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Minnesota Management & Budget Non-Operating

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Minnesota Management & Budget Non-Operating — Agency Profile

mn.gov/mmb/

AT A GLANCE

- Maintain more than 125 accounts outside of MMB's regular statutory operations
- Act as fiscal agent for $7 million in federal funds annually
- Collected $11 million in miscellaneous fines, fees, and penalties annually
- Provided $55.7 million in direct aid to various local and state pension funds annually
- Manage a $11.8 million master lease for vehicles and technology annually

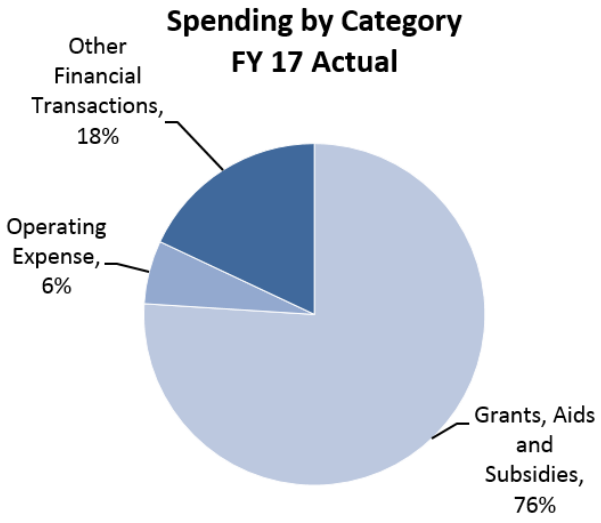
PURPOSE

By statute, Minnesota Management & Budget (MMB) manages a number of statewide accounts that are outside of its day-to-day operations. As a group, these accounts are referred to as non-operating activities. These accounts deal with a broad range of subject matters, including debt management, tort claims, contingency accounts, and miscellaneous pension and trust fund items. These responsibilities also include the statutory requirement to receive the state's share of various monies collected by the counties and judicial districts as fees, fines, assessments and surcharges. Finally, the non-operating accounts also serve as a pass-through for federal funding for payments in lieu of taxes to local units of government where national forests are located.

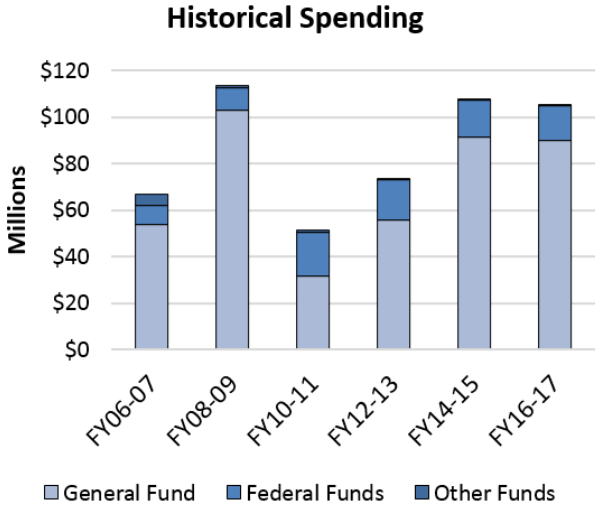
The mission of MMB Non-Operating is to manage state government's financial, workforce, and information resources to support effective and efficient services for Minnesotans.

MMB Non-Operating directly contributes to the statewide outcome of efficient and accountable government services.

BUDGET



Source: Budget Planning & Analysis System (BPAS)



Source: Consolidated Fund Statement

* This chart represents the fiscal agent activities under MMB non-operating and does not include the debt service payments administered by this agency.

STRATEGIES

Tort Claims: This account pays tort claim judgments against a state agency that cannot be paid from that agency's appropriated accounts. As specified in M.S. 3.736, Subd. 7, a state agency may seek approval from MMB to use money in the MMB non-operating account for tort claims if MMB determines that there is not enough money in the agency's appropriations to cover the tort claim payment.

Contingent Accounts: Contingent accounts are appropriations made from several state funds to provide supplemental funding for emergencies and other legally authorized purposes. The release and expenditure of this funding requires the approval of the Governor after consultation with the Legislative Advisory Commission (LAC). The LAC provides legislative review of the use of these funds during interim periods when the legislature is not in session. With the approval of the Governor, supplemental funding for specific purposes is transferred to individual agency budgets; thus, expenditure history appears in the affected agency's budget.

Administrative Accounts: The state administers various trusts and funds on behalf of Minnesotans (including the Children's Trust, the Environmental Trust, and the Permanent School Fund). MMB non-operating houses the accounts used to support the administration of these trusts and funds.

Cash Flow Accounts: On an ongoing or one-time basis, some agencies or programs receive specific legislative authority to use general fund money to cash flow programs or activities during a biennium. These accounts are housed within the MMB non-operating accounts. In FY 2014-15, these accounts included the following:

- Lease-Purchase Cash Flow Account
- Education Aids Cash Flow Account
- Office of Higher Education Cash Flow Account
- MNsure Cash Flow Account
- MN.IT Cash Flow Account

Federal Funds Accounts: The state receives some pass-through federal funding for payments in lieu of taxes to local units of government where national forests are located, like the Chippewa National Forest and Superior National Forest. MMB non-operating accounts house the accounts for these pass-through funds.

Miscellaneous Fines, Fees, and Penalties Accounts: The state charges fees for various activities (including obtaining marriage licenses, using seatbelts, and engaging in adoptions) and assesses fines and penalties when the citizens of Minnesota are out of compliance with state law. These receipts are often dedicated to more than one activity across multiple agencies, therefore MMB is tasked with acting as an intermediary between the collecting entity and the receiving entity. The accounts used for this purpose are housed within the MMB non-operating accounts.

Pension Aid Accounts: The state provides direct aid to the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA) to help offset the additional liability those systems incurred when they merged with the Duluth Teachers Retirement fund (TRA), the Minneapolis Teachers Retirement fund (TRA), and the Minneapolis Employees Retirement fund (PERA). The state also provides direct aid to the St. Paul Teachers Retirement fund to help offset unfunded liabilities. These funds are appropriated to the commissioner of Minnesota Management and Budget and reside in accounts at MMB Non-Operating.

