



State of Minnesota Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
(612) 296-5900

February 28, 1991

To: Senator Gene Merriam, Chairman
Senate Finance Committee

Representative Wayne Simoneau, Chairman
House Appropriations Committee

Fr: John Gunyou *N*

Re: Errors and Omissions to the Governor's 1992-93 Biennial Budget - Budget Change Order # 1

This is to advise you and your colleagues that, we will follow the same procedures used in previous biennia for transmitting any changes to the Governor's Budget.

Only changes submitted under my signature should be considered as official changes in the Governor's position. This procedure is necessary to ensure control over the General Fund Balance as well as to eliminate confusion regarding the Governor's Recommendations. This process has worked well in past legislative sessions.

Attached to this memorandum, please find the following budget page updates:

Human Development Committee:

Page 161-A, this page was inadvertently omitted in assembling the Department of Health's Budget;

Pages 290, 306 and 328 are revised to reflect the correct funding and revenue source in the numbers summary boxes. General Fund was entered on this narrative form in error, while the expenditures and revenues should have been entered as Special Revenue.

Infrastructure and Regulation Committee:

Page 130 for the Department of Labor and Industry has been revised. This relates to a pagination error where the same narrative page was inserted twice, once for page 130 and again for page 137.

The above changes are errors and omissions to the budget narrative and do not affect the numbers in the Governor's original budget document.

Sufficient detail is provided for each error and omission to identify and reference the appropriate budget page affected.

cc: Governor Carlson
Lieutenant Governor Dyrstad
Senator Roger Moe
Representative Robert Vanasek
Senate and House Division Chairs
David Doth
Dick Pfutzenreuter
Peggy Ingison
Team Leaders
Executive Budget Officers



ACTIVITY: Health Resources
PROGRAM: Health Delivery Systems
AGENCY: Health, Department of

1992-93 Biennial Budget

DECISION ITEM: Review of Nursing Home Licensure Laws and Regulations

While the analysis of the statutory provisions will need to take into consideration the provisions contained in state regulations, we do not believe that substantive work on the rules can occur until after statutory provisions which need change have been identified. The second phase of this project, planned for 1993 would be the revision of state licensure rules and that the new rules would be implemented by January, 1995.

The review of statutes and modification of rules is a legitimate cost of regulation and therefore should be supported in the same way as the day to day regulation of nursing homes and boarding care homes. For this reason the Department proposes to finance this project through a surcharge on the 44,940 licensed nursing homes and 4,563 boarding care beds. In order to raise the requested amount the surcharge would be \$2.12 per bed in 1991 and \$2.73 in 1992.

AGENCY PLAN:

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Expenditures General Fund	\$ 105	\$ 135	\$ 140	\$ 140
Revenues General Fund	\$ 105	\$ 135	\$ 140	\$ 140

GOVERNOR'S RECOMMENDATION:

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Expenditures General Fund	\$ 105	\$ 135	\$ 140	\$ 140
Revenues General Fund	\$ 105	\$ 135	\$ 140	\$ 140

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

This agency requests an appropriation of \$240,000 to cover the first 2 years of a 4 year project to conduct a comprehensive review of the nursing home licensure laws and regulations. It is necessary to do this in order to establish an effective regulatory program in the state.

BACKGROUND:

The federal Nursing Home Reform Act provisions contained in the Omnibus Reconciliation Act of 1987 and new federal rules establish a significantly modified, comprehensive regulatory system. Minnesota rules were promulgated in 1972 and the licensure law for nursing homes was enacted in 1976. The licensure law has been repeatedly amended to address specific concerns and has not been reviewed in a comprehensive fashion since it was enacted.

The new federal provisions contain detailed enforcement procedures and include regulatory provisions concerning the effect of the scope and severity of deficiencies on quality of life and quality of care provided in facilities. These federal provisions duplicate and, in some instances, conflict with provisions contained in the state nursing home licensure law and regulations. The state law approaches the protection of health and safety in a different manner with specific actions that must be taken when a violation is documented.

RATIONALE:

The goal of this process would be development of a comprehensive enforcement system which can be effectively and efficiently administered. The analysis necessary to achieve this goal will identify those state law provisions, not currently part of the federal enforcement, e.g. controlling person provisions, that need to be retained. Provisions remaining in state law after this analysis would complement, not duplicate, the federal enforcement provisions.

ACTIVITY:
PROGRAM:

1992-93 Biennial Budget

AGENCY: Dentistry, Board of

DECISION ITEM: Legal and Investigative Funding Increase

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

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AGENCY PLAN:

Expenditures
Special Revenue

Dollars in Thousands				
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

\$	150	\$	150	\$	150	\$	150
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Revenues
Special Revenue

\$	150	\$	150	\$	150	\$	150
----	-----	----	-----	----	-----	----	-----

GOVERNOR'S RECOMMENDATION:

Expenditures
Special Revenue

\$	150	\$	150	\$	150	\$	150
----	-----	----	-----	----	-----	----	-----

Revenues
Special Revenue

\$	150	\$	150	\$	150	\$	150
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Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The board is requesting an increase of \$150,000 in F.Y. 1992 and \$150,000 in F.Y. 1993 to fund additional investigators, legal assistance and support staff for board activities.

RATIONALE:

The number of complaints and disciplinary actions taken by the board has increased by more than 500% in the past 4 years. Further, the time required to resolve complaints has become too lengthy a process. In 1986, the board received 37 complaints; took disciplinary action against 12 licensees; referred 26 cases for investigation; and spent an average of 22 months from receipt of a complaint to resolution of a complaint where formal disciplinary action was taken. In 1990, the board received 232 complaints; took disciplinary action against 62 licensees and registrants; referred 189 cases for investigation; and spent an average of 34 months from receipt of a complaint to resolution of a complaint where formal disciplinary action was taken. Disciplinary actions taken in 1990 are related to complaints received in 1987 and 1988. Most complaints referred for investigation in 1990, under the present system of complaint resolution, will not be addressed until 1993.

In order to be more responsive to the citizens of Minnesota, the board needs additional investigators, legal assistance funding, and support staff.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: OPTOMETRY, BOARD OF
PROGRAM: HEALTH BOARDS

				FY 1992			FY 1993		
	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
ACTIVITY RESOURCE ALLOCATION:									
BD OF OPTOMETRY	57	59	70	70	73	73	70	75	75
TOTAL EXPENDITURES BY ACTIVITY	57	59	70	70	73	73	70	75	75
DETAIL BY CATEGORY:									
STATE OPERATIONS	57	59	70	70	73	73	70	75	75
TOTAL EXPENDITURES BY CATEGORY	57	59	70	70	73	73	70	75	75
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
SP REV DIRECT APPROP	50								
STATE GOVT SPEC REV		59	66	66	69	69	66	71	71
STATUTORY APPROPRIATIONS:									
SP REV DIRECT APPROP	7								
STATE GOVT SPEC REV			4	4	4	4	4	4	4
TOTAL FINANCING	57	59	70	70	73	73	70	75	75

ACTIVITY:
PROGRAM:
AGENCY: Optometry, Board of

1992-93 Biennial Budget
optom.01
2-12-91 10:46am pmf

DECISION ITEM: Operating Costs Increases

Dollars in Thousands							
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995			

AGENCY PLAN:

Expenditures								
Special Revenue	\$	3	\$	5	\$	5	\$	5
Revenues								
Special Revenue	\$	3	\$	5	\$	5	\$	5

GOVERNOR'S RECOMMENDATION:

Expenditures								
Special Revenue	\$	3	\$	5	\$	5	\$	5
Revenues								
Special Revenue	\$	3	\$	5	\$	5	\$	5

Requires statutory change: _____ Yes No

Statutes Affected:

ITEM SUMMARY:

The board is requesting an increase of \$3,000 in F.Y. 1992 and \$5,000 in F.Y. 1993 to fund salary increases, professional consultation services, and for the purchase of computer software.

RATIONALE:

The need for a professional consultant to the board will be required to allow the board to address the issues relative to amendments to S. 148.52-62. The professional consultant will also assist in defining the effect of the legislative changes to board rule.

The board also needs to update software for wordprocessing and maintenance of a data base of licensees.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: SOC WRK & MNT HLTH BDS
PROGRAM: HEALTH BOARDS
MARRIAGE & FAMILY THERAPY

ACTIVITY SUMMARY	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
STATE OPERATIONS	83	89	87	87	99	99	87	99	99
TOTAL EXPENDITURES BY CATEGORY	83	89	87	87	99	99	87	99	99
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
SP REV DIRECT APPROP	83						82	94	94
STATE GOVT SPEC REV		87	82	82	94	94	82	94	94
STATUTORY APPROPRIATIONS:									
STATE GOVT SPEC REV		2	5	5	5	5	5	5	5
TOTAL FINANCING	83	89	87	87	99	99	87	99	99

ACTIVITY:**1992-93 Biennial Budget**

PROGRAM: Marriage and Family Therapy, Board of
AGENCY: Social Work and Mental Health Boards

DECISION ITEM: Staffing Increase Due to Restructuring

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

AGENCY PLAN:

Expenditures				
Special Revenue	\$	12	\$	12
Revenues				
Special Revenue	\$	12	\$	12

GOVERNOR'S RECOMMENDATION:

Expenditures				
Special Revenue	\$	12	\$	12
Revenues				
Special Revenue	\$	12	\$	12

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The board is requesting an appropriation of \$12,000 each year of the biennium in order to fund support staff activities.

RATIONALE:

The board feels it could more expediently and economically execute the functions of the board with status independent of the Office of Social Work and Mental Health Boards. The board feels this would not only relieve the additional administrative burden put on the board, but would also give the board the needed visibility to adequately meet the needs of the public and the licensees.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

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PROGRAM: Workers' Compensation Regulation and Enforcement
Agency: Labor and Industry, Department of

1992-93 Bicameral Budget

PROGRAM PURPOSE:

The Workers' Compensation program is "Helping Minnesota Work" by ensuring that provisions of the Workers' Compensation Act (M.S. Ch. 176) are administered effectively to ensure prompt delivery of benefits and services as required by the act. It also provides information that helps prevent workplace injuries and diseases. These goals are accomplished by:

1. Educating the parties as to their roles and responsibilities.
 - A minimum of 15 seminars annually are offered to constituents by Department staff.
 - Five publications that explain the roles and responsibilities of various parties are written and updated as changes occur.
 - A quarterly booklet is published covering recent case law, rule updates, and general information many of our constituents need to fulfill their obligations.
 - Town meetings have been held in border communities to educate employers and insurance agents about mandatory workers' compensation insurance coverage.
2. Monitoring the performance of the parties in discharging their obligations and taking appropriate action when necessary.
 - All initial reports of injury are audited for prompt reporting and prompt and accurate payment of weekly benefits.
 - Penalties are issued for lack of compliance. Governor's commendations are given for outstanding compliance.
 - Discussions are held with insurers who have a higher-than-average rate of non-compliance or where a trend of non-compliance appears to be developing.
 - Prompt-payment statistics are published and insurers with better than 95% compliance are publicly acknowledged for their accomplishment.
 - Investigations of rehabilitation and health care provider services to injured employees are done upon receipt of a complaint, with resulting action as appropriate.
 - Monitoring systems for coverage enforcement have been implemented and coordinated with the Minnesota Rating Association, Department of Commerce, Department of Jobs and Training, and Department of Revenue.
3. Providing direct services to assist parties in fulfilling their legal obligations.
 - Toll-free telephone hot lines are available to the public in both the St. Paul and Duluth offices. Staff is available to answer the parties' questions about workers' compensation.
 - Informal dispute resolution services (mediation, intervention, administrative conferences, and settlement conferences) are provided for the prompt resolution of disputes.
 - All official workers' compensation records for all constituents are maintained and access is provided for those with appropriate authorization.
 - Rules that clarify the parties' rights and responsibilities are promulgated and maintained.
 - Workers' compensation benefit claims are administered for employees injured while working for uninsured employers.
 - Insurers are audited and reimbursed for the supplemental benefit and second injury programs.
 - All applications for registration with the second injury program are reviewed and approved.
 - The loggers' premium rebate program is administered.

Activity	Education	Monitoring	Direct Service
W.C. Administrative Services	X		X
Dispute Resolution	X		X
Special Compensation Fund	X	X	X
Assistance and Compliance	X	X	X
Rehabilitation & Medical Affairs	X	X	X
Duluth Office	X	X	X

	F.Y. 1988	F.Y. 1989	F.Y. 1990
Number of first reports filed	50,020	58,236	59,532
Number of disputes filed	14,011	17,228	19,979

PERFORMANCE:

- Helping employees, employers, health care providers, insurers, and rehabilitation consultants understand their roles, their responsibilities and the overall workers' compensation system is an important part of our business. In F.Y. 1990 23.8% more cases for assistance were handled than in F.Y. 1989 without additional staff. Attendance at departmental sponsored educational seminars increased from 693 in 1988 to 1,234 in 1990, a 78% increase.
- Minnesota's injured workers receive their initial payment of weekly lost wages within 14 days of notice to the employer 96% of the time. This compares to the published national average of 43.2%.
- Although the number of informal disputes filed with the Department has risen 38.7% between F.Y. 1988 and F.Y. 1990, the actual time between receipt and resolution of the dispute by the Department has decreased. For example, discontinuance conferences are being held within 15 days of receipt, the shortest time frame in the history of the agency. This reduces workers' compensation system costs as employers are required to continue payments until the date of the conference.

This has been accomplished through early intervention by phone and the use of decisions based on written submissions, both of which are more cost effective than in-person conferences. As a result, the administrative cost of resolving informal disputes has decreased from \$196.27 per case filed in F.Y. 1988 to \$154.01 per case filed in F.Y. 1990, a 22.6% decrease.

- Funding received in the last bicameral allowed the Department to design and implement an automated file tracking system utilizing bar code technology to keep track of over 200,000 active files. One of the many benefits has been to allow a shift of responsibilities of 4 clerical workers to other areas needing resources. Staff does not have to spend the 80 hours per week previously spent searching for files as the system records the location of each file. This has resulted in improved service to constituents in many areas. One example is in the file review area where files are now available to our constituents within 30 days from request instead of the previous 6 months. It has also allowed us to pilot an optical disc imaging system for storage and maintenance of records without needing additional staff.
- The effectiveness of an intensive enforcement effort was confirmed in F.Y. 1990. Over 125 previously uninsured employers obtained mandatory coverage directly as a result of public meetings, media coverage and direct enforcement operations conducted in Northwestern and Southwestern Minnesota.

PROSPECTS:

Development of Automated Systems to Monitor Costs More Effectively: Manual monitoring of the prompt and accurate payment of benefits and services to injured workers is costly and inefficient. Many of the tasks required in monitoring are repetitive and time consuming. Automating many of these tasks will reduce the need for additional human resources and improve the quality and time frame of our monitoring program. Resources were shifted in the last bicameral to design an automated benefits monitoring system. This system, when fully implemented in F.Y. 1992, will provide increased monitoring activities without the need for additional staff. Resources will be shifted in the next bicameral toward designing and implementing an automated rehabilitation monitoring system and an automated litigation tracking system. These systems will enable the Department to monitor the provisions of rehabilitation services to injured employees and to watch for trends in litigation which may have policy implications. Implementation of these programs depends upon a computer mainframe upgrade to increase central processing capabilities.

PROGRAM: Workers' Compensation Regulation and Enforcement **1992-93 Biennial Budget**
 (Continuation)
 Agency: Labor and Industry, Department of

Development of Programs to Contain Medical Costs: In response to the findings in the Department's Medical Cost Containment study published in 1990, programs to contain Minnesota's workers' compensation medical costs are being developed. The Department will be presenting a medical cost containment package to the 1991 legislature. The proposal will include a more effective medical fee schedule, the enforcement of medical care utilization review programs, the enrollment of health care providers, and the implementation of a uniform billing form. Department resources have been shifted from dispute resolution on a temporary basis to design and implement these programs.

Growth in Disputes Filed: For the past 3 years the Department has used a variety of strategies to effectively handle an increased number of disputes without increasing staff. Although these strategies have been successful as shown by the reduction in time to resolve disputes, additional staff will be needed in the next biennium to prevent the erosion of the timeliness and quality of informal dispute resolution due to the continued trend of over a 10% increase in disputes filed per year. Delays in the resolution of disputes cause hardship for the injured employee and is costly to employers as they may be required to continue benefits until a decision is rendered.

Enforcement of Mandatory Insurance Coverage: The current biennium has proven the effectiveness of an intensive effort in enforcement of mandatory insurance coverage. One project covering Northwestern and Southwestern Minnesota began in November 1989 resulted in more than 125 previously uninsured employers obtaining coverage before the end of August 1990. As employers demand a "level playing field" with their competitors, there is increased demand on the Department to step up enforcement in this area to help reduce the unfair competitive advantage gained by uninsured employers as well as reduce growing uninsured employee claims. Minnesota has only 1 such enforcement officer; Wisconsin has 5. Additional enforcement officers are needed to cover more of the state effectively.

PLAN:

The plan for the next biennium for the Workers' Compensation program is:

- To achieve the mainframe upgrade that will enable the Department to implement the automated benefit monitoring, rehabilitation monitoring, and litigation tracking systems it is currently designing. (Actual dollars are itemized in the General Support program).

and

- To make the following Base Reallocation Decisions from the Workers' Compensation Special Compensation Fund:

1. W.C. Administrative Services F.Y. 1992 \$102,000 F.Y. 1993 \$161,000

The increases in this activity are requested to cover projected increases in the cost of goods and services, including salaries, for the next biennium.

2. Dispute Resolution F.Y. 1992 \$201,000 F.Y. 1993 \$298,000

Projected increases in the cost of goods and services, including salaries, make up \$161,000 in F.Y. 1992 and \$256,000 in F.Y. 1993 of the requested increase. The remainder, \$40,000 in F.Y. 1992 and \$42,000 in F.Y. 1993, supports the addition of 1 rehabilitation and medical specialist to prevent delays in the resolution of disputes in light of increasing volume.

3. <u>Special Compensation Fund</u>	F.Y. 1992 \$180,000	F.Y. 1993 \$245,000
Projected increases in the cost of goods and services, including salaries, account for \$98,000 in F.Y. 1992 and \$160,000 in F.Y. 1993 of the requested increase. The remaining \$82,000 in F.Y. 1992 and \$85,000 in F.Y. 1993, is requested to support 2 additional enforcement investigators to enforce mandatory workers' compensation insurance coverage and the travel costs to support that activity. These additions are needed to reduce the unfair competitive advantage uninsured employers have and to maintain the progress made in reducing the increase in uninsured claims.		
4. <u>Assistance and Compliance</u>	F.Y. 1992 \$91,000	F.Y. 1993 \$132,000
Projected increases in the cost of goods and services, including salaries, account for this requested increase in funding.		
5. <u>Rehabilitation and Medical Affairs</u>	F.Y. 1992 \$42,000	F.Y. 1993 \$63,000
Projected increases in the cost of goods and services, including salaries, account for this requested increase in funding.		
6. <u>Duluth Office</u>	F.Y. 1992 \$19,000	F.Y. 1993 \$29,000
Projected increases in the cost of goods and services, including salaries, account for this requested increase in funding.		

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan for this program, except for a biennial reduction of \$418,000 from the Workers' Special Compensation Fund. The Governor does not recommend additional resources for restoring the underfunding of the F.Y. 1991 salary supplement. (See agency-wide decision item "Financing Inflationary Costs" for more detail.)



State of Minnesota Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
(612) 296-5900

March 11, 1991

To: Senator Gene Merriam, Chairman
Senate Finance Committee

Representative Wayne Simoneau, Chairman
House Appropriations Committee

Fr: John Gunyou *JK*

Re: Errors and Omissions to the Governor's 1992-93 Biennial Budget - Budget Change Order # 2

This is to advise you and your colleagues that, we will follow the same procedures used in previous biennia for transmitting any changes to the Governor's Budget.

Only changes submitted under my signature should be considered as official changes in the Governor's position. This procedure is necessary to ensure control over the General Fund Balance as well as to eliminate confusion regarding the Governor's Recommendations.

Attached to this memorandum, please find the following budget page updates:

Education Finance Committee:

Two pages were inadvertently left out of the original budget submission. Attached are pages 313-A and 313-B, the Federal Program fiscal pages. Please insert after page 313.

State Government Affairs Committee:

Pages 235 and 257 are revised to reflect the Governor's recommendation as submitted in the original budget. The narrative page (#256) reflected the Governor's funding of this program at the base level, not the Agency Plan as reflected on the numbers page. These revisions, at the program and agency level, correct the number pages by reducing special revenue funding by \$216 thousand each year. There is no affect to the General fund, this change involves special revenue funding.

The above changes are errors and omissions to the budget and do not affect the General Fund numbers in the Governor's original budget document.

Sufficient detail is provided for each error and omission to identify and reference the appropriate budget page affected.

cc: Governor Carlson
Lieutenant Governor Dyrstad
Senator Roger Moe
Representative Robert Vanasek
Representative Terry Dempsey
Senator Duane Benson
Senate and House Division Chairs
David Doth
Dick Pfutzenreuter
Peggy Ingison
Team Leaders
Executive Budget Officers

Program: 13 Federal Programs
 (Continuation) Agency: Education Aids

1332 FEDERAL IMPACT AID
 (Information Only)

Projects Currently on Priority List

	Amount	Date of Placement on List
Cass Lake 87-C-12	2,000,000	1987
Red Lake 90-C-401	7,075,000	1990

Projects Funded

Red Lake 78-C-401A28	\$ 6,500,000	1978
Mahnomen 89-C-3401A39	1,000,000	1990

3. Disaster Assistance - School

Presidentially-Declared Disaster	Federal District Claims	Impact Aid*
July 20, 1987	\$ 857,887	\$ 643,415

* Claims in process

4. Program Entitlement/Payment (000s)

ISD	District Name	F.Y. 1989		F.Y. 1990	
		Entitlement	Payment	Entitlement	Payment
001	Minneapolis	\$ 1,162.3	\$ 105.8	\$ 1,314.4	\$ 59.1
004	McGregor	48.9	17.3	30.9	9.0
011	Anoka	176.4	16.7	277.4	14.6
031	Bemidji	170.6	34.2	211.2	44.9
032	Blackduck	49.7	15.1	62.6	16.8
038	Red Lake	2,479.8	2,006.8	2,633.5	1,955.1
093	Carlton	162.4	66.8	159.0	61.4
094	Cloquet	466.5	197.6	564.8	221.0
115	Cass Lake	603.4	448.7	745.8	507.6
118	Remer	137.1	56.3	94.2	33.0
119	Walker	264.3	121.1	268.0	117.6
162	Bagley	252.1	110.2	256.7	104.2
166	Cook County	138.5	53.5	160.8	54.2
192	Farmington	61.8	5.6	58.9	2.7
193	Richfield	82.4	13.2	79.8	7.8
195	Park Rapids	226.1	96.2	256.1	101.1
317	Deer River	580.7	369.6	544.8	318.6
381	Lake Superior	53.5	9.0	55.9	5.4
432	Mahnomen	770.8	611.0	859.8	627.5
435	Waubun	509.2	395.9	519.6	372.3
480	Onamia	332.4	220.4	319.7	194.0
566	Askov	—	—	12.3	0.6
573	Hinckley	63.5	20.1	74.5	19.2
576	Sandstone	128.1	39.3	106.5	26.8
625	St. Paul	1,477.4	134.4	1,555.5	70.0
652	Morton	151.6	95.2	173.1	99.4

1992-93 Biennial Budget

ISD	District Name	F.Y. 1989		F.Y. 1990	
		Entitlement	Payment	Entitlement	Payment
696	Ely	27.4	2.5	38.8	1.8
700	Hermantown	73.4	18.8	78.5	16.4
707	Neit Lake	322.3	260.4	255.9	190.7
708	Tower-Soudan	60.2	24.9	67.4	24.6
709	Duluth	355.9	32.4	384.2	17.3
710	St. Louis County	121.5	41.1	160.9	52.7
742	St. Cloud	235.0	21.4	238.7	10.8
Total		\$ 11,745.2	\$ 5,661.5	\$ 12,620.2	\$ 5,358.2

PROSPECTS:

Federal Impact Aid will continue to provide direct aid payments to Minnesota school districts which are financially burdened as a result of federal activities or ownership. Although, nationwide, Impact Aid is primarily a program for military and other federal activities, districts which include Indian lands are the main benefactors in Minnesota. The amount of Impact Aid received by Minnesota school districts makes a significant impact in providing programs and services to students. It appears that the proration of aid entitlement will continue in the future.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EDUCATION FINANCE
PROGRAM: FEDERAL PROGRAMS

ACTIVITY RESOURCE ALLOCATION:				FY 1992			FY 1993		
	FY 1989	FY 1990	Est.	Adjusted Base	Agency Plan	Governor Recom.	Adjusted Base	Agency Plan	Governor Recom.
SPECIAL EDUC - HANDICAPPED (EHA, P	25,921	30,720	29,588	32,000	32,000	32,000	32,000	32,000	32,000
SPECIAL EDUC - PRESCHOOL INCENTIVE	2,611	3,769	5,500	5,500	5,500	5,500	5,500	5,500	5,500
SPECIAL EDUC - INFANTS AND TODDLER	600	907	98	98	98	98	98	98	98
SPECIAL EDUC - DEAF/BLIND	126	159	189	189	189	189	189	189	189
SPECIAL EDUC - HDCP IN RESIDENTIAL	169	171	185	185	185	185	185	185	185
SPECIAL EDUC - HDCP N/D IN RESIDEN	351	334	256	256	256	256	256	256	256
SPECIAL EDUC - DISADV N/D IN RESID	817	893	886	886	886	886	886	886	886
DISADVANTAGED (ECIA) CHAPTER 1 BAS	46,343	49,349	54,349	59,484	59,484	59,484	64,150	64,150	64,150
DISADVANTAGED (ECIA) CHAPTER 1 CAP		542	738	1,000	1,000	1,000	1,000	1,000	1,000
DISADVANTAGED (ECIA) CHAPTER 1 PRO			130	150	150	150	150	150	150
MIGRANT EDUCATION	1,140	1,825	1,843	1,843	1,843	1,843	1,843	1,843	1,843
TRANSITION PROGRAM FOR REFUGEE CHI	504	476							
EMERGENCY IMMIGRANT EDUCATION	128	109	106	100	100	100	100	100	100
SECONDARY VOCATIONAL - SPECIAL NEE	585	643	594	594	594	594	594	594	594
SECONDARY VOCATIONAL - CONSUMER HO	208	225	225	225	225	225	225	225	225
SECONDARY VOCATIONAL - SINGLE PARE	274	226	224	224	224	224	224	224	224
SECONDARY VOCATIONAL - SEX EQUITY	40	153	114	114	114	114	114	114	114
SECONDARY VOCATIONAL - STUDENT FOL	58	57	64	64	64	64	64	64	64
ADULT EDUCATION	1,338	1,972	2,194	2,194	2,194	2,194	2,194	2,194	2,194
DRUG FREE SCHOOLS	2,020	3,473	6,995	4,912	4,912	4,912	4,912	4,912	4,912
INDIAL SOCIAL WORK AIDE TRAINING	5	3							
BYRD SCHOLARSHIP PROGRAM	140	138	134	134	134	134	134	134	134
CONSOLIDATED FEDERAL PROGRAMS (BLO	8,714	7,049	6,277	6,161	6,161	6,161	6,046	6,046	6,046
PUBLIC LIBRARY AID	2,311	2,468	2,643	2,243	2,243	2,243	2,243	2,243	2,243
TEACHER INSERVICE PROGRAMS (TITLE	948	1,908	1,218	1,218	1,218	1,218	1,218	1,218	1,218
SCHOOL LUNCH PROGRAM	38,614	42,476	48,264	50,866	50,866	50,866	53,272	53,272	53,272
SPECIAL MILK PROGRAM	783	957	946	946	946	946	946	946	946
SCHOOL BREAKFAST PROGRAM	2,164	3,629	4,629	4,629	4,629	4,629	4,629	4,629	4,629
CHILD CARE FOOD PROGRAM	31,337	39,379	40,166	41,815	41,815	41,815	43,771	43,771	43,771
SUMMER FOOD SERVICE PROGRAM	473	1,247	1,189	1,189	1,189	1,189	1,189	1,189	1,189
TOTAL EXPENDITURES BY ACTIVITY	168,722	195,257	209,744	219,219	219,219	219,219	228,132	228,132	228,132

DETAIL BY CATEGORY:

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EDUCATION FINANCE
PROGRAM: FEDERAL PROGRAMS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
LOCAL ASSISTANCE	168,582	195,119	209,610	219,085	219,085	219,085	227,998	227,998	227,998
AID TO INDIVIDUALS	140	138	134	134	134	134	134	134	134
TOTAL EXPENDITURES BY CATEGORY	168,722	195,257	209,744	219,219	219,219	219,219	228,132	228,132	228,132
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
STATUTORY APPROPRIATIONS:									
FEDERAL	168,722	195,257	209,744	219,219	219,219	219,219	228,132	228,132	228,132
TOTAL FINANCING	168,722	195,257	209,744	219,219	219,219	219,219	228,132	228,132	228,132

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
ADMINISTRATION	1,887	2,342	2,641	2,586	2,686	2,686	2,521	2,621	2,621
EMPLOYEE HEALTH AND BENEFITS	132,264	161,085	175,946	217,072	217,220	217,220	262,077	262,242	262,242
LABOR RELATIONS	470	493	497	517	517	517	528	528	528
STAFFING AND COMPENSATION	2,119	3,812	4,269	3,152	3,052	3,052	3,158	3,058	3,058
SAFETY AND WORKERS' COMPENSATION	18,739	23,397	25,271	25,422	25,638	25,422	25,422	25,638	25,422
TRAINING AND DEVELOPMENT	805	1,002	1,204	955	955	955	955	955	955
EQUAL OPPORTUNITY	224	276	330	320	320	320	327	327	327
GENERAL REDUCTION					<422>				<551>
TOTAL EXPENDITURES BY PROGRAM	156,508	192,407	210,158	250,024	250,388	249,750	294,988	295,369	294,602
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	7,706	10,335	9,914	8,808	8,808	8,386	8,805	8,805	8,254
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	16,933	21,538	24,138	24,150	24,366	24,150	24,168	24,384	24,168
EMPLOYEE INS TRUST	131,039	157,877	172,756	213,991	214,139	214,139	258,990	259,155	259,155
AGENCY	830	2,657	3,350	3,075	3,075	3,075	3,025	3,025	3,025
TOTAL FINANCING	156,508	192,407	210,158	250,024	250,388	249,750	294,988	295,369	294,602

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: EMPLOYEE RELTNS, DPT

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93
F.Y. 91 FUNDING LEVEL	210,158	210,158	9,914	9,914	200,244	200,244		
ONE-TIME APPROPRIATIONS	<1,394>	<1,394>	<1,394>	<1,394>				
SALARY ANNUALIZATION	114	93	114	93				
DOCUMENTED RENT/LEASE INCR.	174	192	174	192				
DEDICATED RECEIPTS AND FUNDS	40,972	85,939			40,972	85,939		
TOTAL BIENNIAL TOTAL	250,024	294,988	8,808	8,805	241,216	286,183		
		545,012		17,613		527,399		

F.Y. 1991 Budget Reductions (Information Only)

The following F.Y. 1991 reductions were implemented in Laws 1991, Chapter 2. These reductions are not reflected as changes to F.Y. 1991 or F.Y. 1992-93 BASE Levels within the budget documents.

