

**Fiscal Analysis Department**  
Minnesota House of Representatives

---



**A SUMMARY OF  
THE FISCAL ACTIONS  
OF THE  
2016 LEGISLATURE**

Money Matters 16.01  
July 2016

*This document is a summary of 2016 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.*

**PART ONE: The Overall Budget Picture ..... 1-9**

**PART TWO: The Supplemental Budget in Detail**

Agriculture Finance .....	10-11
Education Finance .....	12-17
Environment & Natural Resources Finance .....	18-22
Health & Human Services Finance.....	23-28
Higher Education Finance.....	29-30
Jobs, Economic Development & Energy Finance .....	31-39
Legacy Finance .....	40-44
Public Safety Finance .....	45-47
State Government Finance.....	48-49
Transportation Finance .....	50
Tax Revenue and Tax Aids, Credits & Refunds.....	51-53

**This page intentionally left blank**

# Overview Budget Changes 2016

---

## Background

The November 2015 and February 2016 general fund budget forecasts both predicted positive balances for the FY 2016-17 and FY 2017-18 biennia. However, the projected balances for both biennia decreased between the November and February forecasts.

Under current law, \$71 million of the November forecast balance was allocated to repay amounts previously transferred to the general fund from two environmental funds and then 33 percent of the remaining FY 2016-17 balance, \$594 million, was transferred to the budget reserve.

After these transfers, the ending general fund balance for the FY 2016-17 biennium in the November 2015 forecast was projected at \$1.206 billion. The general fund budget balance for the FY 2018-19 biennium, not including any balance forward from the FY 2016-17 biennium, was projected at \$2.047 billion.

After the additional \$594 million was transferred, the budget reserve was at \$1.596 billion. The cash flow account remained at \$350 million.

The February 2016 state budget forecast lowered the FY 2016-17 projected general fund balance to \$900 million, \$306 million lower than the November 2014 forecast. The general fund budget balance for the FY 2018-19 biennium, not including any balance forward from the FY 2016-17 biennium, was now \$1.181 billion, \$866 million lower than in the November forecast.

Table 1 shows the forecasted balances and changes in those balances for FY 2016-17 biennium in the November 2015 and February 2016 forecasts.

<b>Table 1</b>	
<b>Forecast Changes for General Fund for FY 2016-17 Biennium</b>	
Dollars in Millions	
November 2015 Forecast Projected Balance	1,871
Transfer to the Closed Landfill Investment Fund	-63
Transfer to the Metro Landfill Contingency Action Trust Account	-8
Transfer of 33% of Remaining Balance to Budget Reserve	<u>-594</u>
<b>Net Balance After November 2015 Forecast</b>	<b>1,206</b>
Change in Balance in February 2016 Forecast	<u>-306</u>
<b>Net Balance After February 2016 Forecast</b>	<b>900</b>

Table 2 shows the change in projected balances for the FY 2018-19 biennium between the November 2015 and February 2016 budget forecasts.

<b>Table 2</b>	
<b>Forecast Changes for General Fund for FY 2018-19 Biennium</b>	
Dollars in Millions	
November 2015 Forecast Projected Balance	2,047
February 2016 Forecast Projected Balance	<u>1,181</u>
<b>Change in Projected Balance</b>	<b>-866</b>
<i>Note: These numbers show difference between revenues and spending in the biennium but do not include any balance forward from FY 2016-17.</i>	

### Budget Balance for FY 2016-17

The 2016 Legislature had a general fund balance of \$900 million available for the FY 2016-17 biennium. Bills enacted in the 2016 regular session had a net effect of using \$171.7 million of this \$900 million. Additional spending in FY 2016-17 is \$238.7 million, tax revenue reductions totaled \$24.4 million and non-tax revenue increases were \$91.5 million. Of the \$91.5 million revenue increase, \$74 million is a transfer to the General Fund from the Health Care Access Fund.

Table 3 illustrates the 2016 session budget changes.

<b>Table 3</b>		
<b>2016 Session Budget Summary</b>		
<b>Types of General Fund Budget Changes</b>		
Dollars in Millions		
	<b>FY 2016-17</b>	<b>FY 2018-19</b>
Beginning Balances	900.3	1,180.7
Balance Carried Forward	<u>N/A</u>	<u>728.6</u>
<b>Balance Available</b>	<b>900.3</b>	<b>1,909.3</b>
2016 Spending Changes (positive is a cost)	238.7	234.9
2016 Revenue Changes (negative is a revenue reduction)		
Tax Revenue Changes	-24.4	-62.5
Non-Tax Revenue Changes	91.5	164.5
<b>Net Changes</b>	<b>171.7</b>	<b>132.9</b>
<b>Ending Balance</b>	<b>728.6</b>	<b>1,776.5</b>

The Legislature also passed a tax bill that would have cost the General Fund \$257.4 million in FY 2016-17 (\$178.8 million in tax revenue reductions and \$78.6 million of additional spending) but the Governor did not sign that bill so it did not become law. Also, on the last day of session, the House passed a capital expenditure, bonding and transportation bill that spent \$335.7 million. However, that bill did not pass in the Senate.

### General Fund Budget Changes by Year and Biennium

Tables 4 and 5 illustrate the 2016 session general fund budget changes by fiscal year (Table 4) and by biennium (Table 5).

Both charts show revenues and expenditures as projected in the February 2016 state budget forecast (base) and then show changes in revenue and expenditures enacted in the 2016 session. The charts also show the percentage changes in revenue and spending across years or biennia before and after the 2016 session changes.

In Table 4, the annual revenue change remains at 1.9 percent between fiscal years 2015 and 2016, and then increases from 2.4 to 2.7 percent between fiscal years 2016 and 2017. The percent change in revenue in fiscal years 2018 and 2019 changes only slightly after 2016 session actions compared to the forecast amounts.

Annual spending change in Table 4 increases from 3.5 percent in FY 2017 over 2016 to 4.7 percent with the 2016 session changes. Spending change in FY 2018 and FY 2019 over previous years decreases because the 2016 spending change is greater in FY 2017 than it is in the subsequent years.

	FY 15	FY 16	Percent Change	FY 17	Percent Change	FY 18	Percent Change	FY 19	Percent Change
Revenue - Base	20,510.0	20,889.9	1.9%	21,398.9	2.4%	22,376.3	4.6%	23,326.3	4.2%
Revenue - Change	0.0	10.7		56.4		46.6		55.3	
<b>Total - Current Revenue</b>	<b>20,510.0</b>	<b>20,900.6</b>	<b>1.9%</b>	<b>21,455.4</b>	<b>2.7%</b>	<b>22,422.9</b>	<b>4.5%</b>	<b>23,381.7</b>	<b>4.3%</b>
Expenditures - Base	20,292.8	20,400.7	0.5%	21,123.2	3.5%	22,021.8	4.3%	22,496.9	2.2%
Expenditures - Change	0.0	4.1		234.6		131.3		103.6	
<b>Total - Current Expenditures</b>	<b>20,292.8</b>	<b>20,404.8</b>	<b>0.6%</b>	<b>21,357.8</b>	<b>4.7%</b>	<b>22,153.1</b>	<b>3.7%</b>	<b>22,600.5</b>	<b>2.0%</b>

Table 5 shows that the revenue change on a biennial basis after the 2016 session enactments is 5.8 percent between the FY 2016-17 biennium and the previous biennium, up from 5.6 percent in the forecast.

Spending change in the FY 2016-17 biennium over the previous biennium increases to 5.4 percent from the forecast level of 4.7 percent. There is no change in the percentage of revenue or spending change in FY 2018-19 over the previous biennium after 2016 enactments.

	FY 2014-15	FY 2016-17	Percent Change	FY 2018-19	Percent Change
Revenue - Base	40,032.3	42,288.9	5.6%	45,702.6	8.1%
Revenue - Change	0.0	67.1		102.0	
Total - Current Revenue	40,032.3	42,356.0	5.8%	45,804.6	8.1%
Expenditures - Base	39,641.2	41,523.9	4.7%	44,518.7	7.2%
Expenditures - Change	0.0	238.7		234.9	
Total - Current Expenditures	39,641.2	41,762.7	5.4%	44,753.6	7.2%

### Most Budget Changes Were in the Supplemental Budget Bill

Most budget changes enacted in the 2016 legislative session were in the Supplemental Budget Bill, H.F. 2749, which became Chapter 189 of 2016 Laws. A few changes were included in other bills. The only other bills with FY 2016-17 general fund impacts greater than \$1 million were Chapter 148 and Chapter 160. Chapter 148 included the traditional claims bill but also included payments to three individuals who had been imprisoned and had now been exonerated. These are the first payments made under a law enacted in 2014. Chapter 160 made changes in penalties regarding crimes involving controlled substances

Table 6 shows the budget changes by bill.

The debt service line on Table 6 shows a negative amount. This is because the budget forecast assumed a bonding bill authorizing \$800 million general obligation bonds. (The \$800 million is an average over the past 10 years of the amount of general obligation bonding authorized in even numbered years.) Because no bill with general obligation bonding was enacted in the 2016 session the debt service line on Table 6 shows the lower cost of no bonding bill compared to the \$800 million bill assumed in the state budget forecast.

<b>Table 6</b>						
<b>General Fund - 2016 Change By Bill</b>						
Dollars in Thousands						
	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
<b>Chapter 189 - Supplemental Budget</b>						
Chapter 189 Spending	4,119	243,440	247,559	168,242	169,127	337,369
Chapter 189 Non-Tax Revenue Change	10,667	80,804	91,471	82,295	82,290	164,585
Chapter 189 Tax Revenue Change	0	-24,400	-24,400	-35,600	-26,900	-62,500
<b>Chapter 189 - Net Impact</b>	<b>-6,548</b>	<b>187,036</b>	<b>180,488</b>	<b>121,547</b>	<b>113,737</b>	<b>235,284</b>
<b>Chapter 180 - Utility Crossing RR Right of Way</b>						
Chapter 180 Spending	0	80	80	21	21	42
Chapter 180 Non-Tax Revenue	0	80	80	21	21	42
<b>Chapter 180 - Net Impact</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Bills With Spending Changes</b>						
Chapter 109 - Criminal Vehicular Homicide	0	0	0	0	13	13
Chapter 148 - Claims & Exonerations	0	1,799	1,799	0	0	0
Chapter 160 - Controlled Substance Crimes	0	1,850	1,850	-1,303	-4,126	-5,429
Chapter 162 - Presidential Primary	0	0	0	0	111	111
Other Bills - Spending	0	3,649	3,649	-1,303	-4,002	-5,305
<b>Other Bills With Revenue Changes</b>						
Chapter 156 - Real Estate Appraisers	0	-11	-11	-11	-11	-22
Chapter 176 - File Fees on Orders for Protection	0	-28	-28	-34	-34	-68
Chapter 183 - Advanced Deposit Wagering	0	-27	-27	-27	-27	-54
Other Bills - Revenue	0	-66	-66	-72	-72	-144
<b>Other Bills - Net Impact</b>	<b>0</b>	<b>3,715</b>	<b>3,715</b>	<b>-1,231</b>	<b>-3,930</b>	<b>-5,161</b>
<b>Debt Service (No Bill Versus Forecast of \$800 Million)</b>						
	<b>0</b>	<b>-12,540</b>	<b>-12,540</b>	<b>-35,666</b>	<b>-61,580</b>	<b>-97,246</b>
Total Spending Change	4,119	234,629	238,748	131,294	103,566	234,860
Total Non-Tax Revenue Change	10,667	80,818	91,485	82,244	82,239	164,483
Total Tax Revenue Change	0	-24,400	-24,400	-35,600	-26,900	-62,500
<b>Net General Fund Change</b>	<b>-6,548</b>	<b>178,211</b>	<b>171,663</b>	<b>84,650</b>	<b>48,227</b>	<b>132,877</b>

## Budget Changes by Committee

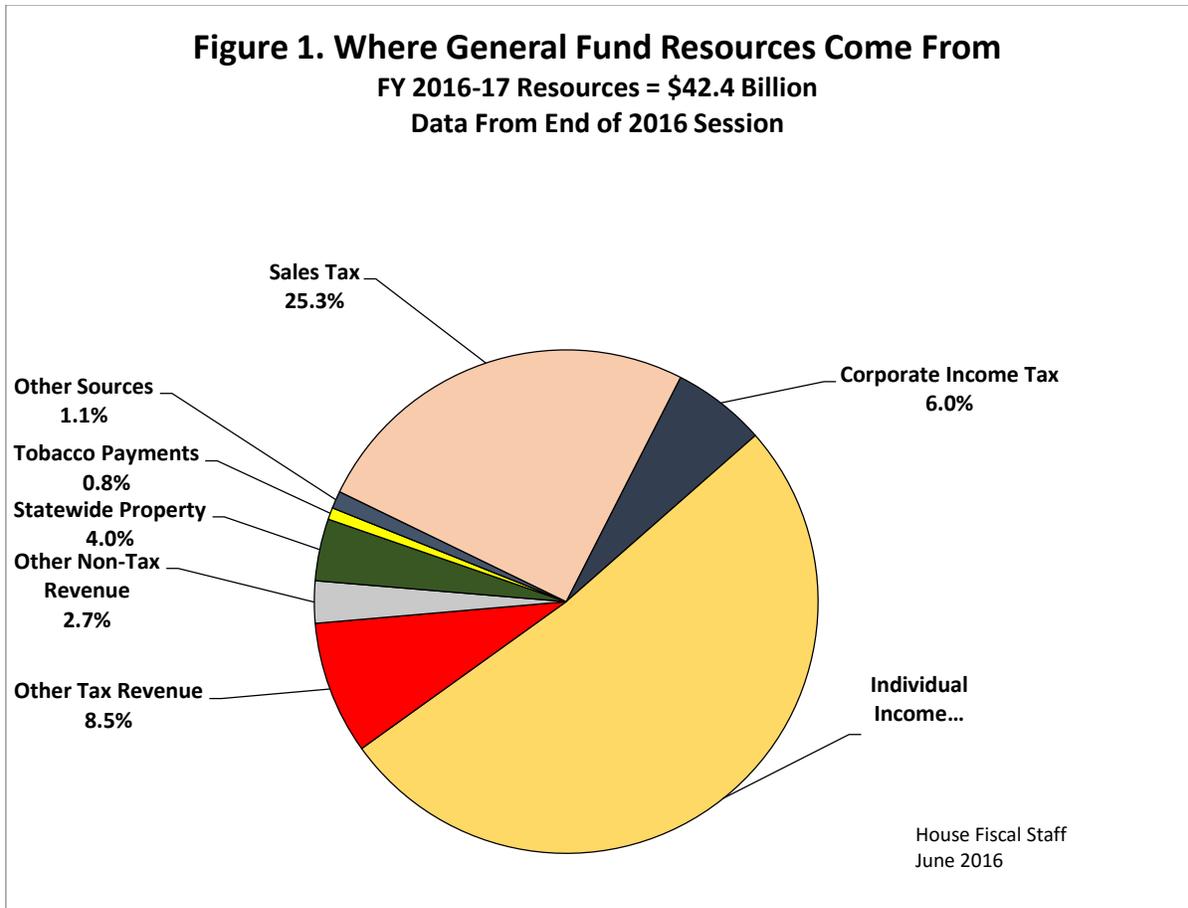
Table 7 uses the same information that is in Table 6 but rearranges it by committee area using the 2015 conference committee structure. While no separate Tax Bill was enacted in the 2016 session the tax provisions included in Chapter 189 are listed in a separate tax section in Table 7.