M.S. 16A (https://www.revisor.mn.gov/statutes/?id=16A) provides the legal authority for MMB.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	50,378	52,518	61,589	71,357	61,664	66,170	71,664	76,170
1201 - Health Related Boards				800	400	400	400	400
2830 - Workers Compensation				200	100	100	100	100
3000 - Federal	7,901	7,023	7,090	7,092	7,092	7,092	7,092	7,092
3700 - Debt Service	326	321	377	21				
5000 - Master Lease	13,545	12,831	11,866	8,838	9,611	11,413	9,611	11,413
Total	**72,150**	**72,692**	**80,922**	**88,308**	**78,867**	**85,175**	**88,867**	**95,175**
Biennial Change				24,388		(5,188)		14,812
Biennial % Change				17		(3)		9
Governor's Change from Base								20,000
Governor's % Change from Base								12
Expenditures by Program								
Contingent			821	1,338	1,000	500	1,000	500
Teachers Aid	45,658	45,658	55,658	65,158	55,158	59,658	65,158	69,658
Tort Claims				322	161	161	161	161
Federal Funds	7,901	7,023	7,090	7,092	7,092	7,092	7,092	7,092
Administrative	4,720	6,860	5,110	5,539	5,845	6,351	5,845	6,351
Debt Management	13,871	13,152	12,243	8,859	9,611	11,413	9,611	11,413
Total	**72,150**	**72,692**	**80,922**	**88,308**	**78,867**	**85,175**	**88,867**	**95,175**
Expenditures by Category								
Operating Expenses	2,379	4,480	3,614	4,520	4,306	4,312	4,306	4,312
Grants, Aids and Subsidies	56,259	55,381	65,448	74,950	64,950	69,450	74,950	79,450
Other Financial Transaction	13,512	12,831	11,861	8,838	9,611	11,413	9,611	11,413
Total	**72,150**	**72,692**	**80,922**	**88,308**	**78,867**	**85,175**	**88,867**	**95,175**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Balance Forward In		409		661				
Direct Appropriation	163,334	58,447	161,450	240,440	74,724	71,851	86,644	81,851
Open Appropriation	5,752	1,873	12,735	2,104	6,409	3,151	6,409	3,151
Transfers In	78,412	7,226	10,539	8,789	9,030	9,420	9,030	9,420
Transfers Out	115,835	5,443	109,813	170,208	17,804	7,131	19,724	7,131
Net Loan Activity	(7,500)	(7,623)	(7,947)	(8,244)	(8,544)	(8,871)	(8,544)	(8,871)
Cancellations	73,377	2,371	4,714	2,185	2,151	2,250	2,151	2,250
Balance Forward Out	409		661					
Expenditures	**50,378**	**52,518**	**61,589**	**71,357**	**61,664**	**66,170**	**71,664**	**76,170**
Biennial Change in Expenditures				30,051		(5,112)		14,888
Biennial % Change in Expenditures				29		(4)		11
Governor's Change from Base								20,000
Governor's % Change from Base								16
1200 - State Government Special Rev								
Receipts	2,314	2,184	2,370	2,315	2,315	2,315	2,315	2,315
Cancellations	2,314	2,184	2,370	2,315	2,315	2,315	2,315	2,315
1201 - Health Related Boards								
Balance Forward In		400		400				
Direct Appropriation	400	400	400	400	400	400	400	400
Cancellations		800						
Balance Forward Out	400		400					
Expenditures				**800**	**400**	**400**	**400**	**400**
Biennial Change in Expenditures				800		0		0
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0
2000 - Restrict Misc Special Revenue								
Balance Forward In	35		123					
Receipts	8,512	8,686	8,088	7,128	6,958	6,764	8,855	8,861
Transfers Out	8,546	8,686	8,210	7,128	6,958	6,764	8,855	8,861

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
2001 - Other Misc Special Revenue								
Transfers In	340	340	340	340	340	340	340	340
Transfers Out	340	340	340	340	340	340	340	340
2050 - Environment & Natural Resources								
Direct Appropriation				0	7,830	7,830	0	0
Transfers Out				0	7,830	7,830	0	0
2300 - Outdoor Heritage								
Transfers In		10	338	406				
Cancellations		10	338	406				
2301 - Arts & Cultural Heritage								
Transfers In		6	202	243				
Cancellations		6	202	243				
2302 - Clean Water								
Transfers In		10	22,338	406				
Cancellations		10	22,338	406				
2303 - Parks and Trails								
Transfers In		4	146	176				
Cancellations		4	146	176				
2360 - Health Care Access								
Direct Appropriation	78,841	166,113	322,750	322,000	122,000	122,000	135,000	122,000
Transfers In				50,000	7,200		7,200	393,588
Transfers Out	78,841	166,113	322,750	322,000	122,000	122,000	135,000	122,000
Cancellations				50,000	7,200		7,200	393,588
2365 - Opioid Stewardship								
Transfers In							13,000	

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Cancellations							13,000	

2700 - Trunk Highway

Transfers In	3,454	3,658	3,959	4,749	4,965	5,188	4,965	5,188
Cancellations	3,454	3,658	3,959	4,749	4,965	5,188	4,965	5,188

2830 - Workers Compensation

Balance Forward In		100		100				
Direct Appropriation	100	100	100	100	100	100	100	100
Cancellations		200						
Balance Forward Out	100		100					
Expenditures				**200**	**100**	**100**	**100**	**100**
Biennial Change in Expenditures				200		0		0
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

3000 - Federal

Balance Forward In	25	32	38	43	50	50	50	50
Receipts	7,908	7,029	7,095	7,099	7,092	7,092	7,092	7,092
Balance Forward Out	32	38	43	50	50	50	50	50
Expenditures	**7,901**	**7,023**	**7,090**	**7,092**	**7,092**	**7,092**	**7,092**	**7,092**
Biennial Change in Expenditures				(742)		2		2
Biennial % Change in Expenditures				(5)		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

3700 - Debt Service

Balance Forward In	2			21				
Receipts	324	321	398					
Balance Forward Out			21					
Expenditures	**326**	**321**	**377**	**21**				
Biennial Change in Expenditures				(249)		(398)		(398)
Biennial % Change in Expenditures				(38)		(100)		(100)
Governor's Change from Base								0