The Department of Employee Relations is reducing expenditures in F.Y. 1991 by accelerating repayments for advances made from the General Fund to the State Worker's Compensation Revolving Fund, in accordance with the Laws of 1991, Chapter 2, Article VII, Sec. 2 (d). The amount to be transferred in advance of schedule to the General Fund before June 30, 1991, is \$400,000.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
PROGRAM: SAFETY AND WORKERS' COMPENSATION

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
SAFETY AND WORKERS' COMPENSATION	1,971	2,206	1,949	2,100	2,316	2,100	2,100	2,316	2,100
WORKERS' COMP NON-OPERATING	16,768	21,191	23,322	23,322	23,322	23,322	23,322	23,322	23,322
TOTAL EXPENDITURES BY ACTIVITY	18,739	23,397	25,271	25,422	25,638	25,422	25,422	25,638	25,422
DETAIL BY CATEGORY:									
STATE OPERATIONS	18,739	23,397	25,271	25,422	25,638	25,422	25,422	25,638	25,422
TOTAL EXPENDITURES BY CATEGORY	18,739	23,397	25,271	25,422	25,638	25,422	25,422	25,638	25,422
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,184	2,327	1,807	1,807	1,807	1,807	1,807	1,807	1,807
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	16,555	21,070	23,464	23,615	23,831	23,615	23,615	23,831	23,615
TOTAL FINANCING	18,739	23,397	25,271	25,422	25,638	25,422	25,422	25,638	25,422

ACTIVITY: Safety & Workers' Compensation
PROGRAM: Safety & Workers' Compensation
AGENCY: Employee Relations, Department of

1992-93 Biennial Budget

DECISION ITEM: Increase to Administration

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
AGENCY PLAN:				
Expenditures				
General Fund	\$ 216	\$ 216	\$ 216	\$ 216
Positions	5.0	5.0	5.0	5.0
Revenues	216	216	216	216

GOVERNOR'S RECOMMENDATION:

	\$	-0-	\$	-0-	\$	-0-	\$	-0-
Expenditures								
General Fund	\$	-0-	\$	-0-	\$	-0-	\$	-0-
Positions	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Revenues	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

Requires statutory change: Yes No
Statutes Affected:

ITEM SUMMARY:

DOER requests authority to spend in addition to the BASE level for this program \$432,000 in the 1992-93 biennium, and request an additional 5.0 complement.

RATIONALE:

The increase in spending would fund 4 claims specialists and 1 data entry position. Also included is funding for actuarial services and computer system enhancements. The additional expenditure would result in estimated annual savings of \$840,000 and a 10% decrease in the State's future liability. The additional funding and positions would speed up claims processing and payment.

GOVERNOR'S RECOMMENDATION:

Given the constraints for funding of new programs, the Governor does not recommend funding for this request.



State of Minnesota Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
(612) 296-5900

March 20, 1991

To: Senator Gene Merriam, Chairman
Senate Finance Committee

Representative Wayne Simoneau, Chairman
House Appropriations Committee

Fr: John Gunyou *JK*

Re: Errors and Omissions to the Governor's 1992-93 Biennial Budget - Change Order # 3

Only changes submitted under my signature should be considered as official changes in the Governor's position. This procedure is necessary to ensure control over the General Fund Balance as well as to eliminate confusion regarding the Governor's Recommendations.

Attached to this memorandum, please find the following budget page updates:

Infrastructure & Regulation Committee:

Page 94 has been revised to correct errors in the column for the number of employees requested for 6-30-93 and an error under Employees by Employment Status.

Page 112 has been revised to correct an error as stated in the budget narrative. Under the Plan section the second paragraph states that additional staff in F.Y. 1992 would cost \$151,000, the correct cost is \$155,000. The numbers in the budget system are correct.

State Government Affairs Committee:

Pages 337, 340 and 342 are revised to correct an error in the kind code used to identify Source of Financing for Mediation Services on the Budget Report pages. The source of funding should be direct appropriations for all years. This change relates to history years only and does not affect the 1992-93 budget.

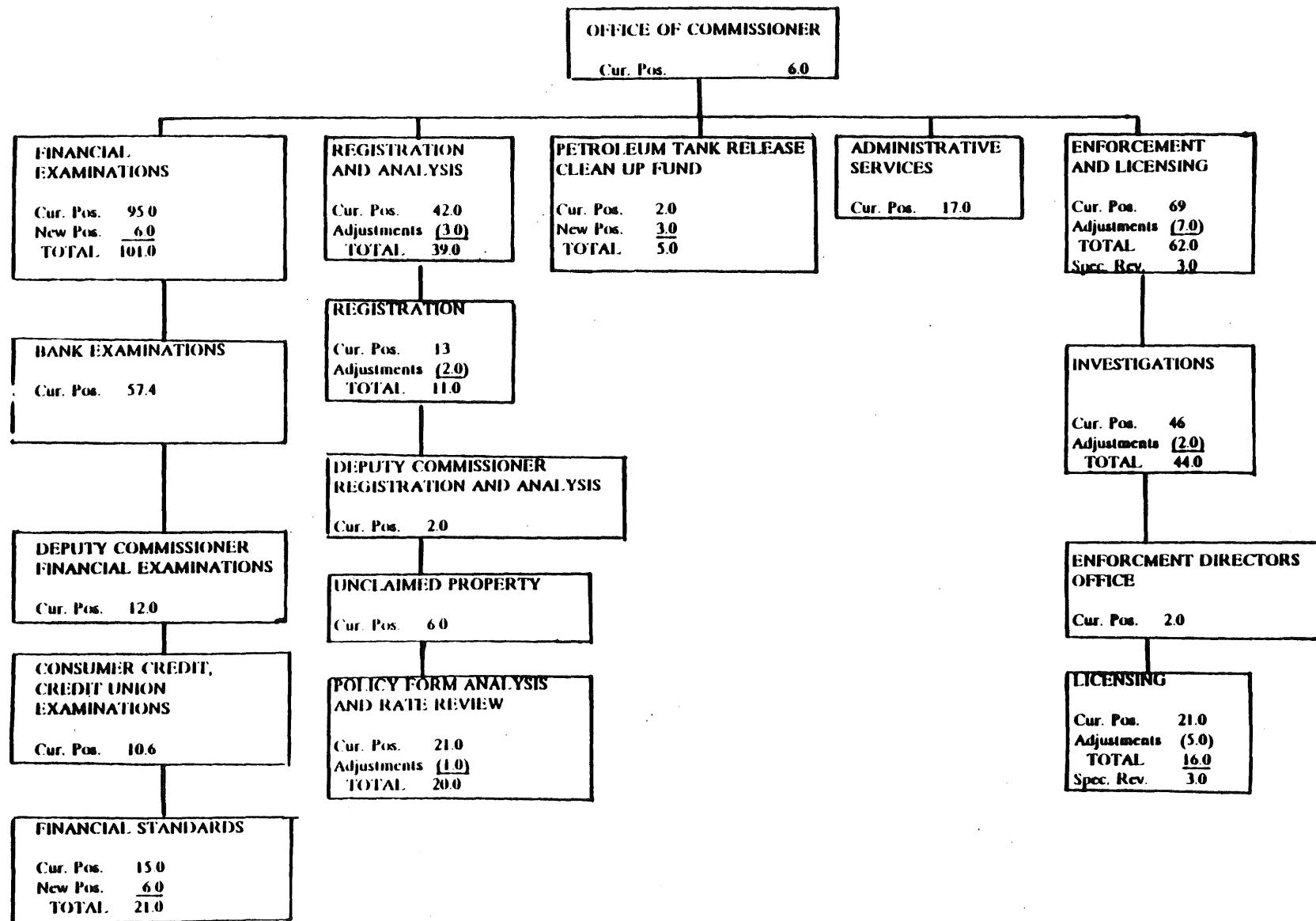
Page 401 has been revised by deleting the second paragraph under the Governor's Recommendation. This change does not affect the numbers in the budget document.

The above changes are errors and omissions to the budget and do not affect the General Fund numbers in the Governor's original budget document.

Sufficient detail is provided for each error and omission to identify and reference the appropriate budget page affected.

cc:	Governor Carlson Lieutenant Governor Dyrstad Senator Roger Moe Representative Robert Vanasek Representative Terry Dempsey Senator Duane Benson	Senate and House Division Chairs Lyall Schwarzkopf Patsy Randell David Doth Dick Pfutzenreuter Peggy Ingison Team Leaders	Exec Budget Officers
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Department of Commerce Organization Chart 7/1/90



PROGRAM PURPOSE:

The Petroleum Tank Release Cleanup Fund provides partial reimbursement to tank owners and operators for the cost of investigating and cleaning up petroleum releases. The reimbursement program was created to provide an incentive for the timely reporting of petroleum releases which may be hazardous to the public health and environment if left unreported. The program also assists tank owners who wish to cooperate and a release but who otherwise may not have adequate financial resources to do so.

Subsequent to the establishment of the Fund, the federal Environmental Protection Agency adopted regulations requiring most non-residential tankowners to, generally, maintain a networth of \$1,000,000 or purchase insurance coverage in that amount. The Petrofund has applied for EPA certification so that the Fund's statutory charge to reimburse Minnesota tankowners up to \$1,000,000 of costs resulting from a petroleum release satisfies the above EPA requirements. Indications are that the Fund will obtain the certification.

PERFORMANCE:

The Petroleum Tank Release Compensation Board administers the Fund and its staffed by the Department. The Board consists of 2 representatives of the petroleum industry and 1 representative of the insurance industry, all appointed by the Governor. The Minnesota Pollution Control Agency (MPCA) commissioner and the Commerce commissioner also serve on the board. The Board's staff currently consists of an analyst and a secretary.

The Petroleum Tank Release Cleanup Fund is funded by a 1¢ per gallon gasoline fee imposed by the Board on gasoline distributors. Applicants are reimbursed 90% of their costs up to \$1,000,000.

The mission of this program is achieved through the following:

- providing funding to the MPCA for costs of investigating and cleaning up releases when the person responsible for the release cannot be located or is financially unable to take corrective action.
- providing funding directly to tank owners for the expeditious cleanup of petroleum releases. To that end, the following amounts have been paid to tank owners:

Fiscal Year	Amount Paid
1988	\$ 78,986
1989	\$ 818,576
1990	\$ 11,307,569

- encouraging timely cleanup by attending educational forums for environmental attorneys, tank owners and operators and representatives of the financial industry to advise them of the existence of and availability of funds from the Fund.
- assisting small businesses by providing coverage up to \$1,000,000 per petroleum release and, therefore, enabling small businesses to satisfy regulations promulgated by the federal Environmental Protection Agency which require tank owners to obtain insurance coverage with a maximum liability of not less than \$1,000,000.

PROSPECTS:

Recently enacted federal legislation which requires the replacement of approximately 40,000 Minnesota underground storage tanks over the next 8 years will directly impact this program since

it is likely that releases that have gone unnoticed for years will be discovered upon replacement of the tanks. The number of applications has steadily increased since the inception of the program, and the increase is expected to continue and become even more dramatic. The following illustrates the number of applications annually received during the first 3 years of the program and the number of applications estimated to be received in the current fiscal year and following biennium:

FISCAL YR	# OF APPLICATIONS		AMOUNT REIMBURSED
	NEW	SUPPLEMENTAL	
1988 (act.)	3	0	\$ 78,986
1989 (act.)	33	0	818,576
1990 (act.)	314	113	11,300,000
1991 (est.)	785	339	21,470,000
1992 (est.)	1600	1017	40,793,000
1993 (est.)	1600	3051	45,000,000

Because of the short history of this program, it is difficult to accurately estimate the number of applications which will be received and the amount of reimbursements that will be made. The figure for the number of new applications for F.Y. 1991 was derived by comparing the number of applications received during the first half of F.Y. 1990 with the number of applications received during the first half of F.Y. 1991. The resulting percentage increase in applications of 250% was then applied to the total number of applications received in F.Y. 1990 to arrive at an estimate for F.Y. 1991. The number of new applications for F.Y. 1992 and F.Y. 1993 are estimated to continue to dramatically increase and then stabilize over the 2-year-period.

The number of supplemental applications for F.Y. 1991, F.Y. 1992 and F.Y. 1993 was determined by comparing the actual number of supplemental applications received during the first half of F.Y. 1990 to those received during the first half of F.Y. 1991. The percentage increase of 300% was then applied to the total number of applications received during F.Y. 1990 to arrive at the estimated total number of applications to be received in F.Y. 1991. The 300% increase was then applied to the estimated number of applications to be received in F.Y. 1991 to arrive at the number to be received in F.Y. 1992 and then to the number estimated to be received in F.Y. 1992 to reach an estimate for F.Y. 1993.

The total amount of reimbursement for F.Y. 1991 was determined by comparing the total amount of payments during the first quarter of F.Y. 1990 to payments made during the first quarter of F.Y. 1991. The increase of 190% was then applied to the total payout in F.Y. 1990 to arrive at an estimated payout in F.Y. 1991. That percentage increase was then applied to the estimated payout of F.Y. 1991 to arrive at an estimated payout of F.Y. 1992. The level of payout is anticipated to stabilize somewhat in 1993, with a slight increase attributable to the increase in supplemental applications.

It must be stressed that the actual number of applications and reimbursements may be significantly less than or greater than the estimates. Because of the short history of the Fund, it is impossible to predict future results with any certainty.

As noted above, the costs of the Fund and reimbursements to tankowners are paid from monies derived from a 1¢ fee per gallon of gasoline which is imposed on petroleum distributors. Based on past experience, the maximum amount of annual revenues from this fee is \$30,000,000. As is evident, the reimbursement projections for F.Y. 1992 and F.Y. 1993 significantly exceed this amount.

The estimates assume, however, that adequate staff exist at the Pollution Control Agency and the Fund to promptly review corrective action plans and applications for compliance with reimbursement requirements. It is the Department's understanding that the PCA estimates that it is only able to review approximately 700 corrective action plans per year. As applications for Petrofund reimbursement must have a PCA-approved corrective action plan to be eligible for reimbursement, the inability of the PCA to review corrective action plans on a timely basis will artificially cap the amount of applications received and amount reimbursed by the Petrofund.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MEDIATION SERVICES

PROGRAM RESOURCE ALLOCATION:	FY 1989			FY 1990			Est. FY 1991			FY 1992			FY 1993					
	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.						
MEDIATION SERVICES	1,408	1,378	1,508	1,523	1,466	1,523	1,520	1,486	1,520	283	340	351	352	409	233	352	386	83
CO-OP LABOR-MGMT PROGRAMS																		
TOTAL EXPENDITURES BY PROGRAM	1,691	1,718	1,859	1,875	1,875	1,756	1,872	1,872	1,603									
SOURCES OF FINANCING:																		
DIRECT APPROPRIATIONS:																		
GENERAL	1,691	1,718	1,859	1,875	1,875	1,756	1,872	1,872	1,603									
STATUTORY APPROPRIATIONS:																		
TOTAL FINANCING	1,691	1,718	1,859	1,875	1,875	1,756	1,872	1,872	1,603									

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MEDIATION SERVICES
PROGRAM: MEDIATION SERVICES

ACTIVITY RESOURCE ALLOCATION:	FY 1989			FY 1992			FY 1993		
	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
REPRESENTATION MEDIATION	1,408	1,378	1,508	1,523	1,466	1,523	1,520	1,486	1,520
TOTAL EXPENDITURES BY ACTIVITY	1,408	1,378	1,508	1,523	1,466	1,523	1,520	1,486	1,520
DETAIL BY CATEGORY:									
STATE OPERATIONS	1,408	1,378	1,508	1,523	1,466	1,523	1,520	1,486	1,520
TOTAL EXPENDITURES BY CATEGORY	1,408	1,378	1,508	1,523	1,466	1,523	1,520	1,486	1,520
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,408	1,378	1,508	1,523	1,466	1,523	1,520	1,486	1,520
STATUTORY APPROPRIATIONS:									
TOTAL FINANCING	1,408	1,378	1,508	1,523	1,466	1,523	1,520	1,486	1,520

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MEDIATION SERVICES
PROGRAM: CO-OP LABOR-MGMT PROGRAMS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
CO-OP LABOR-MGMT PROGRAMS	283	340	351	352	409	233	352	386	83
TOTAL EXPENDITURES BY ACTIVITY	283	340	351	352	409	233	352	386	83
DETAIL BY CATEGORY:									
STATE OPERATIONS	95	102	113	114	171	114	114	148	114
LOCAL ASSISTANCE	188	238	238	238	238	119	238	238	<31>
TOTAL EXPENDITURES BY CATEGORY	283	340	351	352	409	233	352	386	83
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	283	340	351	352	409	233	352	386	83
STATUTORY APPROPRIATIONS:									
TOTAL FINANCING	283	340	351	352	409	233	352	386	83

PROGRAM PURPOSE:

For the purpose of this budget narrative, the Administration Program includes the Commissioner's Office, the Internal Audit Office, and the following divisions: Administrative Services, Fiscal Services, Human Resources Management, Information Access and Security, and Information Systems. The divisions and units described here are grouped together for purposes of convenience and historical comparison.

This program affects, and is affected by, many of the department's strategies for the future. We have 3 primary resources for carrying out our mission and strategies: people, funds, and information. Although our operating managers have primary responsibility for managing our human, financial, and information resources, these managers rely on the Administration Program for service, support, and expertise. The customers of the Administration Program include both taxpayers (individually and collectively) and department managers and employees.

The people in this program work toward our goal that all employees be properly trained, equipped, and capable of performing their duties properly; that they have the information and logistical support they need; and that they have the service delivery systems that facilitate their interaction with their customers.

The Commissioner's Office includes the Commissioner, the Deputy Commissioner, the Affirmative Action Officer and the Taxpayer Rights Advocate. They provide overall leadership to the department by:

Leading the effort to develop sound tax policy for the state of Minnesota:

- Managing the state tax and revenue system on behalf of the people of Minnesota,
- Developing and implementing policies and procedures to ensure equal opportunity to all employees,
- Developing policies and procedures that ensure fair and equitable treatment for all citizens, and
- Providing an advocate for all citizens who have grievances against the department.

The Administrative Services Division provides administrative and support services to all areas of the department, and acts as the "single point of contact" with other state agencies, private vendors, and other organizations that provide services or materials to the department.

The Fiscal Services Division serves all areas of the department by:

- Providing financial information and financial management advice to all managers in the department,
- Maintaining and monitoring the department's budget and spending plans, accounts payable and payroll system, and
- Providing financial reports and information to managers.

The Internal Audit Office ensures that the department is using its resources effectively by monitoring internal controls for all areas of the department.

The Human Resources Management Division ensures that our workforce is technically competent and confident by providing high quality human resource management and training services, products, consultations, and controls to all managers, supervisors and employees in the department.

The Information Access and Security Division encourages information exchange within an environment which ensures that Federal, state, and departmental data security requirements are met.

The Information Systems Division provides the department with timely, accurate information needed to effectively operate the tax system. This division has responsibility for planning, designing and implementing new information systems and for operating and maintaining new and existing systems.

PERFORMANCE:

During F.Y. 1990-91, the Administration Program implemented a variety of technical changes in the Department of Revenue. These included the implementation of the Taxpayer Registration (Individual) and Computer Assisted Compliance System (CACS) systems, resulting in making more timely, accurate information available to department employees and taxpayers. The Taxpayer Accounts System (TPA) begun in November 1990 is expected to further improve these outcomes.

The Taxpayer Registration System (TPR) provides all department employees with on-line taxpayer profiles as well as current and past histories for all business and individual taxpayers. The CACS contains a repository of taxpayer information on all taxpayers that owe the state money on past due taxes. In addition, it contains information on taxpayers who have not filed returns. This information allows the department to more effectively pursue taxpayers who are remiss in their filings and payments. The TPA provides an on-line, centralized repository of all transactions that affect the balance of a taxpayer's account. This system provides accurate, timely information for taxpayers, employees and other agencies.

Other F.Y. 1990-91 projects are:

- Development of the DOR Infrastructure
- Completion of the Business Model and initiation of the design phase of the Sales Tax Processing System
- Enhancement of the CACS System
- Pilot System for Electronic Filing of Individual Income tax returns
- Pilot of Optical Character Recognition (OCR) application
- Implementation of a Sales Tax Coupon Booklet process
- Design and initial development of a Refunds Payable system
- Implementation, maintenance and enhancement of a repository of baseline data
- Feasibility study of an Electronic Funds Transfer System
- Completion of Strategic Information Systems Plan
- Legislatively mandated modification and systems development related to the new Entertainer tax, Political Contribution refunds, Non-resident Partnership/Shareholder tax, Lawful Gaming, Taxpayer Rights, and Corporation Income tax.

Changing technology along with the increased emphasis on productivity, customer service and partnerships has created an increasing need for management services, training, and consultations. Requests for management services have ranged from individual consultations to facilitation of group meetings and conferences. During F.Y. 1990-91, over 300 training sessions that involved more than 7,000 employees were presented. Consultation services were provided to over 80 individuals and work groups in areas of management and supervisory responsibility. While it is difficult to measure the impact of these services, anecdotal evidence suggests that they have played a role in promoting more effective working relationships and clearer understanding among employees of the department's mission and goals.

We have worked to improve state cash flow by processing 77% of funds received the same day they are received. We are also identifying high dollar returns for priority processing. New OPEX mail openers delivered in December 1990 will further expedite the mail opening process.

PROSPECTS:

The implementation of the TPR, CACS, and TPA systems has greatly improved the quality and timeliness of the information available to taxpayers, employees, and other agencies. Further changes in the amount of information needed and improvements in technology will require even greater development of information systems.



State of Minnesota Department of Finance

400 Centennial Building
658 Cedar Street
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(612) 296-5900

March 28, 1991

To: Senator Gene Merriam, Chairman
Senate Finance Committee

Representative Wayne Simoneau, Chairman
House Appropriations Committee

Fr: John Gunyou *JK*

Re: Errors, Omissions and supplemental changes to the Governor's 1992-93 Biennial Budget - Change Order # 4

Only changes submitted under my signature should be considered as official changes in the Governor's position. This procedure is necessary to ensure control over the General Fund Balance as well as to eliminate confusion regarding the Governor's Recommendations.

Attached to this memorandum, please find the following budget page updates:

Education Finance Committee:

Pages 1 through 8 have been revised reflecting changes to the Governor's Recommendations.

Pages 9, 10, 11 and 12 have been revised, related to School District Gross Certified Levies.

Page 12A is a new page. The Governor recommends increasing the F.Y. 1992 aid entitlement by \$16,971,000.

Pages 21, 22, 23 and 28 have been revised changing the Governor's Recommendations. The aid entitlement has been increased. The General Fund appropriation has been increased by \$413,000 in F.Y. 92 and increased by \$3,264,000 for F.Y. 93. The net effect is an increase of \$3,677,000 to the General Fund for the biennium.

Pages 36, 37, 38 and 39 have revisions to the Governor's Recommendations. Set the transportation allowance at \$434, changes inflation factor in computing regular transportation funding from 5 to 4 % for F.Y. 92. Additional language included under 3e. provides for additional nonregular transportation revenue. Under recommendation 4, the set target for the basic transportation levy has been increased for F.Y.s 93 and 94 and the General Fund appropriation has been increased by \$1,280,000 for F.Y.92 and decreased by \$1,280,000 for F.Y. 93.

The net effect is zero to the General Fund for the biennium.

Pages 48 and 49 have revisions to the Governor's Recommendations. The Special Education aid and levy funding are increased for F.Y. 92 and decreased for F.Y. 93 from the original recommendations. Formula amounts related to essential personnel are increased for both years 1992 and 1993 over the original recommendations. The General Fund appropriation has been increased by \$163,000 in F.Y. 92 and decreased by \$237,000 for F.Y. 93. The net effect is a decrease of \$74,000 to the General Fund for the biennium.

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Page 2

Pages 62 and 63 have revisions to the Governor's Recommendations. The Special Education Summer School aid and levy funding are increased for F.Y. 92 and decreased for F.Y. 93 from the original recommendations. Formula amounts related to essential personnel are increased for both years 1992 and 1993 over the original recommendations. The General Fund appropriation has been increased by \$23,000 in F.Y. 92 and decreased by \$11,000 for F.Y. 93. The net effect is an increase of \$12,000 to the General Fund for the biennium.

Pages 66 and 67 have revisions to the Governor's Recommendations. The effect of these revised recommendations is a decrease to the General Fund of \$43,000 for F.Y. 92 and a decrease of \$95,000 for F.Y. 93. The net effect is a decrease of \$138,000 to the General Fund for the biennium.

Pages 69 and 70 have revisions to the Governor's Recommendations. The General Fund appropriation has been increased by \$9,000 in F.Y. 92 and increased by \$6,000 for F.Y. 93. The net effect is an increase of \$15,000 to the General Fund for the biennium.

Pages 72, 73 and 74 have revisions to the Governor's Recommendations. The General Fund appropriation has been increased by \$13,000 in F.Y. 92 and increased by \$6,000 for F.Y. 93. The net effect is an increase of \$19,000 to the General Fund for the biennium.

Pages 77 and 78 have revisions to the Governor's Recommendations. The General Fund appropriation has been increased by \$6,000 in F.Y. 93.

Pages 80 and 81 have revisions to the Governor's Recommendations. The General Fund appropriation has been increased by \$142,000 in F.Y. 92 and decreased by \$37,000 for F.Y. 93. The net effect is an increase of \$105,000 to the General Fund for the biennium.

Page 150 has been revised related to narrative under the Governor's Recommendations. No change in funding.

Pages 168, 169 and 169A are revisions to the Governor's Recommendations. The General Fund appropriation has been decreased by \$100,000 in F.Y. 92 and increased by \$99,000 for F.Y. 93. The net effect is a decrease of \$1,000 to the General Fund for the biennium.

Page 235A is a new page. The Governor recommends an increase in General Fund appropriations of \$75,000 in F.Y. 92 and \$575,000 in F.Y. 93 to establish a Commission on Minority Staffing.

Post-Secondary Education Committee:

Pages 114 and 128 are revised and a new page 129A is added. The Governor recommends an increase of \$5,000,000 in F.Y. 92 and \$5,000,000 in F.Y. 93 to provide for quality education and research efforts in technology-related areas. General fund expenditure increase of \$10,000,000 for the biennium.

Human Development Committee:

Page 9 has been revised for the Department of Human Services at the agency level to reflect the various program changes.

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Page 3

Page 10 has been revised due to base adjustment changes. This page includes both the changes made to the income maintenance forecast and a yearly increase of \$1,524,000 to account for eight instances of replacing dedicated federal reimbursements with direct state appropriations. The corresponding \$1,524,000 yearly increase is included in the non-dedicated federal reimbursements in the General Fund Balance, for a net effect of zero in the fund balance.

Page 16 is a revised program numbers page.

Page 21 has revisions to revenues in fiscal years 1994 and 1995.

Page 25 is a revised program numbers page.

Page 31 has revisions to the Governor's Recommendations reflecting additional General Fund revenues. Additional revenue for F.Y. 92 is \$59,000 and \$58,000 for F.Y. 93.

Page 40 has been revised. No change in funding but the cuts are reallocated to include State MH Grants.

Pages 44, 45 and 46 are revised AFDC Grants Forecast information.

Page 47 is revised General Assistance Grants Forecast information.

Page 48 is revised Work Readiness Grants information.

Pages 49, 50 and 51 are MSA Grants Forecast information.

Page 52 is Child Care Entitlement Forecast information.

Page 56 is a revised program numbers page.

Page 57 (new forecast) has revised Governor's Recommendations of \$1,402,000 for F.Y. 92 and \$3,401,000 for F.Y. 93. This is a General Fund expenditure increase of \$1,300,000 for F.Y. 92 and \$4,300,000 for F.Y. 93.

Page 59 (new forecast) has revised Governor's Recommendations to decrease the base by \$2,451,000 in F.Y. 92 and \$3,973,000 in F.Y. 93. This has a negative effect to the General Fund of \$1,546,000 for F.Y. 92 and \$924,000 for F.Y. 93.

Page 62 has been revised and a new page 63a added to allow for an increase of \$2,500,000 in F.Y. 92 and \$2,500,000 in F.Y. 93 to enable the Consolidated Chemical Dependency Fund to serve persons with incomes above MA and GAMC entitlement limits. Net cost of \$5,000,000 to the General Fund for the biennium.

Pages 65 and 66 have revisions to the agency rationale section of the narrative. No changes to funding.

Page 69 is Consolidated Chemical Dependency Treatment Fund Entitled Placements Forecast information.

Page 73 is a revised program numbers page.

Page 75a is a new page added to design and implement two children's safety centers in F.Y. 93 for a cost to the General Fund of \$315,000.

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Page 4

Pages 80 and 81 are revised program number pages.

Page 82A is a new page for a dual diagnosis unit at a site to be determined. This adds additional costs of \$447,000 for F.Y.92 and \$456,000 for F.Y. 93 for the General Fund.

Page 86 (forecast change) reduces the base reduction to \$1,780,000 for the biennium.

Page 92 is a revised program numbers page.

Page 99 (new Forecast) has revised Governor's Recommendation that proposes an alternative decrease of \$113,000 in F.Y. 92 and \$178,000 in F.Y. 93 to the department's budget base. This has a negative effect to the General Fund of \$261,000 for F.Y. 92 and 408,000 for F.Y. 93.

Page 100 has revised Governor's Recommendations that proposes an alternative decrease of \$64,000 in F.Y. 92 and \$622,000 in F.Y. 93 to the MA Grants. This has a negative effect to the General Fund of \$83,000 for F.Y. 92 and 617,000 for F.Y. 93.

Page 106 (new Forecast) has revised Governor's Recommendations that proposes a net decrease of \$5,260,000 in F.Y. 92 and \$14,205,000 in F.Y. 93 to the department's budget base.

Page 107 has revised agency and Governor's Recommendations that propose an additional decrease of \$114,000 in F.Y. 92 and \$348,000 in F.Y. 93 to MSA. Positive effect of \$462,000 to the General Fund for the biennium.

Pages 108 and 109 has revised Governor's Recommendation that proposes a decrease of \$2,566,000 in F.Y. 92 and \$3,433,000 in F.Y. 93 for changes in Medical Assistance benefits and resulting from the establishment of certain co-payments. This has a negative effect to the General Fund of \$1,207,000 for F.Y. 92 and \$1,609,000 for F.Y. 93.

Page 110 is revised to reallocate the cuts in the agency's base. No change in funding.

Page 112 has revised agency and Governor's Recommendations that propose an alternative decrease of \$674,000 in F.Y. 92 and \$766,000 in F.Y. 93. This has a negative effect to the General Fund of \$27,000 for F.Y. 92 and \$35,000 for F.Y. 93.

Page 115 is revised to change the Activity title to MA Demo Grants. No change in funding.

Pages 116 and 117 are revised to correct an error in agency savings estimates. The Governor's funding recommendation is not changed, however an exception was taken to the retain 1-month retroeligibility.

Page 119 (forecast change) revised Governor's Recommendation that proposes an alternative decrease of \$663,000 in F.Y. 92 and a net increase of \$3,423,000 in F.Y. 93.

Page 120 is revised under Rationale section to change age of children up to age 18. No funding change.

Page 124 has revisions under the revenue part for Governor's recommendations. Appeals revenue are increased \$40,000 for each year of the biennium.

Pages 127, 128, 129 and 130 are MA Grants Forecast information.

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Page 5

Pages 131, 132 and 133 are GAMC Grants Forecast information.

Pages 138 and 156 are revised agency and program number pages to reflect changes made.

Page 141 is revised to allow for an increase to inflationary costs in revenue generated activities for F.Y. 93. This changes the Governor's Recommendation by increasing expenditures and revenues for the General Fund by \$30,000 for F.Y. 93. The net impact to the General Fund is zero.