	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
Education Spending	270	26,416	26,686	40,239	38,761	79,000
Education Non-Tax Revenue Change	1,686	0	1,686	0	0	0
<b>Education - Net Change</b>	<b>-1,416</b>	<b>26,416</b>	<b>25,000</b>	<b>40,239</b>	<b>38,761</b>	<b>79,000</b>
<b>Higher Education - Net Change (Spending)</b>	<b>225</b>	<b>4,775</b>	<b>5,000</b>	<b>2,105</b>	<b>1,895</b>	<b>4,000</b>
Health & Human Services Spending	6,641	73,814	80,455	83,027	85,163	168,190
Health & Human Services Non Tax Revenue Change	1,043	79,388	80,431	80,944	80,944	161,888
<b>Health &amp; Human Services - Net Change</b>	<b>5,598</b>	<b>-5,574</b>	<b>24</b>	<b>2,083</b>	<b>4,219</b>	<b>6,302</b>
<b>Environment - Natural Resources - Net Change</b>	<b>1,599</b>	<b>11,964</b>	<b>13,563</b>	<b>2,216</b>	<b>2,216</b>	<b>4,432</b>
Agriculture Spending	-3,100	4,433	1,333	4,400	4,400	8,800
Agriculture Non-Tax Revenue Change	7,713	0	7,713	0	0	0
<b>Agriculture - Net Change</b>	<b>-10,813</b>	<b>4,433</b>	<b>-6,380</b>	<b>4,400</b>	<b>4,400</b>	<b>8,800</b>
Public Safety Spending	4,341	22,581	26,922	17,409	15,036	32,445
Public Safety Non-Tax Revenue Change	0	-28	-28	-34	-34	-68
<b>Public Safety - Net Change</b>	<b>4,341</b>	<b>22,609</b>	<b>26,950</b>	<b>17,443</b>	<b>15,070</b>	<b>32,513</b>
<b>Transportation - Net Change (Spending)</b>	<b>0</b>	<b>260</b>	<b>260</b>	<b>260</b>	<b>260</b>	<b>520</b>
Jobs & Energy Spending	-5,857	82,571	76,714	9,417	9,417	18,834
Jobs & Energy Non-Tax Revenue Change	225	1,478	1,703	1,356	1,356	2,712
<b>Jobs &amp; Energy Total</b>	<b>-6,082</b>	<b>81,093</b>	<b>75,011</b>	<b>8,061</b>	<b>8,061</b>	<b>16,122</b>
State Government Spending	0	20,355	20,355	7,887	7,998	15,885
State Government Non-Tax Revenue Change	0	-20	-20	-22	-27	-49
<b>State Government - Net Change</b>	<b>0</b>	<b>20,375</b>	<b>20,375</b>	<b>7,909</b>	<b>8,025</b>	<b>15,934</b>
Taxes Spending	0	0	0	0	0	0
Taxes Tax Revenue Change	0	-24,400	-24,400	-35,600	-26,900	-62,500
<b>Taxes - Net Change</b>	<b>0</b>	<b>24,400</b>	<b>24,400</b>	<b>35,600</b>	<b>26,900</b>	<b>62,500</b>
<b>Debt Service (No Bill Versus Forecast of \$800 Million)</b>	<b>0</b>	<b>-12,540</b>	<b>-12,540</b>	<b>-35,666</b>	<b>-61,580</b>	<b>-97,246</b>
Total Spending Change	4,119	234,657	238,776	131,328	103,600	234,928
Total Tax Revenue Change	0	-24,400	-24,400	-35,600	-26,900	-62,500
Total Non-Tax Revenue Change	10,667	80,846	91,513	82,278	82,273	164,551
<b>Total Net General Fund Changes</b>	<b>-6,548</b>	<b>178,211</b>	<b>171,663</b>	<b>84,650</b>	<b>48,227</b>	<b>132,877</b>

## General Fund Resources

During the FY 2016-17 biennium more than three quarters (76.9 percent or \$32.556 billion) of general fund revenue is projected to come from the individual income tax and sales tax. Revenues from these two sources have grown \$2.319 billion, or 7.7 percent, over the amount raised by those two sources in the FY 2014-15 biennium. The percentage of total general fund revenue from individual income and sales tax has grown from 75.5 percent of total general fund revenue in the FY 2014-15 biennium to 76.9 percent in the FY 2016-17 biennium.

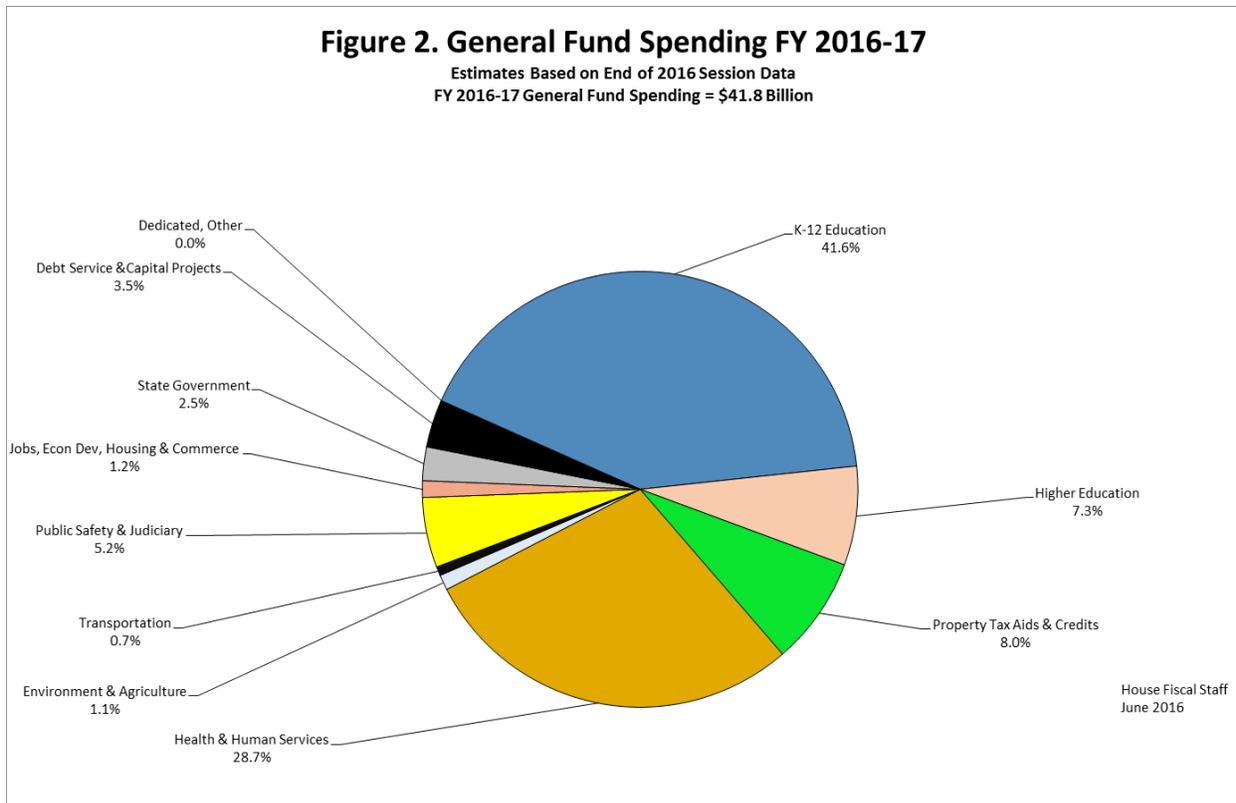
Figure 1 shows the major sources of general fund revenue.



**General Fund Spending**

The two largest areas of general fund spending for the FY 2016-17 biennium are Elementary and Secondary Education at 41.6 percent of total general fund spending and Health and Human Services at 28.7 percent. Combined these two areas account for 70.3 percent of general fund spending. In addition when the next two largest areas, Property Tax Aids and Credits at 8.0 percent and Higher Education at 7.3 percent, are added in 85.6 percent of general fund spending is accounted for. That leaves 14.4 percent for the rest of general fund spending.

Figure 2 shows the major areas of general fund spending.



**Changes in Fees, Fines and Other Charges**

Changes in fees, fines and other charges netting \$6.3 million for the FY 2106-17 biennium were enacted during the 2016 session. Most of this amount, \$6.1 million, was in the General Fund. \$6.6 million of the total are increases in county share payments or co-payments for Department of Human Service programs. Outside of the county share payments, the net change in other fees, assessments and other charges is a negative \$0.4 million.

The largest change for FY 2016-17 is an increase of \$3.9 payment for the county share of the operating cost of additional psychiatric beds. The second largest changes is a reduction of \$2.2 million in medical assistance estate recoveries.

For FY 2018-19 the total change is projected at \$16.8 million. The increase in county share payments is \$18.6 million, the change in the rest of fees and assessments is a negative \$1.8 million.

Table 8								
Fees, Assessments, County Charges, Etc. Changes in 2016 Legislation								
	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19	Fund	Agency
State Operated Services - Cost of Care Recoveries	534	1,052	1,586	1,438	1,438	2,876	GF	DHS
Sex Offender Program - County Share	509	700	1,209	819	819	1,638	GF	DHS
Psychiatric Bed Increase - Cost of Care Recoveries	0	3,881	3,881	7,056	7,056	14,112	GF	DHS
Medical Assistance Estate Recoveries	0	-2,245	-2,245	-2,369	-2,369	-4,738	GF	DHS
Residential Hospice Definition	0	5	5	5	5	10	SGSR	MDH
Recreational Camping Definition	0	-2	-2	-2	-2	-4	SGSR	MDH
Radon Systems Licensure Modifications	0	0	0	-42	82	40	SGSR	MDH
Licensure for Orthotics, Prosthetics & Pedorthics	0	175	175	27	181	208	SGSR	Podiatric Med Bd
Licensure for Genetic Counselors	0	0	0	39	20	59	SGSR	Medical Prac Bd
Wild Rice Permits	0	-4	-4	-4	-4	-8	NR	DNR
Invasive Species Violations	0	2	2	2	2	4	NR	DNR
Off-Road Vehicle - Non-Resident License	0	5	5	11	11	22	NR	DNR
National Guard - Non-Resident License	0	-1	-1	-1	-1	-2	NR	DNR
National Guard - Non-Resident License	0	-18	-18	-18	-18	-36	G&F	DNR
Real Estate Appraisers	0	-11	-11	-11	-11	-22	GF	Commerce
Energy Regulation & Planning Assessment	0	832	832	832	832	1,664	GF	Commerce
Staff and Rulemaking Assessment	225	577	802	514	514	1,028	GF	PUC
Utility Crossing Railroad Right of Way	0	80	80	21	21	42	GF	PUC
No Filing Fee - Orders for Protection	0	-28	-28	-34	-34	-68	GF	Courts
Barber Board - Eliminate Apprenticeship	0	7	7	5	0	5	GF	Barber Board
<b>Total Revenue Raising</b>	<b>1,268</b>	<b>5,007</b>	<b>6,275</b>	<b>8,288</b>	<b>8,542</b>	<b>16,830</b>	<b>All Funds</b>	
General Fund Total	1,268	4,845	6,113	8,271	8,266	16,537		
Other Funds Total	0	162	162	17	276	293		
Fees & Assessments	225	-626	-401	-1,025	-771	-1,796		
County Share Payments	1,043	5,633	6,676	9,313	9,313	18,626		
Fund Codes:	GF - General Fund		NR - Natural Resources Fund					
	SGSR - State Government Special Revenue Fund		G&F - Game & Fish Fund					

For additional information, contact Bill Marx at 296-7176 or [bill.marx@house.mn](mailto:bill.marx@house.mn)

# Agriculture

The 2016 legislature enacted the following appropriation changes and fiscal policies in the area of agriculture finance as part of the omnibus supplemental budget bill (Chapter 189).

<b>Agriculture</b> <i>(Dollars in thousands)</i>						
	<b>FY 16</b>	<b>FY 17</b>	<b>FY 16-17</b>	<b>FY 18</b>	<b>FY 19</b>	<b>FY 18-19</b>
<b>General Fund Expenditure Changes</b>						
Department of Agriculture	(3,100)	4,433	1,333	4,400	4,400	8,800
<b>subtotal expenditure changes:</b>	<b>(3,100)</b>	<b>4,433</b>	<b>1,333</b>	<b>4,400</b>	<b>4,400</b>	<b>8,800</b>
<b>General Fund Revenue Changes</b>						
Rural Finance Authority	7,713	0	7,713	0	0	0
<b>Net General Fund Change:</b>	<b>(10,813)</b>	<b>4,433</b>	<b>(6,380)</b>	<b>4,400</b>	<b>4,400</b>	<b>8,800</b>

## Department of Agriculture

The legislature made the following FY 2016-17 appropriations to the Department of Agriculture for a total of \$4.433 million. The total amount in FY 2018-19 is \$8.8 million. All appropriations are from the General Fund.

- A onetime appropriation of \$283,000 for transfer to the University of Minnesota. The funds are to be used to purchase equipment at the Veterinary Diagnostic Laboratory.
- \$600,000 for transfer to the University of Minnesota. The funds are to be used for the development of a software tool through the Veterinary Diagnostic Laboratory that allows for producers and veterinarians to better understand the movement of animal diseases through livestock and poultry production systems. The base for this appropriation in FY 2020 is \$0.
- A onetime appropriation of \$250,000 for a tractor rollover protection pilot program. The funds are for a voluntary program that retrofits eligible tractors with roll bar safety systems.
- A onetime appropriation of \$1 million will be transferred to a newly established agricultural emergency account in the agricultural fund. Funds in this account can be used to respond to all manner of agricultural emergencies.
- A onetime appropriation of \$250,000 for administrative costs related to the industrial hemp pilot program.