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Governor's % Change from Base								

3800 - Permanent School

Balance Forward In	6,574	7,333	8,047	8,450	8,450	8,450	8,450	8,450
Receipts	28,522	30,673	33,426	35,458	35,753	36,048	35,753	36,048
Transfers Out	27,763	29,958	33,023	35,458	35,753	36,048	35,753	36,048
Balance Forward Out	7,333	8,047	8,450	8,450	8,450	8,450	8,450	8,450

4901 - 911 Revenue Bond Debt Service

Balance Forward In	5,990	11,038	274	535	535	535	535	535
Transfers In	23,261	23,261	23,261	23,261	23,261	23,261	23,261	23,261
Transfers Out	18,213	34,026	23,000	23,261	23,261	23,261	23,261	23,261
Balance Forward Out	11,038	274	535	535	535	535	535	535

5000 - Master Lease

Balance Forward In	0		0					
Transfers In	13,545	12,831	11,866	8,838	9,611	11,413	9,611	11,413
Transfers Out			0					
Cancellations	0							
Balance Forward Out			0					
Expenditures	**13,545**	**12,831**	**11,866**	**8,838**	**9,611**	**11,413**	**9,611**	**11,413**
Biennial Change in Expenditures				(5,672)		320		320
Biennial % Change in Expenditures				(22)		2		2
Governor's Change from Base								0
Governor's % Change from Base								0

6000 - Miscellaneous Agency

Balance Forward In	8,408	9,343	9,520	10,547	10,977	11,407	10,977	11,407
Receipts	1,474	715	1,679	1,020	1,018	1,018	1,018	1,018
Transfers In	60	67	67	67	67	67	67	67
Transfers Out	587	647	720	657	655	655	655	655
Balance Forward Out	9,355	9,478	10,548	10,977	11,407	11,837	11,407	11,837

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
8000 - Housing Finance Agency								
Balance Forward In		43	71	136				
Receipts	43	71	523	513	513	513	513	513
Transfers Out		43	458	649	513	513	513	513
Balance Forward Out	43	71	136					

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Direct				
Fund: 1000 - General				
FY2019 Appropriations	**238,465**	**238,465**	**238,465**	**476,930**
Base Adjustments				
One-Time Capital Appropriations		(41,250)	(41,250)	(82,500)
All Other One-Time Appropriations		(114,035)	(121,235)	(235,270)
Current Law Base Change		(10,000)	(5,500)	(15,500)
Biennial Appropriations		500		500
Forecast Open Appropriation Adjustment	1,975	1,044	1,371	2,415
Forecast Base	**240,440**	**74,724**	**71,851**	**146,575**
Change Items				
MERF State Aid		10,000	10,000	20,000
Capital Investment Bill Debt Service		1,920		1,920
Total Governor's Recommendations	**240,440**	**86,644**	**81,851**	**168,495**
Fund: 1201 - Health Related Boards				
FY2019 Appropriations	**400**	**400**	**400**	**800**
Forecast Base	**400**	**400**	**400**	**800**
Total Governor's Recommendations	**400**	**400**	**400**	**800**
Fund: 2050 - Environment & Natural Resources				
FY2019 Appropriations	**2,940**	**2,940**	**2,940**	**5,880**
Base Adjustments				
Forecast Open Appropriation Adjustment		4,890	4,890	9,780
Forecast Base	**2,940**	**7,830**	**7,830**	**15,660**
Change Items				
Chapter 2 Debt Service	(2,940)	(7,830)	(7,830)	(15,660)
Total Governor's Recommendations	**0**	**0**	**0**	**0**
Fund: 2360 - Health Care Access				
FY2019 Appropriations	**200,000**	**200,000**	**200,000**	**400,000**
Base Adjustments				
All Other One-Time Appropriations		(200,000)	(200,000)	(400,000)
Forecast Open Appropriation Adjustment	122,000	122,000	122,000	244,000
Forecast Base	**322,000**	**122,000**	**122,000**	**244,000**
Change Items				
Transfer to Opioid Stewardship Fund		13,000		13,000
Total Governor's Recommendations	**322,000**	**135,000**	**122,000**	**257,000**
Fund: 2830 - Workers Compensation				

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
FY2019 Appropriations	**100**	**100**	**100**	**200**
Forecast Base	**100**	**100**	**100**	**200**
Total Governor's Recommendations	**100**	**100**	**100**	**200**
Open				
Fund: 1000 - General				
FY2019 Appropriations	**2,457**	**2,457**	**2,457**	**4,914**
Base Adjustments				
Forecast Open Appropriation Adjustment		3,900	572	4,472
November Forecast Adjustment	(353)	52	122	174
Forecast Base	**2,104**	**6,409**	**3,151**	**9,560**
Total Governor's Recommendations	**2,104**	**6,409**	**3,151**	**9,560**
Dedicated				
Fund: 3000 - Federal				
Planned Spending	**7,092**	**7,092**	**7,092**	**14,184**
Forecast Base	**7,092**	**7,092**	**7,092**	**14,184**
Total Governor's Recommendations	**7,092**	**7,092**	**7,092**	**14,184**
Fund: 3700 - Debt Service				
Planned Spending	**21**			
Forecast Base	**21**			
Total Governor's Recommendations	**21**			
Fund: 5000 - Master Lease				
Planned Spending	**8,838**	**9,611**	**11,413**	**21,024**
Forecast Base	**8,838**	**9,611**	**11,413**	**21,024**
Total Governor's Recommendations	**8,838**	**9,611**	**11,413**	**21,024**
Revenue Change Summary				
Dedicated				
Fund: 1200 - State Government Special Rev				
Forecast Revenues	**2,315**	**2,315**	**2,315**	**4,630**
Total Governor's Recommendations	**2,315**	**2,315**	**2,315**	**4,630**
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	**7,128**	**6,958**	**6,764**	**13,722**
Change Items				

