Party Pay
DHS - Civil Commitment Reviews - Cost of Care	18	35	53	35	35	70	GF	Third Party Pay
DHS - Minn. Security Hospital - Cost of Care Recoveries	616	627	1,243	627	627	1,254	GF	Third Party Pay
DHS -SOS - Cost of Care - Individuals with Complex Conditions	770	1,027	1,797	1,027	1,027	2,054	GF	Third Party Pay
DHS - Cost of Care - Days not Meeting Hospital Criteria	1,000	750	1,750	500	500	1,000	GF	Third Party Pay
DHS - Group Residential Housing Recoveries	55	238	293	450	692	1,142	GF	Third Party Pay
DHS - Sex Offender Program Operating Adjustment County Share	591	777	1,368	777	777	1,554	GF	Third Party Pay
DHS - TEFRA Parental Fee Reduction	-422	-422	-844	-422	-422	-844	GF	Fee
DHS - ABLE	0	49	49	49	49	98	SR	Fee
MDH - Lodging Establishment	8	8	16	8	8	16	SGSR	Fee
MDH - Supplemental Nursing Service Agencies	86	86	172	86	86	172	SGSR	Fee
MDH - Dementia Care Training	0	2	2	4	4	8	SGSR	Fee
MDH - Health Information Exchange Oversight	95	124	219	157	124	281	SGSR	Fee
MDH - Lead & Random Hazards	0	331	331	624	691	1,315	SGSR	Fee
MDH - Mortuary Science Regulations	187	187	374	187	187	374	SGSR	Fee
Dentistry	385	385	770	385	385	770	SGSR	Fee
Optometry	30	35	65	35	35	70	SGSR	Fee
Pharmacy	379	379	758	379	379	758	SGSR	Fee
Social Work	3	3	6	3	3	6	SGSR	Fee
<b>Subtotal - Health &amp; Human Services</b>	<b>5,204</b>	<b>7,237</b>	<b>12,441</b>	<b>7,527</b>	<b>7,803</b>	<b>15,330</b>		<b>Total</b>
General Fund Subtotal	4,031	5,648	9,679	5,610	5,852	11,462	GF	
Other Funds Subtotal	1,173	1,589	2,762	1,917	1,951	3,868	Other	
Fee Subtotal	751	1,167	1,918	1,495	1,529	3,024		Fee
Third Party Pay Subtotal	4,453	6,070	10,523	6,032	6,274	12,306		Third Party Pay

## Appendix 1 (Continued)

## Changes in Fees, Assessments and Third Party Reimbursements - 2015 Legislation

	<u>FY</u> <u>16</u>	<u>FY 17</u>	<u>FY</u> <u>16-17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 18-19</u>	<u>Fund</u>	<u>Type</u>
<b>Public Safety &amp; Judiciary</b>								
Civil Court Filing Fee Discharge Judgment	-66	-79	-145	-79	-79	-158	GF	Fee
Subtotal - Judiciary & Public Safety	-66	-79	-145	-79	-79	-158		Fee
General Fund Subtotal	-66	-79	-145	-79	-79	-158	GF	
<b>Agriculture</b>								
MDA - Bulk Milk Handlers/Samplers	-25	-25	-50	-25	-25	-50	GF	Fee
MDA - Cottage Food Direct Sale	5	5	10	5	5	10	Ag	Fee
MDA - Corporate Farm Filing Fee	135	135	270	135	135	270	Ag	Fee
MDA - Industrial Hemp Registration	650	450	1,100	400	400	800	Ag	Fee
MDA - Milk Procurement Fee Increase	300	300	600	300	300	600	Ag	Fee
MDA - Bulk Milk Handlers/Samplers	25	25	50	25	25	50	Ag	Fee
MDA - Specialty Pet Food Late Fee Increase	130	130	260	130	130	260	Ag	Fee
MDA - Specialty Pet Registration Fee	86	86	172	86	86	172	Ag	Fee
MDA - Pet Food Registration Fee	345	345	690	345	345	690	Ag	Fee
MDA - Commercial Feed License Increase	100	100	200	100	100	200	Ag	Fee
MDA - Minimum Annual Inspection Fee Increase	85	85	170	85	85	170	Ag	Fee
MDA - Anhydrous Ammonia Fertilizer Oversight	0	250	250	250	250	500	Ag	Fee
MDA - Seed Permit Increase	340	340	680	340	340	680	Ag	Fee
MDA - Plant Export Certification Fee Increase	3	3	6	3	3	6	Ag	Fee
MDA - Plant Nursery Certification	3	3	6	3	3	6	Ag	Fee
MDA - Structural Pest Control	13	13	26	13	13	26	Ag	Fee
MDA - Additional Meat Inspectors	250	250	500	250	250	500	Fed	Fee
Subtotal - Agriculture	2,445	2,495	4,940	2,445	2,445	4,890		Fee
General Fund Subtotal	-25	-25	-50	-25	-25	-50	GF	
Other Funds Subtotal	2,470	2,520	4,990	2,470	2,470	4,940	Other	