- A onetime appropriation of \$1 million for transfer to the University of Minnesota to fund the Forever Green Agricultural Initiative.
- A onetime appropriation of \$250,000 for transfer to the good food access account.
- \$450,000 for transfer to the University of Minnesota. The grant will support the cultivated wild rice breeding project at the North Central Research and Outreach Center.
- \$350,000 for transfer to the University of Minnesota. The transferred funds will be used to support potato breeding.
- Beginning in FY 2018, \$3 million is appropriated to the commissioner for payments related to the forestry siding incentive program.

### **Avian Influenza**

The 2016 legislature enacted two changes to Avian Influenza related appropriations made in Laws 2015, First Special Session, Chapter 4, Article 1 and Article 2:

- A reduction of \$3.1 million in FY 2016 to funds appropriated to the Department of Agriculture for avian influenza emergency response activities.
- A onetime transfer of \$7.713 million from the rural finance authority revolving loan account to the General Fund in FY 2016. This amount is a portion of the \$10 million appropriated to Rural Finance Authority in Laws 2015, First Special Session, Chapter 4, Article 2.

Additionally, language in Laws 2015, First Special Session, Chapter 4, Article 1 was amended to allow funds appropriated to the Board of Animal Health to be utilized for any animal disease emergency or planning activities related to the retention of staff trained in animal disease response, relocation or expansion of the Minnesota Poultry Testing Laboratory, the identification of test factors in disease transmission or the implementation of strategies to prevent or reduce the risk of disease introduction and transmission.

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

## Education Finance

The 2016 Legislature passed an omnibus supplemental budget (Chapter 189) that was enacted by the Legislature and Governor that included \$25 million in general fund changes in early education and K-12 education programs. The articles pertaining to education in the omnibus supplemental bill were articles 24 to 34.

<b>Education Finance</b> (Dollars in thousands)						
<b>General Fund Changes</b>	<b>FY 16</b>	<b>FY 17</b>	<b>FY 16-17</b>	<b>FY 17</b>	<b>FY 18</b>	<b>FY 17-18</b>
General Education	0	28,931	<b>28,931</b>	33,676	30,587	<b>64,263</b>
Education Excellence	240	36,415	<b>36,655</b>	1,687	1,691	<b>3,378</b>
Standards and Assessment	0	0	<b>0</b>	0	0	<b>0</b>
Charter Schools	0	171	<b>171</b>	189	175	<b>364</b>
Special Education	0	179	<b>179</b>	229	292	<b>521</b>
Facilities and Technology	0	-50,360	<b>-50,360</b>	2,560	4,057	<b>6,617</b>
Nutrition Programs	0	251	<b>251</b>	252	255	<b>507</b>
Early Childhood & Family Support	0	4,430	<b>4,430</b>	533	585	<b>1,118</b>
Community Support/Prevention	0	50	<b>50</b>	0	0	<b>0</b>
Self-Sufficiency & Lifelong Learning	0	920	<b>920</b>	0	0	<b>0</b>
Department of Education	0	3,443	<b>3,443</b>	863	869	<b>1,732</b>
Board of Teaching	0	330	<b>330</b>	250	250	<b>500</b>
<b>Net General Fund Change:</b>	<b>240</b>	<b>24,760</b>	<b>25,000</b>	<b>40,239</b>	<b>38,761</b>	<b>79,000</b>

The changes to the FY 2016-17 general fund budget include:

### General Education Program

- \$25 million for voluntary prekindergarten, beginning in FY 2017. Priority will be given to high poverty schools. Students enrolled in a qualified program will be funded at a level not to exceed 0.6 pupil units. Programs with linked funding mechanisms include: charter lease aid, alternative compensation (Q-Comp), achievement and integration revenue, breakfast and lunch aid, special education and long-term facilities maintenance revenue.
- \$4.9 million for a 25 percent equity revenue bump for non-metro school districts. In FY 2017 all equity bump increases are provided in the form of state aid. Starting in FY 2018, the equity increase will be split between state aid and local levy.
- \$201,000 in FY 2017 only, to allow students aged 21, but not yet 22, to participate in the graduation incentive program.

- \$5.19 million for enhanced operating capital equalization aid to offset levy increases. The equalizing factor for FY 2017 is \$15,740, for FY 2018 is \$19,972 and for FY 2019 is \$22,912.

### Education Excellence

- \$240,000 for a fix to allow two additional school districts access to alternative compensation (Q-Comp) revenue for FY 2016. These districts were initially approved for participation in the program but were later denied due to a new administrative interpretation for program eligibility.
- \$1.0 million in additional funding for the Minnesota Reading Corps program. The forecast base for FY 2018 is \$5,625,000 per year.
- \$100,000 for a grant to the “Rock ‘n’ Read Project for a singing-based pilot program to improve student reading. This is a one-time appropriation.
- \$270,000 for an increase in funding for Indian Teacher Preparation grants.
- \$3,000,000 for a grant to the Lakes Country Service Cooperative for development of the Northwest Regional Partnership concurrent enrollment program. (The other partners are the Northwest Service Cooperative and Minnesota State University – Moorhead). The Partnership will develop a continuing education program to allow eligible teachers to attain requisite graduate credits necessary to teach postsecondary courses in a high school setting. This is a one-time grant in FY 2017, but funds are available until June 30, 2019.
- \$310,000 for increased funding for the Collaborative Urban Educator (CUE) Program. The funding is distributed equally among the four existing CUE programs. This is a one-time increase.
- \$50,000 for a grant to the Headwaters Science Foundation for hands-on science, technology, engineering, and math (STEM) education.
- \$1,500,000 for a “grow your own” paraprofessional pathway to teacher licensure program. The intent is to encourage existing school support personnel with a bachelor’s degree to pursue additional education to become licensed teachers. The program will provide tuition and stipend assistance to participants. The program is targeted at first class city districts and districts with more than 40 percent minority student population. The base for FY 2018 is \$1.0 million.
- \$385,000 for a grant to Southwest State University for an online special education paraprofessional pathway to licensure program. This is a one-time appropriation.
- \$2.0 million is for an increase in funding for the teacher shortage loan forgiveness program. The program is coordinated through the Office of Higher Education. This is a one-time increase in appropriation. The base in FY 2018 is \$200,000.

- \$2.8 million is for income-based grants to student teachers in shortage areas. The program will be administered by the Office of Higher Education. This is a one-time appropriation, but funds are available until June 30, 2019.
- \$1.5 million for a grant to the Sanneh Foundation for mentoring partnerships to encourage school engagement, improve grades and graduation rates for low-income students and students of color. This is a one-time appropriation.
- \$1.5 million for a grant to the Girls in Action Program to support low-income girls of color in meeting on-time high school graduation and post-secondary education goals. This is a one-time appropriation.
- \$4.5 million for staff development grants to intermediate districts or other cooperative units providing special education services in a federal instructional settings of level 4 or higher. This is a one-time appropriation for FY 2017, but the funding is available until June 30, 2019.
- \$900,000 for a grant to the Pine to Prairie Cooperative Center for a mobile technology lab. This is a one-time appropriation.
- \$1.0 million for a certification incentive program. School districts are eligible for incentive aid equal to \$500 times the number of students attaining qualified career and technical certificates during the 2016-17 school year. This is a one-time appropriation.
- \$250,000 for a grant to the Minnesota Council on Economic Education for staff development for economics teachers. This is a one-time appropriation.
- \$500,000 for a grant to Independent School District No. 272 (Eden Prairie) for career and college readiness coordination, counseling, academic support for middle and high school students, and summer activities and before and after school tutoring programs. This is a one-time appropriation.
- \$500,000 for a grant for an Education Innovation Partners Cooperative Center to provide professional development, on-site training and leadership coaching to teachers and other staff. This is a matching grant and is a one-time appropriation.
- \$12.133 million for the Support Our Students grant program to address shortages of student support personnel like licensed school counselors, psychologists, social workers, nurses and chemical dependency counselors in Minnesota schools. This is a one-time appropriation for FY 2017, but funds are available until June 30, 2022. Districts must match state funding 1:1 for the first four years and 1:3 for the final two years of the grant.
- \$500,000 for grants for teacher-governed schools. This is a one-time appropriation.
- \$250,000 for grants for summer programming for agricultural educators. Grants must be matched by district funding. This is a one-time appropriation for FY 2017, but funds are available until June 30, 2019.
- \$1.0 million for additional funding for “full service community schools.” This is a one-time increase in appropriation. The base for FY 2018 is \$0.

- \$150,000 increased funding for “Race 2 Reduce” water conservation grants. The base for this grant program in FY 2018 is \$238,000.
- \$200,000 for a grant to Independent School District No. 12 (Centennial) for a vision therapy pilot project. This is a one-time appropriation and is available until June 30, 2019.

### Special Programs

- \$69,000 for Metro Deaf pre-kindergarten programming.
- \$1.686 million in one-time *savings* from cancellation of an appropriation intended for a special education paperwork reduction initiative. The original appropriation was for FY 2014 and was available until the end of FY 2015. The funds were not expended for this purpose by the end of FY 2015, so the funds were due to cancel back to the general fund. Instead, the department signed an agreement prior to June 30, 2015, to transfer the unspent appropriation to MN.IT’s “Odyssey” fund in hopes of completing this work in FY 2016 or later.

### Facilities

- \$53.349 million in one-time *savings* to the General Fund due to an early payment incentive for districts with outstanding maximum effort capital loans. Six districts are likely to participate in refunding the state portion of their capital loans.
- \$2.2 million for Maximum Effort Loan Repayment Incentive Aid. This aid is intended to offset the loss of authority these districts will have to issue one-day bonds. One-day bonds have been used by many capital loan districts to retain maximum effort levy dollars locally, instead of making payments back to the state on their state loan. The aid is available for five years, through FY 2021.
- \$500,000 for grants for district broadband Wi-Fi hot spots. These grants are intended to facilitate student off-campus learning. This is a onetime appropriation, however funds are available until June 30, 2019.

### Early Childhood Education and Family Support

- \$2 million for a onetime increase in funding for the Quality Rating System (Parent Aware). The appropriation goes to the Department of Human Services.
- \$2 million for a onetime increase in funding for the parent-child home program. This appropriation is for FY 2017, but funds are available until June 30, 2019.
- \$430,000 for a grant to Independent School District No. 742 (St. Cloud) for a Preschool Pilot Program targeting low income students and English language learners.

### **Self-sufficiency and Lifelong Learning**

- \$400,000 for a grant for additional Adult Basic Education (ABE) aid. Three organizations are eligible for this aid based on the number of students served: The International Education Center, The American Indian Opportunities Industrialization Center and the Minnesota Office of Communication Service for the Deaf. This is a onetime appropriation.
- \$400,000 for a grant for Adult Basic Education (ABE). Of this amount, \$150,000 is for the International Institute of Minnesota, \$150,000 is for Summit Academy OIC and \$100,000 is available for grants to ABE programs to provide navigating and advising support services. This is a onetime appropriation, however funds are available until June 30, 2019.
- \$10,000 for a onetime increase in funding for the Northside Achievement Zone, located in North Minneapolis.
- \$10,000 for a onetime increase in funding for the St. Paul Promise Neighborhood, located in the Frogtown neighborhood of St. Paul.
- \$30,000 for a onetime increase in funding for the Education partnership pilot grants. Three existing pilot programs located in Northfield, Red Wing and St. Cloud will each receive an additional \$10,000 in FY 2017. The base for this program in FY 2018 is \$0.
- \$120,000 for payment of 100 percent of GED test costs for FY 2017. This is a one-time appropriation.

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

- \$775,000 for an increase in the Department's operating budget for FY 2017 for implementation of All Kids Count, physical education standards and testing transparency legislation. For FY 2018 and later, the annual increase is \$350,000.
- \$2.75 million in FY 2017 for implementation of schoolwide Positive Behavioral Interventions and Supports (PBIS) in schools and districts throughout Minnesota to reduce the use of restrictive procedures and increase use of positive practices. This is a one-time appropriation.
- \$1.0 million for IT enhancements and security for the department. This is a onetime appropriation.
- \$604,000 in FY 2017 for administrative costs of administering the new voluntary prekindergarten program. Beginning in FY 2018, the appropriation will be \$513,000. In FY 2019 the appropriation will be \$519,000.

### **Board of Teaching (BOT)**

- \$220,000 for an increase in the Board's operating budget. A portion of this increase is for IT project services and support. The base budget for FY 2018 is \$968,000.

- \$80,000 for onetime funding of an electronic statewide school teacher and administrator job board for FY 2017.

*For further information on education finance issues contact Melissa R. Johnson, House Fiscal Analysis Department at 651.296.4178, [melissa.johnson@house.mn](mailto:melissa.johnson@house.mn).*

## Environment and Natural Resources

---

Agencies and programs funded in 2016 by the Environment and Natural Resources Finance Committee include the Pollution Control Agency, the Department of Natural Resources, the Board of Water and Soil Resources. Additional funds in this area were received through other committees and include the Department of Administration and the Legislature. The committee also appropriated funds from the Environment and Natural Resources Trust Fund. In the 2016 session two chapters of law contribute to appropriations in this area: Chapter 186 contains the appropriations from the Environment and Natural Resources Trust Fund, and Chapter 189, Article 3, the Omnibus Supplemental Budget Bill. Total general fund increases for FY 2016-17 amount to \$13.563 million.

<b>Environment and Natural Resources</b>						
<i>(Dollars in thousands)</i>						
	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2016-17</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>
<b>General Fund Expenditure Changes</b>						
Pollution Control Agency	-	1,918	<b>1,918</b>	216	216	<b>432</b>
Department of Natural Resources	1,599	9,567	<b>11,166</b>	2,000	2,000	<b>4,000</b>
Board of Water and Soil Resources	-	479	<b>479</b>	-	-	-
<b>subtotal expenditure changes:</b>	<b>1,599</b>	<b>11,964</b>	<b>13,563</b>	<b>2,216</b>	<b>2,216</b>	<b>4,432</b>
<b>General Fund Revenue Changes</b>						
	-	-	-	-	-	-
<b>subtotal revenue changes:</b>	-	-	-	-	-	-
<b>Net General Fund Change:</b>	<b>1,599</b>	<b>11,964</b>	<b>13,563</b>	<b>2,216</b>	<b>2,216</b>	<b>4,432</b>

Non-general fund expenditures and revenues are listed in the table below. They include expenditures from the Game and Fish Fund, the Natural Resources Fund, Permanent School Fund, Minnesota Future Resources Fund, the Environmental Fund, and the Environment and Natural Resources Trust Fund. There are also small revenue changes in the Game and Fish Fund, the Natural Resources Fund, the Remediation Fund and Environmental Fund.