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Increase Dedicated Funding Source to Maintain POST Appropriations		1,897	2,097	3,994
Total Governor's Recommendations	**7,128**	**8,855**	**8,861**	**17,716**
Fund: 3000 - Federal				
Forecast Revenues	**7,099**	**7,092**	**7,092**	**14,184**
Total Governor's Recommendations	**7,099**	**7,092**	**7,092**	**14,184**
Fund: 3800 - Permanent School				
Forecast Revenues	**35,458**	**35,753**	**36,048**	**71,801**
Total Governor's Recommendations	**35,458**	**35,753**	**36,048**	**71,801**
Fund: 6000 - Miscellaneous Agency				
Forecast Revenues	**1,020**	**1,018**	**1,018**	**2,036**
Total Governor's Recommendations	**1,020**	**1,018**	**1,018**	**2,036**
Fund: 8000 - Housing Finance Agency				
Forecast Revenues	**513**	**513**	**513**	**1,026**
Total Governor's Recommendations	**513**	**513**	**513**	**1,026**
Non-Dedicated				
Fund: 1000 - General				
Forecast Revenues	**395,466**	**344,680**	**340,555**	**685,235**
Change Items				
Increase Dedicated Funding Source to Maintain POST Appropriations		(1,897)	(2,097)	(3,994)
Total Governor's Recommendations	**395,466**	**342,783**	**338,458**	**681,241**
Fund: 1200 - State Government Special Rev				
Forecast Revenues	**158**	**158**	**158**	**316**
Total Governor's Recommendations	**158**	**158**	**158**	**316**
Fund: 2212 - Peace Officer Training Account				
Forecast Revenues	**100**	**96**	**92**	**188**
Total Governor's Recommendations	**100**	**96**	**92**	**188**
Fund: 2300 - Outdoor Heritage				
Forecast Revenues	**3,372**	**3,372**	**3,372**	**6,744**
Total Governor's Recommendations	**3,372**	**3,372**	**3,372**	**6,744**
Fund: 2301 - Arts & Cultural Heritage				

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Forecast Revenues	**184**	**184**	**184**	**368**
Total Governor's Recommendations	**184**	**184**	**184**	**368**
Fund: 2302 - Clean Water				
Forecast Revenues	**1,820**	**1,820**	**1,820**	**3,640**
Total Governor's Recommendations	**1,820**	**1,820**	**1,820**	**3,640**
Fund: 2303 - Parks and Trails				
Forecast Revenues	**456**	**456**	**456**	**912**
Total Governor's Recommendations	**456**	**456**	**456**	**912**
Fund: 2340 - Renewable Development				
Forecast Revenues	**13,581**	**15,498**	**18,364**	**33,862**
Total Governor's Recommendations	**13,581**	**15,498**	**18,364**	**33,862**
Fund: 2360 - Health Care Access				
Forecast Revenues	**12,770**	**12,210**	**6,400**	**18,610**
Total Governor's Recommendations	**12,770**	**12,210**	**6,400**	**18,610**

Change Item Title: MERF State Aid

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	10,000	10,000	10,000	10,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	10,000	10,000	10,000	10,000
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends $10 million annually from the general fund to restore cuts made in 2017 legislation to state aid to the Minneapolis Employees Retirement Fund (MERF). This recommendation reinstates the full state aid amount first provided in 2015 legislation. With this proposal, Minneapolis local governments no longer face a $10 million increase in their required MERF contributions set to go into effect beginning FY 2020.

Rationale/Background:

MERF was the pension fund providing retirement benefits to Minneapolis-based local government employees and was merged into the Public Employees Retirement Association (PERA) General Employees Fund in 2015. Currently, 3,100 MERF members receive benefits and 23 either remain active employees or do not yet receive benefits. 2015 legislation set direct aid amounts at $37 million annually: $6 million from the state and $31 million from Minneapolis local governments. The state's direct aid amounts were set to increase to $16 million annually beginning FY 2018, thereby lowering local government payments to $21 million. This long-term allocation agreement was based upon the portion of the total cost being paid by the state and Minneapolis-based employers before the merger in 2015: 43 and 57 percent respectively. 2017 legislation lowered the state's contribution back down to $6 million annually beginning FY 2020 and increased local government contributions back to $31 million. These payments assist in paying off MERF's remaining unfunded liabilities. The payments end in 2031.

Proposal:

The Governor recommends restoring the cuts to MERF state aid enacted in 2017. By providing this state aid, Minneapolis-based local governments will no longer need to pay $10 million more each year toward their required MERF contributions beginning FY 2020. The Governor's recommendation provides the original state and local contribution allocations agreed to in 2015 when MERF was officially merged into the PERA General Employees Fund.

Results:

This recommendation maintains the annual $37 million contribution from state and local governments toward MERF's unfunded liabilities. The PERA General Employees Fund, which absorbed MERF in 2015, is 79.5% funded on a market value of assets basis as of FY 2018. The PERA General Employees Fund is projected to reach full funding in FY 2037.

Statutory Change(s):

Minnesota Statutes 353.27, subd. 3c, para. (d), and Minnesota Statutes 353.505, clause (a).

Change Item Title: Capital Investment Bill Debt Service

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Debt Service – GO Bonds	*15,954*	*58,199*	*65,064*	*61,677*
Debt Service – Appropriation Bonds	*0*	*0*	*0*	*4,800*
Cash-Financed Projects	*1,920*	*0*	*0*	*0*
Expenditures	17,784	58,199	65,064	66,477
Trunk Highway Fund				
Expenditures	1,272	5,119	7,944	8,504
Net Fiscal Impact = (Expenditures – Revenues)	19,146	63,318	73,008	74,981
FTEs	**0**	**0**	**0**	**0**

Request:
The Governor recommends $82.464 million in FY 2020-2021 to support his 2019 capital budget recommendations. Of this total:

- $76.073 million is from the general fund to pay for cash-financed projects and debt service on $1.018 billion in general obligation bonds and $120 million in appropriation bonds.
- $6.391 million is from the trunk highway fund for debt service on $92 million in trunk highway bonds.

Rationale/Background:
The Governor recommended a total of $1.27 billion in capital projects. Both general fund cash and debt service are needed to finance these projects.

Proposal:
More information about the Governor's 2019 capital budget recommendations can be found in the "Current Capital Budget" section of MMB's website.