Pages 142A and 142B are new pages. The Governor recommends additional General Fund appropriations of \$2,361,000 in F.Y. 92 and \$12,637,000 in F.Y. 93 to fund various Health Care Initiatives.

Pages 138 and 156 have a second revision where an error related to an omission of input for the state operations part of the Governor's initiative on family planning will result in an increase to expenditures of \$40,000 each year for F.Y. 92 and F.Y. 93. The General Fund is affected by an increase of expenditures of \$80,000 for the Biennium.

Page 157a is a new page. The Governor recommends a reduction of \$500,000 in F.Y. 91 and an appropriation increase of \$500,000 for the WIC Program for caseload management purposes. The net effect to the General Fund is zero.

Pages 189 and 190 have been revised. These are agency level pages for the Department of Corrections that reflect changes between the agency's programs of Institution and Community Services. The net effect of changes are a savings of \$352,000 for the agency when additional revenues are considered. See following pages for details:

Pages 195, 196 and 197 have been revised to reflect the expansion delay at Shakopee, for a savings to the General fund of \$301,000 per year, and increased costs for residential placements for female juveniles at Sauk Centre for increased costs of \$106,000 per year. The savings to the General Fund is \$195,000 each year or a \$390,000 savings for the biennium. The Shakopee delay reduces 10.7 positions from the budget request.

Pages 199, 200 and 201 have been revised to add 1.0 position and \$42,000 each year for Probation and Supervised Release in Douglas County and to add \$19,000 each year for the County Probation Reimbursement account. Additional revenue will be recovered from billing the county for the probation and supervised release costs of \$42,000 each year. The additional cost to the General Fund will be \$19,000 each year for 1992 and 1993 or a net effect of \$38,000 for the biennium.

Pages 222 and 228 have been revised to reflect agency and program level changes for the Department of Jobs and Training.

Page 229 is revised. The revenue loss to the General Fund changes to a positive figure under the revised Governor's Recommendations. Instead of a General Fund loss, this revised proposal results in a General Fund revenue gain of \$192,700 in F.Y. 92 and \$242,000 in F.Y. 93.

Page 231 is revised. Instead of a \$660,000 biennial reduction the Extended Employment program is reduced by \$100,000. This results in General Fund spending of \$560,000 over the originally submitted budget.

Page 303 has a language revision under the Governor's Recommendations. No funding change involved.

Page 310a is a new page to provide for a deficiency in F.Y. 91 for the Pharmacy Board. The funding is from the Special Revenue Fund. No cost to the General Fund.

March 28, 1991

Page 6

Page 316a is a new page to provide for a deficiency in F.Y. 91 for the Board of Psychology. The funding is from the Special Revenue Fund. No cost to the General Fund.

Environment & Natural Resources Committee:

Pages 42 and 43 are revised at the agency level to provide increased funding of the Farm support center.

Pages 59 and 60 are revised at the program level to provide increased funding of the Farm support center.

Page 60A is a new decision page that provides funding of \$100,000 in F.Y. 92 and \$100,000 in F.Y. 93 for the Farmer Support Center from the General Fund.

Page 61 is revised. The narrative under Rationale has changed, however there is no change in funding.

Pages 73, 74 and 75 have been revised for errors and omissions. No change to the General fund budget.

Pages 88, 89, 90, and 99 has been revised to reflect a base adjustment for increased federal receipts for Wetland Mitigation. The increased funding available is \$98,500 for F.Y. 92 and \$24,500 for F.Y. 93 with 1.5 positions to carry out the program. This change does not affect the General Fund.

Page 96 has been revised to reflect an additional \$54,000 in expense and revenue to the General Fund for F.Y. 92. The net change to the General Fund is zero.

Page 163 has been revised to correct a kind code error on the numbers page. This change will affect pages 88 and 89. The 1854 Treaty account was coded as a direct appropriation when it should have been an open appropriation. This will cause a change under the Sources of Financing, however there should be no change in total to the General Fund.

Pages 227 and 228 are revised. The Governor Recommends an additional \$2,000,000 for F.Y. 92 and \$2,000,000 for F.Y. 93 for the Ethanol Development Subsidy.

Page 229 is a new page that caps the ethanol development subsidy. This page saves the General fund \$500,000 each year of the biennium.

Infrastructure & Regulation Committee:

Pages 97 and 119 are revised due to kind code errors. The errors affect the Real Estate account history numbers for F.Y 89 and the Real Estate Education Research and Recovery account for F.Y.s 91, 92 & 93. These accounts are funded by Special Revenue Funds under Sources of Financing and do not affect the General Fund.

Pages 99 and 100 are revised because of changes to the Agency's Plan and Governor's Recommendations for Revenues. Note : additional statutes affected.

The changes provide additional revenue to the General Fund of \$909,000 for F.Y. 92 and \$924,000 for F.Y. 93. The net effect to the General Fund is a positive \$1,833,000 for the biennium.

Pages 125 and 134 are revised due to kind code errors. The Loggers Expense and reimbursement account was coded as a direct appropriation, when in fact it is a dedicated appropriation. This change affects the Workers Comp. Special Funds under Sources of Financing and has no affect on the General Fund.

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Page 7

Pages 149, 150, 161 and 164 are revised to reflect additional federal receipts from the U.S. Department of Energy for energy grants in the amount of \$55,000 for each year of the biennium. There is no affect to the General Fund.

Page 194 has been revised with current data on Income and Costs related to the State Lottery. The Governor's Recommendations were revised to update the estimated revenues to the general fund from the Lottery.

Pages 198 and 201 are revised to reflect lower lottery receipts to the General Fund then anticipated in the Governor's original budget. The Governor's Recommendation has been revised on each of these pages to reduce the receipts to the General Fund by \$2,349,000 for each year of the biennium. This affects the General fund by a reduction of \$4,698,000 in revenues for the biennium.

Page 227 is a revised agency numbers page to reflect the changes made at the program budget levels.

Page 230 is revised to eliminate the funding for the Nuclear Plant Preparedness activity from the General Fund and establish a new account in the Special Revenue Fund entitled Nuclear Safety Preparedness Account to fund this activity. This revision reduces expenditures and revenues to the General Fund of \$276,000 for F.Y. 92 and \$276,000 for F.Y. 93. This results in a net savings in the General Fund of \$81,000 each year due to the entire activity being covered by assessments.

Page 231 is revised to reflect changes in the on-call system. This change increases the revenue to the General Fund by added efforts in the collection of the Hazardous Chemical Report Fee. The revisions increase the revenue to the General fund of \$200,000 for F.Y. 92 and \$200,000 for F.Y. 93. General Fund expenditures are increased by \$188,000 for F.Y. 92 and \$168,000 for F.Y. 93. There is a positive effect to the General Fund of \$12,000 for F.Y. 92 and \$32,000 for F.Y. 93. The original budget submission had shown the revenues and expenditures on this page as being from the General Fund. This was an typing error, this page was originally for allocation of Special Funds only.

Page 234a is a new page where the Governor is providing \$45,000 for F.Y. 92 and \$45,000 for F.Y. 93 to provide a Child Abuse Hot Line. These are additional General Fund expenditures.

Page 234b is a new page providing \$50,000 each year of the budget for additional security. An additional complement position is provided. This is an additional General fund cost of \$100,000 for the biennium.

Page 234c is a new page which provides for a deficiency (Flood Disaster Relief) in F.Y. 91. This is a cost to the General Fund of \$286,000.

Pages 239 and 240 are revised. This changes the program narrative and numbers page to reflect new decision pages.

Pages 248 and 249 are revised to change program and numbers pages to reflect new decision item pages.

Pages 272 and 273 are revised to change program and numbers pages to reflect new decision item pages.

Page 290A is a new page to provide the Board of Transportation Regulation with a deficiency for F.Y. 91. The funding requested is from the Truck Highway Fund. No effect on the General Fund.

State Government Affairs Committee:

Pages 170, 201, 202 and 203 have been revised to add back General Funding of \$1,200,000 each year for Public Broadcasting Grants. The net effect, to the General Fund, is increased costs of \$2,400,000 for the biennium.

Pages 235 and 257 are revised and a new page 258A added to provide for increased Workers' Compensation Reinsurance Association costs. The additional costs are \$486,000 for F.Y. 91, \$425,000 for F.Y. 92 and \$750,000 for F.Y. 93. The additional cost to the General Fund is \$1,661,000.

Page 236 is revised related to a base adjustment for dedicated receipts.

Pages 294 and 295 are revised to eliminate the employee pension contribution proposal. This change adds cost of \$10,301,000 to the General Fund for each year of the budget. The net impact is a General Fund cost of \$20,602,000 for the biennium.

Page 300 is revised and a new page 302a is added to provide additional funding for the Department of Human Rights. The effect of the additional funding on the General fund is \$50,000 each year or \$100,000 for the biennium.

Sufficient detail is provided for each error, omission and supplemental change to identify and reference the appropriate budget page affected. New and revised pages have been copied with remaining original budget materials for ease in inserting and removal of pages into three ring binder budget books.

cc:	Governor Carlson	Representative Ron Abrams
	Lieutenant Governor Dyrstad	Representative LeRoy Koppendrayer
	Senator Roger Moe	Representative Bernie Omann
	Representative Robert Vanasek	Representative Dennis Ozment
	Representative Terry Dempsey	Representative Art Seaberg
	Senator Duane Benson	Representative Brad Stanius
	Senate and House Division Chairs	Representative Steve Sviggum
	Lyall Schwarzkopf	Representative Charlie Weaver
	Patsy Randell	Representative Ray Welker
	David Doth	Jean Danaher
	Dick Pfutzenreuter	Dan Wolf
	Peggy Ingison	
	Team Leaders	
	Executive Budget Officers	

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINN

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
INSTRUCTION	346,480	373,564	395,931	397,795	397,795	388,527	400,219	400,219	367,471
NON-INSTRUCTION	109,235	123,439	128,339	126,994	126,994	117,482	126,994	126,994	117,482
AGRICULTURE	40,090	43,448	44,202	44,593	44,593	44,593	44,593	44,593	44,593
HEALTH SCIENCE	15,278	16,387	17,566	17,392	17,392	17,392	17,392	17,392	17,392
TECHNOLOGY	3,298	3,224	3,911	3,605	3,605	3,605	3,605	3,605	3,605
SYSTEM SPECIALS	17,085	18,516	20,715	19,602	19,602	19,602	19,602	19,602	19,602
LEG COMM MN RESOURCES	3,359	2,533	2,492		6,584	6,584			
SPECIAL PROJECTS	618	814	685						
PERM UNIV FUND	185	344	397	397	397	397	397	397	397
TOTAL EXPENDITURES BY PROGRAM	535,628	582,269	614,238	610,378	616,962	598,182	612,802	612,802	570,542
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST					1,530	1,530			
GENERAL	399,551	437,712	464,427	467,942	467,942	439,610	469,566	469,566	416,754
MN RESOURCES	3,359	2,533	2,492		5,054	5,054			
STATUTORY APPROPRIATIONS:									
GENERAL	132,533	141,680	146,922	142,039	142,039	151,591	142,839	142,839	153,391
AGENCY	185	344	397	397	397	397	397	397	397
TOTAL FINANCING	535,628	582,269	614,238	610,378	616,962	598,182	612,802	612,802	570,542

ACTIVITY:

1992-93 Biennial Budget

PROGRAM:

SYSTEM: University of Minnesota

DECISION ITEM: Financing Inflationary Costs - Informational

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Direct Appropriation				
General Fund	\$ 20,996	\$ 43,087	\$ 43,087	\$ 43,087
Tuition				
General Fund	\$ 5,888	\$ 12,113	\$ 12,113	\$ 12,113
Total Expenditures				
General Fund	\$ 26,884	\$ 55,200	\$ 55,200	\$ 55,200

Requires statutory change: Yes x No

ITEM SUMMARY:

Inflation was calculated for the University of Minnesota at 4.5% per year for each year of the 1992-93 biennium. The inflation factors were applied to the system's adjusted instructional and non-instructional base, less non-tuition income.

The University of Minnesota did not submit a plan detailing how funds would be reallocated to address anticipated increases in salary and non-salary costs. However, the University's Board of Regents has authority to make allocative decisions among campuses and programs.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINN
PROGRAM: INSTRUCTION

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
INSTRUCTION	346,480	373,564	395,931	397,795	397,795	388,527	400,219	400,219	367,471
TOTAL EXPENDITURES BY ACTIVITY	346,480	373,564	395,931	397,795	397,795	388,527	400,219	400,219	367,471
DETAIL BY CATEGORY:									
STATE OPERATIONS	346,480	373,564	395,931	397,795	397,795	388,527	400,219	400,219	367,471
TOTAL EXPENDITURES BY CATEGORY	346,480	373,564	395,931	397,795	397,795	388,527	400,219	400,219	367,471
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	226,620	243,546	260,250	266,997	266,997	248,177	268,621	268,621	225,321
STATUTORY APPROPRIATIONS:									
GENERAL	119,860	130,018	135,681	130,798	130,798	140,350	131,598	131,598	142,150
TOTAL FINANCING	346,480	373,564	395,931	397,795	397,795	388,527	400,219	400,219	367,471

ACTIVITY:
PROGRAM: Instruction
AGENCY: University of Minnesota

1992-93 Biennial Budget

DECISION ITEM: General Reduction/Tuition Adjustment

Dollars in Thousands				
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

GOVERNOR'S RECOMMENDATION:

Direct Appropriation				
General Fund	\$ (17,668)	\$ (17,668)	\$ (17,668)	\$ (17,668)
Tuition				
General Fund	\$ 3,400	\$ 4,400	\$ 4,400	\$ 4,400
Total Expenditures				
General Fund	\$ (14,268)	\$ (13,268)	\$ (13,268)	\$ (13,268)

Requires statutory change: Yes X No
Statutes Affected:

ITEM SUMMARY:

This item reduces state direct appropriation to the University of Minnesota's instructional program by \$35,336,000 for the 1992-93 biennium. The Board of Regents would be responsible for allocating the reduction among programs and/or institutions.

In addition, the Governor encourages the University of Minnesota to limit tuition increases for resident students to the rate of inflation, projected at 3.72% in F.Y. 1992 and 3.24% in F.Y. 1993. Increases in the University tuition base of \$3,400,000 in F.Y. 1992 and \$4,400,000 in F.Y. 1993 would limit average tuition increases to the rate of inflation and would offset a portion of the appropriation reduction.

RATIONALE:

Instructional appropriations are made generally to the University of Minnesota; the system does not receive appropriations for specific instructional activities and programs. The Board of Regents sets academic and program priorities and allocates resources to campuses and programs accordingly.

Instructional expenditures represent 65% of the system's total General Fund expenditures. The Governor supports University plans to reallocate its instructional priorities within its current resource base. However, fiscal constraints require that the University develop additional cost containment and reduction measures or alternative methods of service delivery. In addition to cost containment, the University of Minnesota is encouraged to continue development and implementation of cooperative and resource sharing plans (e.g. regional course delivery and management, equipment sharing, etc.) with the other postsecondary systems in order to maximize higher education access and resource use.

ACTIVITY:
PROGRAM:
AGENCY: University of Minnesota

DECISION ITEM: Technology Related Instruction and Research

1992-93 Biennial Budget

Dollars in Thousands			
F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 5,000	\$ 5,000	\$ -0-	\$ -0-

Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY:

In March, the University of Minnesota Board of Regents made it clear to taxpayers of this state that they were serious about the kind of planning and decision-making that must guide Minnesota' public investments. Many of the priorities reflected in their budget reallocation plan will be crucial to positioning Minnesota for future economic growth and competitiveness. Especially significant are the stated plans to reallocate additional funds to high priority science and engineering programs and University initiatives to support instructional improvements, research, and technology transfer in those fields.

Because of the state's investment in these types of activities, the University has become a leader in attracting non-state funding from federal and industrial sources. The University is among the top 5 institutions nationally in both sponsored research and training and in patents awarded. The \$275 million per year in outside funding that University faculty members attract translates into an estimated 6,000 to 7,300 jobs--most of which would be jobs in other states if the University were not competitive--and an additional \$250 million of annual economic activity outside the University.

In the last few years, the University of Minnesota has been very successful in attracting major grants for science and technology research centers. The major federal research agencies have moved from smaller, single discipline research projects to larger, multi-year grants for research centers. These are often multi-disciplinary, regional or national, involving cooperation among several universities and between universities and industry, and, increasingly, requiring significant matching investments by universities and the private sector. A few examples illustrate the direct pay-offs from state investments:

- The Center for Interfacial Engineering will bring in \$31 million from a state investment of \$6 million over 5 years.
- The Center for Research in Developmental Disabilities, one of 14 nationally, will bring in \$1.3 million in federal funds, plus several hundred thousand dollars in individual project grants, for \$1 million in state funds over 5 years.

- The Army High Performance Computing Center will bring in \$65 million from a state investment of \$2.5 million of 5 years.
- The Building Research Center, with \$65,000 per year in state funds, has attracted millions of research dollars.
- The Geometry Supercomputer Center will bring in \$10 million from a state investment of \$1.5 million over 5 years.
- The new Bio-Engineering Research Center is being set up with a commitment of \$1 million a year in state funds, and faculty should be able to compete successfully for several million in new federal and private support.

GOVERNOR'S RECOMMENDATION:

In view of the importance to Minnesota's economy of maintaining the University's ability to provide quality instruction and research efforts in technology-related areas, the Governor recommends increasing funding to the University by \$5.0 million in F.Y. 1992 and \$5.0 million in F.Y. 1993. These funds are intended to supplement the resources identified in the University's plan for reallocation of BASE funding to high priority science and engineering programs and University initiatives to support instructional improvements, research, and technology transfer in these fields. The funds are not intended to become a part of the University's BASE for the 1994-95 biennium.

EDUCATION AIDS APPROPRIATIONS

(\$ IN 000s)

Revised as of March 28, 1991

A. STATE GENERAL FUND

	----- HISTORICAL EXPENDITURES -----			--- GOVERNOR'S RECOMMENDATION ---		
	F.Y.1990	F.Y. 1991	BIENNIIUM	F.Y. 1992	F.Y. 1993	BIENNIIUM
01 GENERAL EDUCATION PROGRAM						
01 General Education	\$1,225,760	\$1,569,893	\$2,795,653	\$1,617,047	\$1,751,315	\$3,368,362
TOTAL	\$1,225,760	\$1,569,893	\$2,795,653	\$1,617,047	\$1,751,315	\$3,368,362
02 PUPIL TRANSPORTATION PROGRAM						
01 Transportation Program	\$91,979	\$114,157	\$206,136	\$112,964	\$121,819	\$234,783
03 Post Sec Enrollment Options Transp.	50	50	100	72	75	147
04 District Enrollment Options Transp.	50	50	100	25	25	50
TOTAL	\$92,079	\$114,257	\$206,336	\$113,061	\$121,919	\$234,980
03 SPECIAL PROGRAMS						
01 Special Education – Regular	\$160,919	\$165,622	\$326,541	\$167,105	\$165,271	\$332,376
02 Special Education – Special Pupil	324	366	690	395	436	831
03 Special Education – Summer School	5,836	5,766	11,602	4,885	4,800	9,685
04 Special Educ. – Home Based Travel	44	51	95	66	71	137
05 Special Education – Residential	1,398	1,374	2,772	2,315	2,535	4,850
06 Limited English Proficiency	3,359	3,403	6,762	3,727	3,922	7,649
07 Sec Voc-Students with Disabilities	5,294	6,224	11,518	4,690	4,598	9,288
08 Special Educ. Levy Equalization Aid	0	0	0	0	9,495	9,495
09 Secondary Vocational	11,471	11,720	23,191	10,814	11,187	22,001
10 Indian Language & Culture	583	590	1,173	591	590	1,181
11 Indian Education	175	176	351	175	175	350
12 Indian Postsecondary Prep.	857	857	1,714	857	857	1,714
13 Indian Scholarships	1,545	1,619	3,164	1,582	1,582	3,164
14 Indian Teacher Grants	128	150	278	150	150	300
15 Tribal Contract Schools	200	200	400	200	200	400
16 Assurance of Mastery	0	10,582	10,582	12,410	12,784	25,194
17 Individualized Learning & Dev.	0	6,400	6,400	7,803	7,815	15,618
18 Prevention Risk Reduction	0	0	0	1,275	3,115	4,390
TOTAL	\$192,133	\$215,100	\$407,233	\$219,040	\$229,583	\$448,623

EDUCATION AIDS APPROPRIATIONS

(\$ IN 000s)

Revised as of March 28, 1991

		----- HISTORICAL EXPENDITURES -----			--- GOVERNOR'S RECOMMENDATION ---		
		F.Y. 1990	F.Y. 1991	BIENNIA	F.Y. 1992	F.Y. 1993	BIENNIA
04	COMMUNITY AND FAMILY EDUCATION						
01	Community Education Program	\$4,905	\$3,591	\$8,496	\$3,462	\$3,508	\$6,970
03	Adult Education	4,818	5,043	9,861	5,074	5,073	10,147
04	Adults with Disabilities	610	670	1,280	670	670	1,340
05	Diploma Opportunities for Adults	1,238	1,573	2,811	1,525	1,592	3,117
06	Hearing Impaired Adults	70	70	140	70	70	140
07	Early Childhood Family Education	9,742	10,262	20,004	12,230	12,425	24,655
08	Early Childhood Dev. Screening	335	1,852	2,187	1,684	1,956	3,640
09	School Age Child Care	0	0	0	0	500	500
10	Parent Resource Centers	0	0	0	100	200	300
11	Way to Grow	0	0	0	1,000	1,000	2,000
12	Families Plus	0	0	0	2,000	2,000	4,000
	TOTAL	\$21,718	\$23,061	\$44,779	\$27,815	\$28,994	\$56,809
05	EDUCATION FACILITIES/EQUIPMENT						
01	Capital Expenditure – Facilities	\$33,800	\$67,844	\$101,644	\$72,418	\$71,724	\$144,142
02	Capital Expenditure – Equipment	16,900	33,922	50,822	36,332	36,006	72,338
03	Capital Expend. Health & Safety	8,168	10,796	18,964	11,578	10,427	22,005
04	Maximum Effort School Loan	608	1,183	1,791	0	9,646	9,646
	TOTAL	\$59,476	\$113,745	\$173,221	\$120,328	\$127,803	\$248,131
06	EDUCATION ORGANIZATION/COOPERATION						
01	Education Districts	\$4,653	\$3,967	\$8,620	\$2,772	\$2,577	\$5,349
02	Secondary Vocational Cooperatives	495	224	719	165	24	189
05	Cooperation/Combination	0	1,192	1,192	1,347	2,696	4,043
	TOTAL	\$5,148	\$5,383	\$10,531	\$4,284	\$5,297	\$9,581

EDUCATION AIDS APPROPRIATIONS

(\$ IN 000s)

Revised as of March 28, 1991

		----- HISTORICAL EXPENDITURES -----			--- GOVERNOR'S RECOMMENDATION ---		
		F.Y. 1990	F.Y. 1991	BIENNIA	F.Y. 1992	F.Y. 1993	BIENNIA
07	ACCESS TO EXCELLENCE						
01	PER Process Aid	\$1,038	\$1,046	\$2,084	\$1,038	\$1,054	
02	Restructuring Research & Dev.	278	772	1,050	425	425	850
03	Restructuring Assistance	221	250	471	250	250	500
04	Area Learning Centers	150	150	300	150	150	300
05	Arts Planning Grants	36	40	76	38	38	76
06	Summer Program Scholarships (HECB)	214	214	428	214	214	428
07	Outcome Based Education	0	0	0	2,000	5,200	7,200
	TOTAL	\$1,937	\$2,472	\$4,409	\$4,115	\$7,331	\$11,446
08	OTHER EDUCATION PROGRAMS						
01	Tobacco Use Prevention	\$565	\$672	\$1,237	\$100	\$0	\$100
03	School Lunch Program	4,625	4,625	9,250	4,625	4,625	9,250
04	School Milk Program	800	800	1,600	800	800	1,600
05	Teacher Centers (Bd. of Teaching)	91	209	300	150	150	300
06	Alt. Licensure-Mentorship	0	150	150	150	150	300
07	Alt. Licensure-Fellowship Grants	0	50	50	0	100	100
08	Teacher Mentorship	219	281	500	250	250	500
09	Administrator Academy	167	167	334	167	167	334
10	Career Teacher Aid	108	642	750	750	0	750
11	Minority Teacher Incentives	449	551	1,000	1,000	0	1,000
12	Integration Grants	14,944	14,944	29,888	14,944	14,944	29,888
14	Cooperative Desegregation Grants	0	200	200	300	300	600
15	Nonpublic Pupil Aid	7,823	8,847	16,670	8,892	8,892	17,784
17	Abatement Aid	5,111	6,018	11,129	6,018	6,018	12,036
19	Teacher Centers (MDE)	0	0	0	213	250	463
20	Commission on Minority Staffing	0	0	0	75	575	650
	TOTAL	\$34,902	\$38,156	\$73,058	\$38,434	\$37,221	\$75,655

EDUCATION AIDS APPROPRIATIONS

(\$ IN 000s)

Revised as of March 28, 1991

	----- HISTORICAL EXPENDITURES -----			--- GOVERNOR'S RECOMMENDATION ---		
	F.Y. 1990	F.Y. 1991	BIENNIA	F.Y. 1992	F.Y. 1993	BIENNIA
10 PUBLIC LIBRARIES						
01 Libraries – Basic Grants	\$5,800	\$6,093	\$11,893	\$6,118	\$6,118	\$12,236
02 Libraries – Cooperative Grants	246	256	502	256	256	512
TOTAL	\$6,046	\$6,349	\$12,395	\$6,374	\$6,374	\$12,748
11 EDUCATION AGENCY SERVICES						
01 GED & Learn to Read on TV	\$100	\$100	\$200	\$100	\$100	\$200
02 Adult Ed – Basic Skills Evaluation	0	75	75	75	75	150
03 ECSU Administration	748	748	1,496	748	748	1,496
04 Regional Mgmt. Information Centers	3,411	3,411	6,822	3,411	3,411	
05 ECSU Loans (Cash Flow)	0	500	500	0	0	0
06 State PER Assistance	464	601	1,065	601	601	1,202
07 Educational Effectiveness	598	600	1,198	900	900	1,800
08 Curriculum & Tech. Integration	600	600	1,200	400	400	800
09 Academic Excellence Foundation	124	196	320	160	160	320
10 Commission on Public Education	107	147	254	125	125	250
TOTAL	\$6,152	\$6,978	\$13,130	\$6,520	\$6,520	\$13,040

EDUCATION AIDS APPROPRIATIONS

(\$ IN 000s)

Revised as of March 28, 1991

	----- HISTORICAL EXPENDITURES -----			--- GOVERNOR'S RECOMMENDATION ---		
	F.Y.1990	F.Y. 1991	BIENNIIUM	F.Y. 1992	F.Y. 1993	BIENNIIUM
12 DISCONTINUED/NONRECURRING PROGRAMS						
01 Exceptional Need	\$420	\$70	\$490			\$0
03 ECFE Program Evaluation	8	17	25			0
04 Targeted Student Survey	0	50	50			0
05 Eval Drug Prevention	0	75	75			0
06 Capital Expenditure – Regular	5,628	0	5,628			0
07 Capital Expend. Hazardous Materials	9	0	9			0
09 Telecommunications Grants	100	240	340			0
10 Telecommunications Grants (Wasioja)	150	0	150			0
11 Communication Link	5	0	5			0
18 Math, Science Task Force	0	100	100			0
19 Leadership Grant (#695)	0	30	30			0
20 Debt Service Grant (#197)	500	0	500			0
21 Operating Debt Grant (#232)	50	0	50			0
22 Liability Insurance (#707)	16	24	40			0
23 Unemployment Comp. (#707)	29	11	40			0
24 ECFE Expanded Program	0	450	450			0
25 Targeted Program Grants	0	400	400			0
26 Summer Hlth Internship Grants	0	100	100			0
TOTAL	\$6,915	\$1,567	\$8,482			\$0
Reduction in Adjusted Net Tax Capacity:				\$14,427	\$2,544	\$16,971
TOTAL STATE GENERAL FUND	\$1,652,266	\$2,096,961	\$3,749,227	\$2,171,445	\$2,324,901	\$4,496,346

Appropriation data shown for F.Y. 1990 and F.Y. 1991 are actual or estimated expenditures during the year, including both prior year adjustment payments and current year payments. For many aid programs the current year payments are based on 85% of the estimated annual aid entitlement for the current year. The final adjustment payments made in the following year are based on 100% of the actual aid entitlement computed using school district end-of-year data, minus the 85% current year payments.

The expenditure amounts shown by program may not equal the direct appropriations provided in law due to cancellations, balances forward, or transfers from programs with excess appropriations to programs with deficient appropriations. The Governor's recommendations for F.Y. 1992 and F.Y. 1993 are also shown on the 85-15% funding basis.