<b>Environment and Natural Resources</b>						
<i>(Dollars in thousands)</i>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2016-17</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>
<b>Non-General Fund Changes</b>						
<b>Game and Fish Fund Expenditure Changes</b>						
Department of Natural Resources	670	110	<b>780</b>	-	-	-
<b>Game and Fish Fund Revenue Changes</b>						
Department of Natural Resources	-	(18)	<b>(18)</b>	(18)	(18)	<b>(36)</b>
<b>Net Fund Changes:</b>	<b>670</b>	<b>128</b>	<b>798</b>	<b>18</b>	<b>18</b>	<b>36</b>
<b>Natural Resources Fund Expenditure Changes</b>						
Department of Natural Resources	210	4,545	<b>4,755</b>	1,000	1,000	<b>2,000</b>
<b>Natural Resources Fund Revenue Changes</b>						
Department of Natural Resources	-	2	<b>2</b>	8	8	<b>16</b>
<b>Net Fund Changes:</b>	<b>210</b>	<b>4,543</b>	<b>4,753</b>	<b>992</b>	<b>992</b>	<b>1,984</b>
<b>Permanent School Fund Expenditure Changes</b>						
Administration	-	250	<b>250</b>	-	-	-
<b>Permanent School Fund Revenue Changes</b>						
Administration	-	-	<b>-</b>	-	-	-
<b>Net Fund Changes:</b>	<b>-</b>	<b>250</b>	<b>250</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>MN Future Resources Fund Expenditure Changes</b>						
Legislature	-	25	<b>25</b>	-	-	-
<b>MN Future Resources Fund Revenue Changes</b>						
Legislature	-	-	<b>-</b>	-	-	-
<b>Net Fund Changes:</b>	<b>-</b>	<b>25</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Remediation Fund Expenditure Changes</b>						
Pollution Control Agency	-	-	<b>-</b>	-	-	-
<b>Remediation Fund Revenue Changes</b>						
Pollution Control Agency	-	491	<b>491</b>	531	568	<b>1,099</b>
<b>Net Fund Changes:</b>	<b>-</b>	<b>(491)</b>	<b>(491)</b>	<b>(531)</b>	<b>(568)</b>	<b>(1,099)</b>
<b>Environmental Fund Expenditure Changes</b>						
Pollution Control Agency	-	702	<b>702</b>	216	216	<b>432</b>
<b>Environmental Fund Revenue Changes</b>						
Pollution Control Agency	-	(40)	<b>(40)</b>	(40)	(40)	<b>(80)</b>
<b>Net Fund Changes:</b>	<b>-</b>	<b>742</b>	<b>742</b>	<b>256</b>	<b>256</b>	<b>512</b>
<b>Env. and Nat. Resources Trust Fund Expenditure Chan</b>	-	37,909	<b>37,909</b>	-	-	-
<b>Env. and Nat. Resources Trust Fund Revenues Change</b>	-	-	<b>-</b>	-	-	-
<b>Net Fund Changes:</b>	<b>-</b>	<b>37,909</b>	<b>37,909</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Non-General Fund Expenditures</b>	880	43,541	<b>37,909</b>	1,216	1,216	<b>2,432</b>
<b>Total Non-General Fund Revenues</b>	-	435	<b>435</b>	481	518	<b>999</b>
<b>Net Non-General Fund</b>	880	43,106	<b>37,474</b>	735	698	<b>1,433</b>

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

Items changed in the PCA budget include:

- A onetime \$500,000 increase from the General Fund in FY 2017 is for the county SCORE Grants program.
- A onetime appropriation of \$650,000 from the General Fund is to design remedial action plans and prepare bids for the Waste Disposal Engineering Landfill in the City of Andover.
- \$216,000 in FY 2017 from the General Fund and \$216,000 in FY 2017 from the Environmental Fund are to manage contaminated sediment at multiple location in the Saint Louis River area of concern. These amounts are added to the base through FY 2020.
- \$115,000 in FY 2017 only from the General Fund is for the working lands program feasibility study and program plan.
- \$437,000 from the General Fund and \$486,000 from the environmental fund in FY 2017 are for technical assistance and review of municipal water infrastructure projects. The assistance is to meet the increased demand generated by increased grant funding at the Public Facilities Authority. The appropriations are onetime but available through FY 2019.
- In addition to the appropriations in chapter 189, chapter 166 contains modifications to provisions related to the management of electronic waste. These modifications are anticipated to result in reduced revenue to the Environmental Fund of \$40,000 per year.
- Chapter 166 also provided for the investment of the Metropolitan Landfill Contingency Action Trust Account by the State Board of Investment to maximize long-term gain. By investing the funds it is anticipated that approximately \$500,000 per year in investment earnings will be added to the Remediation Fund.

## **Department of Natural Resources (DNR)**

Items changed in the DNR budget include:

- A onetime appropriation in the amount of \$200,000 from the General Fund was made to initiate, in consultation with the school trust lands director, a valuation process and representative valuations for compensation of school trust lands as required by statute.
- A onetime appropriation of \$187,000 from the General Fund is for a grant to the Middle-Snake-Tamarac Rivers Watershed District to match funding from North Dakota to conduct hydraulic modeling of alternative floodway options near Oslo, Minnesota.
- \$200,000 from the General Fund is being appropriated as a onetime grant to the Lake Koronis Association for removing and preventing the spread of aquatic invasive species including the recently discovered Starry Stonewort.
- A onetime appropriation of \$225,000 from the water management account in the Natural Resources Fund is for water appropriation monitoring, modeling and reporting for the Cold Spring Creek area in and around the city of Cold Spring. This appropriation is available through FY 2022 to allow adequate time for monitoring and modeling.

- \$2.5 million is from the General Fund for the department to provide assistance with private forest management. The base for this program is \$2 million in FY 2018 and thereafter.
- \$1 million from the forest management investment account in the Natural Resources Fund is a onetime appropriation increase for reforestation work on state lands.
- \$2.8 million in FY 2017 from the General Fund is a onetime appropriation increase for the operation of state parks and trails. Additionally, \$2.3 million from the state parks account in the Natural Resources Fund is a onetime appropriation for the same purpose, with \$1.15 million of the amount dedicated for strategic park acquisitions. The natural resources fund base is increased by \$1 million in FY 2018 and thereafter.
- \$10,000 from the snowmobile trails and enforcement account in the Natural Resources Fund and \$10,000 from the all-terrain vehicle account in the Natural Resources Fund is a onetime appropriation to design and erect signs for the designation of the David Dill trail.
- A onetime general fund appropriation of \$100,000 is for improvements of infrastructure for sanitary sewer service at Woodenfrog Campground in Kabetogama State Forest.
- \$29,000 from the General Fund is a onetime appropriation for computer programming related to transfer-on-death title changes for watercraft.
- \$210,000 from the water recreation account in the natural resources is a onetime appropriation in FY 2016 for “Sophie’s Law” to provide carbon monoxide warning labels on watercraft.
- A total of \$1 million from the Natural Resources Fund is for a onetime grant to Lake County for the construction of Prospectors ATV Trail System. Of the \$1 million: \$900,000 is from the all-terrain vehicle account, \$50,000 is from the off-highway motorcycle account and \$50,000 is from the off-road vehicle account.
- A onetime appropriation of \$50,000 is from the Game and Fish Fund for fish virus surveillance in high risk waters used for bait production to ensure the continued availability of safe bait.
- A onetime appropriation of \$670,000 from the Game and Fish Fund in FY 2016 is for aviation services. This appropriation is in addition to an appropriation made in the laws of 2015 for the same purpose and will allow the DNR to fully cover the cost of a new helicopter.
- \$1.599 million in FY 2016 and \$2.801 million in FY 2017 are onetime appropriations from the General Fund for legal costs related to the NorthMet mining project. Of the amount appropriated \$1.289 million may be transferred to other state agencies for the same purpose. The appropriations are available through the end of fiscal year 2019.
- \$750,000 from the General Fund is a onetime grant to Wolf Ridge Environmental Learning Center to construct and renovate buildings and classrooms.
- \$60,000 in FY 2017 is a onetime appropriation from the heritage enhancement account in the Game and Fish Fund for the department to conduct outreach efforts to the Southeast Asian community in Minnesota.

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

Items changed in the BWSR budget include:

- A onetime appropriation of \$479,000 from the General Fund was made to develop a detailed plan to implement a working lands restoration program to provide an incentive for the establishment and maintenance of perennial crops.

## **Department of Administration**

A onetime appropriation of \$250,000 from the state forest suspense account in the Permanent School Fund is for the school trust lands director to initiate real estate development projects on school trust lands.

## **Legislative Coordinating Commission**

\$25,000 from the Minnesota Future Resources Fund is a onetime appropriation for the newly created Aggregate Resources Task Force. This appropriation represents the total amount remaining in the fund. This appropriation is available through the end of fiscal year 2018 at which time the fund is repealed and any remaining balance is transferred to the General Fund.

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

Appropriations for fiscal year 2017 from the Environment and Natural Resources Trust Fund were made in Minnesota Laws 2016, Chapter 186. The commission originally recommended 89 projects for funding totaling \$46,337,000. The Legislature approved funding for 79 of these projects and added seven additional projects while maintaining the same total level of funding. The Governor line-item vetoed the seven projects added by the legislature totaling \$8,428,000. After the line-item vetoes, 79 projects received a total of \$37,909,000 in funding.

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

*For additional information on Environment and Natural Resource Finance issues, contact Brad Hagemeyer at 651.296.7165 or email: [brad.hagemeyer@house.mn](mailto:brad.hagemeyer@house.mn).*

# Health & Human Services Finance

## Overview

Laws 2016, Chapters 179 and 189, Article 23 include changes to the health and human services budget area that appropriate a net total of \$24,000 from the General Fund for FY 2016-17 and increase general fund tails spending in FY 2018-19 by \$6.3 million. Within this total there is \$80.455 million in new general fund appropriations for FY 2016-17 as well as \$80.431 million in revenue to the General Fund (primarily from a \$74 million transfer in from the Health Care Access Fund). Expenditure from the Health Care Access Fund in Chapter 189 total \$76.772 million in FY 2016-17 and \$153.592 million in FY 2018-19. Expenditures from the State Government Special Revenue Fund are also increased in Chapter 189 by \$515,000 in FY 2016-17 and \$382,000 in FY 2018-19. Total fiscal impact for the Health and Human Services Finance jurisdiction from all bills in the 2016 legislative session are shown in the chart below.

<b>Health &amp; Human Services Finance -2016 Supplemental Budget</b>						
<i>(Dollars in thousands)</i>						
	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
<b>General Fund Expenditure Changes</b>						
Department of Health	0	57	57	774	774	1,548
Department of Human Services (net of FFP)	6,851	73,720	80,571	82,216	84,352	166,568
Ombudsman for Mental Health/Developmental Disabilities	0	250	250	250	250	500
Department of Commerce	(210)	(213)	(423)	(213)	(213)	(426)
<b>subtotal expenditure changes:</b>	<b>6,641</b>	<b>73,814</b>	<b>80,455</b>	<b>83,027</b>	<b>85,163</b>	<b>168,190</b>
<b>General Fund Revenue Changes</b>						
Department of Human Services	1,043	79,388	80,431	80,944	80,944	161,888
<b>subtotal revenue changes:</b>	<b>1,043</b>	<b>79,388</b>	<b>80,431</b>	<b>80,944</b>	<b>80,944</b>	<b>161,888</b>
<b>Net General Fund Change:</b>	<b>5,598</b>	<b>(5,574)</b>	<b>24</b>	<b>2,083</b>	<b>4,219</b>	<b>6,302</b>
<b>Non-General Fund Changes</b>						
<b>Health Care Access Fund</b>						
Department of Health	0	2,035	2,035	2,035	2,035	4,070
Department of Human Services	0	74,737	74,737	74,775	74,747	149,522
<b>Net HCA changes:</b>	<b>0</b>	<b>76,772</b>	<b>76,772</b>	<b>76,810</b>	<b>76,782</b>	<b>153,592</b>
<b>State Government Special Revenue Fund</b>						
Department of Health	0	143	143	(34)	(95)	(129)
Health Related Boards	195	177	372	323	188	511
<b>Net SGSR changes:</b>	<b>195</b>	<b>320</b>	<b>515</b>	<b>289</b>	<b>93</b>	<b>382</b>

## **Health Care Access Fund (HCAF)**

As mentioned above, Chapter 189 includes expenditures from the Health Care Access Fund of \$76.772 million in FY 2017 and \$153.592 million in FY 2018-19. Most of this expenditure is from a provision which updates a 2003 statutory provision (MS 16A.724, Subd 2) which required the HCAF to transfer an amount not to exceed \$96 million each biennium (usually done as \$48 million annually) to the General Fund if there are uncommitted balances on the HCAF bottom line. The purpose of this statutory provision is to reimburse the General Fund for the HCAF related costs of a 2003 Medical Assistance (MA) rate increase. Chapter 189 increases the amount to be transferred to \$122 million in FY 2017 and not greater than \$244 million each biennium beginning in FY 2018-19. The \$74 million annual increase is based on the current projected HCAF related cost of the 2003 MA rate increase. The language implementing this provision also requires that the \$74 million not be included, for FY 2017 only, in the statutory calculation which determines if the health care provider tax rate should be reduced.

In addition to the transfer item above, Chapter 189 also includes HCAF expenditures of \$737,000 in FY 2017 and \$1.522 million in FY 2018-19 at the Department of Human Services and \$2.035 million in FY 2017 and \$4.07 million in FY 2018-19 at the Department of Health. See below for further detail.

## **Department of Human Services (DHS)**

Chapter 189 increases net general fund spending at DHS by \$140,000 for FY 2016-17 and \$4.68 million in FY 2018-19. There is also HCAF spending of \$74.737 million in FY 2016-17 and \$149.522 million in FY 2018-19. This includes the \$74 million annual transfer into the General Fund from the HCAF beginning in FY 2017 mentioned above which offsets the same amount of General Fund spending. Detailed funding changes at DHS include:

### ***Health Care***

Chapter 189 includes eight change items in the Health Care finance area:

- \$4.84 million is appropriated from the General Fund in FY 2017 for changes to the way community spousal assets are treated for Medical Assistance (MA) eligibility. This item has FY 2018-19 costs of \$28.5 million.
- \$2.5 million in General Fund revenue losses result from changes to the law regarding MA estate liens. This item has an FY 2018-19 impact of \$4.8 million.
- \$259,000 is appropriated from the General Fund in FY 2017 for a rate increase for ambulance providers. This item has FY 2018-19 costs of \$1.14 million.