Equity and Inclusion:
The Governor's 2019 capital budget includes 73 individual projects. Of those, 37 are statutory programs that impact projects across the state, 20 projects are located in the metro-area, and 16 projects are located in greater Minnesota.

Results:
This recommendation will allow the state to meet its financial obligations with respect to debt service and the financing of capital projects.

Change Item Title: Expand Operating Budget Carry-Forward Authority

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	0	$7,500	0	$7,500
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	$7,500	0	$7,500
FTEs	**0**	**0**	**0**	**0**

Request:
The Governor recommends modifying Minnesota Statutes 16A.28 to allow agencies to uniformly carry-forward unexpended non-grant operating appropriations for the second year of a biennium into the next beginning in FY 2021. This is being proposed as an improvement to current financial management practices – to increase state agencies budget management flexibility to deal with planned and unplanned cost increases and cost pressures.

The budget impact of this proposal will reduce forecast general fund cancellations in the second year of each biennium by an estimated $7.5 million.

Rationale/Background:
State agencies are generally authorized in M.S. 16A.28 to balance forward unexpended and unencumbered non-grant operating balance from the first to the second year of the biennium, while unspent operating appropriations for the second year (the end of a biennium) generally cancel back to the originating fund.

This requirement, however, is not uniform. Appropriations to the legislature, higher education systems, and selective appropriations to various state agencies are exempt, or are provided specific carry-forward authority in law. The current requirement to cancel unspent operating funds is generally perceived as a “use it or lose it” disincentive for agencies that increases year-end spending and reduces the ability to manage year-end and following year costs in the most effective, strategic way.

In 2003 and 2005, the legislature provided one-time authorities to balance forward funds from one biennium to the next. These authorities were granted to provide agencies flexibility in managing budget reductions. In 2007, one-time authority was provided to carry-forward up to $5.8 million of unspent operating funds, but with the use limited to technology investments.

Uniformly extending carry-forward authority of operating balances at the end of the biennium to all agencies will increase agencies’ flexibility to better utilize resources to manage costs such as increases related to general operating expenses or operating projects. It will provide an effective incentive for agencies to identify efficiencies and cost savings as they would be able to redirect resources to both identified and unanticipated future costs – removing the constraint that the money be spent by year-end. This proposal is strongly supported by executive branch agencies’ chief financial officers.

Proposal:
Extend carry-forward authority at the end of the biennium to all agencies, constitutional officers, and the court systems for all direct appropriated funds. But, require that funds be used to manage one-time costs related to general operating costs or operating projects. It will provide an effective incentive for agencies to identify efficiencies and cost savings as they would be able to redirect resources to both identified and unanticipated future costs – removing the constraint that the money by spent by year-end. In addition, agencies would be able to use this authority for long-term budget planning allowing carry-forward dollars to be used to defray operating cost increases.

Results:

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Results	Biennial report: Carried forward amounts and use by agency.	n/a	n/a	FY 2020-21 biennial budget

Statutory Change(s):
M.S. 16A.28

Change Item Title: Repeal Sunset of the Provider Tax

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
Tax Policy				
Health Care Access Fund				
Expenditures	0	0	0	0
Revenues	236,627	733,099	770,434	808,927
Department of Human Services				
Health Care Access Fund				
Expenditures	11,564	27,551	45,973	39,259
Revenues	0	0	0	0
MMB Non-Operating				
Health Care Access Fund				
Transfers Out			122,000	122,000
General Fund				
Transfers In			122,000	122,000
Net Fiscal Impact = (Expenditures – Revenues)	(236,071)	(715,985)	(736,916)	(783,167)
FTEs	**0**	**0**	**0**	**0**

Recommendation:

To support essential health care services and expand access to health insurance, the Governor recommends repealing the sunset on the two percent taxes on hospitals, surgical centers, health care providers, wholesale drug distributors, and those subject to the legend drug use tax contained in Minnesota Statutes, section 295.52. This proposal increases revenues to the Health Care Access Fund by $970 million in the FY 2020-21 biennium.

The repeal of the tax sunset restores a provider rate increase that was established in 2003 to offset the cost of paying the provider tax on Medical Assistance and MinnesotaCare covered services.

The additional revenue creates a positive projected balance in the Health Care Access Fund. This balance triggers a statutory transfer to the General Fund of $122 million per year.

Rationale/Background:

The Provider Tax is an essential source of funding for the Health Care Access Fund which provides health care coverage through the MinnesotaCare and Medical Assistance (MA) programs and supports public health activities through the Minnesota Department of Health. The reinstatement of the Provider Tax would also enable the Health Care Access Fund to support the Health Insurance Premium Subsidy and Health Insurance Tax Credit to stabilize and make the individual health insurance market more affordable.

Minnesota levies a two percent tax on revenue from patient services at hospitals, surgical centers and health care providers. This two percent tax also applies to the gross revenue of wholesale drug distributers as well as on amounts paid for prescription drugs by entities subject to the legend drug use tax.

Under current law, the provider taxes sunset on December 31, 2019. Repealing the sunset of the provider tax provides greater funding stability for the state's initiatives to promote access to health care, improve the quality of care, and contain health care costs. This proposal raises about $237 million and $733 million of revenue in fiscal years 2020 and 2021 respectively.

In 2003, the state legislature removed an exemption on taxing health care provider revenue for services provided to recipients of MA and MinnesotaCare and increased provider payment rates by two percent for these services subject to this tax. The November 2016 MA and MinnesotaCare forecast accounted for the provider tax sunset by removing the value of the two percent rate increase effective January 1, 2020. Repealing the provider tax sunset reinstates the two percent rate increase in MA and MinnesotaCare, resulting in a net cost to the state of just over $39 million in FY 2020-21.

The current tax rate is 2%, although each year the rate must be reduced if the Commissioner of Management and Budget determines that projected revenue to the Health Care Access Fund is greater than 125% of expenditures and transfers, and the cash balance in the fund is adequate.

This proposal also amends existing nexus language and treats interest on overpayments for provider taxes consistent with other taxes. While current statutory language establishes nexus under the United States Constitution, this proposal addresses the impact of the United States Supreme Court decision in *Wayfair v. South Dakota* by providing for minimum economic nexus thresholds. Regarding interest, this proposal provides 90 days from the due date of the return or the date on which the original return is filed, whichever is later, before the amount refunded begins to bear interest.