EDUCATION AIDS APPROPRIATIONS

(\$ IN 000s)

Revised as of March 28, 1991

	----- HISTORICAL EXPENDITURES -----			--- GOVERNOR'S RECOMMENDATION ---		
	F.Y.1990	F.Y. 1991	BIENNIAL	F.Y. 1992	F.Y. 1993	BIENNIAL

B. OTHER STATE FUNDS

MN ENVIRONMENTAL & NAT. RESOURCES TRUST (Fund 03)

11 EDUCATION AGENCY SERVICES

11 Leg. Commission on MN Resources	\$0	\$0	\$0	\$100	\$0	\$100
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MINNESOTA RESOURCES (Fund 13)

11 EDUCATION AGENCY SERVICES

11 Leg. Commission on MN Resources	0	0	0	320	0	320
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SPECIAL REVENUE (Fund 20)

08 OTHER EDUCATIONAL PROGRAMS

02 Alcohol Impaired Drivers Ed	778	720	1,498	720	720	1,440
03 School Lunch Program	148	270	418	140	140	280

11 EDUCATION AGENCY SERVICES

06 State PER Assistance	12	12	24	12	12	24
08 Curriculum & Tech. Integration	65	250	315	250	250	500

SCHOOL ENDOWMENT (Fund 21)

01 GENERAL EDUCATION

01 General Education	32,967	30,000	62,967	30,250	30,250	60,500
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GIFT (Fund 69)

03 SPECIAL PROGRAMS

13 Indian Scholarships	5	5	10	5	5	10
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11 EDUCATION AGENCY SERVICES

02 Adult Ed Basic Skills Evaluation	0	38	38	0	0	0
09 Academic Excellence Foundation	10	80	90	60	75	135

TOTAL OTHER FUNDS

\$33,985	\$31,375	\$65,360	\$31,857	\$31,452	\$63,309
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EDUCATION AIDS APPROPRIATIONS

(\$ IN 000s)

Revised as of March 28, 1991

	----- HISTORICAL EXPENDITURES -----			--- GOVERNOR'S RECOMMENDATION ---		
	F.Y. 1990	F.Y. 1991	BIENNIIUM	F.Y. 1992	F.Y. 1993	BIENNIIUM
C. FEDERAL FUNDS						
12 DISCONTINUED/NONRECURRING PROGRAMS						
39 Remove Barriers for Handicapped	\$86	\$0	\$86			\$0
40 Secondary Voc.-Incarcerated Yth.	56	51	107			0
13 FEDERAL FLOW THROUGH PROGRAMS						
01 Special Educ.-Handicapped	30,720	29,588	60,308	32,000	32,000	64,000
02 Special Educ.-Preschool Incentive	3,769	5,500	9,269	5,500	5,500	11,000
03 Special Educ.-Infants and Toddlers	907	98	1,005	98	98	196
04 Special Educ.-Deaf/Blind	159	189	348	189	189	378
05 Special Educ.-Hndcpd/Residential	171	185	356	185	185	370
06 Special Educ.-Hndcpd N/D Resident.	334	256	590	256	256	512
07 Special Educ.-Disadvantaged N/D	893	886	1,779	886	886	1,772
08 Disadv. (ECIA) Chapter 1 Basic	49,349	54,349	103,698	59,484	64,150	123,634
09 Disadv. (ECIA) Chapter 1 Capital	542	738	1,280	1,000	1,000	2,000
10 Disadv. (ECIA) Chap 1 Prog Impr.	0	130	130	150	150	300
11 Migrant Education	1,825	1,843	3,668	1,843	1,843	3,686
12 Transition Prog.-Refugee Children	476	0	476	0	0	0
13 Emergency Immigrant Education	109	106	215	100	100	200
14 Secondary Voc.-Special Needs	643	594	1,237	594	594	1,188
15 Secondary Voc.-Consumer Homemaking	225	225	450	225	225	450
16 Secondary Voc.-Single Parent	226	224	450	224	224	448
17 Secondary Voc.-Sex Equity	153	114	114	114	114	228
18 Secodnary Voc.-Student Follow-Up	57	64	121	64	64	128
19 Adult Education	1,972	2,194	4,166	2,194	2,194	4,388
20 Drug Free Schools	3,473	6,995	10,468	4,912	4,912	9,824
21 Indian Social Work Aide Training	3	0	3	0	0	0
22 Byrd Honors Scholarship Program	138	134	272	134	134	268
23 Consolidated Fed Prog (Block Grant)	7,049	6,277	13,326	6,161	6,046	12,207
24 Public Library Aid	2,468	2,643	5,111	2,243	2,243	4,486
25 Teacher Inservice Programs	1,908	1,218	3,126	1,218	1,218	2,436
26 School Lunch	42,476	48,264	90,740	50,866	53,272	104,138
27 Special Milk	957	946	1,903	946	946	1,892

EDUCATION AIDS APPROPRIATIONS

(\$ IN 000s)

Revised as of March 28, 1991

----- HISTORICAL EXPENDITURES -----

F.Y.1990	F.Y. 1991	BIENNIA
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--- GOVERNOR'S RECOMMENDATION ---

F.Y. 1992	F.Y. 1993	BIENNIA
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Federal Flow Through Programs continued:

28 School Breakfast	3,629	4,629	8,258	4,629	4,629	9,258
29 Child Care Food	39,379	40,166	79,545	41,815	43,771	85,586
30 Summer Food Service	1,247	1,189	2,436	1,189	1,189	2,378
TOTAL FEDERAL FUNDS	\$195,399	\$209,795	\$405,194	\$219,219	\$228,132	\$447,351

AGENCY: EDUCATION AIDS

School District Gross Certified Levies

SCHOOL DISTRICT GROSS CERTIFIED LEVIES

(\$ in 000s)

Revised as of March 28, 1991

Program Category

Calendar Year of Levy	----- HISTORICAL LEVIES -----			--- GOVERNOR'S RECOMMENDATION ---		
	F.Y. 1990 Pay 1989	F.Y. 1991 Pay 1990	BIENNIIUM	F.Y. 1992 Pay 1991	F.Y. 1993 Pay 1992	BIENNIIUM
01 GENERAL EDUCATION						
01 General Education	\$1,096,511.3	\$783,030.9	\$1,879,542.2	\$845,542.0	\$935,589.2	\$1,781,131.2
01 Supplemental	8,242.5	7,185.3	15,427.8	7,500.0	5,539.2	13,039.2
03 Referendum	162,101.1	218,597.5	380,698.6	269,487.5	307,400.0	576,887.5
-- Exceptional Need	161.1		161.1			0.0
-- Limitation Adjustments	(4,920.3)	88.9	(4,831.4)	(4,442.3)	(4,266.6)	(8,708.9)
TOTAL	\$1,262,095.7	\$1,008,902.6	\$2,270,998.3	\$1,118,087.2	\$1,244,261.8	\$2,362,349.0
02 PUPIL TRANSPORTATION						
01 Basic	\$70,851.1	\$61,046.1	\$131,897.2	\$66,187.7	\$60,953.0	\$127,140.7
01 Nonregular	18,575.8	20,685.9	39,261.7	22,771.3	30,086.5	52,857.8
01 Contracts	7,706.0	8,570.5	16,276.5	6,836.4	7,597.5	14,433.9
01 Excess	24,181.1	19,464.9	43,646.0	21,372.7	21,988.5	43,361.2
02 Bus Purchase	6,516.7	8,391.4	14,908.1	8,132.2	9,360.0	17,492.2
03 Postsecondary			0.0		129.6	187.1
-- Limitation Adjustments	(1,483.5)	(4,354.3)	(5,837.8)	74.1	1,786.6	316.7
TOTAL	\$126,347.2	\$113,804.5	\$240,151.7	\$125,504.0	\$131,959.2	\$257,463.2
03 SPECIAL PROGRAMS						
08 Special Education Current Year	\$28,352.9	\$47,590.5	\$75,943.4	\$56,465.0	\$71,270.0	\$127,735.0
08 Special Education Adjustments	11,806.5	22,904.8	34,711.3	16,272.1	22,637.0	38,909.1
-- Prevention/Risk Reduction			0.0		1,500.0	1,500.0
TOTAL	\$40,159.4	\$70,495.3	\$110,654.7	\$72,737.1	\$95,407.0	\$168,144.1
04 COMMUNITY AND FAMILY EDUCATION						
01 Community Education Basic	\$21,130.5	\$24,657.5	\$45,788.0	\$24,775.6	\$26,104.2	\$50,879.8
02 Grandfather	658.9	664.8	1,323.7	660.6	672.7	1,333.3
03 Adult Education Basic	2,529.3	5,096.6	7,625.9	5,620.4	6,300.0	11,920.4
04 Adults with Disabilities	519.5	614.3	1,133.8	630.9	670.0	1,300.9
07 Early Childhood Family Education	12,428.8	13,817.7	26,246.5	15,074.5	17,716.1	32,790.6
-- Limitation Adjustments	(42.8)	129.8	87.0	19.6	346.1	365.7
TOTAL	\$37,224.2	\$44,980.7	\$82,204.9	\$46,781.6	\$51,809.1	\$98,590.7

AGENCY: EDUCATION AIDS
School District Gross Certified Levies

SCHOOL DISTRICT GROSS CERTIFIED LEVIES

(\$ in 000s)

Revised as of March 28, 1991

Program Category

Calendar Year of Levy	----- HISTORICAL LEVIES -----			--- GOVERNOR'S RECOMMENDATION ---		
	F.Y. 1990	F.Y. 1991	BIENNIIUM	F.Y. 1992	F.Y. 1993	BIENNIIUM
	Pay 1989	Pay 1990		Pay 1991	Pay 1992	
TOTAL	\$37,224.2	\$44,980.7	\$82,204.9	\$46,781.6	\$51,809.1	\$98,590.7
05 EDUCATION FACILITIES/EQUIPMENT						
01 Facilities – Capital	\$65,289.8	\$34,397.0	\$99,686.8	\$37,003.1	\$39,737.9	\$76,741.0
02 Equipment – Capital	33,551.0	17,290.1	50,841.1	18,382.5	19,909.4	38,291.9
03 Health & Safety	18,340.5	48,567.2	66,907.7	40,381.5	48,600.0	88,981.5
08 Building Lease	2,395.9	7,209.0	9,604.9	7,839.8	8,300.0	16,139.8
08 Down Payment		85.0	85.0	928.7	2,710.5	3,639.2
08 Energy Loan	3,437.6	3,462.2	6,899.8	3,495.3	3,550.0	7,045.3
08 Coop. Building Repair		51.0	51.0	77.3	77.3	154.6
08 Basic Debt Levy	152,086.9	159,221.4	311,308.3	177,443.8	193,000.0	370,443.8
08 Facilities – Debt Service	545.1	272.5	817.6	184.7	184.7	369.4
08 Equipment – Debt Service		10.7	10.7	251.7	300.0	551.7
08 Secondary Coop Facilities Debt	314.2	1,292.8	1,607.0	1,291.7	1,211.7	2,503.4
08 Debt Excess	(13,461.1)	(15,200.0)	(28,661.1)	(13,000.0)	(13,000.0)	(26,000.0)
-- Program Improvement	28.8		28.8			0.0
-- Capital #228 (Harmony)		100.0	100.0			0.0
-- Limitation Adjustments	1,859.2	(3,423.0)	(1,563.8)	(9,579.4)	5,582.2	(3,997.2)
TOTAL	\$264,387.9	\$253,335.9	\$517,723.8	\$264,700.7	\$310,163.7	\$574,864.4
06 EDUCATION ORGANIZATION/COOPERATION						
01 Education Districts	\$6,652.9	\$11,265.7	\$17,918.6	\$11,294.5	\$11,872.8	\$23,167.3
02 Vocational Cooperatives	672.6	1,043.3	1,715.9	1,009.5		1,009.5
03 Interdistrict Cooperation	3,273.2	2,197.1	5,470.3	1,956.6		1,956.6
04 Intermediate Districts	16,450.1	16,704.8	33,154.9	17,129.4	14,223.8	31,353.2
05 Cooperation/Combination		245.7	245.7	422.6	726.6	1,149.2
05 Coop. Sec. Facility Severance	199.5	200.0	399.5			0.0
05 Other Coop Severance			0.0	475.4	412.5	887.9
-- Consolidation			0.0	116.2	117.0	233.2
-- Limitation Adjustments			0.0	(488.3)	(488.3)	
TOTAL	\$27,248.3	\$31,656.6	\$58,904.9	\$32,404.2	\$26,864.4	\$59,268.6
07 ACCESS TO EXCELLENCE			\$0.0	REVISED	3/28/91	\$0.0

AGENCY: EDUCATION AIDS
 School District Gross Certified Levies

SCHOOL DISTRICT GROSS CERTIFIED LEVIES

(\$ in 000s)

Revised as of March 28, 1991

Program Category

Calendar Year of Levy	----- HISTORICAL LEVIES -----			--- GOVERNOR'S RECOMMENDATION ---		
	F.Y. 1990 Pay 1989	F.Y. 1991 Pay 1990	BIENNIIUM	F.Y. 1992 Pay 1991	F.Y. 1993 Pay 1992	BIENNIIUM
08 OTHER EDUCATIONAL PROGRAMS						
13 Desegregation	\$7,312.7	\$11,618.2	\$18,930.9	\$14,603.5	\$15,267.9	\$29,871.4
17 Abatement	2,505.4	4,683.4	7,188.8	9,163.4	15,089.5	24,252.9
18 Minneapolis Retirement	2,360.0	2,159.9	4,519.9	1,959.8	1,759.6	3,719.4
18 St. Paul Severance	583.5	394.6	978.1	399.0	461.9	860.9
18 Minneapolis Health Insurance			0.0		80.0	80.0
18 Unemployment Insurance	3,890.0	4,088.0	7,978.0	4,100.7	4,340.2	8,440.9
18 Operating Debt	545.6	368.3	913.9	285.0	237.4	522.4
18 Judgments	1,053.1	1,148.0	2,201.1	291.6	835.7	1,127.3
18 Audit	10.0	52.1	62.1	20.0	27.4	47.4
18 Statutory Operating Debt	226.1	188.1	414.2	151.3	129.6	280.9
19 Teacher Centers			0.0		500.0	500.0
-- Homestead Credit Adjust-PERA	(3,124.0)	(3,124.0)	(6,248.0)	(3,124.0)	(3,124.0)	(6,248.0)
-- Program Improvement Grant	371.8		371.8			0.0
TOTAL	\$15,734.2	\$21,576.6	\$37,310.8	\$27,850.3	\$35,605.2	\$63,455.5
-- 1989 ANTC Adjustment			0.0		(16,971.0)	(16,971.0)
GRAND TOTAL	\$1,773,196.9	\$1,544,752.2	\$3,317,949.1	\$1,688,065.1	\$1,879,099.4	\$3,567,164.5

AGENCY: EDUCATION AIDS
School District Gross Certified Levies

SCHOOL DISTRICT GROSS CERTIFIED LEVIES

(\$ in 000s)

Revised as of March 28, 1991

Program Category	----- HISTORICAL LEVIES -----			--- GOVERNOR'S RECOMMENDATION ---		
	F.Y. 1990 Pay 1989	F.Y. 1991 Pay 1990	BIENNIA	F.Y. 1992 Pay 1991	F.Y. 1993 Pay 1992	BIENNIA
Calendar Year of Levy						
SUMMARY BY MAJOR TYPE OF LEVY						
Operating Fund Levies	\$1,507,738.7	\$1,290,305.3	\$2,798,044.0	\$1,421,753.3	\$1,567,354.8	\$2,989,108.1
Nonoperating Fund Levies	265,232.1	254,258.8	\$519,490.9	266,160.5	311,615.0	\$577,775.5
School District Revenue	\$1,772,970.8	\$1,544,564.1	\$3,317,534.9	\$1,687,913.8	\$1,878,969.8	\$3,566,883.6
Statutory Operating Debt	226.1	188.1	414.2	151.3	129.6	280.9
TOTAL LEVIES	\$1,773,196.9	\$1,544,752.2	\$3,317,949.1	\$1,688,065.1	\$1,879,099.4	\$3,567,164.5

NOTE: Levy data shown for F.Y. 1990 and F.Y. 1991 are actual amounts certified by school districts based on district estimates of pupil units, expenditures, and other factors driving levy limitations. Limitation adjustments based on actual data are shown in the year that the adjustments are certified. Levy data shown for F.Y. 1992 are final certified levies with the exception of the debt excess adjustment which is estimated. Levy data shown for F.Y. 1993 are estimated certified levies based on formulas recommended by the Governor, extrapolation of levy trends from recent years, and estimated 1990 adjusted net tax capacities.

The amounts shown may differ from the amounts reported in the individual program budgets, as the amounts reported in the individual program budgets are based on latest Minnesota Department of Education estimates of final levy authority, including adjustments based on final expenditure and pupil unit data.

1 Program: 01 General Education Program	1992-93 Biennial Budget	Capital Expenditure Equipment	(307)	307	261	46
Agency: Education Aids		Capital Expenditure Facilities	(614)	614	522	92
PURPOSE:		Total:	\$16,971	\$ 16,971	\$ 14,427	\$ 2,544

Impact of revised 1989 adjusted net tax capacity (ANTC) on equalized education aid and levy funding.

The major source of school district revenue comes from equalized aid and levy programs. School district state aid equals program revenue minus the amount of dollars raised by the local levy. The amount raised by the local levy is based on the adjusted net tax capacity of the district.

Property valuation, expressed as net tax capacity (NTC), is computed by applying a property class rate times the assessed market value of the property. To neutralize the effect of different assessment practices among the taxing jurisdictions of the state, a sales ratio, comparing the actual sales price of a property with the assessor's market value of that property, is computed by the Department of Revenue (DOR). The sales ratio is applied to the NTC to obtain the adjusted net tax capacity (ANTC) of a school district.

Four school districts (Minneapolis, Bloomington, Robbinsdale, and Eden Prairie) contested their 1989 sales ratio. Resolution of the issue has resulted in a net decrease of ANTC of approximately \$54 million. In an equalized revenue program, this has significant impact on the computation of aid and levy resulting in a decrease in the amount raised by the authorized levy, and a commensurate increase in state aid.

The programs which are affected by this reduction in ANTC are:

- 0101 General Education
- 0201 Transportation
- 0401 Community Education
- 0407 Early Childhood Family Education
- 0501 Capital Expenditures - Facilities
- 0502 Capital Expenditures - Equipment

The effect of this action increases the FY 1992 aid entitlements for these programs by \$16,971,000 above the March forecast. Since districts have levied for pay 1991 using the previous ANTC, the pay 1992 levies will be adjusted downward to reflect the change in valuation.

GOVERNOR'S RECOMMENDATION:

The Governor recommends changes to the previously recommended funding levels for these activities by the following amounts: (\$ in Thousands)

	Change in Levy <u>Pay 1992</u>	Change in Aid <u>Entitlement</u>	Change in F.Y. 1992 <u>Approp.</u>	Change in F.Y. 1993 <u>Approp.</u>
General Education	\$(14,475)	\$ 14,475	\$ 12,304	\$ 2,171
Transportation	(995)	995	846	149
Basic Community Education	(204)	204	174	30

The Governor recommends increasing the F.Y. 1992 aid entitlements for the programs by \$16,971.

Based on these entitlements, the Governor recommends increasing the appropriations for these programs by \$14,427 in F.Y. 1992 and \$2,544 in F.Y. 1993 for F.Y. 1992

Program: 01 General Education Program
(Continuation)
Agency: Education Aids

1992-93 Biennial Budget

0101 GENERAL EDUCATION PROGRAM

9. Beginning in F.Y. 1993, modify the formula used to compute AFDC pupil units to adjust for the full range of difference in AFDC concentration among districts as follows:

AFDC Pupil Units =
Two Year Average AFDC Count
x 0.6
x Lesser of one or
(AFDC Concentration Percentage/11%)

The AFDC concentration percentage equals the ratio of two year average AFDC count to two year average ADM served, times 100.

This will more closely reflect the variations among districts in need for compensatory services for students whose educational achievement is below the level that is appropriate for students of their age.

10. Beginning in F.Y. 1993, modify the formula used to compute Training and Experience Revenue to adjust for most of the range of difference among districts as follows:

a. Modify the computation of the training and experience (T&E) index such that an index of 1.0 represents the state average teacher salary rather than the average salary for teachers with a Bachelor's degree and no experience. This will improve the stability of training and experience computations over time.

b. Change the formula for computing a district's training and experience allowance to the following:

T&E Allowance = (T&E Index - 0.9) x \$1,200

This will more closely reflect the variations among districts in teacher compensation costs associated with differences in training and experience of teachers.

11. Phase-in the increase in Compensatory Revenue and Training & Experience Revenue over 4 years. A district's F.Y. 1993 allowance for Compensatory Revenue and T&E Revenue equals the allowance computed under the previous formula plus 1/4 of the difference between the allowance computed under the recommended formula and the allowance computed under the previous formula.

12. Incorporate the Referendum Levy into the General Education Program as follows:

a. Convert 1990 Payable 1991 referendum levies to a dollar amount per actual pupil unit.

b. Referendum Revenue for existing referendum levies equals the converted amount per pupil unit minus the portion of the increase in Compensatory Revenue and T&E Revenue not deducted from the Supplemental Revenue. The allowance would continue for the number of years authorized under current law.

c. State aid will be provided to equalize the first \$200 per pupil unit of referendum revenue using an equalizing factor of \$3,400 per pupil unit.

d. A district's Referendum Revenue will be limited to the greater of:

(i) the amount computed in (b) or
(ii) \$600 per pupil unit plus a cost of living adjustment of up to \$264 for school districts in counties with high cost of living.

This will reduce overall reliance on referendum levies, provide all districts with more equal access to referendum revenue, and reduce variations in referendum tax rates among districts.

13. Set the target for the state total general education levy at \$935.5 million for F.Y. 1993 and at \$998.9 million for F.Y. 1994.

The Governor recommends an aid entitlement of \$1,796,851 for F.Y. 1992 and \$1,828,818 for F.Y. 1993.

Based on these entitlements, the Governor recommends an appropriation of \$1,617,047 in F.Y. 1992 (\$247,303 for F.Y. 1991 and \$1,369,744 for F.Y. 1992), and \$1,751,315 in F.Y. 1993 (\$255,324 for F.Y. 1992 and \$1,495,991 for F.Y. 1993).

Revised as of March 28, 1991

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0101 GENERAL EDUC PROGRAM

	ESTIMATED F.Y. 1990	ESTIMATED F.Y. 1991	GOVERNOR'S REC F.Y. 1992	GOVERNOR'S REC F.Y. 1993
1.AID ENTITLEMENT BASIS (Implied by FY 90/91 Appropriations)	\$ 1,287,925	\$ 1,742,904	\$ 1,742,904	\$ 1,742,904
2.ENTITLEMENT CHANGES PER CURRENT LAW:				
<u>A.Budget Variables</u>				
Revenue Incr. (Decr.):				
Weighted Avg Daily Memb	9,964	78,355	148,720	
AFDC Pupil Units	<4,233>	<1,543>	36	
Fund Bal. Subtraction	<830>	3,255	3,310	
Levy Decr. (Incr.):				
Basic Levy	8,067	<61>		
Supplemental Levy				
Combination Of Variables	1,308			
<u>B.Legislation Becoming Effective</u>				
Levy Target Amount:				
Basic	<58,443>	<100,014>		
Supplemental	<370>	<723>		
Levy Equity Phase-In	<139>	<556>		
3.CURRENT ENTITLEMENT	1,289,233	1,755,811	1,764,019	1,793,677
4.FUNDING EXCESS/DEFICIENCY				
5.POLICY CHANGES RECOMMENDED				
Rev Incr. (Decr.):				
Change WADM Computation	<48,810>	<50,759>		
Formula Allow. Increase	83,500	83,528		
Change In T&E Formula	<1,412>	22,786		
Chng Compensatory Form.	7,469			
Supplemental Rev Decr.	<276>	<5,259>		
Referendum Decrease		<19,617>		
Addtl. Referendum Due To Equalization			18,882	

Revised as of March 28, 1991

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0101 GENERAL EDUC PROGRAM

	ESTIMATED F.Y. 1990	ESTIMATED F.Y. 1991	GOVERNOR'S REC F.Y. 1992	GOVERNOR'S REC F.Y. 1993
Levy Decr. (Incr.):				
Incr Basic Dollar Target				<13,820>
To Offset Decr. In Categorical Levies				
Incr Basic Dollar Target Due To Decr In Supp. & Referendum Levies				<32,898>
Supplemental Levy Decr.			22	2,280
Reductions To Existing Referendums				30,617
Addtl. New Referendums Due To Equalization				<8,069>
Levy Incr. For Districts Off The Formula Due To Revenue Increase				<192>
Total Policy Changes			32,832	35,140
6.AID ENTITLEMENT (Implied by FY 92/93 Appropriations)			1,796,851	1,828,817
7.APPROPRIATIONS BASIS:				
Current Year	1,053,686	1,392,261	1,369,744	1,495,991
Prior Year	172,073	177,632	247,303	255,324
Transfers (M.S. 124.14)				
Total Funding (State General Fund)	1,225,759	1,569,893	1,617,047	1,751,315
8.LEVY AUTHORITY	1,106,181	787,387	854,515	1,260,760*

(*) Includes \$319,638 of referendum levy folded into the General Education Program

Note: F.Y. 1990 and F.Y. 1991 aid entitlements and appropriations may differ from those identified in Tables 1-1 and 1-2 due to timing of forecast variables.

Program: 01 General Education Program
 (Continuation)
 Agency: Education Aids

1992-93 Biennial Budget

0101 GENERAL EDUCATION PROGRAM

TABLE 1-1
 GENERAL EDUCATION PROGRAM (ANNUAL ENTITLEMENT BASIS)
 (\$ in 000s)

	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>Current Law F.Y. 1992</u>	<u>Current Law F.Y. 1993</u>
I. Pupil Unit and Property Valuation Data					
A. Average Daily Membership (ADM)					
1. Pre-kindergarten	3,812	3,920	3,920	3,920	3,920
2. Kindergarten handicapped	815	879	879	879	879
3. Kindergarten nonhandicapped	61,103	61,164	62,899	61,464	60,720
4. Elementary	341,970	354,100	364,139	373,253	377,634
5. Secondary	<u>315,899</u>	<u>313,275</u>	<u>318,315</u>	<u>329,034</u>	<u>343,538</u>
6. Total ADM	<u>723,598</u>	<u>733,338</u>	<u>750,152</u>	<u>768,550</u>	<u>786,691</u>
B. Weighted Average Daily Membership (WADM)					
1. Total WADM	803,612	812,402	830,112	852,980	876,569
C. AFDC Pupil Units					
1. Student counts	59,357	60,564	60,730	60,730	60,730
2. AFDC pupil units	21,854	22,284	21,836	21,704	21,564
D. Total Pupil Units					
E. Property Valuation					
1. Valuation year	1986	1987	1988	1989	1990
2. AAV (Adjusted Assessed Valuation)	\$ 30,257,784.2	—	—	—	—
3. AGTC (Adjusted Gross Tax Capacity)	—	\$ 3,820,645.1	—	—	—
4. ANTC (Adjusted Net Tax Capacity)	—	—	\$ 2,995,558.1	\$ 3,235,634.7	\$ 3,382,949.5
II. General Education Revenues					
A. Basic Revenue					
1. Formula allowance	\$ 2,755	\$ 2,838	\$ 2,953	\$ 2,953	\$ 2,953
2. Basic revenue (WADM times formula allowance)	2,213,957.8	2,304,820.4	2,451,323.0	2,518,849.6	2,588,509.1
3. Districts	435	435	432	432	432
B. Compensatory Revenue					
1. Amount	60,206.7	63,241.1	64,482.9	64,090.7	63,678.8
2. Districts		132	125	122	118
C. Training and Experience Revenue					
1. Amount	15,286.9	14,195.4	14,520.7	14,896.1	15,316.4
2. Districts	34	42	42	42	42
D. Elementary Sparsity Revenue					
1. Amount	—	638.5	636.5	663.3	663.3
2. Districts		9	9	9	9

Program: 01 General Education Program
(Continuation)

Agency: Education Aids

1992-93 Biennial Budget

0101 GENERAL EDUCATION PROGRAM

TABLE 1-1 (Contd.)

	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>Current Law F.Y. 1992</u>	<u>Current Law F.Y. 1993</u>
B. Total Local Levies	1,046,010.3	1,106,181.0	787,386.5	854,385.2	896,791.4
C. Total Aid Entitlement					
1. Gross aid (districts on the formula)	1,264,951.6	1,297,179.6	1,756,185.8	1,761,256.3	1,789,451.9
2. Levy equity adjustment	(4,327.3)	(1,946.6)	(375.0)	(608.1)	(1,025.0)
3. Gross aid before subtractions	1,260,624.3	1,289,233.0	1,755,810.8	1,760,648.2	1,788,426.9
4. Subtractions	(47,554.0)	(52,222.0)	(46,625.2)	(44,764.1)	(44,764.1)
5. Net aid	1,213,070.3	1,237,011.0	1,709,185.6	1,715,884.1	1,743,662.8

Program: 01 General Education Program
 (Continuation)
 Agency: Education Aids

1992-93 Biennial Budget

0101 GENERAL EDUCATION PROGRAM

TABLE 1-2
 GENERAL EDUCATION PROGRAM (APPROPRIATION ACCOUNT BASIS)
 (\$ in 000s)

	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>Governor's Recommendation</u>	<u>F.Y. 1993</u>
	<u>F.Y. 1992</u>				
I. Prior Year Final Adjustment					
A. Gross Payment					
1. Regular	\$ 150,674.4	\$ 189,883.2	\$ 197,210.6	\$ 263,029.2	\$ 269,185.5
2. Shared time	<u>213.4</u>	<u>408.1</u>	<u>220.0</u>	<u>398.7</u>	<u>402.6</u>
3. Total gross payment	<u>150,887.8</u>	<u>190,291.3</u>	<u>197,430.6</u>	<u>263,427.9</u>	<u>269,588.1</u>
B. Subtractions (Taconite and County Apportionment)	(13,632.6)	(16,284.7)	(18,699.5)	(16,125.2)	(14,264.1)
C. Tax Shift Adjustment	129.0	(1,415.9)	(345.6)	0	0
D. Other Adjustment	<u>0</u>	<u>(517.4)</u>	<u>(752.9)</u>	<u>0</u>	<u>0</u>
E. Net Final Payment	137,384.2	172,073.3	177,632.6	247,302.7	255,324.0
II. Current Year Advance					
A. Gross Payment					
1. Regular	1,072,370.1	1,097,386.5	1,490,498.9	1,525,384.4	1,553,654.8
2. Shared time	<u>2,290.2</u>	<u>2,362.6</u>	<u>2,259.0</u>	<u>2,281.4</u>	<u>2,281.4</u>
3. Total gross payment	<u>1,074,660.3</u>	<u>1,099,749.1</u>	<u>1,492,757.9</u>	<u>1,527,665.8</u>	<u>1,555,936.2</u>
B. Subtractions					
1. Endowment fund	(30,916.2)	(32,966.5)	(30,000.0)	(30,250.0)	(30,250.0)
2. Prior year taconite and county apportionment (not recovered on final payment)	<u>(257.2)</u>	<u>(353.9)</u>	<u>(556.0)</u>	<u>(500.0)</u>	<u>(500.0)</u>
C. Payment after Subtractions	1,043,486.9	1,066,428.7	1,462,201.9	1,496,915.8	1,525,186.2
D. Tax Shift Adjustment	(27,543.2)	(5,600.4)	(54,746.0)	(111,300.0)	(26,300.0)
E. Levy Equity Adjustment	(4,202.5)	(7,142.6)	(375.0)	(402.6)	(1,695.7)
F. TRA Reduction	0	0	(13,723.6)	(14,341.2)	0
G. TIF Adjustment	<u>0-</u>	<u>0-</u>	<u>0-</u>	<u>(1,127.9)</u>	<u>(1,200.0)</u>
H. Net Advance Payment	<u>1,011,741.2</u>	<u>1,053,685.7</u>	<u>1,393,357.3</u>	<u>1,369,744.1</u>	<u>1,495,990.5</u>
III. Total Payments	\$1,149,125.4	\$1,225,759.0	\$1,570,989.9	\$1,617,046.8	\$1,751,314.5

REVISED 3/28/91

Program: 02 Pupil Transportation Program
(Continuation)
Agency: Education Aids

1992-93 Biennial Budget

0201 TRANSPORTATION PROGRAM

TABLE 2-4
FORMULA FUNDING OF AUTHORIZED TRANSPORTATION

	Current Law				
	F.Y. 1989	F.Y. 1990	F.Y. 1991	F.Y. 1992	F.Y. 1993
1. Regular transportation funding					
a. Base year	F.Y. 1987	F.Y. 1988	F.Y. 1989	F.Y. 1990	F.Y. 1991
b. Formula allowance	---	---	406	421	421
c. Inflation factor	1.0410	1.058	1.054	1.036	1.006
d. Average funding per pupil transported	\$ 232.60	\$ 229.71	\$ 240.91	\$ 240.42	\$ 240.41
e. Number of pupils transported	501,650	537,600	554,500	572,200	590,300
f. Regular funding (000s)	\$116,681.8	\$123,490.6	\$133,581.9	\$137,567.7	\$141,916.1
g. Regular desegregation funding	---	---	7,602.2	6,130.8	6,385.2
h. Total regular transportation funding	\$116,681.8	\$123,490.6	\$141,184.1	\$143,698.5	\$148,301.3
2. Nonregular transportation funding (000s)					
a. Nonregular transportation cost	60,201.5	69,458.4	78,738.8	86,311.2	95,223.2
b. Less regular desegregation funding	---	---	7,603.2	6,120.8	6,385.2
c. Total nonregular funding	60,201.5	69,458.4	71,136.6	80,200.4	88,838.1
3. Excess transportation funding (000s)	\$ 21,338.6	\$ 22,872.5	\$ 19,701.2	\$ 20,433.9	\$ 21,246.2
4. Total gross transportation funding (000s)	\$198,221.9	\$215,821.5	\$232,021.9	\$244,332.8	\$258,385.6
5. Levy subtractions (\$ in 000s)					
a. Basic transportation levy					
1. Tax rate	2.34	---	---	---	---
Mill rate	---	1.90	2.04	2.07	1.97
Percent of tax capacity	---	AAV	AGTC	ANTC	ANTC
Tax capacity measure*	\$ 70,803.2	\$ 72,627.9	\$ 61,420.5	\$ 66,977.2	\$ 66,700.0
2. Amount	7,905.1	8,686.4	7,036.6	7,654.9	7,639.8
b. Contract transportation levy authority	18,077.4	20,790.0	23,291.0	26,395.5	28,998.2
c. Nonregular transportation levy authority	21,338.6	22,872.5	19,701.2	20,433.9	21,246.2
d. Excess transportation levy authority	17	17	10	10	9
e. Levy reduction for districts off formula	(4,692.3)	(4,721.0)	(2,310.1)	(2,085.8)	(1,590.2)
f. Total levy subtraction	\$113,432.0	\$120,255.8	\$109,139.2	\$119,375.7	\$122,994.0

	F.Y. 1989	F.Y. 1990	F.Y. 1991	Current Law
	F.Y. 1992	F.Y. 1993		
6. State aid entitlement (000s)				
a. Gross state aid entitlement	\$ 84,789.9	\$ 95,565.7	\$122,882.7	\$124,957.1
b. Gross aid as percent of funding	42.78%	44.28%	52.96%	51.14%
c. Proration, \$ per ADM	0.00	3.24	6.70	0.00
d. Prorated state aid entitlement	\$ 84,789.9	\$ 93,184.0	\$117,858.2	\$124,957.1
				\$135,391.6

7. Reconciliation of expenditures and funding (000s)				
a. Total prorated transportation funding	\$198,221.9	\$213,439.8	\$226,997.4	\$244,332.9
b. Total authorized expenditures	201,500.6	214,960.6	237,636.7	253,376.5
c. Prorated funding as percent of expenditures	98.37%	99.29%	95.52%	96.43%

* Adjusted Assessed Valuation (AAV); Adjusted Gross Tax Capacity (AGTC); Adjusted Net Tax Capacity (ANTC)

PROSPECTS:

Transportation costs continue to increase due to a variety of factors. The number of pupils transported increases due to growth in enrollments and at the same time the percentage of pupils transported increases. Transportation distances continue to escalate as more districts participate in pairing, cooperation, and consolidation activities. Fuel costs have increased by over 30% in F.Y. 1991 and nonregular costs grow due to program growth and inflation. To meet these demands under the current statutory formula, it is estimated that the state aid entitlement will need to increase by \$7,100,000 for F.Y. 1992 and \$17,534,000 for F.Y. 1993 over the annual base entitlement of \$117,858,000.