- \$185,000 is appropriated from the General Fund in FY 2017 for changes to the Critical Access Dental program. This item saves the HCAF \$25,000 in FY 2017. This item has net FY 2018-19 costs (all funds) of \$80,000.
- \$1,000 is appropriated from the General Fund in FY 2017 for MA coverage of community EMT services. This item has a FY 2018-19 cost of \$8,000.
- \$250,000 from the General fund is tracked beginning in FY 2018-19 for the nursing facility construction moratorium exception process.
- \$425,000 is appropriated from the HCAF in FY 2017 for MinnesotaCare federal compliance changes. This item has a FY 2018-19 cost of \$100,000.
- \$279,000 is appropriated from the HCAF in FY 2017 for coverage of kidney transplants through Emergency Medical Assistance. This item has a FY 2018-19 cost of \$1.23 million.

### ***Mental Health/Chemical Dependency***

Chapter 189 includes seven change items in this area:

- \$2 million is transferred from the Consolidated Chemical Dependency Treatment Fund administrative account into the General Fund, in FY 2017 only, to cover part of the County portion of CD treatment costs for patients at Anoka Metro Regional Treatment Center.
- \$188,000 is appropriated from the General Fund in FY 2017 to begin developing Certified Community Behavioral Health Clinics (CCBHCs). This has FY 2018-19 costs of \$8.4 million,
- \$105,000 is appropriated from the General Fund in FY 2017 to cover CD rates for special populations. This item has a FY 2018-19 cost of \$287 thousand.
- \$200,000 is appropriated from the General Fund, in FY 2017 only, for an integrated behavioral health pilot in Olmstead County.
- \$33,000 is appropriated from the General Fund in FY 2017 for the School Linked Mental Health Grants program. This item has FY 2018-19 costs of \$2.9 million.
- \$34,000 is appropriated from the General Fund in FY 2017 for CD Peer Specialist grants. This item has FY 2018-19 costs of \$1.5 million.
- At no net cost, crisis housing eligibility is expanded by cutting and re-appropriating \$300,000 of unexpended funds in the program.

### ***Direct Care & Treatment/Sex Offenders***

- \$19.8 million is appropriated from the General Fund in FY 2017 to increase the number of psychiatric beds available under the Direct Care and Treatment division of DHS. This item has a FY 2018-19 cost of \$47.9 million.

- \$8.1 million is appropriated from the General Fund in FY 2016-17 for an operating adjustment to State Operated Services (SOS). This item has a FY 2018-19 cost of \$13.6 million.
- \$6.9 million is appropriated from the General Fund in FY 2016-17 for an operating adjustment to the Minnesota Sex Offender Program (MSOP). This item has a FY 2018-19 cost of \$9.3 million.

### ***Other Changes***

Additional FY 2016-17 appropriation items include:

- \$12,000 is appropriated in from the General Fund in FY 2017 for federal alignment changes to foster care. This item has FY 2018-19 costs of \$4,000.
- \$26 million is tracked beginning in FY 2018-19 from the General Fund for a 15 percent increase for foster care, adoption assistance and guardianship assistance in the Northstar program.
- \$149,000 is appropriated from the General Fund in FY 2017 only to implement changes to the child support parenting expense table.
- \$85,000 is appropriated from the General Fund in FY 2017 for the Child Support Task Force. This item has FY 2018-19 costs of \$84,000.
- \$33,000 is appropriated from the General Fund in FY 2017 for the Homeless Youth Act. This item has FY 2018-19 costs of \$2.9 million.
- \$33,000 is appropriated from the General Fund in FY 2017 for the Safe Harbor for Sexually Exploited Youth program. This item has FY 2018-19 costs of \$1.5 million.
- \$2.9 million is appropriated from the General Fund in FY 2017 for American Indian initiatives involving the White Earth and Red Lake nations. This item has FY 2018-19 costs of \$3.8 million.

### **Department of Health (MDH)**

Chapter 189 increases general fund spending at MDH by \$33,000 for FY 2017 and \$1.5 million in FY 2018-19. In addition, spending from the State Government Special Revenue fund (SGSR) is increased by \$143,000 in FY 2017 and is reduced by \$129,000 in FY 2018-19. Appropriations to the department from the HCAF are increased by \$2.035 million in FY 2017 and by \$4.07 million in FY 2018-19 (see detail below). Separately, Chapter 179, the Department of Health policy bill, includes a \$24,000 annual General Fund appropriation to MDH, beginning in FY 2017, for

implementation of the Medical Cannabis Act passed in the 2014 legislative session. Specific funding changes at MDH include:

- \$33,000 is appropriated in FY 2017 from the General Fund is to expand the Safe Harbor for Sexually Exploited Youth program. The base for this appropriation increase is \$750,000 annually in FY 2018-19.
- \$1 million is appropriated from the HCAF in FY 2017 to increase the Medical Education and Research Costs (MERC) program which pays for medical education residencies and clinical practicums. This is a permanent increase.
- \$1.035 million is appropriated from the HCAF in FY 2017 to restore the Greater Minnesota Family Residency Grant program. This is a permanent increase.
- \$141,000 is appropriated from the State Government Special Revenue Fund in FY 2017 and FY 2018-19 appropriations are reduced by \$133,000 for changes to the Radon Systems Licensure program.
- SGSR revenue is increased by \$5,000 annually beginning in FY 2017 from expansion of the hospice licensure statute to include pediatric facilities.
- SGSR revenue is reduced by \$2,000 annually beginning in FY 2017 from new exemptions from recreational campground licensing.

### **Health-Related Boards**

Chapter 189 appropriates a total of \$372,000 in FY 2016-17 and \$511,000 in FY 2018-19 from the State Government Special Revenue Fund for changes at several of the health related boards. This includes operating increases at the Board of Pharmacy, the Board of Physical Therapy and the Board of Marriage and Family Therapy. Also, appropriations were made to support new licensing for genetic counselors through the Board of Medical Practice and new licensing for orthotics, prosthetics and pedorthics practice through the Board of Podiatric Medicine. Additionally, administration of, and funding for, the Health Professional Services Program (HPSP) was moved from the Board of Dentistry to the Board of Physical Therapy.

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

Chapter 189, Article 23 increases the General Fund operating appropriation for the Ombudsman by \$250,000 annually beginning in FY 2017. (Note: the higher education article of Chapter 189 also appropriates \$100,000 to the Ombudsman in FY 2017 and ongoing for oversight of psychiatric activities at the University of Minnesota: see higher education section.)

**Department of Commerce**

Chapter 189, Article 23 repeals a 2015 appropriation (Laws 2015, Chapter 71, Art 14, Sec 9) to the Department of Commerce. This results in savings to the General Fund of \$423,000 in FY 2016-17 and \$426,000 in FY 2018-19.

*For further information about human services issues contact Doug Berg, House Fiscal Analysis at 651-296-5346 or [doug.berg@house.mn](mailto:doug.berg@house.mn).*

# Higher Education

---

The 2016 legislature enacted the following appropriation changes and fiscal policies in the area of higher education as part of the omnibus supplemental budget bill (Chapter 189).

<b>Higher Education</b> <i>(Dollars in thousands)</i>						
	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2016-17</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>
<b>General Fund Expenditure Changes</b>						
Minnesota State Colleges and Universities	0	790	790	590	590	1,180
Office of Higher Education	225	2,985	3,210	615	405	1,020
University of Minnesota	0	900	900	800	800	1,600
Ombudsman for Mental Health	0	100	100	100	100	200
<b>subtotal expenditure changes:</b>	<b>225</b>	<b>4,775</b>	<b>5,000</b>	<b>2,105</b>	<b>1,895</b>	<b>4,000</b>
<b>Net General Fund Change:</b>	<b>225</b>	<b>4,775</b>	<b>5,000</b>	<b>2,105</b>	<b>1,895</b>	<b>4,000</b>

## Minnesota State Colleges and Universities (MnSCU)

The legislature made the following FY 2016-17 general fund appropriations to the Trustees of the Minnesota Colleges and Universities for a total of \$790,000. The total amount in FY 2018-19 is \$1.180 million.

- \$570,000 in base funding for the operation of all MnSCU campuses and to protect affordability for current and future students.
- \$100,000 for the creation of on campus programs to promote the adoption of open textbooks. This appropriation is one time.
- \$100,000 for the expansion and promotion of the open textbook library. This appropriation is one time.
- \$20,000 for transfer to the Cook County Higher Education Board to provide educational support and academic programming for higher education students in northeast Minnesota.

## Office of Higher Education (OHE)

The legislature made the following FY 2016-17 general fund appropriations to the Office of Higher Education for a total of \$3.210 million. The total amount in FY 2018-19 is \$1.020 million.

- \$500,000 for the Equity in Education and Job Connection Grant Program. Of the one-time appropriation, \$25,000 is available for administrative expenses.
- \$2 million in one-time funding for the State Grant Program.

- \$500,000 for a grant to the Saint Paul Foundation for the creation of a web-based job and internship seeking tool. The base for the program in FY 2018 is \$405,000.
- \$210,000 for the Addiction Medicine Graduate Fellowship Program to support up to four physicians a year who are enrolled in the fellowship program. The appropriation is for FYs 2017 and 2018 only.

Additionally, language changes within the higher education article will allow OHE to access \$225,000 in administrative funds in FY 2016 instead of FY 2017. These funds will be used for administrative support related to the Occupational Scholarship Program.

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

The legislature made the following FY 2016-17 general fund appropriations to the Board of Regents of the University of Minnesota for a total of \$900,000. The total amount in FY 2018-19 is \$800,000.

- \$800,000 for health training restoration activities in eight residency sites in the Department of Family Medicine, the Mobile Dental Clinic and the expansion of geriatric education and family programs.
- \$100,000 for the collegiate recovery program at the Rochester campus of the University of Minnesota. The purpose of the program is to provide structured support for students recovering from alcohol, chemical or other addictive behaviors. This appropriation is one time.

### **Ombudsman for Mental Health**

The legislature made one FY 2016-17 appropriation to the Ombudsmen of Mental Health for a total of \$100,000 for work related to the monitoring of drug trials at the Department of Psychiatry at the University of Minnesota. The total amount in FY 2018-19 is \$200,000.

*If you have any questions on higher education finance issues, please contact Ken Savary at 651-296-7171 or [ken.savary@house.mn](mailto:ken.savary@house.mn).*

# Jobs, Economic Development, and Energy Finance

Chapter 189 (articles 5, 6, 7, and 12) of 2016 Laws contain the FY 2016-17 supplemental budget for Jobs, Economic Development, and Energy. In addition, chapters 156 and 181 include provisions with fiscal impact. In total, the Legislature approved an additional \$76.7 million in direct appropriations from the General Fund, as well as additional general fund revenue in the amount of \$1.7 million. This results in a net general fund impact of \$75 million, a 17 percent increase over base budget. The table below shows the total amounts by department and fund.

<b>Table 1. Jobs &amp; Economic Development, Housing, and Energy - Supplemental Appropriations</b>						
(Dollars in thousands)						
	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
<b>General Fund Changes</b>						
<b>Expenditure Changes</b>						
Dept. of Employment and Economic Development	0	76,521	76,521	7,000	7,000	14,000
Dept. of Labor and Industry	(6,082)	100	(5,982)	0	0	0
Explore MN Tourism	0	1,073	1,073	0	0	0
Minnesota Housing Finance Agency	0	2,500	2,500	500	500	1,000
Department of Commerce	0	1,332	1,332	1,244	1,244	2,488
Public Utilities Commission (PUC)	225	657	882	535	535	1,070
Bureau of Mediation Services	0	388	388	138	138	276
<b>subtotal expenditure changes:</b>	<b>(5,857)</b>	<b>82,571</b>	<b>76,714</b>	<b>9,417</b>	<b>9,417</b>	<b>18,834</b>
<b>Revenue Changes</b>						
Commerce	0	821	821	821	821	1,642
PUC	225	657	882	535	535	1,070
<b>subtotal revenue changes:</b>	<b>225</b>	<b>1,478</b>	<b>1,703</b>	<b>1,356</b>	<b>1,356</b>	<b>2,712</b>
<b>Net General Fund Changes:</b>	<b>(6,082)</b>	<b>81,093</b>	<b>75,011</b>	<b>8,061</b>	<b>8,061</b>	<b>16,122</b>
<b>Non-General Fund Changes</b>						
<b>Workforce Development Fund Expenditure Changes</b>						
Dept. of Employment and Economic Development	0	4,450	4,450	450	450	900
Dept. of Labor and Industry	0	250	250	250	250	500
<b>Net Workforce Development Fund Changes:</b>	<b>0</b>	<b>4,700</b>	<b>4,700</b>	<b>700</b>	<b>700</b>	<b>1,400</b>
<b>Special Revenue Fund Expenditure Changes</b>						
Dept. of Employment and Economic Development	7	0	7	0	0	0
<b>Special Revenue Fund Revenue Changes</b>						
Dept. of Employment and Economic Development	0	7	7	2	2	4
<b>Net Special Revenue Fund Changes:</b>	<b>7</b>	<b>(7)</b>	<b>0</b>	<b>(2)</b>	<b>(2)</b>	<b>(4)</b>

Below are descriptions of individual appropriations and revenue changes within each department. Unless otherwise noted, these appropriations are onetime.

### Department of Employment and Economic Development (DEED)

In Chapter 189, articles 5, 7, and 12, the Legislature made the following FY 2017 general fund appropriations to DEED for a total of \$76,521,000. The total amount in the tails is \$14 million (see table 2).

	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
<b>General Fund Changes</b>						
Article 5 (Broadband)	0	35,000	<b>35,000</b>	0	0	0
Article 7 (Economic Development)	0	7,271	<b>7,271</b>	(10,000)	(10,000)	(20,000)
Article 12 (Equity)	0	34,250	<b>34,250</b>	17,000	17,000	34,000
<b>Total</b>	<b>0</b>	<b>76,521</b>	<b>76,521</b>	<b>7,000</b>	<b>7,000</b>	<b>14,000</b>
<b>Workforce Development Fund Changes</b>						
Article 7 (Economic Development)	-	4,450	4,450	450	450	<b>900</b>

#### *Article 5 (Broadband Development):*

- \$35 million for the Border-to-Border Broadband Development Grant Program. Grants are to promote the expansion of access to broadband service in unserved and underserved areas of the state. Of the appropriation, no more than \$5 million may be used for grants to underserved areas. The Department may use up to \$1 million for administrative costs and to map current broadband availability across the state. Finally, \$500,000 may be awarded to projects in areas with a significant proportion of low-income households.

#### *Article 7 (Economic Development):*

- The Legislature reduced the FY 2017 appropriation to the MN Investment Fund from \$15 million to \$6 million for a \$9 million reduction. The reduction in FY2018-19 is \$4 million per year, setting the base for the program at \$11 million per year. In addition, the Legislature set aside \$450,000 in FY 2017 for a grant to the Lake Superior-Poplar River Water District to acquire interests in real property, engineer, design, permit, and construct infrastructure to transport and treat water from Lake Superior through the Poplar River Valley.
- The Legislature reduced the FY 2017 appropriation to the MN Job Creation Fund from \$12.5 million to \$1 million for an \$11.5 million reduction. The reduction in FY2018-19 is \$6 million each year, setting the base for the program at \$6.5 million per year.