Proposal:
This proposal repeals the sunset of the two percent provider taxes contained in Minnesota Statutes, section 295.52, to ensure funding for MinnesotaCare, Medical Assistance (MA), and public health activities through the Minnesota Department of Health. The repeal also supports proposals recommended in the Governor's budget to stabilize the individual health insurance market and make insurance more affordable. The individual market stabilization and affordability proposals include the Health Insurance Premium Subsidy and a Health Insurance Premium Tax Credit.

Equity and Inclusion:
Medical assistance is the largest expenditure from the Health Care Access Fund and currently provides health insurance coverage to over 1 million Minnesotans, who meet income limits. MinnesotaCare assists those most in need that are not already covered by existing programs. To be eligible for MinnesotaCare, individuals must meet income limits, not be eligible for Medical Assistance, and satisfy other requirements related to residency and lack of access to other health insurance. MinnesotaCare coverage is available to persons with incomes greater than 133 percent of federal poverty guidelines but not exceeding 200 percent, if other program eligibility requirements are met.

Results:

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Avg. monthly MinnesotaCare enrollment	115,754	86,310	FY 2016 & 2019

Statutory Change(s):
Minnesota Statutes, section 295.51, subd. 1a
Minnesota Statutes, section 295.52, subd. 8
Minnesota Statutes, section 295.57, subd. 3;
Minn. Laws 2011, 1st Spec. Sess. Ch. 9, art. 6, sec. 97, subd. 6.

Minnesota Management & Budget Non-Operating

FY 2020-21 Biennial Budget Change Item

Change Item Title: Opioid and Other Drug Overdose Prevention

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
Department of Health				
Opioid Stewardship Fund				
Expenditures	6,000	9,251	9,251	9,251
Revenues	0	0	0	0
MMB Non-Operating				
Health Care Access Fund				
Transfer Out	13,000	0	0	0
Opioid Stewardship Fund				
Transfer In	13,000	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	6,000	9,251	9,251	9,251
FTEs	**8**	**8**	**8**	**8**

Recommendation:

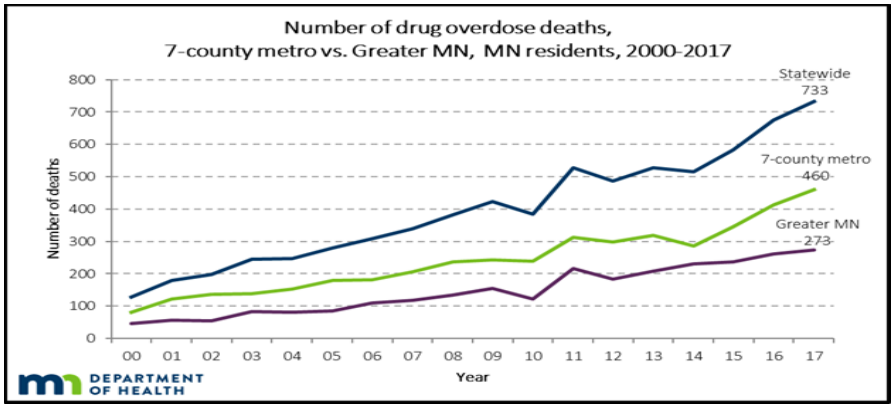
The Governor recommends funding from the Opioid Stewardship Fund for opioid and other drug overdose prevention at the Minnesota Department of Health (MDH). This proposal includes a comprehensive array of evidence-based approaches to the growing crisis of drug overdoses and drug-related deaths in Minnesota. It doubles the current number of community opioid pilot prevention projects, strengthens Tribal Prevention Programs, provides Naloxone and training for first responders across Minnesota (including State Patrol, Tribal Law Enforcement, probation and parole officers, and others), and improves local data collection and analysis.

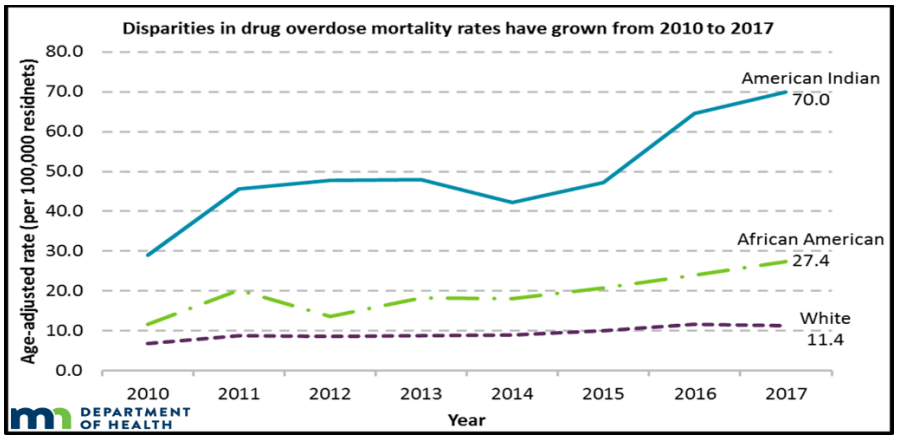
This proposal is part of a package of proposals recommended by the Governor to address rising rates of opioid use. The package of proposals is funded by new fees on opioid manufacturers, wholesalers, and entities that handle controlled substances.

The Governor also recommends a one-time transfer of $13 million from the Health Care Access Fund to the Opioid Stewardship Fund. The primary source of revenue into the Health Care Access Fund is a tax on health care providers, hospitals, surgical centers, and wholesale drug distributors. The fund supports initiatives that improve access to health care, contain health care costs, and promote public health. This transfer will provide resources to fund opioid-related programming prior to the receipt of new fee revenue.