Alternatives Considered:

In order to meet the increasing needs of the Pupil Transportation program, MDE identified the following alternatives for consideration given the annual base entitlement:

- Provide levy authority for increased fuel costs.
- Reduce transportation funding as a percentage of expenditures.
- Eliminate funding for selected categories of transportation services, such as between schools, summer program, late activity, or noon kindergarten.
- Fund nonregular transportation on a base year formula similar to the regular transportation formula to encourage efficiency.
- Increase the levy portion of transportation funding to reduce state aid.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the following modifications in the pupil transportation aid formula beginning in F.Y. 1992:

1. Set the transportation formula allowance at \$434 for the 1990-91 base year.
2. Set the two-year inflation factors used in computing regular transportation funding at 4.0% for F.Y. 1992 and at 2.0% for F.Y. 1993.
3. Modify the nonregular transportation funding formula as follows:
 - a. Eliminate funding for nonhandicapped summer program, and late activity bus transportation.

REVISED 3/28/91

Program: 02 Pupil Transportation Program
(Continuation)
Agency: Education Aids

1992-93 Biennial Budget

0201 TRANSPORTATION PROGRAM

- b. For remaining nonregular transportation programs, change revenue from 100% of current year expenditure to 100% of base year expenditure per resident public school pupil in ADM times current year ADM times an inflation factor. For F.Y. 1992, the base year is F.Y. 1991, and the inflation factor is 1.0%. For F.Y. 1993 and after, the base year is the second prior year, and the inflation factor is the same as the inflation factor used to compute regular transportation funding.
- c. Change the formula used to compute nonregular basic aid from 60% of cost exceeding \$30 times weighted ADM to 50% of cost exceeding \$60 per ADM.
- d. Change the equalizing factor used to compute the nonregular levy from \$7,258 per weighted ADM to \$8,000 per ADM.
- e. School districts with an increase of more than 15% in nonregular transportation cost per pupil in ADM between F.Y. 1991 and F.Y. 1992 will qualify for additional nonregular transportation revenue equal to 80% of the increase in excess of 15%. Districts with an increase of more than 30% in nonregular transportation cost per pupil between F.Y. 1991 and F.Y. 1993 will receive additional nonregular transportation revenue equal to 80% of the increase in excess of 30%.

4. Set the target for the state total basic transportation levy at \$60,953,000 for F.Y. 1993 and at \$64,253,000 for F.Y. 1994.

The Governor recommends an aid entitlement of \$112,100 for F.Y. 1992 and \$123,533 for F.Y. 1993.

Based on these entitlements, the Governor recommends an appropriation of \$112,964 in F.Y. 1992 (\$17,679 for F.Y. 1991 and \$95,285 for F.Y. 1992), and \$121,819 in F.Y. 1993 (\$16,815 for F.Y. 1992 and \$105,004 for F.Y. 1993).

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Revised as of March 28, 1991

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0201 TRANSPORTATION PROGR

	ESTIMATED F.Y. 1990	ESTIMATED F.Y. 1991	GOVERNOR'S REC F.Y. 1992	GOVERNOR'S REC F.Y. 1993
1. AID ENTITLEMENT BASIS (Implied by FY 90/91 Appropriations)	\$ 93,184	\$ 117,858	\$ 117,858	\$ 117,858
2. ENTITLEMENT CHANGES PER CURRENT LAW:				
A. Budget Variables				
Revenue Increases:				
Regular Pupils Transp	684	5,181	9,779	
Allowance/Regular Pupil	<1,370>	<1,257>	<1,288>	
Nonreg Transp Cost	4,179	10,648	18,000	
Levy Decreases:				
Basic Levy	367	<277>		
Contract Levy	<188>	<472>	<382>	
Nonregular Levy	<1,305>	<3,446>	<5,698>	
Off-Formula Amount	<458>	<625>	<1,102>	
Combination Of Variables	2,382			
B. Legislation Becoming Effective				
Basic Levy-Target Amount			<4,912>	<4,912>
3. CURRENT ENTITLEMENT	95,566	119,767	122,698	132,255
4. FUNDING EXCESS/DEFICIENCY	<2,382>	<1,909>		
5. POLICY CHANGES RECOMMENDED				
Revenue Incr. (Decr.):				
Allowance/Reg. Pupil	1,228	3,249		
Revised Nonreg. Formula	<10,009>	<14,866>		
Nonreg. Excess Formula	1,850	1,400		
Levy Decr. (Incr.):				
Basic Levy	5,747			
Contract Levy	<36>	<302>		
Nonregular Levy	<4,571>	<3,699>		
Off-Formula Amount	1,495	169		
Nonreg. Excess Levy	<555>	<420>		
Total Policy Changes			<10,598>	<8,722>
6. AID ENTITLEMENT (Implied by FY 92/93 Appropriations)			112,100	123,533

REVISED 3/28/91

Revised as of March 28, 1991

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0201 TRANSPORTATION PROGR

	ESTIMATED F.Y. 1990	ESTIMATED F.Y. 1991	GOVERNOR'S REC F.Y. 1992	GOVERNOR'S REC F.Y. 1993
7. APPROPRIATIONS BASIS:				
Current Year	79,206	100,179	95,285	105,004
Prior Year	12,773	13,978	17,679	16,815
Transfers (M.S. 124.14)				
Total Funding (State General Fund)	91,979	114,157	112,964	121,819
8. LEVY AUTHORITY	120,256	109,139	121,866	120,160

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PROGRAM: 03 Special Programs
 (Continuation)
 Agency: Education Aids

1992-93 Biennial Budget

0301 SPECIAL EDUCATION - REGULAR

Districts are authorized to levy an amount equal to the difference between 66% of salaries paid to essential personnel and the state aid paid for salaries of these personnel. For special education cooperatives and intermediate districts, the levy is made by member districts in an amount equal to their allocated portion of this difference.

2. Aid for Supplies and Equipment (M.S. 124.32, Subd. 2): State aid is provided for the costs of special instructional supplies and equipment necessary to provide special education services to handicapped children. The supplies and equipment are limited to those items which are in addition or supplementary to those items normally provided to pupils in the regular education program. The formula for determining the amount of aid is 47% of the costs of the supplies and equipment, not to exceed an average of \$47 per handicapped pupil served.
3. Aid for Contracted Services (M.S. 124.32, Subd. 1d): School districts are authorized to purchase services for pupils with handicaps from public and private agencies. When districts choose this option, state aid is paid on the basis of 52% of the difference between the contracted cost and the General Education revenue for the pupil.

PERFORMANCE:

Changes in special education over the past several years have been in response to concerns regarding the growth in number of students identified and served within special education programs. In the mid 1980s, the legislature required school districts to either develop criteria for entrance into and exit from special education programs or adopt such criteria developed by MDE. The effect of establishing entrance and exit criteria was a decrease in the number of students identified and served in special education programs over the past two child count years. This occurred even though there has been an increase in the overall student population in the schools and a mandate was implemented to serve students with disabilities beginning at birth.

The following child count statistics show the changing configuration of special education services being provided by the Minnesota public schools:

<u>DISABILITY</u>	Actual F.Y. 1989	Actual F.Y. 1990	Estimated F.Y. 1991
Speech/Language Impaired	17,114	16,606	16,624
Mild-Moderate Mentally Handicapped	7,425	7,218	7,212
Moderate-Severe Mentally Handicapped	3,205	3,120	3,124
Physically Handicapped	1,355	1,331	1,374
Hearing Impaired	1,382	1,446	1,444
Visually Impaired	366	337	348
Specific Learning Disabilities	34,805	32,994	30,508

<u>DISABILITY</u>	Actual F.Y. 1989	Actual F.Y. 1990	Estimated F.Y. 1991
Emotional Behavior Disorder	10,683	11,316	12,153
Autistic	172	176	179
Deaf and Blind	29	21	28
Other Health Impaired	432	507	539
Early Childhood Special Education	5,679	6,384	6,743
Totals	82,647	81,456	80,276

STATISTICS:

Program statistics are shown in Tables 3-1 through 3-6.

PROSPECTS:

There has been a decrease in the number of learners with disabilities identified and served in special education programs. From December 1987 to December 1989, there was a decrease of 1,868 students in special education. This decrease averages about 4.2 students per district in Minnesota who are no longer receiving special education services. It can also be assumed that students who may have previously received services in the learning disabilities area may be served under the Assurance of Mastery program. The adoption of statewide entrance and exit criteria for students with disabilities which are scheduled to go into effect in 1991 will also tend to decrease the number of students identified for special education services.

There continues to be an increase of students in the emotionally disturbed category. It is believed that Minnesota is still not at full service in this area. The student/teacher ratio is low for Emotional Behavior Disorders and there are a high number of aides employed. Teacher burnout tends to be high as there were 100 teacher licensure variances issued for the 1989-90 school term in this area.

There is an anticipated increase in the next few years in the number of preschool children exposed to alcohol and other chemicals prior to birth, who will likely require special education services.

MDE believes that the count of students served in special education programs will decline as a result of the implementation of statewide criteria for entrance into special education programs. In addition, the Assurance of Mastery programs may serve to lower the number of students served in special education.

As a result of the increasing funding needs, under the current statutory formula, MDE estimates an additional need in state aid entitlement of \$11,898,000 for F.Y. 1992 and \$16,638,000 for F.Y. 1993 over the annual base entitlement of \$166,644,000.

Alternatives Considered:

In order to meet these increasing needs and to continue current program activities within the annual base entitlement, MDE has identified the following alternative for consideration:

- Reduce the statutory aid formula to the amount that the annual base entitlement will support. Although this may eliminate prorating of the aid, the reduction could mean a reduction in programs and services provided to students. The failure to fund increasing costs will place an additional funding burden on the local district providing programs and services.

PROGRAM: 03 Special Programs
(Continuation)
Agency: Education Aids

1992-93 Biennial Budget

0301 SPECIAL EDUCATION - REGULAR

GOVERNOR'S RECOMMENDATION:

The Governor recommends increasing Special Education aid and levy funding from the F.Y. 1991 level of \$223,533 to \$233,853 for F.Y. 1992 and \$243,820 for F.Y. 1993. This funding increase will be implemented through the following modifications in the Special Education-Regular funding formula:

1. For F.Y. 1992, change state aid for essential personnel from 60% of salaries not to exceed \$16,727 per full-time equivalent (FTE) employee to 56.4% of salaries not to exceed \$15,700 per FTE employee.
2. Beginning in F.Y. 1993, change state aid for essential personnel to 54.4% of salaries not to exceed \$15,100 per FTE employee.
3. Beginning in F.Y. 1993, provide state aid to equalize the special education levy (see Program Budget 0308).
4. Total aid plus levy revenue for essential personnel would remain at 66% of salaries.

The Governor further recommends that modifications be made in the Pupil Fair Dismissal Act of 1974 and the special education hearing appeal process as follows:

- No pupil shall be completely expelled or excluded from school, but will be offered an alternative such as: special tutoring, homebound instruction, enrollment in an alternative program or other public school or in conjunction with another agency.
- An appeal of the results of a local hearing, by the parent or school board, will be directly to the Court of Appeals. This will eliminate the potential conflict of interest under the present system in which appeals are made to the Commissioner of Education.

The Governor recommends an aid entitlement of \$167,187 for F.Y. 1992 and \$164,933 for F.Y. 1993.

Based on these entitlements, the Governor recommends an appropriation of \$167,105 in F.Y. 1992 (\$24,996 for F.Y. 1991 and \$142,109 for F.Y. 1992) and \$165,271 in F.Y. 1993 (\$25,078 for F.Y. 1992 and \$140,193 for F.Y. 1993).

Revised as of March 28, 1991

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0301 SPECIAL ED - REGULAR	ESTIMATED F.Y. 1990	ESTIMATED F.Y. 1991	GOVERNOR'S REC F.Y. 1992	GOVERNOR'S REC F.Y. 1993
1.AID ENTITLEMENT BASIS (Implied by FY 90/91 Appropriations)	\$ 161,479	\$ 166,644	\$ 166,644	\$ 166,644
2.ENTITLEMENT CHANGES PER CURRENT LAW:				
A.Budget Variables				
Revenue Increases:				
Number Of Staff	1,032	4,777	6,866	
Avg Salary/FTE Staff	12,691	18,798	26,405	
Contracted Services	856	1,020	1,203	
Supplies & Equipment	147	226	314	
Levy Increases:				
Number Of Staff	<215>	<993>	<1,428>	
Avg Salary/FTE Staff	<8,508>	<12,864>	<18,288>	
Combination Of Variables	4,170			
3.CURRENT ENTITLEMENT	165,649	172,647	177,608	181,716
4.FUNDING EXCESS/DEFICIENCY	<4,170>	<6,251>*		
5.POLICY CHANGES RECOMMENDED				
Revised Formula:				
Aid Changed To:				
Fy92 - 56.4% Of Salary,			<10,421>	
\$15,700 Cap				
Fy93 - 54.4% Of Salary,			<16,783>	
\$15,100 Cap				
Total Policy Changes			<10,421>	<16,783>
6.AID ENTITLEMENT (Implied by FY 92/93 Appropriations)			167,187	164,933
7.APPROPRIATIONS BASIS:				
Current Year	137,257	141,400	142,109	140,193
Prior Year	23,074	24,222	24,996	25,078
Transfers (M.S. 124.14)	588			
Total Funding (State General Fund)	160,919	165,622	167,105	165,271
8.LEVY AUTHORITY	47,729	57,137	66,666	78,887

(*) \$6,003 due to change in entitlement plus \$248 appropriation transfer to Special Pupil program

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PROGRAM: 03 Special Programs
 (Continuation)
 Agency: Education Aids

1992-93 Biennial Budget

0301 SPECIAL EDUCATION - REGULAR

TABLE 3-1
 UNDUPLICATED CHILD COUNT
 STUDENTS WITH DISABILITIES BY AGE AND DISABILITY

DISABILITY Child Count Date	AGE	ACTUAL F.Y. 1986 12/85	ACTUAL F.Y. 1987 12/86	ACTUAL F.Y. 1988 12/87	ACTUAL F.Y. 1989 12/88	ACTUAL F.Y. 1990 12/89	ESTIMATED F.Y. 1991 12/90	ESTIMATED F.Y. 1992	ESTIMATED F.Y. 1993
1. Speech Language Impaired	0-2	106	188	79	150	156	160	155	158
	3	416	808	512	395	410	413	421	416
	4-5	4,843	4,850	3,404	2,840	2,532	2,459	2,401	2,418
	6-11	11,861	12,038	12,204	12,234	12,018	12,131	12,200	12,311
	12-+21	1,637	1,481	1,557	1,495	1,490	1,461	1,462	1,402
	Total	18,863	19,365	17,756	17,114	16,606	16,624	16,639	16,705
2. Mild-Moderate Mentally Handicapped	0-2	76	192	55	31	1	3	1	2
	3	126	250	50	28	10	6	0	2
	4-5	564	599	206	116	94	106	91	93
	6-11	3,040	3,178	3,021	3,015	3,103	3,111	3,016	3,003
	12-+21	4,859	4,614	4,460	4,235	4,010	3,986	3,903	3,844
	Total	8,665	8,833	7,792	7,425	7,218	7,212	7,011	6,944
3. Moderate-Severe Mentally Handicapped	0-2	46	62	22	11	16	14	17	16
	3	31	99	38	25	11	17	18	19
	4-5	322	298	142	134	97	101	103	103
	6-11	1,141	1,124	1,110	1,062	1,035	982	985	993
	12-+21	2,240	2,248	2,092	1,973	1,961	2,010	1,996	2,013
	Total	3,780	3,831	3,404	3,205	3,120	3,124	3,119	3,144
4. Physically Handicapped	0-2	107	130	46	41	42	63	88	98
	3	61	105	49	29	16	36	41	53
	4-5	211	219	148	126	88	95	108	110
	6-11	624	647	666	700	665	645	690	701
	12-+21	475	455	416	459	520	535	554	573
	Total	1,478	1,556	1,325	1,355	1,331	1,374	1,481	1,535
5. Hearing Impaired	0-2	45	54	58	57	60	61	64	63
	3	54	47	40	34	53	45	50	51
	4-5	146	148	113	115	124	130	133	129
	6-11	624	572	603	666	691	685	715	706
	12-+21	527	521	506	510	518	523	537	531
	Total	1,396	1,342	1,320	1,382	1,446	1,444	1,499	1,480
6. Visually Impaired	0-2	42	38	17	13	15	16	18	17
	3	21	9	15	9	8	8	9	10
	4-5	53	51	30	31	26	25	28	29
	6-11	148	148	141	152	161	158	161	162
	12-+21	154	157	137	161	127	141	135	131
	Total	418	403	340	366	337	348	351	349
7. Specific Learning Disabilities	0-2	49	30	5	2	4	2	0	6
	3	34	35	15	3	2	2	2	1

Program: 03 Special Programs
 Agency: Education Aids

1992-93 Biennial Budget

0303 SPECIAL EDUCATION - SUMMER SCHOOL

Citation: M.S. 124.32, Subd 10; M.S. 275.125, Subd 8c
 MDE Admin: 1406 Special Education
 Federal: 1301 Handicapped (EHA P.L. 94-142)
 1302 Preschool Incentive

PURPOSE:

To provide special education aid to school districts for special educational services to children and youth with disabilities attending summer school programs.

P.L. 94-142 and Section 504 of the Vocational Rehabilitation Act of 1973 require extended year programs for students with disabilities when it is anticipated that significant regression of educational gains made during the regular school term will occur during the summer. Summer school programs are permissible for other students with disabilities. Under Section 504, participation in special education programs cannot be limited to students with the most severe disabilities. Each student must be considered according to his/her individual needs regardless of the severity of the disability.

The courts have ruled that students with disabilities who can be expected to show a significant regression in skill levels during extended periods when school is not in session, must be provided a special education program to maintain those skill levels.

DESCRIPTION:

The types of special education services eligible for special education summer school aid are similar, but not limited to, those services provided during the regular school term. The aid is proportionate to the reduced school term. The formulas for calculation of aid are the same as those in effect during the previous regular school term, and reimbursement is made in the school year following the summer school term. Special education summer school aid is available for students with disabilities at all levels of service. Under M.S. 124.32, the following state aids are provided:

- 60% of salaries of essential special education personnel, not to exceed \$16,727 in aid for each full-time equivalent (FTE) employee; and
- 52% of the difference between the amount of the contract and the General Education basic revenue allowance of the district for pupils provided services by contract with an agency other than a school district.

State aid is provided based on applications of programs and budgets submitted for approval by the districts to the Commissioner of Education. If the appropriation is insufficient to fully fund the aid formulas, districts may levy for the difference with a levy in the second year following the deficiency.

A district may levy an amount equal to the difference between 66% of salaries paid to essential personnel and the state aid paid for salaries of these personnel. For special education cooperatives and intermediate districts, the levy is made by member districts in an amount equal to their allocated portion of this difference.

PERFORMANCE:

Participation in summer school programs for students with disabilities has steadily increased over the past several years. During the 1989 summer school term, 35,204 students were served. This count is a duplicated count in which students receiving more than one service are counted under each type of service received. The actual number enrolled in summer school programs would be approximately

1/2 of the duplicated count, although the Minnesota Department of Education (MDE) does not have access to an unduplicated summer count.

Summer school opportunities for students with disabilities are provided either within the school district or the district may contract with other agencies to meet the needs of the student. In smaller districts where there may be only a few students involved, contracting is often cost-effective.

STATISTICS: (\$ in 000s)

Current Law
 F.Y. 1989 F.Y. 1990 F.Y. 1991 F.Y. 1992 F.Y. 1993

1. Personnel

Number of FTE Staff:
 FTE salary above \$27,879 87.39 98.80 118.82 132.85 146.84
 FTE salary below \$27,879 303.65 293.92 279.69 265.66 251.67
 Total FTE staff 391.04 392.72 398.51 398.51 398.51

Salaries:
 FTE salary above \$27,879 \$ 3,217.4 \$ 3,701.0 \$ 4,430.4 \$ 5,052.8 \$ 5,679.7
 FTE salary below \$27,879 5,007.6 4,821.5 4,503.2 4,327.5 4,122.7
 Total salaries \$ 8,225.0 \$ 8,522.5 \$ 8,933.6 \$ 9,380.3 \$ 9,802.4

Gross Personnel Aid:
 Aid for staff with FTE salary above \$27,879
 (FTE times \$16,727) \$ 1,608.0* \$ 1,817.9* \$ 1,987.5 \$ 2,222.2 \$ 2,456.2

Aid for staff with FTE salary below \$27,879
 (60% of salary) \$ 3,305.0* \$ 3,182.2* \$ 2,701.9 \$ 2,596.5 \$ 2,473.6

Total Gross Personnel Aid \$ 4,913.0 \$ 5,000.1 \$ 4,689.4 \$ 4,818.7 \$ 4,929.8

2. Contracted Services

Contracted Staff:
 FTE staff 6.39 10.45 9.35 9.35 9.35
 Expenditures \$ 358.7 \$ 434.1 \$ 388.9 \$ 408.4 \$ 426.8
 Gross Aid
 (52% of expenditures) \$ 186.5 \$ 255.7 \$ 202.3 \$ 212.4 \$ 221.9

Contracted Students:
 Weighted ADM 19.33 4.28 3.53 3.53 3.53
 Expenditure \$ 377.9 \$ 336.5 \$ 281.5 \$ 295.5 \$ 308.8
 Basic revenue deduct 0 0 0 0 0
 Difference 377.9 336.5 281.5 295.5 308.8
 Gross aid
 (52% of difference) \$ 196.5 \$ 174.9 \$ 146.4 \$ 153.7 \$ 160.6

Total Gross Contracted Services Aid \$ 383.0 \$ 430.6 \$ 348.6 \$ 366.0 \$ 382.5

3. Totals

a. Expenditure \$ 8,961.6 \$ 9,293.1 \$ 9,604.0 \$ 10,084.2 \$ 10,538.0
 b. Gross state aid 5,296.0 5,395.2 5,038.0 5,184.7 5,312.3
 c. Proration factor 0.9932 1.0 1.0 1.0 1.0

Program: 03 Special Programs
(Continuation)
Agency: Education Aids

1992-93 Biennial Budget

	F.Y. 1989	F.Y. 1990	F.Y. 1991	Current Law	
				F.Y. 1992	F.Y. 1993
d. Prorated state aid	5,260.1	5,395.2	5,038.0	5,184.7	5,312.3
4. Levy Authority					
a. Funding percentage	0.66	0.66	0.66	0.66	0.66
b. Total personnel funding (66% of total salaries)	\$ 5,428.5	\$ 5,624.9	\$ 5,896.2	\$ 6,191.0	\$ 6,469.6
c. Prorated personnel aid	4,879.6	5,000.1	4,689.4	4,818.7	4,929.8
d. Levy authority (Total personnel funding less prorated personnel aid)	548.9	624.8	\$ 1,206.8	\$ 1,372.3	\$ 1,539.8
5. Total funding (3d plus 4d)	\$ 5,808.9	\$ 6,020.0	\$ 6,244.8	\$ 6,557.0	\$ 6,852.1

* Special Education Summer School funding is based on the previous year funding formula, therefore, for F.Y. 1989 and F.Y. 1990 the aid formula for essential personnel was the lesser of 66% of salary or \$18,400.

PROSPECTS:

Many students with disabilities are at risk of experiencing significant regression of educational gains made during the regular school term. The summer school programs are extremely important in maintaining and increasing their skills. More than \$700,000 of the appropriation for the 1990 summer program, payable in F.Y. 1991, is anticipated to be excess funds. However, there are data to suggest that students with disabilities who are entitled to extended year services may not be receiving them. As special educators work with more students who have more severe impairments, the identification of students needing extended year services may increase.

For the upcoming biennium, with the projected level of participation in summer programs and the current statutory formula, MDE anticipates a decrease in state aid entitlement of \$581,000 for F.Y. 1992 and \$453,000 for F.Y. 1993 from the annual base entitlement of \$5,766,000.

GOVERNOR'S RECOMMENDATION:

The Governor recommends increasing aid and levy funding for Special Education - Summer School programs from the F.Y. 1991 level of \$6,241 to \$6,550 for F.Y. 1992 and \$6,753 for F.Y. 1993 through the following modifications in the funding formula:

1. For F.Y. 1992, change the state aid for essential personnel from 60% of salaries not to exceed \$16,727 per full-time equivalent (FTE) employee to 56.4% of salaries not to exceed \$15,700 per FTE employee.
2. Beginning in F.Y. 1993, change state aid for essential personnel to 54.4% of salaries not to exceed \$15,100 per FTE employee.
3. Beginning in F.Y. 1993, provide state aid to equalize the special education levy (see Program Budget 0308).

4. Total aid plus levy revenue for essential personnel would remain at 66% of salaries.

The Governor recommends an aid entitlement of \$4,885 for F.Y. 1992 and \$4,800 for F.Y. 1993.

Based on these entitlements, the Governor recommends an appropriation of \$4,885 in F.Y. 1992 and \$4,800 in F.Y. 1993.

0303.AID

Revised as of March 28, 1991

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0303 SPEC ED-SUMMER SCHOOL

	ESTIMATED F.Y. 1990	ESTIMATED F.Y. 1991	GOVERNOR'S REC F.Y. 1992	GOVERNOR'S REC F.Y. 1993
1.AID ENTITLEMENT BASIS (Implied by FY 90/91 Appropriations)	\$ 5,836	\$ 5,766	\$ 5,766	\$ 5,766
2.ENTITLEMENT CHANGES PER CURRENT LAW:				
A.Budget Variables				
Revenue Decreases:				
Number Of Staff		<828>	<863>	<863>
Avg Salary/FTE Staff		138	467	659
Contracted Services		<49>	<38>	<27>
Levy Decrease:				
Decrease In Staff		153	159	160
Levy Increase:				
Incr. In Avg Salary/FTE		<142>	<314>	<429>
Combination Of Variables	<441>			
3.CURRENT ENTITLEMENT	5,395	5,038	5,177	5,266
4.FUNDING EXCESS/DEFICIENCY	441	728		
5.POLICY CHANGES RECOMMENDED				
Revised Formula:				
Aid Changed To:				
Fy92 - 56.4% Of Salary,			<292>	
\$15,700 Cap				<466>
Fy93 - 54.4% Of Salary,				
\$15,100 Cap				
Total Policy Changes			<292>	<466>
6.AID ENTITLEMENT (Implied by FY 92/93 Appropriations)			4,885	4,800
7.APPROPRIATIONS BASIS:				
Current Year	5,836	5,766	4,885	4,800
Prior Year				
Transfers (M.S. 124.14)				
Total Funding (State General Fund)	5,836	5,766	4,885	4,800
8.LEVY AUTHORITY	625	1,203	1,665	1,954

REVISED 3/28/91

Program: 03 Special Programs
Agency: Education Aids

1992-93 Biennial Budget

0304 SPECIAL EDUCATION - HOME-BASED-TRAVEL

Citation: M.S. 124.32, Subd 2b
MDB Admin: 1406 Special Education
Federal: 1301 Handicapped (ELIA, P.L. 94-142)
1302 Preschool Incentive
1303 Infants and Toddlers

PURPOSE:

To assure the delivery of special education services to preschool children with disabilities and their families. This is to recognize that:

- early childhood special education programs involve both the child and the family; and
- early childhood special education services may include home and center based sites which require staff travel to the child and family.

DESCRIPTION:

The unique special education needs of preschool learners with disabilities require that services be available in a variety of settings, including the home. Home-based Services Travel assures that direct special education service and/or parent training and consultation can take place in the home if that is the setting which most appropriately meets the child's needs. The state aid provides school districts with 1/2 of their actual expenditures for necessary travel of essential personnel providing home-based services to children under age 5 and their families.

PERFORMANCE:

The home-based travel aid for school district staff was first made available in F.Y. 1987. As the funds appropriated were not fully utilized in the first few years, the appropriation level was reduced. However, as the number of preschool children with disabilities has increased, the funding level has not been sufficient to pay the home-based travel aid in full in the current biennium.

STATISTICS: (\$ in 000s)

					Current Law
	F.Y. 1989	F.Y. 1990	F.Y. 1991	F.Y. 1992	F.Y. 1993
1. Number of districts	435	433	432	432	432
2. Unduplicated child count (age 0-4)	12,188 6,353	12,189 6,842	12,190 6,992	12,191 7,202	12,192 7,346
3. Full-time equivalent staff providing services (state and federal)	1,179	1,234	1,259	1,284	1,309
4. District expenditures	\$ 78.9	\$ 112.3	\$ 112.3	\$ 138	\$ 142
5. Aid earned at 50%	\$ 39.4	\$ 56.1	\$ 56.2	\$ 69	\$ 71
6. Proration factor	---	.89	.889	1.0	1.0
7. Prorated state aid	\$ ---	\$ 50	\$ 50	\$ 69	\$ 71

PROSPECTS:

The continuation of services to the preschool disabled child is mandated beginning at birth. The least restrictive environment for the infant and toddler is the child's home. The current transportation system of the public schools cannot appropriately move children with disabilities from their home to the school-based programs. The number of children experiencing fetal alcohol syndrome and the effects of other chemical abuse is increasing with many of these children already at school age. The severity of the disabilities will require additional services. Since the number of preschool children with disabilities is expected to increase in the next several years, the travel costs for the school staff to provide services will also increase.