- \$2 million for the Redevelopment Program under Minnesota Statutes, section 116J.571.
- \$1.22 million for a grant to the Duluth North Shore Sanitary District to retire debt of the district in order to bring the district's monthly wastewater rates in line with those of similarly situated facilities across the state.
- \$100,000 for an easy-to-understand manual to instruct aspiring business owners in how to start a child care business.
- \$2.5 million for grants to initiative foundations to provide financing for business startups, expansions, and maintenance. Of this amount, each of the six initiative foundations (SW, West Central, Southern MN, NW MN, and the Initiative Foundation) receives \$357,000. The remaining \$358,000 is for a grant to the MN Emerging Entrepreneur Program under MS, Chapter 116M. This program also received an appropriation under Article 12.
- \$600,000 for a grant to a city of the second class that is designated as an economically depressed area by the United States Department of Commerce for economic development, redevelopment, and job creation programs and projects.
- \$4.5 for a grant to the Minnesota Film and TV Board for the film production jobs program under Minnesota Statutes, section 116U.26.
- \$3.651 million for a grant to Mille Lacs County to develop and operate the Lake Mille Lacs area economic relief program established in section 45 of Article 7.
- \$500,000 for grants to local communities outside of the metropolitan area as defined under Minnesota Statutes, section 473.121, subdivision 2, to increase the supply of quality child care providers in order to support regional economic development. Grant recipients must match state funds on a dollar-for-dollar basis.
- \$10 million for deposit in the Minnesota 21st Century Fund.
- \$2.6 for a transfer to the Board of Regents of the University of Minnesota for academic and applied research through MnDRIVE at the Natural Resources Research Institute to develop new technologies that enhance the long-term viability of the Minnesota mining industry.

In addition, Article 7 contains nine appropriations and one tails reductions to DEED from the Workforce Development Fund for a total of \$4.45 million:

- \$300,000 for expansion of business assistance services provided by business development specialists located in the Northwest Region, Northeast Region, and West Central Region.
- \$50,000 to enhance the outreach and public awareness activities of the Bureau of Small Business under Minnesota Statutes, section 116J.68.
- \$400,000 for grants to small business development centers under Minnesota Statutes, section 116J.68. The commissioner is required to allocate funds equally among the nine regional centers and lead center.
- \$500,000 for rural career counseling coordinators in the workforce service areas and for the purposes specified in Minnesota Statutes, section 116L.667

- \$500,000 for a grant to Occupational Development Corporation, Inc. in the city of Buhl to provide training and employment opportunities for people with disabilities and disadvantaged workers.
- \$400,000 for a grant to Northern Bedrock Historic Preservation Corps for the pathway to the preservation trades program for recruitment of corps members, engagement of technical specialists, development of a certificate program, and skill development in historic preservation for youth ages 18 to 25.
- \$500,000 for a grant to the North East Higher Education District to purchase equipment for training programs due to increased demand for job training under the state dislocated worker program.
- \$800,000 for grants to day training and habilitation providers to provide innovative employment options and to advance community integration for persons with disabilities as required under the Minnesota Olmstead Plan. Of this amount, \$250,000 is for a pilot program for home-based, technology-enhanced monitoring of persons with disabilities.
- \$1 million for rate increases to providers of extended employment services for persons with severe disabilities under Minnesota Statutes, section 268A.
- Article 7 removes the St. Cloud Somali Youth Organization from the base in FYs 2018-19, which is a savings to the Workforce Development Fund of \$50,000 per year.

Article 7 also includes a provision that expands eligibility for the Angel Investment Tax Credit Program to include investors under the MNvest program. The fiscal impact is a \$7,000 expenditure from the Special Revenue Fund in FY2016 to update the Angel Investment Tax Credit tracking software program and new revenue into the Special Revenue Fund of \$7,000 in FY 2017 and \$2,000/year in the tails from additional application fees.

*Article 12 (Equity):*

- \$1.5 million for grants to the Neighborhood Development Center for small business programs. Of this amount, \$810,000 is for the small business development program and \$690,000 is for grants for the small business incubator program. For fiscal year 2018 and thereafter, the base amount is \$750,000 per year.
- \$2 million for a competitive grant program to provide grants to organizations that provide support services for individuals, such as job training, employment preparation, internships, job assistance to fathers, financial literacy, academic and behavioral interventions for low-performing students, and youth intervention. Of this amount, up to five percent is for administration and monitoring of the program. For fiscal year 2018 and thereafter, the base amount is \$1,500,000 per year.
- \$1 million for a grant to YWCA St. Paul to provide job training services and workforce development programs and services, including job skills training and counseling. For fiscal year 2018 and thereafter, the base amount is \$250,000 per year.

- \$750,000 for a grant to the YWCA of Minneapolis to provide economically challenged individuals the jobs skills training, career counseling, and job placement assistance necessary to secure a child development associate credential and to have a career path in early childhood education. For fiscal year 2018 and thereafter, the base amount is \$375,000 per year.
- \$4.2 million for a grant to EMERGE Community Development for services targeting Minnesota communities with the highest concentrations of African and African-American joblessness to provide employment readiness training, credentialed training placement, job placement and retention services, supportive services for hard-to-employ individuals, and a general education development fast track and adult diploma program. For fiscal year 2018 and thereafter, the base amount is \$1,000,000 per year.
- \$2.5 million for a grant to the Metropolitan Economic Development Association (MEDA) for statewide business development and assistance services with an emphasis on minority-owned businesses. Of this appropriation, \$1.6 million is for a revolving loan fund to provide additional minority-owned businesses with access to capital. For fiscal year 2018 and thereafter, the base amount is \$1.175 million per year.
- \$1 million for a grant to the Minneapolis Foundation for a strategic intervention program designed to target and connect program participants to meaningful, sustainable living-wage employment.
- \$1.2 million for performance grants under Minnesota Statutes, section 116J.8747, to Twin Cities R!SE to provide training to hard-to-train individuals. Of the amount appropriated in fiscal year 2017, \$407,000 is for a onetime grant to Twin Cities R!SE, in collaboration with Metro Transit and Hennepin Technical College, for the Metro Transit technician training program. For fiscal year 2018 and thereafter, the base amount is \$600,000 per year.
- \$2.5 million for the creation of additional multiemployer, sector-based career connections pathways. Of this amount, \$2.2 million is for a grant to Hennepin County to establish pathways using the Hennepin Career Connections framework. \$300,000 of this amount is for a grant to Hennepin County to establish a pilot program based on the career connections pathways framework outside the seven-county metropolitan area, in collaboration with another local unit of government.
- \$1.5 million for the high-wage, high-demand, nontraditional jobs grant program under Minnesota Statutes, section 116L.99. Of this amount, up to five percent is for administration and monitoring of the program. For fiscal year 2018 and thereafter, the base amount is \$1 million per year.
- \$1 million for the youth-at-work competitive grant program under Minnesota Statutes, section 116L.562, subdivision 3. Of this amount, up to five percent is for administration and monitoring of the program.
- \$2 million for a competitive grant program for grants to organizations providing services to relieve economic disparities in the Southeast Asian community through workforce recruitment, development, job creation, assistance of smaller organizations to increase capacity, and outreach. Of this amount, up to five percent is for administration and

monitoring of the program. For fiscal year 2018 and thereafter, the base amount is \$1 million per year.

- \$1.5 million for a grant to Latino Communities United in Service (CLUES) to expand culturally tailored programs that address employment and education skill gaps for working parents and underserved youth. At least 50 percent of this amount must be used for programming targeted at greater Minnesota. For fiscal year 2018 and thereafter, the base amount is \$750,000 per year.
- \$880,000 for a grant to the American Indian Opportunities and Industrialization Center, in collaboration with the Northwest Indian Community Development Center, to reduce academic disparities for American Indian students and adults. For fiscal year 2018 and thereafter, the base amount is \$250,000 per year.
- \$500,000 for a grant to the White Earth Nation for the White Earth Nation Integrated Business Development System to provide business assistance with workforce development, outreach, technical assistance, infrastructure and operational support, financing, and other business development activities. For fiscal year 2018 and thereafter, the base amount is \$125,000 per year.
- \$500,000 is for the Minnesota emerging entrepreneur program under Minnesota Statutes, section 116M.18. This program also received an appropriation in Article 7. Of this amount, up to five percent is for administration and monitoring of the program. For fiscal year 2018 and thereafter, the base amount is \$750,000 per year.
- \$1 million is for the Pathways to Prosperity adult workforce development competitive grant program. Of this amount, up to five percent is for administration and monitoring of the program.
- \$320,000 is for the capacity building grant program to assist nonprofit organizations offering or seeking to offer workforce development and economic development programming. For fiscal year 2018 and thereafter, the base amount is \$1 million per year.
- \$2 million for grants for positive youth development, community engagement, legal services, and capacity building for community-based organizations serving Somali youth. Of this amount, \$1 million is for a grant to Youthprise for activities provided in this paragraph. To the maximum extent possible, 50 percent of the funding must be distributed in greater Minnesota, and 50 percent of funding must be distributed within the metropolitan area. Of the amount appropriated, up to five percent is for administration and monitoring of the program.
- \$600,000 for a grant to Ujamaa Place for job training, employment preparation, internships, education, training in the construction trades, housing, and organizational capacity building.
- \$1.75 million for a grant to Enterprise Minnesota, Inc. Of this amount, \$875,000 is for the small business growth acceleration program under Minnesota Statutes, section 116O.115, and \$875,000 is for operations under Minnesota Statutes, sections 116O.01 to 116O.061. For fiscal year 2018 and thereafter, the base amount is \$875,000 per year.

- \$1 million for grants to centers for independent living under Minnesota Statutes, section 268A.11. For fiscal year 2018 and thereafter, the base amount is \$500,000 per year.
- \$1 million for State Services for the Blind. At least half of the funds appropriated must be used to provide training services for seniors who are becoming blind. For fiscal year 2018 and thereafter, the base amount is \$500,000 per year.
- \$2 million for a grant to the Construction Careers Foundation for the construction career pathway initiative to provide year-round educational and experiential learning opportunities for teens and young adults under the age of 21 that lead to careers in the construction industry. For fiscal year 2018 and thereafter, the base amount is \$1 million per year.

Finally, Chapter 81 changes Unemployment Insurance (UI) law resulting in a fiscal impact to the UI trust fund. Specifically, it provides an ongoing UI tax reduction to employers if the balance in the UI trust fund is in excess of a federally established solvency level on December 31 of the previous year. The Department estimates a resulting reduction in UI taxes of approximately \$258 million for calendar year 2016.

### **Department of Labor and Industry (DOLI)**

The Legislature made the following FY 2017 general fund and workforce development fund appropriations to DOLI, which can be found in Chapters 189, article 7, for a total of \$350,000.

- \$100,000 from the General Fund to provide outreach and education concerning requirements under state or federal law governing removal of architectural barriers that limit access to public accommodations by persons with disabilities and resources that are available to comply with those requirements.
- \$250,000 from the Workforce Development Fund for the apprenticeship program under Minnesota Statutes, chapter 178. This is an ongoing appropriation.

### **Explore Minnesota Tourism**

The Legislature made the following FY 2017 general fund appropriations to Explore MN Tourism, which can be found in Chapters 189, article 7, for a total of \$1.073 million:

- \$300,000 for a grant to the Mille Lacs Tourism Council to enhance marketing activities related to tourism promotion in the Mille Lacs Lake area.
- \$773,000 to establish a pilot project to assist in funding and securing major events benefiting communities throughout the state. The pilot project must measure the economic impact of visitors on state and local economies, increased lodging and nonlodging sales taxes in addition to visitor spending, and increased media awareness of the state as an event destination. This is a onetime appropriation. Of this amount, \$100,000 is for a grant to the St. Louis County Historical Society for a project, in

collaboration with the Erie Mining history book project team, to research, document, publish, preserve, and exhibit the history of taconite mining in Minnesota.

### **Minnesota Housing Finance Agency (MHFA)**

The Legislature made the following FY 2017 general fund appropriations to MHFA, which can be found in Chapters 189, articles 7 and 12, for a total of \$2.5 million:

#### *Article 7 (Economic Development):*

- \$500,000 for a grant program within the housing trust fund for the exploited families rental assistance program
- \$500,000 for a competitive grant program to fund a housing project or projects in a community or communities: (1) that have low housing vacancy rates; and (2) that have an education and training center for jobs in agriculture, farm business management, health care fields, or other fields with anticipated significant job growth potential.
- \$750,000 for the Workforce and Affordable Homeownership Development Program under Minnesota Statutes, section 462A.38.

#### *Article 12 (Equity):*

- \$500,000 is for a grant to Build Wealth MN to provide a family stabilization plan program including program outreach, financial literacy education, and budget and debt counseling.
- \$250,000 for grants to eligible applicants to create or expand risk mitigation programs to reduce landlord financial risks for renting to persons eligible under Minnesota Statutes, section 462A.204.

### **Department of Commerce**

The Legislature made the following general fund appropriations to the Department of Commerce, which can be found in Chapters 189, article 7, for a total of \$1.332 million:

- \$832,000 for energy regulation and planning unit staff. This is an ongoing appropriation.
- \$500,000 for additional actuarial work to prepare for implementation of principle-based reserves. The FY2018-19 base for this purpose is \$412,000 per year. This appropriation was contingent on enactment of 2016 HF No. 3384, which was signed into law as Chapter 178.

Article 6 (Energy) contains two provisions that have fiscal impact:

- The sunset date for the Petroleum Tank Release Cleanup Act, which includes the Petroleum Tank Fund, is moved from June 30, 2017 to June 30, 2022. This leads to additional revenue into and expenditures out of the Petro Fund in the amount of \$10.498 million in FYs 2018 and 2019 each.

- A time modification for applications under the Petroleum Tank Release Cleanup Act leads to an additional \$100,000 in expenditures from the Petro Fund.

Finally, legislation in Chapter 156 leads to an \$11,000 ongoing reduction in general fund revenues due to the fact that the Department can no longer charge entities licensed under Chapter 60k, 82, and 82B (mainly real estate appraisers) for cost recovery if an investigation into the entity does not reveal a violation of law.

### **Public Utilities Commission**

- \$225,000 in FY2016 and \$577,000 in FY 2017 for energy regulation and planning unit staff. The base amount for fiscal year 2018 and thereafter is \$514,000.