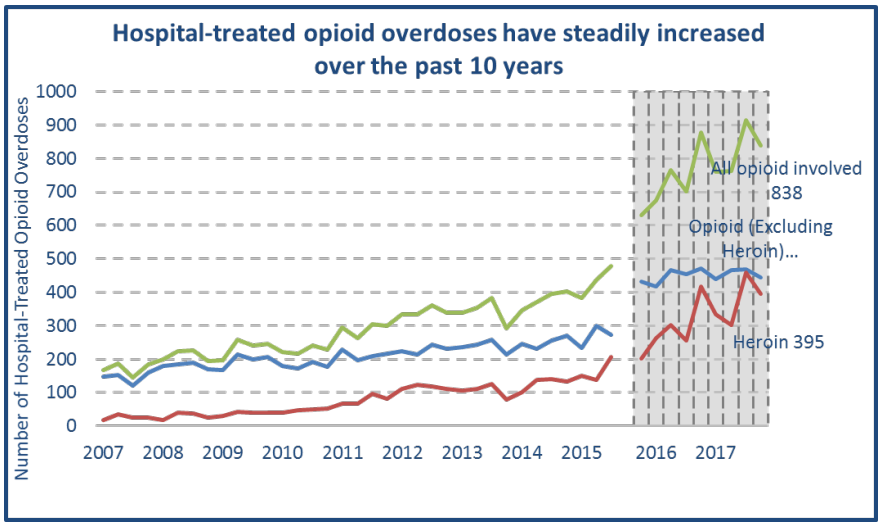
Rationale/Background:

Preliminary drug overdose data for 2017 indicates that drug overdose fatalities increased by 3% from 2016 to 2017 (rising to 733 deaths; of these, 422 were opioid-involved deaths). Overdose deaths are not equal across age groups, genders, geography, and cultures in Minnesota. The highest drug overdose rates have moved to younger age groups. Other differences persist by gender and geography (urban, rural). American Indians in Minnesota have the highest rate of drug overdose deaths (primarily opioid overdose) in the nation. In 2016, American Indians were six times more likely to die of a drug overdose than were white Minnesotans. This was the worst disparity rate in the nation. African Americans in Minnesota were 2.4 times more likely to die of a drug overdose than white Minnesotans. This was the fifth highest disparity rate ratio amongst blacks relative to whites in the nation.





Although death is the most visible outcome, increasing substance use and abuse have great impact on families, school systems, employers, law enforcement, and communities. The associated injury and violence also results in millions of dollars in hospital visits and rehabilitative drug treatment in Minnesota, according to analyses performed by MDH. Opioid-related hospital treatment (includes emergency department treatment and in-patient hospitalization) has been increasing since 2001 and has doubled since 2005. Opioid-related hospital treatment surpassed that of heart attack and stroke in 2009.



Notes: The dashed lines on the right hand side of the two graphs indicate a change in coding manuals – the trends are the same, but how cases are identified differ enough that we present them distinctly.

There is no state funding dedicated to overdose prevention. MDH has successfully competed for short-term federal funding which is being used to improve data collection and analysis in order to define the magnitude of the problem, to develop the opioid prevention dashboard (www.health.state.mn.us/opioiddashboard), and to test interventions like the employer toolkit (www.health.state.mn.us/opioidtoolkit). Projected department expenditures from all opioid-related federal awards are $1.325 million in FY 2020 and $935,000 in FY 2021.

Proposal:

This proposal includes four components:

1. Continue and expand the community-based pilot prevention projects
2. Invest in culturally-specific prevention efforts to address overdose disparities among American Indians and African Americans
3. Provide Naloxone (antidote to opioid overdose) training and medication supplies to first responders and state troopers statewide
4. Conduct community-based, drug overdose fatality review data collection and analysis

Opioid pilot projects - In 2017, MDH received a one-time General Fund appropriation of $1 million to replicate the overdose prevention efforts of St. Gabriel's Hospital in Little Falls, MN. MDH awarded funding to eight communities and tribal nations. This proposal would expand the work occurring in the first eight communities for an additional year to allow them to assess the effectiveness and sustainability of their work. The funds will also support similar drug overdose prevention grants to eight new communities for two years. Each year, the program would allow eight communities to "graduate" and eight new intervention communities would initiate prevention work. ($1.3 million in FY 20 and $2.3 million each year thereafter and 2 FTEs: one planner principal and one management analyst)

Each community implements six major activities to reduce opioid use or abuse and reduce rates of opioid addiction:

1) Establishing multidisciplinary controlled substance care teams that may consist of physicians, pharmacists, social workers, nurse care coordinators, and mental health professionals;
2) Delivering health care services and care coordination, through controlled substance care teams, to reduce the inappropriate use of opioids by patients and rates of opioid addiction;
3) Addressing any unmet social service needs that create barriers to managing pain effectively and obtaining optimal health outcomes;
4) Providing prescriber and dispenser education and assistance to reduce the inappropriate prescribing and dispensing of opioids;
5) Promoting the adoption of best practices related to opioid disposal and reducing opportunities for illegal access to opioids; and
6) Engaging partners outside of the health care system, including schools, law enforcement, and social services to address root causes of opioid abuse and addiction at the community level.

Culturally specific prevention grants – This component specifically addresses the overdose disparities in Minnesota and strives to identify and interrupt the root causes of the overdose epidemic. MDH will distribute grants to organizations working directly with urban American Indians (including the homeless), African Americans, and Minnesota's 11 tribal nations. The community organizations and tribal nations will implement components of the Menomonie Project, a whole health initiative designed by the Menomonie Nation (Wisconsin) that has resulted in clear reductions in overdose death and hospitalizations. The Menomonie Project emphasizes high school graduation rates, employment, reclaiming language, prescribing practices, social services, and family supports. ($2.4 million in FY20 and $4.5 million each year thereafter and 3 FTEs—two planner principal positions and one management analyst)

Naloxone – This evidence-based strategy provides funding for training and provides Naloxone medications to first responders, including state troopers, across all of Minnesota. Often, our first responders (state troopers, sheriffs,

local law enforcement, Tribal police, fire, and EMS) have opportunities to save lives and can do so when equipped with training (so ensure proper administration of either the injectable or inhalation Naloxone) and are provided with at least two doses of Naloxone per first responder ($1 million each year).