As the result of increasing funding needs under the current statutory formula, the Minnesota Department of Education (MDE) anticipates an additional need in state aid entitlement of \$19,000 for F.Y. 1992 and \$21,000 for F.Y. 1993 over the annual base entitlement of \$50,000.

Alternatives Considered:

In order to meet these increasing needs within the annual base entitlement, MDE has identified the following alternatives for consideration:

- Reduce the aid reimbursement formula from 1/2 of the sum actually expended by a district for necessary travel of essential personnel providing home-based services to an amount which the annual base entitlement will support.
- Prorate the aid to constrain reimbursement to the annual base entitlement.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the current statutory formula for this activity be continued with no change.

The Governor recommends an aid entitlement of \$69 for F.Y. 1992 and \$71 for F.Y. 1993.

Based on these entitlements, the Governor recommends an appropriation of \$66 in F.Y. 1992 (\$7 for F.Y. 1991 and \$59 for F.Y. 1992), and \$71 in F.Y. 1993 (\$10 for F.Y. 1992 and \$61 for F.Y. 1993).

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0304 SPEC ED-HOME BASED	ESTIMATED F.Y. 1990	ESTIMATED F.Y. 1991	GOVERNOR'S REC F.Y. 1992	GOVERNOR'S REC F.Y. 1993
1. AID ENTITLEMENT BASIS (Implied by FY 90/91 Appropriations)	\$ 51	\$ 50	\$ 50	\$ 50
2. ENTITLEMENT CHANGES PER CURRENT LAW:				
A. <u>Budget Variables</u>				
Incr. In Participation Combination Of Variables	5	12	19	21
3. CURRENT ENTITLEMENT	56	62	69	71
4. FUNDING EXCESS/DEFICIENCY	<5>	<12>		
5. POLICY CHANGES RECOMMENDED				
Total Policy Changes				
6. AID ENTITLEMENT (Implied by FY 92/93 Appropriations)			69	71
7. APPROPRIATIONS BASIS:				
Current Year	43	43	59	61
Prior Year	1	8	7	10
Transfers (M.S. 124.14)				
Total Funding (State General Fund)	44	51	66	71
8. LEVY AUTHORITY				

Program: 03 Special Programs
Agency: Education Aids

1992-93 Biennial Budget

0305 SPECIAL EDUCATION - RESIDENTIAL

Citation: M.S. 124.32, Subd 5 and 10
MDE Admin: 1406 Special Education
Federal: 1305 Hdcp in Residential Facilities (ECIA) Chapter 1
1306 Hdcp N/D in Residential Facilities (ECIA) Chapter 1

PURPOSE:

To assure all students with disabilities, who are placed in approved private or public residential facilities, a free and appropriate education. The state special education residential aid provided to school districts is to help meet the cost of the education services provided to these students in the regular school term or summer.

DESCRIPTION:

A number of children and youth are placed by child placement agencies in private or public residential facilities. In such cases, the school district in which the residential facility is located is required to provide the educational program for the student and bill the costs of the program to the student's district of residence, which is the district where the student's parent resides. The district of residence claims the General Education aid for the student and the special education residential aid. The residential aid is equal to 57% of the difference between the tuition cost and the basic General Education revenue for the student. The aid is paid as a reimbursement in the year following the year services are provided.

PERFORMANCE:

During the period 1980 to 1985, the number of students with disabilities who received services in residential facilities declined as individuals living in state hospitals were moved to community group homes. Since 1985, the number of students served in residential facilities has remained fairly stable. Billings to districts for education services have been increasing due to inflation of operating costs, and to changes in the General Education formula that result in higher General Education funding for each pupil in the school district. For example, the costs of teacher retirement and social security have been added to the tuition costs causing a substantial increase in billings to the districts.

STATISTICS:

	F.Y. 1989	F.Y. 1990	F.Y. 1991	F.Y. 1992	Current Law F.Y. 1993
School districts	227	232	235	235	235
Students (FTE)	953	996	1,003	1,090	1,105
Weighted average daily membership (WADM)	1,118	1,225	1,300	1,355	1,370
District expenditures (000s)	\$ 5,542	\$ 6,870	\$ 7,260	\$ 8,289	\$ 8,960
General education revenue deduction	(1,923)	(3,377)	(3,689)	(4,001)	(4,178)
Difference	\$ 3,619	\$ 3,493	\$ 3,571	\$ 4,288	\$ 4,782
Aid earned = 57% (000s)	\$ 2,063	\$ 1,991	\$ 2,036	\$ 2,444	\$ 2,726
Average expenditure per WADM	\$ 4,957	\$ 5,608	\$ 5,585	\$ 6,117	\$ 6,540
Average program aid per WADM	\$ 1,845	\$ 1,625	\$ 1,566	\$ 1,804	\$ 1,990

PROSPECTS:

An increase in the number of individuals with disabilities who are placed in residential facilities is expected during the upcoming biennium. The majority of students in residential facilities are placed by the courts or by human services agencies. Students with chemical addictions often are placed in residential facilities for varying periods of time. The unduplicated federal child count shows growth in the number of individuals with emotional disabilities who are attending public schools. These are students who often are placed in facilities for short or extended periods of time.

As a result of the increasing cost of providing residential programs, the Minnesota Department of Education (MDE) anticipates, under the current statutory provisions, an additional need in state aid entitlement of \$ 1,070,000 for F.Y. 1992 and \$1,352,000 for F.Y. 1993 over the annual base entitlement of \$1,374,000.

Alternatives Considered:

In order to meet these increasing needs, MDE has identified the following alternatives for consideration given the annual base entitlement:

- School districts are responsible for the educational costs of all resident students with disabilities. Districts often are not involved in placement decisions when other state agencies or courts determine that an out-of-district placement is necessary. Without the additional requested funding, and with rising costs of placements, the residential aids will be prorated more heavily than they are currently, and districts will need to rely more heavily on resources that are designated for all students.
- A number of districts are proposing a change in the way state aid is provided for high cost students with disabilities. The proposal is to eliminate the residential aid category and replace it with a supplemental aid for students whose educational costs exceed by 2 1/2 times the General Education revenue for the student. This would protect districts from catastrophic high costs attributable to students with intensive specialized service needs, and would recognize the district's responsibilities to these students both within the local district as well as in residential facilities.
- Reduce the statutory formula to the amounts that the annual base entitlement will support.

GOVERNOR'S RECOMMENDATION:

The Governor recommends increasing funding for this program from the F.Y. 1991 level of \$1,374 to \$2,315 for F.Y. 1992 and \$2,535 for F.Y. 1993.

The Governor recommends that the current special education residential aid formula be continued with no change.

The Governor recommends an aid entitlement of \$2,315 for F.Y. 1992 and \$2,535 for F.Y. 1993.

Based on these entitlements, the Governor recommends an appropriation of \$2,315 in F.Y. 1992 and \$2,535 in F.Y. 1993.

Revised as of March 28, 1991

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0305 SPEC ED-RESIDENTIAL	ESTIMATED F.Y. 1990	ESTIMATED F.Y. 1991	GOVERNOR'S REC F.Y. 1992	GOVERNOR'S REC F.Y. 1993
1.AID ENTITLEMENT BASIS (Implied by FY 90/91 Appropriations)	\$ 1,398	\$ 1,374	\$ 1,374	\$ 1,374
2.ENTITLEMENT CHANGES PER CURRENT LAW:				
A.Budget Variables				
Higher Costs/Billings		1,324	1,792	2,037
Gen Ed Revenue Deduct		<662>	<796>	<820>
Combination Of Variables	593			
3.CURRENT ENTITLEMENT	1,991	2,036	2,370	2,591
4.FUNDING EXCESS/DEFICIENCY	<593>	<662>		
5.POLICY CHANGES RECOMMENDED				
Change General Education			<55>	<56>
Formula Allowance To				
\$3,050 And Secondary				
Pupil Weight To 1.3				
Total Policy Changes			<55>	<56>
6.AID ENTITLEMENT (Implied by FY 92/93 Appropriations)			2,315	2,535
7.APPROPRIATIONS BASIS:				
Current Year	1,398	1,374	2,315	2,535
Prior Year				
Transfers (M.S. 124.14)				
Total Funding (State General Fund)	1,398	1,374	2,315	2,535
8.LEVY AUTHORITY				

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Program: 03 Special Programs
Agency: Education Aids

1992-93 Biennial Budget

0306 LIMITED ENGLISH PROFICIENCY

Citation: M.S. 124.273; 126.261-.269; 275.125, Subd 8
MDB Admin: 1407 Unique Learner Needs
Federal: 1312 Transition Program for Refugee Children
1313 Emergency Immigrant Education

PURPOSE:

The Limited English Proficient Education Program provides funding support, technical assistance, and inservice training to school districts serving Limited English Proficient (LEP) students. LEP students remain in the program, learning to speak, read, and write in English, until they are able to participate successfully in the mainstream curriculum. The length of time a student spends in the program depends on the student's age, the level of reading and writing proficiency in the native language, and the amount of education the student had in the native language.

DESCRIPTION:

Two program delivery designs are used to serve LEP students in Minnesota:

1. English as a Second Language (ESL) - Students spend approximately 1-2 hours per day learning English language skills; the remainder of the day is spent in regular class activities.
2. Bilingual Education - Students spend 1-2 hours per day learning English language skills; 1-2 hours being instructed in content areas (math, social studies, science) through the native language; and the remainder of the day in regular class activities. The amount of instruction through the native language decreases as English language skills improve.

For F.Y. 1991, the greatest number of LEP students (about 59%) are taught ESL through an ESL teacher and an ESL pull-out classroom model, about 20% are taught ESL in self-contained classrooms, about 8% in self-contained bilingual classrooms, and about 13% receive tutoring within the mainstream/ESL classroom.

A district's state aid equals the lesser of 61% of salary or \$17,000 for each eligible full-time equivalent (FTE) teacher. A district is eligible to receive funding for 1 FTE teacher for each 45 LEP pupils or a pro rata portion of an FTE teacher for fewer than 45 pupils. Districts with 22 or fewer LEP pupils are eligible to receive funding for 1/2 FTE teacher. A district may levy an amount equal to the difference between 61% of salaries paid to eligible personnel and the state aid paid for salaries of these personnel.

PERFORMANCE:

Traditional assessment instruments used to measure the success of English speaking students are not valid and reliable for LEP students because these instruments ultimately measure English skills which these students do not have. The majority of LEP students do not have a good educational background in their native language.

For F.Y. 1991, approximately 11,700 LEP students receive service in this program. These students speak over 50 different languages. The following data from the 1988-89 school year show the success the program is having with LEP students:

- 674 students were successfully mainstreamed and exited from the LEP program;
- 389 LEP students graduated from high school;

- only 53 students re-entered the program after being exited;
- LEP students in Grades K-3 received an average of 21 months of services through the program;
- LEP students in Grades 4-6 received an average of 20.2 months of service;
- LEP students in Grades 7-9 received an average of 15.7 months of service; and
- LEP students in Grades 10-12 received an average of 16.5 months of service.

STATISTICS:

	F.Y. 1989	F.Y. 1990	F.Y. 1991	F.Y. 1992	Current Law F.Y. 1993
A. LEP Students Served in each Program Design					
1. ESL program students served	7,683	8,682	9,200	9,530	9,875
Number of districts	96	96	98	100	100
2. Bilingual Education Program students served	2,466	2,642	2,690	2,800	2,850
Number of districts	4	4	4	5	5
3. Total students served	10,149	11,324	11,712	12,114	12,530
Total districts	100	100	102	105	105
B. District Expenditures and Formula Funding (\$ in 000s)					
1. Program Totals:					
Number of districts	100	100	102	105	105
LEP enrollment	10,149	11,324	11,712	12,114	12,530
FTE teachers	258.11	279.65	289.41	299.51	309.94
Teacher salaries	\$ 7,314.5	\$ 8,445.7	\$ 9,118.8	\$ 9,801.3	\$ 10,535.2
2. Eligible FTE Teachers:					
FTE salary above \$27,869	105.34	141.08	167.39	181.62	217.61
FTE salary below \$27,869	112.03	102.52	84.27	78.40	51.09
Total eligible FTE teachers	217.37	243.60	251.66	260.02	268.70
3. Eligible Teacher Salaries:					
FTE salary above \$27,869	\$ 3,687.2	\$ 5,107.0	\$ 6,117.5	\$ 6,804.4	\$ 8,136.3
FTE salary below \$27,869	2,600.6	2,438.8	2,023.0	1,938.5	1,254.7
Total eligible salaries	\$ 6,287.8	\$ 7,545.8	\$ 8,140.5	\$ 8,742.9	\$ 9,391.0
4. Total Formula Funding (61% of total eligible salaries)	\$ 3,835.6	\$ 4,602.9	\$ 4,965.7	\$ 5,333.1	\$ 5,728.5
5. Gross State Aid:					
\$17,000 times number of eligible FTE teachers with FTE salary above \$27,869	\$ 1,790.8	\$ 2,398.4	\$ 2,845.6	\$ 3,087.5	\$ 3,699.4
61% of eligible salaries for teachers with FTE salaries below \$27,869	1,586.4	1,487.6	1,234.0	1,182.5	765.4
Total gross state aid	\$ 3,377.2	\$ 3,886.0	\$ 4,079.6	\$ 4,270.0	\$ 4,464.8

Program: 03 Special Programs
(Continuation)
Agency: Education Aids

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Based on these entitlements, the Governor recommends an appropriation of \$3,727 in F.Y. 1992 (\$512 for F.Y. 1991 and \$3,215 for F.Y. 1992), and \$3,922 in F.Y. 1993 (\$567 for F.Y. 1992 and \$3,355 for F.Y. 1993).

0306 LIMITED ENGLISH PROFICIENCY

	Current Law				
	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
6. Proration Factor	.9224	.8525	.8378	1.0	1.0
Prorated state aid	\$ 3,115.2	\$ 3,313.0	\$ 3,417.9	\$ 4,270.0	\$ 4,464.8
7. Levy Authority (Total formula funding less prorated state aid)	\$ 720.4	\$ 1,289.9	\$ 1,547.7	\$ 1,063.1	\$ 1,263.7

PROSPECTS:

The number of LEP students in Minnesota schools is increasing. Due to the influx of immigrants and the reluctance of many families to use English at home, many students are coming to school with limited English skills. New refugee families, migrant families, adopted children, and other immigrants continue to add to the need of LEP programs.

As a result of increasing enrollments, increases in state aid entitlements of \$852,000 for F.Y. 1992 and \$1,047,000 for F.Y. 1993 over the annual base entitlement of \$3,418,000 are necessary to fully fund entitlements under the current statutory formula.

Alternatives Considered:

In order to meet these increasing needs within the annual base entitlement, MDE has identified the following alternatives for consideration:

- Continue the existing state aid formula and prorate the entitlement to school districts. This would increase the responsibility of providing funding for LEP programs by the local districts.
- Reduce the statutory aid formula to the amounts that the annual base entitlement will support. Although this may eliminate prorating of the aid, it could mean a reduction in programs and services provided to students. The failure to fund increasing costs will place an additional funding burden on the local districts providing programs and services.

GOVERNOR'S RECOMMENDATION:

The Governor recommends increasing aid and levy funding for the LEP program from the F.Y. 1991 level of \$4,966 to \$5,261 for F.Y. 1992 and \$5,592 for F.Y. 1993 through the following modifications in the funding formula:

1. Beginning in F.Y. 1992, change state aid for eligible teachers from 61% of salaries not to exceed \$17,000 per full-time equivalent (FTE) employee to 54.4% of salaries not to exceed \$15,100 per FTE employee
2. Beginning in F.Y. 1993, provide state aid to equalize the special education levy (see Program Budget 0308).
3. Total aid plus levy revenue for eligible teachers would remain at 61% of salaries.

The Governor recommends an aid entitlement of \$3,782 for F.Y. 1992 and \$3,947 for F.Y. 1993.

Revised as of March 28, 1991

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0306 LIMITED ENGLISH PROFICIENCY

	ESTIMATED F.Y. 1990	ESTIMATED F.Y. 1991	GOVERNOR'S REC F.Y. 1992	GOVERNOR'S REC F.Y. 1993
1.AID ENTITLEMENT BASIS (Implied by FY 90/91 Appropriations)	\$ 3,313	\$ 3,418	\$ 3,418	\$ 3,418
2.ENTITLEMENT CHANGES PER CURRENT LAW:				
A.Budget Variables				
Revenue Increases:				
Number Of Staff		622	773	929
Avg Salary/Fte Staff		434	579	753
Levy Increases:				
Number Of Staff		<78>	<97>	<117>
Avg Salary/Fte Staff		<316>	<420>	<544>
Combination Of Variables	573			
3.CURRENT ENTITLEMENT	3,886	4,080	4,253	4,439
4.FUNDING EXCESS/DEFICIENCY	<573>	<662>		
5.POLICY CHANGES RECOMMENDED				
Revised Formula:				
Aid Changed To 54.4% Of Salary, \$15,100 Cap			<471>	<492>
Total Policy Changes			<471>	<492>
6.AID ENTITLEMENT (Implied by FY 92/93 Appropriations)			3,782	3,947
7.APPROPRIATIONS BASIS:				
Current Year	2,816	2,906	3,215	3,355
Prior Year	454	497	512	567
Transfers (M.S. 124.14)	89			
Total Funding (State General Fund)	3,359	3,403	3,727	3,922
8.LEVY AUTHORITY	1,290	1,548	1,479	1,645

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Program: 03 Special Programs
Agency: Education Aids

1992-93 Biennial Budget

0307 SECONDARY VOCATIONAL - STUDENTS WITH DISABILITIES (Secondary Vocational - Handicapped)

Citation: M.S. 124.574; 275.125, Subd 8c
MDB Admin: 1402 Secondary Vocational Education
Federal: 1314 Secondary Vocational - Special Needs

PURPOSE:

To provide Vocational Education programs and services to assist and support students with disabilities through the career decision-making process while developing skills, attitudes, and knowledge necessary for a successful transition into the workplace. The specific objectives are to:

- apply basic computational, comprehension, communication, scientific and problem-solving skills in relevant, realistic environments as prescribed in each student's individual education plan (IEP) goals and objectives;
- utilize outcome-based curriculum which may need to be modified to meet the needs of the student and which is relevant to the occupational choice of the student;
- gain experience in the use of technological equipment appropriate for the occupational area chosen;
- acquire entry-level and employability skills prescribed by the IEP to make a successful transition into a chosen occupation; and
- explore potential careers in different occupational areas in order to better prepare students with disabilities for a smooth transition for their postsecondary education endeavors.

The intent of Vocational Education programs and services is to provide educational opportunities for students with disabilities to explore careers, have opportunities to gain specific job skills, and to prepare them for postsecondary education choices.

DESCRIPTION:

Vocational programs and services for students with disabilities are offered by school districts, cooperative centers, intermediate school districts, special education cooperatives, and Educational Cooperative Service Units (ECSUs). These programs and services are established to support student involvement in vocational education as a result of goals and objectives in student IEPs.

State Board of Education rules define the criteria that must be met in order to qualify for this vocational categorical aid. The criteria include appropriate teacher licensure and specific program and service curriculum requirements.

The state aid formula for Secondary Vocational Students with Disabilities funding for vocational education programs and services for F.Y. 1991 is as follows:

- Instructor salary - An amount not to exceed the lesser of 60% of the salary or \$16,727.

A district may levy an amount equal to the difference between 66% of salaries paid to essential personnel and the state aid paid for salaries of these personnel.

- Equipment - 47% of the costs of necessary equipment.

- Supplies - 47% of the costs of necessary supplies not to exceed an average of \$47 per student.
- Travel - 47% of the costs of necessary travel between instructional sites.
- Contracted Services - 52% of necessary contracted services.

These state categorical aids for vocational programs and services are used to support the assurances and initiative provisions of the federal vocational Carl D. Perkins Act entitlements.

PERFORMANCE:

Significant changes have occurred and will continue to occur in the workplace and in family needs. In concert with these changes, individuals with disabilities have been mainstreamed into our schools and within society, and they are in need of functional skills to live and work in our communities. Vocational Education programs and services are involved in providing and modifying curriculum, facilities and equipment in order to provide and supplement instructional programs and services that meet the vocational needs of students with disabilities. Program advisory committees comprised of business and industry representatives, parents and advocates of individuals with disabilities ensure that programs and services are current, appropriate and relevant to the needs of individuals with disabilities.

Vocational assessment activities are provided to determine student abilities, strengths, aptitude, and support needs to succeed in Vocational Education. Teacher inservice is provided by program specialists in cooperation with teacher educators to update local staff on skills necessary for them to provide students with disabilities the vocational skills necessary for transition from secondary education to appropriate postsecondary endeavors. Vocational programs and services are evaluated to ensure program and service quality.

The advent of learner outcomes to provide outcome-based education, including the redesign of instruction, and curriculum integration and staff development activities, is significant to the provision of Vocational Education to students with disabilities. In addition, joint development of goals and objectives in the IEP by vocational and special educators provides further educational planning efforts for students with disabilities.

The state categorical aid funding for vocational students with disabilities is used to support the assurances and initiatives provisions of the federal vocational Carl D. Perkins Act entitlements.

STATISTICS:

Program statistics are shown in Table 3-7

PROSPECTS:

With emphasis on the transition of students with disabilities moving from secondary education to successful living and working in the community, Vocational Education for students with disabilities continues to be successful. Continued cooperation and collaboration with other educational programs and services ensures that students with disabilities gain a valuable and functional education.

Under the current formula, changes in the number of eligible students will result in the following changes in state aid entitlement: a decrease of \$1,389,000 for F.Y. 1992 and a decrease of \$1,271,000 for F.Y. 1993 from the annual base entitlement of \$6,356,000.

MDE anticipates that the count of students served in vocational programs for students with disabilities will decline as a result of the implementation of statewide criteria for entrance into special education programs.

Program: 03 Special Programs
(Continuation)
Agency: Education Aids

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0307 SECONDARY VOCATIONAL - STUDENTS WITH DISABILITIES
(Secondary Vocational - Handicapped)

Alternatives Considered:

In order to continue program activities in the upcoming biennium, MDE has identified the following alternative for consideration:

- Reduce the statutory aid formula consistent with the projected level of funding needed.

GOVERNOR'S RECOMMENDATION:

The Governor recommends increasing aid and levy funding for this program from the F.Y. 1991 level of \$6,913 to \$7,207 for F.Y. 1992 and \$7,514 for F.Y. 1993 through the following modifications in the Secondary Vocational-Students with Disabilities funding formula:

1. For F.Y. 1992, change state aid for essential licensed personnel from 60% of salaries not to exceed \$16,727 per full-time equivalent (FTE) employee to 56.4% of salaries not to exceed \$15,700 per FTE employee.
2. Beginning in F.Y. 1993, change state aid for essential licensed personnel to 54.4% of salaries not to exceed \$15,100 per FTE employee.
3. Beginning in F.Y. 1993, provide state aid to equalize the secondary vocational handicapped levy (see Program Budget 0308).
4. Total aid plus levy revenue for essential licensed personnel would remain at 66% of salaries.

The Governor recommends an aid entitlement of \$4,660 for F.Y. 1992 and \$4,586 for F.Y. 1993.

Based on these entitlements, the Governor recommends an appropriation of \$4,690 in F.Y. 1992 (\$729 for F.Y. 1991 and \$3,961 for F.Y. 1992), and \$4,598 in F.Y. 1993 (\$699 for F.Y. 1992 and \$3,899 for F.Y. 1993).

Revised as of March 28, 1991

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0307 SEC VOC-DISABILITIES	ESTIMATED F.Y. 1990	ESTIMATED F.Y. 1991	GOVERNOR'S REC F.Y. 1992	GOVERNOR'S REC F.Y. 1993
1.AID ENTITLEMENT BASIS (Implied by FY 90/91 Appropriations)	\$ 5,470	\$ 6,356	\$ 6,356	\$ 6,356
2.ENTITLEMENT CHANGES PER CURRENT LAW:				
A.Budget Variables				
Revenue Decreases:				
Number Of Staff	<1,722>	<1,662>	<1,602>	
Avg Salary/Fte Staff	798	1,005	1,246	
Contracted Services	<116>	<114>	<111>	
Equipment	<28>	<26>	<25>	
Travel	<37>	<37>	<36>	
Supplies	<13>	<11>	<10>	
Levy Decrease:				
Decrease In Staff	376	363	350	
Levy Increase:				
Incr. In Avg Salary/Fte	<758>	<926>	<1,117>	
Combination Of Variables	<815>			
3.CURRENT ENTITLEMENT	4,655	4,856	4,948	5,051
4.FUNDING EXCESS/DEFICIENCY	807 *	1,500		
5.POLICY CHANGES RECOMMENDED				
Revised Formula:				
Aid Changed To:				
Fy92 - 56.4% Of Salary,			<287>	
\$15,700 Cap				
Fy93 - 54.4% Of Salary,				<465>
\$15,000 Cap				
Total Policy Changes			<287>	<465>
6.AID ENTITLEMENT (Implied by FY 92/93 Appropriations)			4,661	4,586

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EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0307 SEC VOC-DISABILITIES

	ESTIMATED F.Y. 1990	ESTIMATED F.Y. 1991	GOVERNOR'S REC F.Y. 1992	GOVERNOR'S REC F.Y. 1993
7. APPROPRIATIONS BASIS:				
Current Year	4,649	5,403	3,961	3,899
Prior Year	645	821	729	699
Transfers (M.S. 124.14)				
Total Funding (State General Fund)	5,294	6,224	4,690	4,598
8. LEVY AUTHORITY	1,774	2,057	2,546	2,928

(*) \$815 less prior year payments per M.S. 124.14, subd.2

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Program: 03 Special Programs
Agency: Education Aids

**0308 SPECIAL EDUCATION LEVY
EQUALIZATION AID**

Citation: M.S. 275.125, Subd 8c
MDE Admin: 1501 Education Finance and Analysis
Federal: None

1992-93 Biennial Budget

PURPOSE:

To provide levy revenue to school districts to supplement categorical aids for special education, secondary vocational students with disabilities, and limited English proficiency programs, to assure that free appropriate educational services are provided to all eligible handicapped and limited English proficient students.

DESCRIPTION:

A district's levy authority for each fiscal year equals the sum of the following:

1. The difference between 66% of salaries paid to essential special education personnel and the amount of special education aid paid to the district for salaries of these personnel under Program Budget 0301 and 0303 for that fiscal year; plus
2. The difference between 61% of salaries paid to essential limited English proficiency program personnel and the amount of limited English proficiency aid paid to the district for salaries of these personnel under Program Budget 0306 for that fiscal year; plus
3. The difference between 66% of the salaries paid to essential secondary vocational handicapped program personnel and the amount of secondary vocational handicapped aid paid to the district for salaries of these personnel under Program Budget 0307 for that fiscal year.

The levy authority for staff employed by intermediate districts and cooperatives is allocated among the participating school districts and added to the school district's levy authority. School district estimates are used to compute the initial levy for each district. The levy is adjusted 3 years later based on actual data.

PERFORMANCE:

Special education levies increased from \$9.2 million for taxes payable in 1985 to \$75.4 million for taxes payable in 1991 due to two factors:

1. The difference between 66% of salaries and the maximum aid per full-time equivalent (FTE) staff person increased each year due to: a) the maximum aid per FTE changed from the lesser of 66% of salaries up to a cap of \$18,400 for F.Y. 1988 and F.Y. 1989, to the lesser of 60% of salaries up to a cap of \$16,727 for F.Y. 1990 and F.Y. 1991, and b) in the second year during which each of these aid amounts applied, salaries increased with inflation while the maximum aid per FTE remained constant; and
2. The proration of aids has substantially increased the amount of levy authority, beginning with taxes payable in 1988.

The levy authority under current law is projected to increase from \$61.9 million for F.Y. 1991 to \$63.2 million for F.Y. 1992 and \$71.9 million for F.Y. 1993 based on projected full funding of the special education, limited English proficient and secondary vocational handicapped aid formulas in F.Y. 1992 and F.Y. 1993. However, total certified levies are projected to increase from \$75.4 million

for taxes payable in 1991 to \$79.0 million for taxes payable in 1992 due to levy adjustments.

STATISTICS: (\$ in 000s)

	F.Y. 1989	F.Y. 1990	F.Y. 1991	Current Law F.Y. 1992*	F.Y. 1993*
Levy Authority by Fiscal Year					
Special Education - Regular	\$ 36,476.7	\$ 47,729.4	\$ 57,137.0	\$ 58,481.0	\$ 66,463.0
Special Education - Summer	548.9	624.8	1,206.8	1,372.3	1,539.8
Limited English Proficiency	720.4	1,289.9	1,547.7	1,063.1	1,263.7
Secondary Voc Handicapped	1,464.2	1,773.7	2,057.0	2,316.7	2,588.4
Total Levy Authority	\$ 39,210.2	\$ 51,417.8	\$ 61,948.5	\$ 63,233.1	\$ 71,854.9
	Payable 1988	Payable 1989	Payable 1990	Payable 1991	Payable 1992
Certified Levy by Calendar Year					
Initial Levy Year	F.Y. 1989	F.Y. 1990	F.Y. 1991	F.Y. 1992	F.Y. 1993
Initial Levy Amount	\$ 20,504.0	\$ 28,032.6	\$ 47,590.5	\$ 56,873.0	\$ 69,000.0
Levy Adjustment Year	F.Y. 1986	F.Y. 1987	F.Y. 1988	F.Y. 1989	F.Y. 1990
Levy Adjustment Amount	5,399.1	11,453.0	9,556.6	18,498.7	10,036.9
Levy Adjustment Year	---	F.Y. 1986	F.Y. 1990	---	---
Adjustment Amount	---	567.9	13,348.2	---	---
Total Levy Certified	\$ 25,903.1	\$ 40,053.5	\$ 70,495.3	\$ 75,371.7	\$ 79,036.9

* F.Y. 1992 and F.Y. 1993 levies based on 4.5% inflation over F.Y. 1991 each year, continuation of growth trends, and no proration of state aid in F.Y. 1992 or F.Y. 1993.

PROSPECTS:

As a result of salary increases and the continuing need for special education services, the Minnesota Department of Education (MDE) anticipates continued growth of special education levies and full utilization of the funds generated from these levies.

See the individual Program Budgets 0301, 0303, 0306, and 0307 for related discussion and information.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that state aid be provided to equalize the special education levy beginning in F.Y. 1993. This will significantly reduce the variation among school districts in tax rates needed to fund special education programs. The maximum special education levy for a district would equal the product of the district's special education levy revenue times the lesser of one or the ratio of the district's adjusted net tax capacity per pupil unit to \$3,435. The special education levy equalization aid would equal the difference between the levy revenue and the maximum levy. The aid would be reduced proportionately for districts that levy less than the maximum amount.

The Governor recommends an aid entitlement of \$11,170 for F.Y. 1993.

Based on this entitlement, the Governor recommends an appropriation of \$9,495 in F.Y. 1993.