Chapter 180 allows the Commission to assess railroads and utilities for their proportionate share of the expenses incurred by the Commission and Department of Commerce in the review and disposition of disputes contained in petitions related to railroad right-of-way crossings under M.S. 2014, section 237.045. The estimated FY 2017 assessment amount as well as expenditures are \$80,000 and \$21,000 ongoing, starting in FY 2018. In effect, the net general fund impact is zero.

### **Bureau of Mediation Services**

The Legislature made the following general fund appropriations to the Bureau of Mediation Services, which can be found in Chapters 189, article 7, for a total of \$388,000:

- \$138,000 for the Office of Collaboration and Dispute Resolution under Minnesota Statutes, section 179.90. The total base appropriation for this purpose is \$394,000 in fiscal year 2018 and \$394,000 in fiscal year 2019.
- \$250,000 to complete the Case Management System-Database Project Phase II.

*If you have questions on Jobs & Economic Development, Housing, or Energy related issues, please contact Henriët Hendriks at 651.296.4162 or [henriet.hendriks@house.mn](mailto:henriet.hendriks@house.mn).*

# Legacy Funds

---

Chapter 172 of Minnesota Laws 2016 appropriates money from two of the four funds established under the Constitutional Amendment passed by voters in November 2008. The total appropriations from these funds made by the 2016 legislature are listed below by fund and fiscal year. Due to a reduction in sales tax revenue projected in the February state budget forecast three of the four funds were projected to have very small or negative balance reserves in the FY 2016-17 biennium. The commissioner of Minnesota Management and Budget (MMB) used authority in current law to delay or cancel appropriations to bring the funds back into balance as described in the summary for each fund. The table below shows the changes to each fund enacted in Chapter 172.

<b>Minnesota Law 2016 Chapter 172</b>			
<b>Clean Water, Land and Legacy Constitutional Amendment</b>			
<i>(Dollars in Thousands)</i>			
	<b>FY 2016</b>	<b>FY 2017</b>	<b>Total</b>
Outdoor Heritage Fund	\$0	\$109,847	\$109,847
Clean Water Fund	(\$2,974)	(\$1,192)	(\$4,166)
Parks & Trails Fund	\$0	\$0	\$0
Arts & Cultural Heritage Fund	\$0	\$0	\$0
<b>Total</b>	<b>(\$2,974)</b>	<b>\$108,655</b>	<b>\$105,681</b>

## Outdoor Heritage Fund

Chapter 172 provides appropriations totaling \$109.847 million from the Outdoor Heritage Fund. The appropriations fall into five categories consistent with the constitutional language creating the fund:

1. <i>Prairies</i>	\$ 31,000,000	28.2%
2. <i>Forests</i>	\$ 18,379,000	16.7%
3. <i>Wetlands</i>	\$ 31,055,000	28.3%
4. <i>Habitat</i>	\$ 29,138,000	26.5%
5. <i>Administration &amp; Other</i>	\$ 275,000	0.25%

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 annual appropriations. The appropriations from the other three funds are supplemental to the biennial appropriations that were made last year. The Legislature receives recommendations from the Lessard-Sams Outdoor Heritage Council for these appropriations. Additional information and descriptions of the projects can be found at: <http://www.lsohc.leg.mn/>. The abbreviations for the agencies listed below are: Board of Water and Soil Resources (BWSR), Department of Natural Resources (DNR), Legislative Coordinating Commission (LCC).

<b>ARTICLE 1- Outdoor Heritage Fund</b>	<b>Chapter 172</b>
<i>all \$ in thousands</i>	
	<b>FY 2017</b>
<b>Prairies</b>	
DNR WMA and SNA Acquisition-Phase VIII	3,250
Accelerating Wildlife Management Area Acquisition-Phase VIII	5,229
Martin County/Fox Lake WMA Acquisition	1,000
Northern Tallgrass Prairie NWR Land Acquisition-Phase VII	2,754
Cannon River Headwaters Habitat Complex-Phase VI	583
Accelerated Native Prairie Bank Protection-Phase V	2,541
Reinvest in Minnesota (RIM) Buffers for Wildlife and Water- Phase VI	6,708
Prairie Chicken Habitat Partnership of the Southern Red River Valley-Phase II	2,269
Grassland Conservation Partnership-Phase II	1,475
<i>The Conservation Fund</i>	[64]
<i>Minnesota Land Trust</i>	[1,411]
Accelerated Prairie Restoration and Enhancement on DNR Lands-Phase VIII	3,983
Anoka Sandplain Habitat Restoration and Enhancement-Phase IV	1,208
<i>Anoka Conservation District</i>	[93]
<i>Isanti County Parks and Recreation</i>	[25]
<i>Great River Greening</i>	[813]
<i>National Wild Turkey Federation</i>	[277]
<b>Subtotal</b>	<b>31,000</b>
<b>Forests</b>	
Young Forest Conservation-Phase II	1,369
Jack Pine Forest/Crow River Watershed Habitat Acquisition	3,570
Camp Ripley Partnership-Phase VI	1,500
Southeast Minnesota Protection and Restoration-Phase IV	5,000
<i>The Nature Conservancy</i>	[1,506]
<i>The Trust for Public Land</i>	[2,930]
<i>Minnesota Land Trust</i>	[564]
Minnesota Forests for the Future-Phase IV	1,840
Protect Key Forest Lands in Cass County-Phase VII	500
State Forest Acquisitions-Phase III	1,000
Forest Habitat Protection Revolving Account	1,000
Mississippi River Floodplain Forest Enhancement-Phase II	412
Protecting Forest Wildlife Habitat in the Wild Rice River Watershed	2,188
<b>Subtotal</b>	<b>18,379</b>
<b>Wetlands</b>	
Accelerating the WPA Acquisition-Phase VIII	5,650
Shallow Lake and Wetland Protection Program-Phase V	5,801
RIM Wetlands Partnership- Phase VII*	13,808
Wetland Habitat Protection Program-Phase II	1,629
Accelerating Shallow Lakes and Wetlands Enhancement-Phase VIII	2,167
Marsh Lake-Phase II	2,000
<b>Subtotal</b>	<b>31,055</b>

<b>Habitats</b>	
DNR Aquatic Habitat Protection-Phase VIII	1,578
Metro Big Rivers Habitat-Phase VII	4,000
<i>Minnesota Valley National Wildlife Refuge Trust</i>	[500]
<i>Friends of the Mississippi River</i>	[430]
<i>Great River Greening</i>	[1,170]
<i>The Trust for Public Land</i>	[800]
<i>Minnesota Land Trust</i>	[1,100]
Mississippi Headwaters Habitat Corridor Partnership-Phase II	3,150
<i>Mississippi Headwaters Board</i>	[76]
<i>The Trust for Public Land</i>	[2,029]
<i>Board of Water and Soil Resources</i>	[1,045]
Fisheries Habitat Protection on Strategic North Central Minnesota Lakes-Phase II	1,425
<i>Leech Lake Area Watershed Foundation</i>	[480]
<i>Minnesota Land Trust</i>	[945]
MN Trout Unlimited Coldwater Fish Habitat Enhancement and Restoration-Phase VIII	1,975
DNR Stream Habitat	2,074
St. Louis River Restoration Initiative-Phase III	2,707
Sand Hill River Fish Passage	828
Shell Rock River Watershed Habitat Restoration Program-Phase V	1,200
Roseau Lake Rehabilitation	2,763
Conservation Partners Legacy Grant Program: Statewide and Metro Habitat-Phase VIII	7,438
<i>Metro are and Cities over 50,000 in population</i>	[2,500]
<i>Personnel Costs</i>	[588]
<b>Subtotal</b>	<b>29,138</b>
<b>Administration</b>	
Contract Management	150
Technical Evaluation Panel	125
<b>Subtotal</b>	<b>275</b>
<b>TOTAL</b>	<b>109,847</b>

The balance in the Outdoor Heritage Fund at the end of FY 2017 is estimated to be \$5.273 million, or approximately 5.08 percent of the fund's forecasted revenue in FY 2017.

### Clean Water Fund

The reduced revenue estimate from the February Forecast showed the Clean Water Fund with a projected negative balance of \$960,000 at the end of FY 2017. The Commissioner of MMB administratively cancelled \$1 million from a laws of 2011 appropriation to PFA in order to make the fund positive. The 2016 legislature made additional reductions totaling \$4.166 million and supplemental appropriations of \$3.4 million, with a net effect of reducing spending by another \$766,000.

**Pollution Control Agency**

- \$50,000 for continued monitoring and assessment efforts to meet a 10 year cycle.
- \$700,000 for watershed restoration and protection strategies.

**Department of Natural Resources**

- \$150,000 for design build proposals for White Bear Lake augmentation.

**Department of Agriculture**

- \$2.5 million agricultural water quality certification program.

The cancellations listed below from the Clean Water Fund were made from several agencies and across multiple fiscal years.

<b>Clean Water Fund Cancellations</b>	
<i>all values in thousands of \$</i>	
Agriculture-ML 13, Ch. 137, Art. 2, Sect. 3F	(60)
Agriculture-ML 13, Ch. 137, Art. 2, Sect. 3I	(1)
Agriculture-ML 11, 1st SS, Ch. 6, Art. 2, Sect. 3E	(490)
Agriculture-ML 11, 1st SS, Ch. 6, Art. 2, Sect. 3D	(100)
Health-ML 13, Ch. 137, Art. 2, Sect. 8 D	(100)
Natural Resources-ML 13, Ch. 137, Art. 2, Sect. 6J	(1,192)
Pollution Control-ML 11, 1st SS, Ch. 6, Art. 2, Sect. 5A	(15)
Pollution Control-ML 11, 1st SS, Ch. 6, Art. 2, Sect. 5B	(139)
Pollution Control-ML 11, 1st SS, Ch. 6, Art. 2, Sect. 5K	(4)
Pollution Control-ML 13, Ch. 137, Art. 2, Sect. 5A	(78)
Pollution Control-ML 13, Ch. 137, Art. 2, Sect. 5B	(77)
Pollution Control-ML 13, Ch. 137, Art. 2, Sect. 5C	(17)
Pollution Control-ML 13, Ch. 137, Art. 2, Sect. 5G	(19)
Pollution Control-ML 13, Ch. 137, Art. 2, Sect. 5H	(64)
Pollution Control-ML 15, 1st SS, Ch. 2 , Art. 2, Sect. 5F	(145)
Board of Water and Soil Resources-ML 11, 1st SS, Ch. 6, Art. 2, Sect. 7A	(599)
Board of Water and Soil Resources-ML 11, 1st SS, Ch. 6, Art. 2, Sect. 7B	(125)
Board of Water and Soil Resources-ML 11, 1st SS, Ch. 6, Art. 2, Sect. 7C	(303)
Board of Water and Soil Resources-ML 11, 1st SS, Ch. 6, Art. 2, Sect. 7G	(45)
Board of Water and Soil Resources-ML 13, Ch. 137, Art. 2, Sect. 7B	(72)
Board of Water and Soil Resources-ML 13, Ch. 137, Art. 2, Sect. 7H	(21)
Board of Water and Soil Resources-ML 15, 1st SS, Ch. 2, Art. 2, Sect. 7C	(500)
<b>Cancellations Subtotal</b>	<b>(4,166)</b>

The fund balance in the Clean Water Fund at the end of FY 2017 is now estimated to be \$786,000, or approximately 0.76 percent of the fund's forecasted revenue in FY 2017.

### **Parks and Trails Fund**

The 2016 Legislature did not make additional appropriations from the Parks and Trails Fund.

The balance in the Parks and Trails Fund at the end of fiscal year 2017 is estimated to be \$149,000, or approximately 0.33 percent of the fund's forecasted revenue in FY 2017.

### **Arts and Cultural Heritage Fund**

The 2016 Legislature did not make supplemental appropriations from the Arts & Cultural Heritage Fund. After the February Forecast the fund was anticipated have a negative balance of \$1.683 million by the end of FY 2017. The Commission of MMB, using authority in Minnesota Statutes 16A.152, Subdivision 4(c), took administrative action to ensure a positive balance.

The changes made were to reduce FY 2016 Historical Society spending by \$1 million and make this available in FY 2017. In FY 2017, spending for all appropriations was reduced to 97 percent of the appropriations made in law. This will reduce FY 2017 spending by \$1.898 million. If the November 2016 forecast or the February 2017 forecast show a positive change in revenue, these appropriations would be restored to the 100 percent level. If the revenues are unable to support the spending in FY 2017 the appropriations authority would carry forward and the three percent amounts be made available in FY 2018.

Given the administrative adjustments that were made, the fund balance in the Arts and Cultural Heritage Fund at the end of fiscal year 2017 is estimated to be \$204,000, or approximately 0.33 percent of the fund's forecasted revenue in FY 2017.

*For additional information on the Outdoor Heritage Fund, Clean Water Fund and Parks and Trails Fund, contact Brad Hagemeyer at 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 296-8236 or [john.walz@house.mn](mailto:john.walz@house.mn)*

## Public Safety and Judiciary Finance

Minnesota Laws of 2016, Chapter 189 includes an increase of \$25 million over forecast base to programs in the Public Safety and Judiciary area of the state budget. The legislation adds to the biennial budget passed in 2015. The summaries below detail the budget priorities of the conference committee and policy changes made by the omnibus bill.

<b>Public Safety Finance - Supplemental Appropriations</b>						
(dollars in thousands)						
	FY 16	FY 17	FY 16-17	FY 18	FY 19	FY 18-19
<b>General Fund Expenditure Changes</b>						
<b>Chapter 189, Article 4 - Supplemental Budget Bill</b>						
Supreme Court		1,000	1,000	0	0	0
District Courts		1,547	1,547	1,547	1,547	3,094
Guardian ad Litem Board		878	878	878	878	1,756
Department of Human Rights		180	180	180	180	360
Department of Corrections	4,341	15,426	19,767	14,137	14,574	28,711
Department of Public Safety		1,688	1,688	1,970	1,970	3,940
<b>subtotal Chapter 189</b>	<b>4,341</b>	<b>20,719</b>	<b>25,060</b>	<b>18,712</b>	<b>19,149</b>	<b>37,861</b>
<b>Chapter 160 - Drug Sentencing Changes</b>						
Department of Public Safety		325	325	285	285	570
Department of Corrections Release Planners, Trtment		1,000	1,000	1,000	1,000	2,000
Depratment of Corrections Bed Impact		0	0	-3,086	-5,909	-8,995
Sentencing Guidelines		37	37	37	37	74
Transfer Justice Reinvestment Account		488	488	461	461	922
<b>subtotal Chapter 160 expenditure changes</b>		<b>1,850</b>	<b>1,850</b>	<b>-1,303</b>	<b>-4,126</b>	<b>-5,429</b>
<b>Chapter 109 - Chriminal Vehicular Homicide</b>						
Department of Corrections		0	0	0	13	13
<b>subtotal Chapter 109</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>13</b>
<b>Chapter 148 - Claims Bill</b>						
Department of Corrections		12	12	0	0	0
<b>subtotal Chapter 148</b>		<b>12</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Chapter 176 - Orders for Protection Filing Fee</b>						
Gneral Fund Revenue Loss		28	28	34	34	68
<b>subtotal chapter 176</b>		<b>28</b>	<b>28</b>	<b>34</b>	<b>34</b>	<b>68</b>
<b>Net General Fund Change:</b>	<b>4,341</b>	<b>22,609</b>	<b>26,950</b>	<b>17,443</b>	<b>15,070</b>	<b>32,513</b>

## **Supreme Court**

The Supreme Court received a one-time appropriation of \$1 million for “Safe and Secure Courthouse Grants.” The money provided will be used to increase security at courthouses throughout the state.