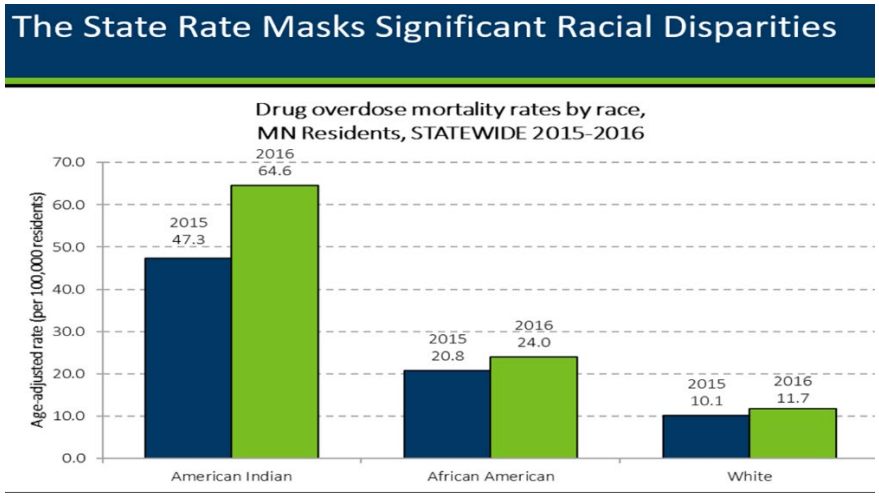
Fatality Review Data and Analysis – This component provides funding for overdose fatality reviews, a systematic process that enables the state and local communities to understand the circumstances of these preventable deaths and identify strategies to prevent future overdoses. Nine states have recently authorized the fatality review process to examine and understand drug overdose fatalities.

Overdose fatalities are not unpredictable and random. An in-depth, multi-disciplinary review of each fatality can identify failures or oversights in medical care, gaps in community services (e.g. access to mental health or medical treatment, coordination between service providers, including emergency medical services), the need for changes to state laws or government practices, or emerging causes of death (i.e. new synthetic opioids or drugs in the community).

MDH staff will support and develop overdose fatality reviews across Minnesota. We will partner with tribal governments, counties, local public health, law enforcement, health care providers, other state agencies, and other community groups. Some reviews will be led by MDH staff; however, part of their responsibility will be to train partners across the state to lead fatality reviews at the local level. Most of the requested funding will support the work of the fatality reviews through grants awarded at the community level. ($1.3 million in FY 20 and $1.4 million each year thereafter and 3 FTEs—an epidemiologist, a planner principal, and a research analyst)

Equity and Inclusion:

Minnesota's overall overdose death rate is among the lowest ten states in the nation. However, Minnesota's white overdose rate compared to American Indians and African Americans reveals that Minnesota has the greatest racial disparity in the nation. In 2016, African Americans were two times more likely to die of a drug overdose than were whites. In 2016, American Indians were almost six times more likely to die of a drug overdose than were whites. MDH is using in-person meetings, focus groups, surveys, advisory meetings, and professional forums to understand how best to prevent substance use disorder and overdose death.



Results:

The proposal will reduce the number of drug overdose deaths for all Minnesotans and particularly for American Indian and African American Minnesotans. Potential performance measures could include: number of community prevention programs funded; number of doses of Naloxone purchased; number of drug reversals (proxy for lives saved); number of grants to Tribal Nations; number of policies changed at the local level; and number of opioid prescriptions each year compared with the preceding year.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Results	Drug Overdose Fatality Rate for American Indian	47.3 per 100,000	70.0 per 100,000	2015 / 2017
Results	Drug Overdose Fatality Rate for African American	20.8 per 100,000	27.4 per 100,000	2015 / 2017

Statutory Change(s):
N/A

Change Item Title: Minnesota Premium Security Plan Transfer

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
Commerce Department				
Special Revenue Fund				
Transfer Out	0	535,588	0	0
Transfer In	0	0	0	0
MMB Non-Operating				
General Fund				
Transfer Out	0	0	0	0
Transfer In	0	142,000		
Health Care Access Fund				
Transfer Out	0	0	0	0
Transfer In	0	393,588	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends transferring the unspent assets in the Premium Security Account to the Health Care Access Fund and General Fund in FY2021. Approximately $393.5 million would be transferred to the Health Care Access Fund to support programs to increase access to affordable health insurance coverage and health care services. $142 million would be transferred to the General Fund.

Rationale/Background:

In 2017, the Minnesota Premium Security Plan (MPSP) was created to provide reinsurance payments to health insurers to help cover the costs of high claims in the state's individual health insurance market.

$543 million in state resources were appropriated for FY 2018-19 to cover plan years 2018 and 2019. The state resources are from $142 million in transfers from the General Fund, $401 million in transfers from the Health Care Access Fund, and $42 million in remaining operating funds from MCHA. Minnesota received $130.7 million in federal funds for the program for 2018.

Federal regulators project Minnesota will receive approximately $84.7 million in federal funds for the program for plan year 2019. The final amount the State will receive will be finalized by April 2019.

Proposal:

This request utilizes assumptions from the February 2019 Forecast regarding total MPSP program size in both 2018 and 2019. This request assumes the MPSP will end after plan year 2019, with final payments to eligible health insurers for plan year 2019 occurring by August, 2020. This request assumes that the two transfers would occur after final payment obligations are fulfilled for the MPSP.

Statutory Change(s):

Transfer language within appropriations article.

(Dollars in Thousands)

Federal Agency and CFDA #	Federal Award Name and Brief Purpose	New Grant	FY2018 Actuals	FY2019 Budget	FY2020 Base	FY2021 Base	Required State Match or MOE?	FTEs
US Dept of Forestry 10665	Chippewa National Forest	N	838	840	840	840	N	0
US Dept of Forestry 10665	Superior National Forest	N	508	508	508	508	N	0
US Dept of Forestry 10665	Superior National Forest	N	5,744	5,744	5,744	5,744	N	0
	Budget Activity Total		**7,090**	**7,092**	**7,092**	**7,092**		
	Program Total		**7,090**	**7,092**	**7,092**	**7,092**		
	Federal Fund – Agency Total		**7,090**	**7,092**	**7,092**	**7,092**		

Narrative

The state receives federal pass-through funds for payments in lieu of taxes to local units of government where the following national forests are located: Chippewa National Forest and Superior National Forest.