Revised as of March 28, 1991

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0308 SPECIAL EDUCATION LEVY

	ESTIMATED F.Y. 1990	ESTIMATED F.Y. 1991	GOVERNOR'S REC F.Y. 1992	GOVERNOR'S REC F.Y. 1993
1. AID ENTITLEMENT BASIS (Implied by FY 90/91 Appropriations)	\$	\$	\$	\$
2. ENTITLEMENT CHANGES PER CURRENT LAW:				
3. CURRENT ENTITLEMENT	-----	-----	-----	-----
4. FUNDING EXCESS/DEFICIENCY	-----	-----	-----	-----
5. POLICY CHANGES RECOMMENDED Equalize Special Ed. Levy Using Equalizing Factor Of \$3,435 Per WADM				11,170
Total Policy Changes				11,170
6. AID ENTITLEMENT (Implied by FY 92/93 Appropriations)				11,170
7. APPROPRIATIONS BASIS: Current Year Prior Year Transfers (M.S. 124.14)				9,495
Total Funding (State General Fund)				9,495
8. LEVY AUTHORITY				<11,170>

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Program: 03 Special Programs
Agency: Education Aids

1992-93 Biennial Budget

0309 SECONDARY VOCATIONAL EDUCATION

Citation: M.S. 124.573
MDB Admin: 1402 Secondary Vocational Education
Federal: 1314 Secondary Vocational - Special Needs

PURPOSE:

To increase opportunities for all students in Grades 10-12 to:

- help students make wise career choices, while developing the skills, attitudes, and knowledge necessary to succeed in the workplace;
- acquire entry-level and work readiness skills necessary for earning while continuing to learn;
- explore potential careers in different occupational areas in order to better prepare for postsecondary education or employment;
- apply basic computational, comprehension, communication, scientific, and problem-solving skills in relevant, realistic environments which create an incentive for them to remain in school;
- gain experience in the use of high technology equipment which is utilized in occupational areas;
- learn and reinforce higher order thinking skills through application; and
- utilize outcome-based curriculum relevant to business and industry.

The intent of these programs is to improve curriculum opportunities in a realistic manner that is relevant to the business and industrial practices which our students either are or will be participating in.

DESCRIPTION:

Local Education Agencies (LEA), including school districts, cooperative centers, intermediate districts, and education districts may access state categorical funding through an excess cost formula for providing occupational vocational programs. To qualify for the funding, the LEAs must provide evidence of meeting or exceeding criteria defined in State Board of Education rule. The rule requires the involvement of a program advisory committee to: 1) identify the need for program improvement in the areas of integration, and basic and higher order thinking skills; 2) articulate programs between secondary and postsecondary to assure a nonduplicative sequential transition between the 2 levels; and 3) modernize to upgrade curriculum and instructional support and materials within the program areas.

The state aid is used to provide equitable access and treatment for all students; to redirect curriculum priorities; to assure focus on technical skills, career development, work readiness, and preparation for family roles and technological competencies; and to conduct an evaluation process to insure the relevancy of the vocational programs as they relate to the various occupational areas. The major areas of instruction are: business occupations, health occupations, agricultural occupations, technical occupations, home economics occupations, handicapped, and disadvantaged (at-risk populations are actively solicited for all of these programs).

The excess cost state aid formula provides funding to qualifying districts as follows: 75% of the difference between the approved vocational instructional salaries and 50% of the general education revenue attributable to vocational average daily membership (ADM); and 30% of approved expenditures for: contracted services, travel between instructional sites, professional development

travel, student organization travel, curriculum development activities, and specialized instructional supplies.

PERFORMANCE:

The percentage of students participating in vocational programs over the past few years has remained fairly stable at approximately 11% of the total population of students enrolled in Grades 10-12. This percentage is expected to decline slightly to about 10% in the upcoming biennium.

The establishment of learner outcomes in all vocational education areas is of special significance to the Minnesota Department of Education (MDE) objective of developing outcome-based education, including the integration of basic and higher order thinking skills into all curricula areas, and the articulation of secondary vocational programs with postsecondary vocational programs to ensure a smooth transition between levels and to ensure a sequential programming between secondary and postsecondary in identified occupational areas. The delivery system used by secondary vocational education, that of experiential learning, is of special significance to the MDE objective to provide opportunities for at-risk students, including providing them with career selection and work readiness skills and preparing them for future family roles.

The vocational curriculum review cycle and program evaluation process is in concert with the Planning, Evaluating, and Reporting (PER) process and is an ongoing part of the planning process for all school districts. A minimum of 20% of the districts are reviewed and evaluated each year. This is an effective means for improving curriculum in response to changing business and industry needs, and for providing districts with accountability and increased community involvement that are significant to the improvement of education in Minnesota. Vocational curriculum is directly responsive to business and industry needs through the participation and input of the vocational advisory committees.

Vocational programming is further responsive to student needs through the monitoring of past students by the Minnesota High School Follow-Up Process designed and implemented by secondary vocational education specialists. This follow-up has indicated that historically a minimum of 75% of the high school graduates are in the employment market one year after graduation. (See Program Budget 1318).

STATISTICS:

Program statistics are shown in Table 3-1.

PROSPECTS:

The secondary vocational education categorical aid provides needed incentives for ongoing curriculum development, revision, and evaluation. Direct involvement of community members through local advisory committees is required which helps assure that improvement and restructuring of education will occur through a participatory process. The advisory committee involvement is critical to the success of the restructuring efforts scheduled for the upcoming biennium and beyond. The vocational advisory committee process provides the flexibility to address the integration, articulation, modernization, equitable access, and direction of curriculum priorities as needed both throughout the state and at the local level.

Community, business and industry involvement are crucial to achieve the overall changes required in the restructuring process including the use of learner outcomes to address the needs of both the students and our changing society.

As a result of increasing expenditures and declining enrollments in Secondary Vocational Programs, state aid entitlement under the current statutory formula will require an additional \$2,276,000 for F.Y. 1992 and \$3,501,000 for F.Y. 1993 over the annual base entitlement of \$11,723,000.

0309 SECONDARY VOCATIONAL EDUCATION

Alternatives Considered:

In order to meet the increasing vocational education needs, MDE identified the following alternatives for consideration given the annual base entitlement:

- Reduce the statutory aid formula to the amount that the annual base entitlement will support. Although this may eliminate proration of the aid, the reduction could mean a reduction in programs and services provided to students. This alternative will decrease the opportunity for at-risk students to participate in a hands-on, relevant educational program, and will make it more difficult for a school district to provide a comprehensive secondary curriculum for students.
- Change the current formula. Use the same components and percentages provided for in current law to generate district revenue for secondary vocational education. Add a levy component to supplement the annual base aid entitlement to reach the computed current law revenue. This would assure program continuation at current funding levels.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the following modifications in the Secondary Vocational education aid formula beginning in F.Y. 1992:

1. Change state aid for essential licensed personnel from 75% to 53% of excess costs.
2. Increase state aid for curriculum development, contracted services, staff travel, and specialized instructional supplies from 30% to 40% of approved expenditures.

The Governor recommends an aid entitlement of \$10,653 for F.Y. 1992 and \$11,282 for F.Y. 1993.

Based on these entitlements, the Governor recommends an appropriation of \$10,814 in F.Y. 1992 (\$1,758 for F.Y. 1991 and \$9,056 for F.Y. 1992), and \$11,187 in F.Y. 1993 (\$1,597 for F.Y. 1992 and \$9,590 for F.Y. 1993).

Revised as of March 28, 1991

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0309 SECONDARY VOCATIONAL

	ESTIMATED F.Y. 1990	ESTIMATED F.Y. 1991	GOVERNOR'S REC F.Y. 1992	GOVERNOR'S REC F.Y. 1993
1. AID ENTITLEMENT BASIS (Implied by FY 90/91 Appropriations)	\$ 11,701	\$ 11,723	\$ 11,723	\$ 11,723
2. ENTITLEMENT CHANGES PER CURRENT LAW:				
A. Budget Variables				
Vocational Salaries	<1,991>	<1,939>	<918>	
Vocational ADM	4,491	5,175	4,923	
Avg Rev Deduct Per ADM	<1,571>	<1,522>	<1,540>	
Nonsalary Expenditures	18	87	160	
Combination Of Variables	777			
3. CURRENT ENTITLEMENT	12,478	12,670	13,524	14,348
4. FUNDING EXCESS/DEFICIENCY	<777>	<947>		
5. POLICY CHANGES RECOMMENDED				
Revised Formula:				
Salary Aid At 53%			<3,498>	<3,719>
Nonsalary Aid At 40%			539	564
Secondary Pupil Weight				
At 1.3 & Incr. Gen Ed				
Formula Allowance To:				
Fy1992 - \$3,050			88	
Fy1993 - \$3,050				88
Total Policy Changes			<2,871>	<3,067>
6. AID ENTITLEMENT (Implied by FY 92/93 Appropriations)			10,653	11,281
7. APPROPRIATIONS BASIS:				
Current Year	9,946	9,965	9,056	9,590
Prior Year	1,525	1,755	1,758	1,597
Transfers (M.S. 124.14)				
Total Funding (State General Fund)	11,471	11,720	10,814	11,187
8. LEVY AUTHORITY				

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Program: 03 Special Programs
 (Continuation)
 Agency: Education Aids

1992-93 Biennial Budget

0309 SECONDARY VOCATIONAL EDUCATION

TABLE 3-1
 SECONDARY VOCATIONAL EDUCATION

	F.Y. 1989		F.Y. 1990		F.Y. 1991		Current Law F.Y. 1992		Current Law F.Y. 1993	
	ADM SERVED	STAFF FTE	ADM SERVED	STAFF FTE	ADM SERVED	STAFF FTE	ADM SERVED	STAFF FTE	ADM SERVED	STAFF FTE
1. Student/Staff Data										
Administration/support services	0	97	0	83	0	67	0	63	0	62
Support services	229	31	200	28	338	29	328	29	332	29
WE/CEP	475	34	435	34	384	32	372	32	376	32
Work experience/disadvantaged	1,773	109	1,651	112	1,400	105	1,357	104	1,373	104
Agriculture/agribusiness	2,261	192	2,028	171	1,871	158	1,813	155	1,835	155
Business/Office	3,768	263	3,529	247	3,379	228	3,274	223	3,313	223
Health/Environmental	271	27	246	24	204	23	198	23	200	23
Consumer Homemaking	4,163	286	4,002	268	3,834	252	3,715	245	3,760	245
Service	756	61	879	57	663	54	642	54	650	54
Marketing/Distribution	1,245	73	1,218	67	746	49	723	49	732	49
Trade/Industry	3,805	287	3,684	280	3,490	282	3,384	266	3,420	261
Total ADM, Grades 10-12	18,746	1,460	17,872	1,371	16,309	1,279	15,806	1,243	15,991	1,237
2. Expenditures (000s)	SALARY	NONSALARY	SALARY	NONSALARY	SALARY	NONSALARY	SALARY	NONSALARY	SALARY	NONSALARY
Administration/support services	\$ 3,805.1	\$ 129.1	\$ 3,418.7	\$ 256.3	\$ 2,875.6	\$ 361.0	\$ 2,835.7	\$ 377.3	\$ 2,882.6	\$ 394.3
Support services	835.5	32.9	1,098.7	43.8	1,189.7	71.0	1,209.9	74.3	1,260.3	77.6
WE/CEP	1,288.2	25.8	1,372.6	28.4	1,219.6	50.5	1,240.4	52.7	1,292.1	55.1
Work experience/disadvantaged	4,140.9	115.3	4,291.4	132.0	4,080.0	185.3	4,149.3	193.7	4,322.3	202.4
Agriculture/agribusiness	5,616.3	597.8	5,296.6	531.6	5,456.2	864.6	5,548.9	903.5	5,780.3	944.1
Business/Office	8,439.2	511.3	8,371.8	507.5	8,269.3	643.3	8,409.9	672.3	8,760.6	702.5
Health/Environmental	785.7	64.4	687.3	60.1	760.8	92.8	773.8	97.0	806.0	101.4
Consumer Homemaking	8,432.8	632.1	8,404.1	660.8	8,516.5	1,005.9	8,661.2	1,051.1	9,022.4	1,098.4
Service	1,931.1	144.2	1,894.6	177.2	1,969.2	271.1	2,002.7	283.3	2,086.2	296.1
Marketing/Distribution	2,490.3	107.6	2,509.2	97.0	1,912.8	139.6	1,945.3	145.8	2,026.5	152.4
Trade/Industry	9,134.0	951.1	9,368.5	905.3	10,244.2	1,475.3	10,419.1	1,541.6	10,852.9	1,611.0
Total	\$ 46,899.1	\$ 3,311.6	\$ 46,713.5	\$ 3,400.0	\$ 46,493.9	\$ 5,160.4	\$ 47,196.2	\$ 5,392.6	\$ 49,092.2	\$ 5,635.3
3. Aid Entitlement Calculations (\$ in 000s)	F.Y. 1989	F.Y. 1990	F.Y. 1991	F.Y. 1992	Current Law F.Y. 1993					
Total Grade 10-12 ADM	161,210	153,752	152,945	154,960	159,909					
Total Voc ADM as % of 10-12 ADM	11.63%	11.62%	10.66%	10.20%	10.00%					
Secondary vocational ADM	18,746	17,872	16,309	15,806	15,991					
Vocational salaries	\$ 46,899.1	\$ 46,713.5	\$ 46,493.9	\$ 47,196.2	\$ 49,092.2					
General education revenue deduction:										
Reported vocational WADM	25,307	24,127	22,017	21,338	21,588					
Average deduction per WADM	1.4	1.3	1.4	1.4	1.4					
Total deduction	\$ 34,798.9	\$ 31,428.9	\$ 31,638.9	\$ 30,662.7	\$ 31,021.5					
Excess cost (salaries)	\$ 12,100.2	\$ 15,284.6	\$ 14,855.0	\$ 16,533.5	\$ 18,070.7					
Salary aid percent	75%	75%	75%	75%	75%					
Salary aid	\$ 9,075.1	\$ 11,463.4	\$ 11,141.2	\$ 12,400.1	\$ 13,553.0					

Program: 05 Education Facilities/Equipment
Agency: Education Aids

1992-93 Biennial Budget

0504 MAXIMUM EFFORT SCHOOL LOAN

Citation: M.S. 124.36 - 124.477; Laws 1988, Chap. 718,
Art. 8, Sec. 23
MDE Admin: 1502 District Financial Management and Transportation
Federal: None

PURPOSE:

The Maximum Effort School Loan program (MESL) provides the following financial support to school districts through limited use of the state's credit:

- capital bonding needs which are greater than the local property tax base can reasonably support;
- debt service tax relief to districts with a projected high debt service tax rate; and
- state general fund appropriations for payment of principal and interest on state bonds to the extent repayments from the districts are inadequate to make the required state bond fund payments.

The state bonding authority provided in statute is used to raise funds for making loans on favorable terms to school districts. The two types of loans are capital loans for new construction projects and debt service loans to reduce the district levy required for debt service on bonded indebtedness. A district may qualify for either or both types of loans.

DESCRIPTION:

The state bonding authority provided in statute is used to raise funds for making loans on favorable terms to school districts. The two types of loans are capital loans for new construction projects and debt service loans to reduce the district levy required for debt service on bonded indebtedness. A district may qualify for either or both types of loan.

A. Capital Loans.

A state capital loan can be used only for the replacement of facilities which are dangerous to the health and safety of children, or to provide facilities where no adequate facilities exist and such facilities could not be made available through consolidation or leasing. The process and criteria for a school district to receive a capital loan include the following:

1. receive a favorable review and comment for the project from the Commissioner of Education;
2. receive a favorable recommendation from the State Board of Education for a loan;
3. receive approval from the legislature for the loan; and
4. receive approval from the voters in the district for the project.

For qualifying districts, the capital loan is equal to an amount not to exceed the approved building costs plus the district's previously existing bonded indebtedness less 30.5% of the district's adjusted net tax capacity (ANTC).

B. Debt Service Loans.

A school district may obtain a debt service loan from the state if its required debt service levy is at least 10% or \$5,000 greater than the maximum effort debt service levy amount. This is a loan to reduce the amount that a district must levy for debt service.

For qualifying districts, the debt service is equal to the lesser of:

1. the difference between the required debt service levy and the maximum effort debt service levy;

2. 1% of the district's net debt; or
3. the amount requested.

Due to lack of funding, no debt service loans are pending.

C. School District Debt Service Levy.

The required debt service levy for any year is the amount specified in the district bond schedule established and certified at the time the bonds were issued.

Each district having an outstanding capital loan or debt service loan must levy the greater of the maximum effort debt service levy or the required debt service levy less any reduction for a debt service loan. The maximum effort debt service levy is equal to:

1. 20% of the district's ANTC for all new capital loans and debt service loans.
2. 18.42% of the district's ANTC for districts which have not received a debt service loan or capital loan since January 1, 1990; or 17.27% of the district's ANTC for districts that received a capital loan prior to August 1, 1981. (This limitation only applies to District 363, South Koochiching.)
3. The required debt service levy plus an amount approved by the Commissioner of Education to retire the outstanding capital loans within 30 years of the date of issue. (This limitation applies only to District 12, Centennial.)

D. Repayment of Capital and Debt Service Loans.

Any excess balance as of November 20 in the district's debt redemption fund is remitted to the state on or before December 15 of each year. Payments received by the state are used in the following sequence:

1. for interest payments on the debt service loans;
2. for interest payments on the capital loans;
3. for principal payments on the debt service loans; and
4. finally, for principal payments on the capital loans.

Interest on capital loans and debt service loans is due in December of each year. Any unpaid interest is added to the principal of the loan. If the capital loan is not retired within 50 years from the date of issue, it is cancelled and the district's liability ceases.

E. State Bonding Authority.

Legislation in 1990 authorized the sale of \$23 million in new bonds for MESL. This is in addition to all bonds previously authorized for this purpose. The \$23 million is already committed. There are currently 12 school districts with outstanding capital loans and 12 school districts with outstanding debt service loans.

F. State Accounting.

Minnesota Statutes provide a maximum effort school loan fund to account for proceeds from state bond sales and resulting loans and related loan repayments from school districts. The fund is divided into 3 accounts. Minnesota Statutes also provide a general fund account for the state appropriations that are provided to augment school district loan repayments. The accounts are described below:

1. Debt Service Loan Account - This account consists of the proceeds of the sale of any state school loan bonds, and all income from the investment of bond proceeds.
2. Capital Loan Account - This account consists of funds transferred from the debt service loan account which are in excess of the amount required to make debt service loans.
3. Loan Repayment Account - This account receives all principal and interest paid by school districts to the state for debt service or capital loans. Each November 1 and December 1, funds are transferred from the loan repayment account to the school loan bond account in the state bond

**Program: 05 Education Facilities/Equipment
(Continuation)**
Agency: Education Aids

0504 MAXIMUM EFFORT SCHOOL LOAN

fund to pay all principal and interest due on the school loan bonds issued for making debt service or capital loans. If monies are not available in this account to make the required transfers, the state auditor is required to levy a statewide property tax in the amount needed.

The state's cost of administering the maximum effort school loan law, not to exceed \$10,000 per year, is paid out of this account.

4. General Fund Account - This account consists of state general fund appropriations necessary to supplement funds in the loan repayment account. The state appropriations are necessary because of shortfalls in the loan repayment account due to slower school district repayments than needed to meet annual principal and interest requirements on the state school loan bonds. The purpose of these appropriations, which have been provided for the past 5 biennia, is to insure that sufficient money is available in the fund to prevent a statewide property tax levy as would otherwise be required pursuant to M.S., Sec. 124.46, Subd. 3.

PERFORMANCE:

Currently, there are 12 school districts with outstanding capital loans, and 12 districts with outstanding debt service loans. Four new capital loans are pending as a result of approval during the 1990 Legislative session. Presently, there are no debt service loans pending due to lack of funding.

In recent years, the Minnesota Department of Finance has refunded outstanding bonds to take advantage of more favorable interest rates. This procedure has reduced the overall bonding debt, due to the lower interest costs. In addition, the refunding procedure has altered principal and interest schedules such that the state transfer payment requirements for the purposes of making bond payments have been reduced during the F.Y. 1987 - F.Y. 1991 period.

STATISTICS: (\$ in 000s)

	Current Law				
	F.Y. 1989	F.Y. 1990	F.Y. 1991	F.Y. 1992	F.Y. 1993
1. Loans Outstanding					
Capital	\$ 39,892.8	\$ 42,608.3	\$ 50,265.2	\$ 73,565.2	\$ 73,567.7
Debt service	2,065.1	2,065.1	1,956.1	1,195.6	1,195.6
School construction	1,292.0	1,247.0	1,192.0	1,137.0	1,082.0
Interest deficiency	14,712.6	16,358.0	17,188.8	19,582.0	23,557.8
Total outstanding	\$ 57,962.5	\$ 62,278.4	\$ 70,602.1	\$ 95,479.8	\$ 99,403.1
2. Loan Repayment from Schools					
Principal and interest	\$ 1,352.3	\$ 1,652.5	\$ 8,009.9	\$ 1,343.0	\$ 500.0
Investment income	108.1	138.4	286.6	100.7	38.0
Total receipts	\$ 1,460.4	\$ 1,790.9	\$ 8,296.5	\$ 1,443.7	\$ 538.0
3. State Bond Fund Requirement					
Funds on hand	\$ 1,618.9	\$ 1,724.4	\$ 3,156.9	\$ 0.0	\$ 0.0
Investment income	263.0	301.5	238.3	308.7	0.0
Current transfer requirement	2,831.1	2,070.5	3,303.2	5,528.9	0.0
Total requirement (21 months)	\$ 4,713.0	\$ 4,096.4	\$ 6,698.4	\$ 5,837.6	\$ 0.0

1992-93 Biennial Budget

	F.Y. 1989	F.Y. 1990	F.Y. 1991	F.Y. 1992	F.Y. 1993
4. State Bond Fund Payment					
Current transfer requirement	2,831.1	2,070.5	3,303.2	7,924.5	7,406.3
Less loan repayment transfer	(1,502.9)	(1,462.4)	(2,120.4)	(7,924.5)	(1,555.3)
5. State Appropriation Needed	\$ 1,328.2	\$ 608.1	\$ 1,182.8	\$ 0	\$ 5,851.0

PROSPECTS:

School districts are faced with aging facilities. MESL allows districts to apply for capital loans to replace aging and unsafe buildings while not excessively burdening taxpayers. With additional funding, the debt service provision of the loan program could allow districts with large debt load to establish a healthier finance condition.

MESL provides some equalization for the more extreme cases of need. Funding is presently limited to \$23,000,000 which is not sufficient to fund all approved capital loans or any payable F.Y. 1991 debt service loans.

As a result of the growing need for MESL, the Minnesota Department of Education (MDE) anticipates \$40,800,000 will be necessary to address program needs in the upcoming biennium.

Under the current level of bonding authority and projections for school district repayments, MDE anticipates the following need for state general fund appropriations to meet scheduled bond payments: a decrease of \$3,082,000 for F.Y. 1992 and an increase of \$2,769,000 for F.Y. 1993 over the annual base funding of \$3,082,000.

GOVERNOR'S RECOMMENDATION:

The Governor recommends authorization of Maximum Effort School Loans in F.Y. 1993 totaling \$45,065,000 for estimated debt service loans and capital loans for the following school districts:

District #115	Cass Lake
District #533	Dover-Eyota
District #192	Farmington
District #345	New London-Spicer
District #682	Roseau
District #748	Sartell

Each of the above districts received legislative approval of their capital loan requests during the 1990 legislative session, but none have received funding. In accordance with procedures followed for loans funded in 1990, the Governor recommends that the Commissioner of Education review the project plans and budgets of the above districts and reduce the loan amounts if necessary to ensure optimum cost efficiency.

The Governor further recommends elimination of the statutory requirement directing the Commissioner of Finance to deduct from the proceeds of the bonds, a sum sufficient to pay all interest to become due on such bonds on or before July 1 in the second ensuing year. Instead, the initial interest set-aside should be included with existing debt service obligations funded by district repayments and legislative appropriations from the state general fund.

To meet existing debt service obligations and the additional obligations related to the authorization included in this recommendation, the Governor recommends an aid entitlement of \$0 for F.Y. 1992 and \$9,646 for F.Y. 1993.

Based on these entitlements, the Governor recommends an appropriation of \$0 in F.Y. 1992 and \$9,646 in F.Y. 1993.

**Program: 06 Education Organization/Cooperation
(Continuation)**
Agency: Education Aids

1992-93 Biennial Budget

COOPERATION AND COMBINATION

voluntarily and permanently reorganize their districts through combination. There is a great need for many small, rural districts to cooperate and combine, and this program provides an attractive alternative to a consolidation or dissolution process. The more equitable and quality programs and services for students which result from such cooperative efforts are well documented. Lacking such cooperation, small districts have great difficulty in maintaining or expanding educational programs and services without burdensome excess levy referendums. Even then, without an adequate student base, programs and services are still limited. The cost of expanding programs and services to provide equal educational opportunities for all students in Greater Minnesota in school districts as presently organized would be prohibitive. The only realistic option is to encourage district reorganization so the inherent program and cost efficiencies of larger districts will make this goal more achievable. The Cooperation and Combination program is accomplishing this goal.

With the expectations for improved educational programs and services, expansion of teacher training, the need of upgrading or replacement of many school facilities, and limited local and state resources, the need for school district reorganization is great.

As a result of the need to provide incentives for districts to participate in district reorganization and in recognition of the improved educational opportunities for students that are a result of Cooperation and Combination efforts, MDE anticipates an additional state aid entitlement of \$1,140,000 for F.Y. 1992 and \$2,523,000 for F.Y. 1993 over the annual base entitlement of \$1,402,000.

Alternatives Considered:

In order to meet these increasing needs, MDE has identified the following alternatives for consideration given the annual base entitlement:

- Fund this program at the base funding level. In less than a year, 29 school districts are participating in this program, and many more have expressed an interest. In terms of voluntary school district reorganization, this program has experienced a rapid and successful start. However, without the incentives included in Cooperation and Combination and without additional funding, school district reorganization would proceed at a much slower rate.
- Mandate school district reorganization. This is attractive from a cost efficiency point of view, but the political cost would likely be high. School communities would lack involvement in the reorganization process that Cooperation and Combination affords. A geographically logical combination is not necessarily the best if community relations are not as they should be. If this must be done because of resource reasons, better to do it over 3-5 years, with school community involvement and choices.

GOVERNOR'S RECOMMENDATION:

The Governor recommends increasing the aid and levy funding for this program from the F.Y. 1991 level of \$1,648 to \$1,660 for F.Y. 1992 and \$3,700 for F.Y. 1993 through the following modifications in the Cooperation and Combination funding formula beginning in F.Y. 1992:

1. For school districts which will combine effective 7-1-91 (ISD's 70, 78, 691,693, 830, and 913), total equalized aid plus levy revenue remains at \$100 times weighted ADM. For all other districts, change total equalized aid plus levy revenue from \$100 times weighted ADM to \$62 times weighted ADM.

2. For school districts which will combine effective 7-1-91, total additional aid for the first year of combination remains at \$100 times weighted ADM, spread over two years. For all other districts, change total additional aid for the first year of cooperation and the first year of combination from \$100 times weighted ADM to \$62 times weighted ADM, and spread over two years.
3. Modify the definition of weighted ADM to weight secondary pupils at 1.3, rather than the current weight of 1.35, to be consistent with changes recommended in the General Education Program (see Program Budget 0101).
4. Set the equalizing factor for this program at \$10,110 and retain the current percentages of equalizing factor.

The Governor recommends an aid entitlement of \$1,337 for F.Y. 1992 and \$2,936 for F.Y. 1993.

Based on these entitlements, the Governor recommends an appropriation of \$1,347 in F.Y. 1992 (\$210 for F.Y. 1991 and \$1,137 for F.Y. 1992), and \$2,696 in F.Y. 1993 (\$200 for F.Y. 1992 and \$2,496 for F.Y. 1993).

REVISED 3/28/91

Revised as of March 28, 1991

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0605 COOP/COMBINATION

	ESTIMATED F.Y. 1990	ESTIMATED F.Y. 1991	GOVERNOR'S REC F.Y. 1992	GOVERNOR'S REC F.Y. 1993
1. AID ENTITLEMENT BASIS (Implied by FY 90/91 Appropriations)	\$ 1,402	\$ 1,402	\$ 1,402	\$ 1,402
2. ENTITLEMENT CHANGES PER CURRENT LAW:				
A. Budget Variables				
Revenue Incr. (Decr.):				
Fy91 Participants	9	<364>	<444>	
Fy92 New Districts		1,679	1,376	
Fy93 New Districts			3,832	
Levy Decr. (Incr.):				
Fy91 Participants	<1>		8	<129>
Fy92 New Districts		<183>		<256>
Fy93 New Districts				<409>
3. CURRENT ENTITLEMENT	1,410	2,542	5,372	
4. FUNDING EXCESS/DEFICIENCY	<8>			
5. POLICY CHANGES RECOMMENDED				
Revenue (Decreases):				
Change WADM Computation		<61>	<109>	
Equalized Rev \$62 Per		<451>	<1,174>	
Pupil Unit (Early				
Combinations At \$100)				
Addtl Aid \$62 Per Pupil		<791>	<1,430>	
Unit-Spread Over 2 Yrs				
(Early Combinations At				
\$100)				
Levy Decrease	98	277		
Total Policy Changes		<1,205>	<2,436>	
6. AID ENTITLEMENT (Implied by FY 92/93 Appropriations)	1,337	2,936		

REVISED 3/28/91

Revised as of March 28, 1991

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0605 COOP/COMBINATION

	ESTIMATED F.Y. 1990	ESTIMATED F.Y. 1991	GOVERNOR'S REC F.Y. 1992	GOVERNOR'S REC F.Y. 1993
7. APPROPRIATIONS BASIS:				
Current Year		1,192	1,137	2,496
Prior Year			210	200
Transfers (M.S. 124.14)				
Total Funding (State General Fund)		1,192	1,347	2,696
8. LEVY AUTHORITY	246	323		764

EDUCATION AIDS - GOVERNOR'S BUDGET
(Dollars in Thousands)

0819 TEACHER CENTERS (MDE)	ESTIMATED F.Y. 1990	ESTIMATED F.Y. 1991	GOVERNOR'S REC F.Y. 1992	GOVERNOR'S REC F.Y. 1993
1. AID ENTITLEMENT BASIS (Implied by FY 90/91 Appropriations)	\$	\$	\$	\$
2. ENTITLEMENT CHANGES PER CURRENT LAW:	-----	-----	-----	-----
3. CURRENT ENTITLEMENT	-----	-----	-----	-----
4. FUNDING EXCESS/DEFICIENCY	-----	-----	-----	-----
5. POLICY CHANGES RECOMMENDED New Initiative			250	250
Total Policy Changes			250	250
6. AID ENTITLEMENT (Implied by FY 92/93 Appropriations)			250	250
7. APPROPRIATIONS BASIS: Current Year			213	213
Prior Year				37
Transfers (M.S. 124.14)			-----	-----
Total Funding (State General Fund)			213	250
8. LEVY AUTHORITY			250	250

0820 COMMISSION ON MINORITY STAFFING

PURPOSE:

To establish a Commission on Minority Staffing and to provide funding beginning in F.Y.1993 for a program or programs to increase the number of minority professionals working in a variety of capacities with elementary and secondary students.

BACKGROUND:

Of the 1988-1989 graduates from Minnesota teacher preparation programs, 27 were people of color. That figure represents less than 1% of the teachers produced in Minnesota that year. According to recent Department of Education figures, only 1.5% of the state of Minnesota's K-12 professional teaching staff is comprised of people of color, while children of color comprise 8.5% of the student population. Recent trends indicate the obvious shortage of minority teachers is not improving, and, according to most projections, will worsen.