## **District Courts**

The District Courts were given an additional \$1.5 million per year for increased juror reimbursement. The reimbursement for mileage will double from twenty seven cents per mile to fifty four cents, and juror per diem will also double from \$10 per day to \$20 per day.

## **Guardian Ad Litem Board**

The Guardian Ad Litem Board was given an additional \$878,000 per year beginning in fiscal year 2017 for additional staff.

## **Department of Public Safety**

The Department of Public Safety was granted an additional \$1.7 million in fiscal 2017. Most of the funding will pay for an additional eight forensic scientists at the BCA (\$630,000) and additional money for sex trafficking investigation grants (\$820,000).

## **Human Rights Department**

The Human Rights Department was given \$180,000 per year to fund an office in St Cloud.

## **Minnesota Department of Corrections**

The Department of Corrections received an additional \$19.8 million for the biennium. Of the total, \$10.4 million was included for staff salary and benefit needs, and \$5.4 million was for expanding the Challenge Incarceration Program. Also included was \$1.8 million for information technology upgrades and \$375,000 for increased nursing coverage at the Shakopee Women’s Correctional Facility.

## **Drug Offender Sentencing Reform, Laws of 2016, Chapter 160**

In addition to the Public Safety finance omnibus appropriations bill, the legislature passed legislation altering sentencing for drug offenders. The lighter sentences are believed to save money in the long run in incarceration costs. The bill also included money for some up-front costs including \$325,000 for additional forensic scientists at the BCA, \$750,000 for additional chemical dependency and mental health treatment at the Department of Corrections, and \$250,000 for

chemical dependency release planners to coordinate continuing treatment when inmates with chemical dependency issues are released into the public.

*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

---

The 2016 Legislature approved net spending of \$20.4 million in FY 2017 from the General Fund for the agencies under the jurisdiction of the State Government Finance committee. The tails for FY 2018-19 are \$7.9 million in FY 2018, and \$8 million in FY 2019.

**Chapter 148, Article 1, Compensating Exonerated Persons:** \$1.8 million is appropriated in FY 2017 to the commissioner of Management and Budget for awards of damages to three people under the Imprisonment and Exoneration Remedies Act<sup>1</sup>.

**Chapter 162, Presidential Primary:** This chapter establishes a presidential nomination primary in Minnesota. The first primary scheduled would occur in 2020. \$111,000 is added to the base for the Secretary of State in FY 2019 for computer programming costs.

**Chapter 179, Section 41, Department of Health:** \$24,000 is cancelled from the FY 2015 appropriation to the Legislative Coordinating Commission for the administration of the medial cannabis task force. These duties and funding are transferred to the department of Health.

**Chapter 183, Advanced Deposit Wagering:** This chapter authorizes and regulates Advance Deposit Wagering companies and requires a portion of the wagers made through this system to be used to support horse racing in Minnesota.

- Fines are redirected from the General Fund to the racing and card-playing regulatory account in the Special Revenue fund, to be used for racehorse retirement and repurposing. This is estimated to reduce general fund revenues by \$27,000 per year.

**Chapter 189, Supplemental Appropriations:** The general fund impact in Article 13 of the supplemental budget bill is \$18.6 million in FY 2017, and \$7.9 million each year beginning in FY 2018.<sup>2</sup>

## Department of Administration

- \$148,000 in FY 2017 for administrative costs to expand services under the Olmstead Plan to support people with disabilities.
- \$1 million to assess, upgrade and enhance accounting and procurement software to facilitate targeted group utilization and data reporting. This is a one-time appropriation.
- \$50,000 for a grant to the Association of Minnesota Public Educational Radio Stations (AMPERS) to promote the Veterans Voices program.

## Minnesota Management & Budget

- \$2 million for statewide systems data security and disaster responsiveness.

---

<sup>1</sup> MS 611.362 to 611.68.

<sup>2</sup> These amounts exclude the appropriation in Section 10 for the Arrowhead Regional Development Commission. This item is discussed in the Public Safety section.

- \$18,000 is to the Office of Economic Analysis for the cost to produce an annual "Revenue Uncertainty" report required under MS 16A.103, subdivision 1h. The tails for this provision are \$9,000 each year.

### **Revenue Department**

\$1.3 million in total for tax refund fraud protection efforts. \$500,000 is one-time funding for software and services. \$833,000 in FY 2017 is for outreach and staffing. Tails for the staffing portion of this initiative are \$1.5 million each year.

### **Barbers Board**

Chapter 189 eliminates the separate apprenticeship registrations, with a general fund revenue loss of \$7,000 in FY 2017, and \$5,000 in FY 2018.

### **MN Amateur Sports Commission**

\$10 million for Mighty Ducks ice arena air quality grants.

### **Minnesota Humanities Center**

\$95,000 to expand education efforts around the Veterans Voices program. Funds can also be used to work with veterans to educate and engage the community regarding veterans' contributions through the Veterans Voices program

### **Minnesota State Retirement System (MSRS)**

\$3 million in FY 2017 for a transfer to the Judges Retirement Plan defined in MS 420.13. \$6 million is to be included in the base each year and the transfers will continue until the judges retirement plan reaches 100 percent funding as determined under MS 356.214.

### **Military Affairs**

\$248,000 for security improvements at National Guard facilities. This is on-going funding.

### **Veterans Affairs**

\$700,000 is appropriated for 4 projects. These are all one-time projects.

- \$100,000 for grants for rent subsidies at the Cottages of Anoka.
- \$200,000 for the State Soldiers Assistance program, to be used for grants for housing and health assistance.
- \$150,000 for a Veteran's mental health study.
- \$250,000 for a study of interim housing options for disabled veterans.

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

# Transportation

---

Article 4, Section 7, paragraph (d) and Article 14, Section 5 of the Omnibus Supplemental Budget bill, HF 2749, signed into law as Chapter 189 of 2016 session laws, relate to transportation appropriations. Chapter 189 authorized \$260,000 in additional general fund spending during the 2016-17 biennium for transportation related items, and raised trunk highway fund spending by \$4.5 million for the 2016-17 biennium. Below is a summary of appropriations for transportation in Chapter 189.

<b>Table 1.</b>						
<b>Transportation Finance - Supplemental Budget (Chapter 189)</b>						
(Dollars in thousands)						
	<b>FY16</b>	<b>FY17</b>	<b>FY16-17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY18-19</b>
<b>Department of Public Safety - Transportation Area</b>						
Peace Officer Death Benefit Increase – General Fund		260	<b>260</b>	260	260	<b>520</b>
State Patrol Academies – Trunk Highway Fund		4,500	<b>4,500</b>	4,500	4,500	<b>9,000</b>
						-
<b>Total DPS - Transportation Area All Funds</b>	-	<b>4,760</b>	<b>4,760</b>	<b>4,760</b>	<b>4,760</b>	<b>9,520</b>
<b>Total General Fund</b>	-	260	<b>260</b>	260	260	<b>520</b>

## Department of Public Safety

- \$260,000 a year from the General Fund starting in FY 2017 and continuing as a base increase in FY 2018 and 2019 to pay for public safety officer survivor benefits under Minnesota Statue 299A.44. Eligibility was also increased.
- \$4.5 million a year from the Trunk Highway Fund starting in FY 2017 for the State Patrol to recruit, hire train and equip new State Troopers and hold trooper academies. This appropriation increased the base for the State Patrol to a total of \$87.5 million a year in the FY 2018-19 biennium from the Trunk Highway fund.

*For further information on Transportation finance issues contact Andrew Lee, House Fiscal Analysis Department at 651-296-4181 or [Andrew.lee@house.mn](mailto:Andrew.lee@house.mn).*

## Tax Revenue and Tax Aids, Credits & Refunds

The 2016 omnibus supplemental budget bill, Chapter 189, contains a total of \$24.4 million and \$62.5 million in net tax revenue reductions to the General Fund in the FY 2016-17 biennium and FY 2018-19 biennium respectively. Most of the tax law changes are on-going tax reductions in the form of a new subtraction, a new credit and a modification to an existing exemption. In tax year 2017 (FY 2018), there is a one-time extension of the small business investment tax credit. The fiscal impact details of each tax law change made in Chapter 189 are described below:

<b>Table 1. Tax Provisions in Chapter 188 - Supplemental Budget Bill</b>						
Note: (1) Dollars in thousands, (2) Positive numbers = revenue gain (cost savings), negative numbers = revenue loss (expenditure)						
	FY 16	FY 17	FY 16 -17	FY 18	FY 19	FY 18 -19
<i>General Fund Tax Revenue Changes:</i>						
Tax Revenue Changes in Art. 7, 13, 14	0	(24,400)	<b>(24,400)</b>	(35,600)	(26,900)	(62,500)
<b>Total Net General Fund Changes</b>	<b>0</b>	<b>(24,400)</b>	<b>(24,400)</b>	<b>(35,600)</b>	<b>(26,900)</b>	<b>(62,500)</b>
<i>Non-General Fund, Fiscal Impact of Tax Law Changes:</i>						
Special Revenue Fund						
Tax Revenue Change, Article 7, Sect. 21	(7)	6	(1)	2	2	4
Legacy Funds						
Tax Revenue Change, Article 14, Sect. 2	0	(50)	<b>(50)</b>	(60)	(70)	(130)
<b>Total Net Non-General Fund Changes</b>	<b>(7)</b>	<b>(44)</b>	<b>(51)</b>	<b>(58)</b>	<b>(68)</b>	<b>(126)</b>

### Individual Income Tax

#### New Subtraction for Military Service Pension (Article 13, Section 57)

Starting in tax year 2016, Minnesota taxpayers will be able to subtract compensation from a military service pension from Minnesota taxable income. Retirement pay for service in the active and reserve components of the military and the survivor benefit plan payments would qualify for the subtraction. The new tax benefit for the military is estimated to reduce general fund tax revenue by \$22.6 million in the FY 2016-17 biennium and by \$48.6 million in the FY 2018-19 biennium. About 16,400 taxpayers are expected to benefit from this subtraction. With the enactment of this new subtraction, among states that have an income tax, Minnesota joins at least 15 other states that exempt full military retirement pay.

**New Credit for Parents of Stillborn Children (Article 14, Section 1)**

Starting in tax year 2016, a new refundable tax credit is available to Minnesota parents of stillborn children. To qualify, parents of a stillborn child must obtain a record of birth resulting in stillbirth from the Minnesota Department of Health and the credit is allowed only in the year the stillbirth occurred. This new credit is estimated to reduce general fund revenue each fiscal year by \$800,000 and about 400 tax returns are assumed to be affected by the provision each tax year.

**Modification and One-Year Extension to the Small Business Investment Tax Credit (Article 7, Section 21; Article 13, Sections 26-27)**

The small business investment tax credit, also known as the angel tax credit, was originally enacted in 2010. It was scheduled to sunset in 2014 but was extended in Laws of 2014, Chapter 150 to tax year 2016. The 2016 Legislature extended the angel tax credit for one more calendar year through the end of 2017 and provided \$10 million in angel credit certifications in Chapter 189. This one-year extension is estimated to have a one-time cost to the General Fund of \$10 million in FY 2018. Existing law allows any portion of a taxable year's credits that is not allocated to be carried forward to subsequent taxable years until all credits have been allocated. The history of the annual dollar limit or cap on the total amount of angel tax credits is included in table 2.

**Table 2. Minnesota Angel Investment Credit  
Authorized Amounts Per Tax Year**  
(dollars in thousands)

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>Allocation</u>
TY 2010	FY 2011	11,000
TY 2011	FY 2012	12,000
TY 2012	FY 2013	12,000
TY 2013*	FY 2014	12,000
TY 2014	FY 2015	15,000
TY 2015	FY 2016	15,000
TY 2016	FY 2017	15,000
TY 2017	FY 2018	<u>10,000</u>
<b>TOTAL</b>		<b>102,000</b>

\* TY 2013 allocation was reduced by \$100,000 to fund a program evaluation.

In addition to the funding/extension changes to the credit, Chapter 189 also made modifications to the definition of both qualifying businesses and qualified investors. Present law allows 51 percent of the payroll of qualifying businesses must be for Minnesota employees. Chapter 189 makes an analogous change requiring a 51 percent minimum for contract for services (independent contractors under 1099) performed in Minnesota. Chapter 189 also modified the definition of qualified investor by broadening the securities for which non accredited investors can claim an angel tax credit to include securities registered under MNVEST registration exemption. The latter

changes had a small fiscal impact to the Special Revenue Fund due to anticipated fee changes and programming expenditures.

## **Sales & Use Tax**

### **Exemption, Modification of Sales Tax Base of Modular Homes (Article 14, Section 2)**

Before the enactment of Chapter 189, the sales tax treatment of modular homes versus the treatment of manufactured homes was very different. The Minnesota Department of Revenue defines modular homes as a building or structural unit that has been substantially manufactured or constructed, in whole or in part, at an off-site location, with final assembly occurring on-site alone or with other units and attached to a permanent foundation site and occupied as a single family dwelling. In comparison, a manufactured home is defined as being built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation. For manufactured homes, the sales tax is applied on 65 percent of the dealer's cost of the manufactured home. In contrast before the enactment of Chapter 189, the sales tax base for modular homes was the sales price but the amount of tax varied depending on if the modular home was uninstalled or installed by the manufacturer or the dealer. Chapter 189 authorizes that sales tax be imposed on 65 percent of the invoice price for residential use only. With this law change, the tax treatment between modular homes and manufactured homes is more comparable. The estimated tax revenue reduction to the General Fund for this tax law change is \$1.0 million in FY 2018 and \$2.3 million in the FY 2018-19 biennium. Also, this provision has an interaction impact to the Legacy funds that will also result in an estimated tax revenue reduction of \$50,000 in FY 2017 and \$130,000 in the FY 2018-2019 biennium.

*For additional information on Tax related issues, contact Cynthia Templin at 651.296.8405 or email: [cynthia.templin@house.mn](mailto:cynthia.templin@house.mn).*