**Appendix 1 (Continued)**  
**Changes in Fees, Assessments and Third Party Reimbursements - 2015 Legislation**

	<u>FY 16</u>	<u>FY 17</u>	<u>FY 16-17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 18-19</u>	<u>Fund</u>	<u>Type</u>
<b>Environment &amp; Natural Resources</b>								
DNR - Utility Crossing Fee Exemption	5	5	10	5	5	10	GF	Fee
DNR - Utility Crossing Fee Exemption	7	7	14	7	7	14	SR	Fee
DNR - Utility Crossing Fee Exemption	15	15	30	15	15	30	NR	Fee
DNR - Utility Crossing Fee Exemption	164	164	328	164	164	328	PSF	Fee
DNR - Utility Crossing Fee Exemption	3	3	6	3	3	6	G&F	Fee
DNR - Timber Permit Extensions	-1	-1	-2	-1	-1	-2	GF	Fee
DNR - Timber Permit Extensions	-18	-18	-36	-18	-18	-36	PS	Fee
DNR - Timber Permit Extensions	-11	-11	-22	-11	-11	-22	NR	Fee
DNR - Timber Permit Extensions	-1	-1	-2	-1	-1	-2	G&F	Fee
DNR - Timber Permit Extensions	-3	-3	-6	-3	-3	-6	SR	Fee
DNR - Water Work Permit Requirement Modifications	-36	-36	-72	-36	-36	-72	NR	Fee
PCA - Modifications	-27	-27	-54	-27	-27	-54	CCF	Fee
DNR - Youth Bear License Refund	-2	0	-2	0	0		G&F	Fee
DNR - Nontrail Snowmobile Use	-7	-7	-14	-7	-7		NR	Fee
Subtotal - Environment & Agriculture	88	90	178	90	90	180		Fee
General Fund Subtotal	4	4	8	4	4	8	GF	
Other Funds Subtotal	84	86	170	86	86	172	Other	
<b>Transportation</b>								
DPS - Driving & Texting Fine Increase	5	6	11	7	8	15	GF	Fine
DPS - State Trooper Escort Fee	150	150	300	150	150	300	SR	Fee
DPS-Towed Rec Vehicle - 3 Year option	904	-452	452	-454	904	450	HUTD	Fee
DPS-Trailers- 3 Year option	308	-154	154	-154	308	154	HUTD	Fee
DPS -ITFA Reinstatement Fee	40	40	80	40	40	80	SR	Fee
DPS-Conditional Registration Filing Fee	387	387	774	387	387	774	SR	Fee
DPS-Filing Fee for Motor Carrier Fuel Tax Licensees	50	50	100	50	50	100	SR	Fee
DPS-Drive-Away In-Transit Plates Changes	-35	-35	-70	-35	-35	-70	SR	Fee
DPS-Drive-Away In-Transit Plates Changes	-35	-35	-70	-35	-35	-70	HUTD	Fee
Subtotal - Transportation	1,774	-43	1,731	-44	1,777	1,733		
General Fund Subtotal	5	6	11	7	8	15	GF	
Other Funds Subtotal	1,769	-49	1,720	-51	1,769	1,718	Other	
Fee Subtotal	1,769	-49	1,720	-51	1,769	1,718		Fee
Fine Subtotal	5	6	11	7	8	15		Fine

**Appendix 1 (Continued)**  
**Changes in Fees, Assessments and Third Party Reimbursements - 2015 Legislation**

	<u>FY 16</u>	<u>FY 17</u>	<u>FY 16-17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 18-19</u>	<u>Fund</u>	<u>Type</u>
<b>State Government</b>								
SOS - Filings	-3	-3	-6	-3	-3	-6	GF	Fee
Cosmetologist Bd. - Licensing Fee	1,203	1,203	2,406	1,203	1,203	2,406	GF	Fee
Cosmetologist Bd. - Mobile Salon Regulations	0	0	0	7	7	14	GF	Fee
Lawful Gambling - License & Permit Fees, Product Approval	219	219	438	219	219	438	SR	Fee
Lawful Gambling - Regulatory Fee	300	300	600	300	300	600	SR	Fee
Racing Com - Class C License Change	0	182	182	73	72	145	SR	Fee
<b>Subtotal - State Government</b>	<b>1,719</b>	<b>1,901</b>	<b>3,620</b>	<b>1,799</b>	<b>1,798</b>	<b>3,597</b>		<b>Fee</b>
General Fund Subtotal	1,200	1,200	2,400	1,207	1,207	2,414	GF	
Other Funds Subtotal	519	701	1,220	592	591	1,183	Other	
<b>Jobs &amp; Energy</b>								
PUC - Assessment Increase (Staffing)	525	525	1,050	525	525	1,050	GF	Assmt.
PUC - Assessment Increase (Operating Increase)	200	200	400	200	200	400	GF	Assmt.
Commerce - Energy Intensive, Trade Exposed Rate Activities	424	430	854	430	430	860	GF	Assmt.
Commerce - Renewal Energy Planning & Systems Assessment	400	400	800	0	0		SR	Assmt.
Commerce - Filing Fees for MNVest	3	3	6	3	3	6	GF	Fee
DOLI - Reduction in Construction Codes Fees	-1,534	-1,534	-3,068	0	0	0	CCF	Fee
DOLI - Combative Sports Fee Adjustment	-2	-2	-4	-2	-2	-4	SR	Fee
DEED - Job Training Grants Fee	4	8	12	8	8	16	SR	Fee
<b>Subtotal - Jobs &amp; Economic Development</b>	<b>20</b>	<b>30</b>	<b>50</b>	<b>1,164</b>	<b>1,164</b>	<b>2,328</b>		
General Fund Subtotal	1,152	1,158	2,310	1,158	1,158	2,316	GF	
Other Funds Subtotal	-1,132	-1,128	-2,260	6	6	12	Other	
Fee Subtotal	-1,529	-1,525	-3,054	9	9	18		Fee
Assessment Subtotal	1,549	1,555	3,104	1,155	1,155	2,310		Assmt.
<b>Total Changes</b>	<b>11,184</b>	<b>11,631</b>	<b>22,815</b>	<b>12,902</b>	<b>14,998</b>	<b>27,900</b>		
<b>Total General Fund Changes</b>	<b>6,301</b>	<b>7,912</b>	<b>14,213</b>	<b>7,882</b>	<b>8,125</b>	<b>16,007</b>	<b>GF</b>	
<b>Total Other Fund Changes</b>	<b>4,883</b>	<b>3,719</b>	<b>8,602</b>	<b>5,020</b>	<b>6,873</b>	<b>11,893</b>	<b>Other</b>	
<b>Total Fee Changes</b>	<b>5,177</b>	<b>4,000</b>	<b>9,177</b>	<b>5,708</b>	<b>7,561</b>	<b>13,269</b>		<b>Fee</b>
<b>Total Fines, Assessments or Third Party Pay Changes</b>	<b>6,007</b>	<b>7,631</b>	<b>13,638</b>	<b>7,194</b>	<b>7,437</b>	<b>14,631</b>		<b>Other Changes</b>