Increasingly it has become the task of school districts to actively search for qualified minority staff. Among the many efforts at recruitment, there are several programs of limited scope and participation experimenting with various strategies to bring more minority faculty into elementary and secondary schools. These programs include ones operated by the University of Minnesota, Bemidji State University, the St. Paul Public Schools, the Minneapolis Public Schools, and others.

GOVERNOR'S RECOMMENDATION:

Beginning in F.Y. 1992, the Governor recommends establishing a 7 member Commission on Minority Staffing, with 4 members appointed by the Governor, 1 member appointed by the Board of Teaching, 1 member appointed by the State Board of Education, and 1 member appointed by the Higher Education Coordinating Board. During F.Y. 1992, the Commission on Minority Staffing will be charged with identifying and evaluating various strategies to effectively increase the number of minority professionals working with elementary and secondary students in a variety of capacities. In addition, the Commission will make recommendations on how to link effective programs currently operating in school districts and post-secondary institutions with each other, and with other programs or strategies recommended by the Commission. The Commission will also set quantitative goals to ensure long term results as well as immediate results in improving minority staffing in Minnesota schools.

The Commission's recommendations should be available for consideration by the Legislature in February, 1992, with project funding beginning in F.Y. 1993.

The Governor recommends that:

- \$75.0 in F.Y.1992 be appropriated to the Department of Education to be used by the Commission to support its development of recommendations; and
- \$575.0 in F.Y.1993 be appropriated to support programs or policies recommended by the Commission.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINN

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
INSTRUCTION	346,480	373,564	395,931	397,795	397,795	388,527	400,219	400,219	367,471
NON-INSTRUCTION	109,235	123,439	128,339	126,994	126,994	117,482	126,994	126,994	117,482
AGRICULTURE	40,090	43,448	44,202	44,593	44,593	44,593	44,593	44,593	44,593
HEALTH SCIENCE	15,278	16,387	17,566	17,392	17,392	17,392	17,392	17,392	17,392
TECHNOLOGY	3,298	3,224	3,911	3,605	3,605	3,605	3,605	3,605	3,605
SYSTEM SPECIALS	17,085	18,516	20,715	19,602	19,602	19,602	19,602	19,602	19,602
LEG COMM MN RESOURCES	3,359	2,533	2,492		6,584	6,584			
SPECIAL PROJECTS	618	814	685						
PERM UNIV FUND	185	344	397	397	397	397	397	397	397
TOTAL EXPENDITURES BY PROGRAM	535,628	582,269	614,238	610,378	616,962	598,182	612,802	612,802	570,542
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST					1,530	1,530			
GENERAL	399,551	437,712	464,427	467,942	467,942	439,610	469,566	469,566	416,754
MN RESOURCES	3,359	2,533	2,492		5,054	5,054			
STATUTORY APPROPRIATIONS:									
GENERAL	132,533	141,680	146,922	142,039	142,039	151,591	142,839	142,839	153,391
AGENCY	185	344	397	397	397	397	397	397	397
TOTAL FINANCING	535,628	582,269	614,238	610,378	616,962	598,182	612,802	612,802	570,542

ACTIVITY:
PROGRAM:
SYSTEM: University of Minnesota

1992-93 Biennial Budget

DECISION ITEM: Financing Inflationary Costs - Informational

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Direct Appropriation				
General Fund	\$ 20,996	\$ 43,087	\$ 43,087	\$ 43,087
Tuition				
General Fund	\$ 5,888	\$ 12,113	\$ 12,113	\$ 12,113
Total Expenditures				
General Fund	\$ 26,884	\$ 55,200	\$ 55,200	\$ 55,200

Requires statutory change: Yes x No

ITEM SUMMARY:

Inflation was calculated for the University of Minnesota at 4.5% per year for each year of the 1992-93 biennium. The inflation factors were applied to the system's adjusted instructional and non-instructional base, less non-tuition income.

The University of Minnesota did not submit a plan detailing how funds would be reallocated to address anticipated increases in salary and non-salary costs. However, the University's Board of Regents has authority to make allocative decisions among campuses and programs.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: UNIVERSITY OF MINN
PROGRAM: INSTRUCTION

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
INSTRUCTION	346,480	373,564	395,931	397,795	397,795	388,527	400,219	400,219	367,471
TOTAL EXPENDITURES BY ACTIVITY	346,480	373,564	395,931	397,795	397,795	388,527	400,219	400,219	367,471
DETAIL BY CATEGORY:									
STATE OPERATIONS	346,480	373,564	395,931	397,795	397,795	388,527	400,219	400,219	367,471
TOTAL EXPENDITURES BY CATEGORY	346,480	373,564	395,931	397,795	397,795	388,527	400,219	400,219	367,471
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	226,620	243,546	260,250	266,997	266,997	248,177	268,621	268,621	225,321
STATUTORY APPROPRIATIONS:									
GENERAL	119,860	130,018	135,681	130,798	130,798	140,350	131,598	131,598	142,150
TOTAL FINANCING	346,480	373,564	395,931	397,795	397,795	388,527	400,219	400,219	367,471

ACTIVITY:
PROGRAM: Instruction
AGENCY: University of Minnesota

1992-93 Biennial Budget

DECISION ITEM: General Reduction/Tuition Adjustment

Dollars in Thousands				
E.Y. 1992	E.Y. 1993	E.Y. 1994	E.Y. 1995	

GOVERNOR'S RECOMMENDATION:

Direct Appropriation				
General Fund	\$ (17,668)	\$ (17,668)	\$ (17,668)	\$ (17,668)
Tuition				
General Fund	\$ 3,400	\$ 4,400	\$ 4,400	\$ 4,400
Total Expenditures				
General Fund	\$ (14,268)	\$ (13,268)	\$ (13,268)	\$ (13,268)

Requires statutory change: Yes X No
Statutes Affected:

ITEM SUMMARY:

This item reduces state direct appropriation to the University of Minnesota's instructional program by \$35,336,000 for the 1992-93 biennium. The Board of Regents would be responsible for allocating the reduction among programs and/or institutions.

In addition, the Governor encourages the University of Minnesota to limit tuition increases for resident students to the rate of inflation, projected at 3.72% in E.Y. 1992 and 3.24% in E.Y. 1993. Increases in the University tuition base of \$3,400,000 in E.Y. 1992 and \$4,400,000 in E.Y. 1993 would limit average tuition increases to the rate of inflation and would offset a portion of the appropriation reduction.

RATIONALE:

Instructional appropriations are made generally to the University of Minnesota; the system does not receive appropriations for specific instructional activities and programs. The Board of Regents sets academic and program priorities and allocates resources to campuses and programs accordingly.

Instructional expenditures represent 65% of the system's total General Fund expenditures. The Governor supports University plans to reallocate its instructional priorities within its current resource base. However, fiscal constraints require that the University develop additional cost containment and reduction measures or alternative methods of service delivery. In addition to cost containment, the University of Minnesota is encouraged to continue development and implementation of cooperative and resource sharing plans (e.g. regional course delivery and management, equipment sharing, etc.) with the other postsecondary systems in order to maximize higher education access and resource use.

ACTIVITY:

PROGRAM:

AGENCY: University of Minnesota

1992-93 Biennial Budget

DECISION ITEM: Technology Related Instruction and Research

Dollars in Thousands				
F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995	

GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund	\$ 5,000	\$ 5,000	\$ -0-	\$ -0-
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Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY:

In March, the University of Minnesota Board of Regents made it clear to taxpayers of this state that they were serious about the kind of planning and decision-making that must guide Minnesota' public investments. Many of the priorities reflected in their budget reallocation plan will be crucial to positioning Minnesota for future economic growth and competitiveness. Especially significant are the stated plans to reallocate additional funds to high priority science and engineering programs and University initiatives to support instructional improvements, research, and technology transfer in those fields.

Because of the state's investment in these types of activities, the University has become a leader in attracting non-state funding from federal and industrial sources. The University is among the top 5 institutions nationally in both sponsored research and training and in patents awarded. The \$275 million per year in outside funding that University faculty members attract translates into an estimated 6,000 to 7,300 jobs--most of which would be jobs in other states if the University were not competitive--and an additional \$250 million of annual economic activity outside the University.

In the last few years, the University of Minnesota has been very successful in attracting major grants for science and technology research centers. The major federal research agencies have moved from smaller, single discipline research projects to larger, multi-year grants for research centers. These are often multi-disciplinary, regional or national, involving cooperation among several universities and between universities and industry, and, increasingly, requiring significant matching investments by universities and the private sector. A few examples illustrate the direct pay-offs from state investments:

- The Center for Interfacial Engineering will bring in \$31 million from a state investment of \$6 million over 5 years.
- The Center for Research in Developmental Disabilities, one of 14 nationally, will bring in \$1.3 million in federal funds, plus several hundred thousand dollars in individual project grants, for \$1 million in state funds over 5 years.

■ The Army High Performance Computing Center will bring in \$65 million from a state investment of \$2.5 million of 5 years.

■ The Building Research Center, with \$65,000 per year in state funds, has attracted millions of research dollars.

■ The Geometry Supercomputer Center will bring in \$10 million from a state investment of \$1.5 million over 5 years.

■ The new Bio-Engineering Research Center is being set up with a commitment of \$1 million a year in state funds, and faculty should be able to compete successfully for several million in new federal and private support.

GOVERNOR'S RECOMMENDATION:

In view of the importance to Minnesota's economy of maintaining the University's ability to provide quality instruction and research efforts in technology-related areas, the Governor recommends increasing funding to the University by \$5.0 million in F.Y. 1992 and \$5.0 million in F.Y. 1993. These funds are intended to supplement the resources identified in the University's plan for reallocation of BASE funding to high priority science and engineering programs and University initiatives to support instructional improvements, research, and technology transfer in these fields. The funds are not intended to become a part of the University's BASE for the 1994-95 biennium.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT

PROGRAM RESOURCE ALLOCATION:	FY 1989			FY 1990			Est. FY 1991	FY 1992			FY 1993		
	FY 1989	FY 1990	FY 1991	Adjusted Base	Agency Plan	Governor Recomm.		Adjusted Base	Agency Plan	Governor Recomm.			
HUMAN SERVICES ADMINISTRATION	121,878	142,865	150,201	149,452	149,499	149,499	150,446	150,486	150,486	150,486			
LEGAL & INTERGOVERNMENTAL	3,850	4,594	4,929	4,978	4,978	4,978	4,967	4,967	4,967	4,967	4,967		
ECONOMIC SUPPORT/TRANSITION SERV.	376,840	406,685	501,986	712,521	695,609	695,642	737,377	701,598	701,598	701,598	701,598		
ECONOMIC SUPPORT/SERVICES ELDERLY	33,423	35,930	39,564	43,687	45,817	44,428	44,292	50,909	49,279	49,279	49,279		
SERVICES TO SPECIAL NEEDS ADULTS	182,853	202,026	214,195	203,178	203,560	207,060	207,335	211,021	214,521	214,521	214,521		
SERVICES TO SPECIAL NEEDS CHILDREN	27,425	64,233	44,022	44,845	45,080	46,259	44,841	47,993	49,987	49,987	49,987		
STATE OPERATED RESIDENTIAL CARE	216,204	239,082	254,396	258,473	253,452	253,951	255,788	229,593	230,212	230,212	230,212		
HEALTH CARE-FAMILIES & INDIVIDUALS	1,400,047	1,567,521	1,666,601	2,207,351	2,144,878	2,171,974	2,395,975	2,286,225	2,323,214	2,323,214	2,323,214		
TOTAL EXPENDITURES BY PROGRAM	2,362,520	2,662,936	2,874,894	3,624,485	3,542,873	3,573,791	3,841,021	3,682,792	3,724,547				
SOURCES OF FINANCING:													
DIRECT APPROPRIATIONS:													
GENERAL	985,428	1,130,530	1,180,827	1,489,778	1,417,162	1,447,953	1,609,998	1,478,370	1,521,268				
PUBLIC HEALTH	1,860												
STATUTORY APPROPRIATIONS:													
GENERAL	222,793	228,219	281,641	521,296	521,165	521,292	537,312	524,546	523,645				
SPECIAL REVENUE	58,269	70,200	93,724	46,555	46,797	46,797	45,966	46,208	45,966				
FEDERAL	1,051,569	1,188,203	1,254,524	1,512,669	1,512,669	1,512,669	1,596,558	1,596,558	1,596,558				
AGENCY	28,490	31,304	49,703	39,738	39,738	39,738	36,738	36,738	36,738				
GIFTS AND DEPOSITS	165	205	230	204	204	204	204	204	204				
ENDOWMENT		22											
ENTERPRISE	13,946	14,253	14,245	14,245	5,138	5,138	14,245	168	168				
TOTAL FINANCING	2,362,520	2,662,936	2,874,894	3,624,485	3,542,873	3,573,791	3,841,021	3,682,792	3,724,547				

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: HUMAN SERVICES, DPT

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	2,874,894	2,874,894	1,462,468	1,462,468	157,902	157,902	1,254,524	1,254,524
ONE-TIME APPROPRIATIONS	<559>	<659>	<559>	<659>				
BIENNIAL APPROPRIATIONS	530	<216>	530	<216>				
APPROPRIATIONS CARRIED FWD	<4,099>	<5,255>	<4,099>	<5,255>				
NON RECURRING EXPENDITURES	<15,280>	<18,280>	<5,321>	<5,321>	<9,959>	<12,959>		
BASE TRANSFER (BTWN FUNDS)	<40,940>	<42,880>	7,242	7,242	<48,182>	<50,122>		
LEG-DIRECTED ADJUSTMENTS	<70>	<70>	<70>	<70>				
SALARY ANNUALIZATION	3,719	2,802	3,719	2,802				
ANNUALIZG NEW PROG COST	10,782	10,779	10,782	10,779				
DOCUMENTED RENT/LEASE INCR.	864	1,178	864	1,178				
DEDICATED RECEIPTS AND FUNDS	<357>	<300>	<410>	<410>	53	110		
FEDERAL RECEIPTS	3,570	4,861			<3>	<3>	3,573	4,864
DEFINED BENEFITS/ MGMT AUTH	791,131	1,013,867	535,628	674,472	931	2,225	254,572	337,170
BASE TECHNICAL ADJUSTMENTS	300	300	300	300				
TOTAL	3,624,485	3,841,021	2,011,074	2,147,310	100,742	97,153	1,512,669	1,596,558
BIENNIAL TOTAL				4,158,384		197,895		3,109,227

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HUMAN SERVICES ADMINISTRATION

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
EXECUTIVE OFFICE	454	493	501	508	508	508	506	506	506
FINANCIAL MANAGEMENT	26,078	29,175	34,625	34,627	34,674	34,674	34,621	34,661	34,661
COUNTY AIDS	3,796	2,646	696	496	496	496	496	496	496
FEDERAL ADMIN REIMBURSEMENT	83,865	99,764	102,412	101,784	101,784	101,784	102,489	102,489	102,489
SYSTEMS MANAGEMENT	937	1,272	1,194	1,206	1,206	1,206	1,203	1,203	1,203
MANAGEMENT SERVICES	3,615	5,319	6,261	6,312	6,312	6,312	6,623	6,623	6,623
PERSONNEL	939	1,306	1,225	1,197	1,197	1,197	1,194	1,194	1,194
REIMBURSEMENT DIVISION	2,064	2,587	3,009	3,041	3,041	3,041	3,034	3,034	3,034
BUDGET ANALYSIS DIVISION	130	303	278	281	281	281	280	280	280
TOTAL EXPENDITURES BY ACTIVITY	121,878	142,865	150,201	149,452	149,499	149,499	150,446	150,486	150,486
DETAIL BY CATEGORY:									
STATE OPERATIONS	28,085	33,801	33,671	37,668	37,715	37,715	38,662	38,702	38,702
LOCAL ASSISTANCE	69,571	82,182	83,931	79,276	79,276	79,276	79,276	79,276	79,276
AID TO INDIVIDUALS	24,222	26,882	32,599	32,508	32,508	32,508	32,508	32,508	32,508
TOTAL EXPENDITURES BY CATEGORY	121,878	142,865	150,201	149,452	149,499	149,499	150,446	150,486	150,486
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	13,332	14,672	13,127	13,897	13,944	13,944	14,186	14,226	14,226
STATUTORY APPROPRIATIONS:									
GENERAL			23	134					
SPECIAL REVENUE	324	1,145	861	838	838	838	838	838	838
FEDERAL	84,000	100,149	102,746	102,209	102,209	102,209	102,914	102,914	102,914
AGENCY	24,222	26,876	33,333	32,508	32,508	32,508	32,508	32,508	32,508
TOTAL FINANCING	121,878	142,865	150,201	149,452	149,499	149,499	150,446	150,486	150,486

1992-93 Biennium Budget

ACTIVITY: Financial Management
 PROGRAM: Human Services Administration
 AGENCY: Human Services, Department of

PLAN TITLE: 100% Income Maintenance Financing

AGENCY PLAN: Dollars in Thousands

	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
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General Fund

Financial Management	\$ 47	\$ 40	\$ 40	\$ 40
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GOVERNOR'S RECOMMENDATION:

General Fund

Financial Management	\$ 47	\$ 40	\$ 40	\$ 40
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Revenues	\$ 18	\$ 16	\$ 16	\$ 16
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Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes an increase of \$47,000 in F.Y. 1992 and \$40,000 in F.Y. 1993 to its budget base.

RATIONALE:

This base reallocation is needed to maintain the new Human Services Aids Program. This program was created as a result of the implementation of 100% financing of Income Maintenance Programs. This position's responsibilities will be:

- To assure timely transfer of funds from the Revenue Department and identification of each county's base amount.
- To establish accounting procedures.
- To instruct county staff as to the process and each program's county share source.
- To aggregate monthly each program's county share.
- To calculate and issue county reimbursements and advances which are tightly scheduled in law.
- To calculate and issue yearly county adjustments to actual, and to maintain records.
- To prepare reports for each program and each county detailing the payments and reimbursements processed within the accounts.

Beginning 7-1-91 counties must be reimbursed in the month of July for the previous 6 months worth of the county share of the "base" and "growth" amounts for each of the "taken over" programs. For the following 6 months, funds must be advanced promptly each month to each county and an adjustment to actual or settle up must be made yearly. This entire process repeats each year through the year 2000.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

1992-93 Biennial Budget

ACTIVITY: Social Services Administration
PROGRAM: Legal and Intergovernmental
AGENCY: Human Services, Department of

PLAN TITLE: Social Services Information System

AGENCY PLAN:	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

General Fund

Social Services Administration	\$ 0	\$ 1,093	\$ 3,633	\$ 1,558
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GOVERNOR'S RECOMMENDATION:

General Fund

Social Services Administration	\$ 0	\$ 1,093	\$ 3,633	\$ 1,558
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Revenues	\$ 0	\$ 158	\$ 158	\$ 527	\$ 226
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Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes an increase of \$1,093,000 in F.Y. 1993 to its budget base.

RATIONALE:

This base reallocation and corresponding legislation will allow the department to design and implement a new Social Services Information System (SSIS) to support the administrative operations in Minnesota counties and to meet all state and federal social services reporting needs. The new SSIS is being developed jointly with the counties and will include a county case management and administrative support system which will operate on county hardware. Additionally, counties will be able to transmit client-specific summary data to the department for analysis and report generation.

The existing SSIS is technologically obsolete, does not provide timely and accurate information about what children are getting what services in Minnesota, and will not be able to meet proposed federal regulations requiring client-specific quarterly reports on children's services. These federal regulations impose monetary sanctions for noncompliance.

A new SSIS is an essential part of the department's social services mandate reform project. In order to ease the regulatory and reporting burden on county social service programs, the department is proposing legislation to reform social service mandates, to allow integration of county mental health and community social services act plans, and has initiated a project to reduce reporting requirements on county agencies. Essential to permitting more discretion by counties in delivering social services is the ability to assure accountability in the use of county, state, and federal funds and to maintain compliance with state and federal reporting requirements. The existing social services reporting capacity cannot assure the accountability necessary if counties are relieved of various reporting and procedural requirements. The department believes that a reduction in reporting requirements and mandate reform must be accompanied by an adequate social services information system and systematic monitoring of county delivery of social services by the department.

Since January 1990, the department has completed a number of significant projects which provide the structure for further information systems development in this area. These projects include simplification of county reporting requirements, implementation of internal department controls on new requests for information from counties, completion of the human services chart of accounts so that county financial reporting is uniform and comparable, completion of the social services service taxonomy so that service and client definitions are standardized, major planning on department information needs requirements, and development of a conceptual framework for reviewing county mandates.

The total cost of the system is estimated at \$15,049,000 over 3 years (F.Y. 1993-1995). Of that total \$8,765,000 will be county expense for the purchase of equipment and operating software. The balance of \$6,284,000 will be state expenditures for overall software development (88%) and state hardware and operations (12%).

Estimated savings at the state and county levels yield full payback within 5 years after implementation. CSSA and Title XX are the major sources of state and federal dollars supporting social services.

INFORMATION POLICY OFFICE RECOMMENDATION:

The Information Policy Office supports this project. The system will actively support county social workers and provide enhanced information to improve decision making. DHS should: adopt an open system design to ensure flexibility of equipment choice at the county level; perform a critical review to identify and eliminate unnecessary data collection; involve county social worker staff in system planning; establish a balanced state/county steering committee to govern the project from planning through operation; evaluate existing county-developed case management systems for use in the statewide system; and implement a method for measuring social worker and other productivity improvements.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan. Funding for this item is included in the Services to Special Needs Adults Program.

PROGRAM: Economic Support and Transition
Services for Families and Individuals
Agency: Human Services, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

The Department of Human Services' (DHS) Economic Support and Transition Services for Families and Individuals Program exists to:

1. Enforce child support laws as a primary financial resource for families with children in financial need.
2. Provide supportive services and training needed to help families become self-sufficient.
3. Provide financial assistance to families and individuals when their own resources are not sufficient to prevent destitution.
4. Improve service delivery and ensure program integrity through the use of automation.

This program has 3 main goals:

1. To promote client self-sufficiency while meeting basic needs.
2. To ensure program integrity and accountability.
3. To improve the service delivery system.

To achieve its program goals, this program operates the Assistance Payments Division, Quality Control/Corrective Action section, the Refugee and Immigrant Assistance Division, the Child Support Enforcement Division, the Reports and Statistics Division, the MAXIS Automation Project, the Office for Civil Rights, and the Child Care Fund. This program is responsible for administering the following financial aid programs, Aid to Families with Dependent Children (AFDC), Refugee Cash Assistance (RCA), General Assistance (GA), Work Readiness (WR), Minnesota Supplemental Aid (MSA), Food Stamps (FS) and Emergency Assistance (EA), Telephone Assistance (TAP), AFDC Child Care, and Basic Sliding Fee Child Care.

PERFORMANCE:

This program area has undertaken a number of initiatives during the 1990-91 biennium which address the above-defined goals.

GOAL: Promoting client self-sufficiency while meeting basic needs.

Project STRIDE

The department, together with the Department of Jobs and Training, has successfully transformed Project STRIDE so that it is consistent with the federal Job Opportunity and Basic Skills (JOBS) Program. Federal approval of Project STRIDE enables Minnesota to maximize the federal funding available for employment, training, and support services for recipients of AFDC.

The purpose of Project STRIDE is to help participants become as self-sufficient as possible. Project STRIDE consists of 3 primary components: orientation; case management; and employment and training services. The orientation session provides AFDC recipients with an overview of locally available employment, training, and community resources. The STRIDE case manager assists STRIDE participants to design and put into effect a plan that will permanently get them off of welfare. The case manager also is responsible for mobilizing services, including education, training and child care, to help the participant follow the plan. The employment and training services offered under Project STRIDE, job search, community work experience, on-the-job training, and grant diversion, are aimed at helping participants prepare for and secure employment.

Through Project STRIDE, the Department and the Department of Jobs and Training are attempting to increase the wage levels of STRIDE participants placed into employment by training and preparing the participants for jobs that are in demand and that will pay enough to support their families.

Child Care

According to the "Progress Report on Minnesota Project STRIDE" prepared in March 1990, more than one-third of STRIDE participants identified problems with obtaining suitable child care as a barrier to employment.

To ensure that recipients of AFDC have access to child care assistance needed to enable them to participate in STRIDE activities, the 1990 Minnesota Legislature established the AFDC Child Care Fund as a separate program and specified which families will be guaranteed child care assistance. Also, the 1990 Legislature provided an additional \$5.1 million in state dollars for AFDC-related child care including funding for the 1 year transitional child care subsidy. As a result, the department projects that the number of AFDC families receiving subsidized child care will increase from 6,850 in state F.Y. 1990 to 8,750 in F.Y. 1991, and that the number of former AFDC families that will benefit from transition year child care assistance will grow from 580 families in F.Y. 1990 to 1,500 families in F.Y. 1991.

Increased Child Support Collections

Two pilot project initiatives undertaken by the Child Support Enforcement Division, automatic wage withholding and administrative processing of child support cases, contributed to increased collections for both the public assistance and nonpublic assistance populations in Minnesota. Annual collections per child support cases increased from \$862 in state F.Y. 1990 to \$1,073 in F.Y. 1991. On 11-1-90, automatic wage withholding was expanded to all Title IV-D cases where support is initially ordered or modified and that are enforced by the support enforcement authority.

Self-Sufficiency Program for Refugees

Minnesota's refugee population continues to grow, as does the rate at which they use government cash assistance programs. In an effort to decrease welfare dependency among refugees, the department has shifted the focus of its social services programs. Rather than contracting separately for employment services, employment-related English language services, etc., the department is now contracting with agencies that can provide all the services needed to help refugee families become self-supporting.

During the next biennium, the department will be concentrating on developing a unified service delivery system with an emphasis on economic self-sufficiency. The department's objective of increasing the number of refugees who have moved from public assistance to employment is consistent with this shift in focus.

GOAL: To ensure program integrity and accountability.

Fraud Prevention Initiative

The 1989 Minnesota Legislature authorized and appropriated funds to test the fraud prevention initiative (FPI) in Minnesota on a pilot project basis. Federal enhanced funding is available for FPI through both the Food Stamp and AFDC programs.

The purpose of FPI is to prevent an ineligible applicant from receiving benefits rather than attempt to recover fraudulently received assistance after it has been issued. Experience in 35 other states has shown that FPI is a cost-effective form of fraud control.

Seven counties were selected to participate in the pilot project. Preliminary results from the first few months of project operation have been positive.

Reduce Error Rates

Minnesota continues to have an excellent record of performance in the AFDC program with error rates

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: ECONOMIC SUPPORT/TRANSITION SERV.

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est.	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recom.	Adjusted Base	Agency Plan	Governor Recom.
ASSISTANCE PAYMENTS ADMINISTRATION	1,703	2,288	2,563	2,536	4,042	3,992	2,529	4,217	3,975
QUALITY CONTROL/CORRECTIVE ACTION	1,712	2,762	3,178	3,216	3,216	3,216	3,206	3,206	3,206
EMPLOYMENT AND TRAINING	13,281	16,696	30,838	33,922	34,824	34,824	33,921	36,715	36,715
REFUGEE & IMMIGRANT ASSISTANCE	14,435	14,084	13,976	13,967	13,967	13,967	13,966	13,966	13,966
CHILD SUPPORT ENFORCEMENT	5,244	7,002	18,575	16,258	16,258	16,258	17,144	16,894	16,894
REPORTS AND ANALYSES	811	898	940	953	953	953	950	950	950
STATEWIDE AUTOMATED ELIG - MAXIS	4,202	7,013	37,969	25,045	25,045	25,045	20,105	20,105	20,105
AFDC GRANTS	240,270	250,381	267,443	390,032	387,300	387,300	395,483	388,871	388,871
GA GRANTS	39,336	40,871	32,652	51,538	49,193	49,193	51,086	48,006	48,006
WORK READINESS GRANTS	11,107	12,182	26,054	68,587	56,922	56,922	74,473	60,734	60,734
MSA GRANTS	28,354	34,985	45,748	63,881	61,278	61,265	74,105	57,800	57,796
CHILD CARE FUND	16,385	17,523	22,050	42,586	42,611	42,707	50,409	50,134	50,663
TOTAL EXPENDITURES BY ACTIVITY	376,840	406,685	501,986	712,521	695,609	695,642	737,377	701,598	701,881
DETAIL BY CATEGORY:									
STATE OPERATIONS	14,154	22,167	53,169	42,826	45,560	45,510	39,642	43,043	42,801
LOCAL ASSISTANCE	359,354	381,849	432,137	149,040	148,739	148,835	155,971	155,367	155,896
AID TO INDIVIDUALS	3,332	2,669	16,680	520,655	501,310	501,297	541,764	503,188	503,184
TOTAL EXPENDITURES BY CATEGORY	376,840	406,685	501,986	712,521	695,609	695,642	737,377	701,598	701,881
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	176,908	190,254	204,178	263,705	245,984	246,584	285,076	248,211	249,580
STATUTORY APPROPRIATIONS:									
GENERAL	1,678	1,979	43,937	175,211	175,778	175,211	178,368	179,212	178,368
SPECIAL REVENUE	8,542	11,585	28,913	19,182	19,424	19,424	17,833	18,075	17,833
FEDERAL	189,673	202,709	212,949	251,417	251,417	251,417	256,094	256,094	256,094
AGENCY	37	158	12,003	3,000	3,000	3,000	6	6	6
GIFTS AND DEPOSITS	2		6	6	6	6	6	6	6
TOTAL FINANCING	376,840	406,685	501,986	712,521	695,609	695,642	737,377	701,598	701,881

1992-93 Biennial Budget

ACTIVITY: AP Administration
 PROGRAM: Economic Support and Transition
 Services for Families and Individuals
 AGENCY: Human Services, Department of

PLAN TITLE: Fraud Prevention Investigation (FPI) Initiative

<u>AGENCY PLAN:</u>	<u>Dollars in Thousands</u>			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
General Fund				
AP Administration	\$ 172	\$ 230	\$ 230	\$ 230
AFDC Grants	(350)	(700)	(753)	(700)

GOVERNOR'S RECOMMENDATION:

General Fund				
AP Administration	\$ 688	\$ 920	\$ 920	\$ 920
AFDC Grants	(350)	(700)	(753)	(700)
Revenues	\$ 516	\$ 690	\$ 690	\$ 690

Requires statutory change: X Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a net decrease of \$178,000 in F.Y. 1992 and \$470,000 in F.Y. 1993 to its budget base.

RATIONALE:

These base reallocations and corresponding legislation will allow the department to expand the Fraud Prevention Investigation (FPI) Initiative. Preliminary results from the 7-county FPI Pilot Project indicate that the initiative is a cost-effective form of fraud control. The department proposes to expand FPI to include an additional 11 counties. The identified savings are only possible if the department receives the requested funds to expand FPI. This request is based on dedication of 75% federal reimbursement back to the project, therefore only the state share of the additional costs is reflected below.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the total costs of expanding the FPI initiative be appropriated and that the federal reimbursement be deposited in the general fund.

1992-93 Biennial Budget

ACTIVITY: Employment and Training
PROGRAM: Economic Support and Transition
 Services for Families and Individuals
AGENCY: Human Services, Department of
PLAN TITLE: Minnesota Family Investment Plan

AGENCY PLAN:	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
Employment and Training	\$ 1,292	\$ 2,184	\$ 1,710	\$ 1,470
MFIP Grants	-0-	1,160	7,970	7,890
Child Care Fund Transfer	-0-	(300)		

GOVERNOR'S RECOMMENDATION:

General Fund

Employment and Training	\$ 1,343	\$ 2,338	\$ 1,976	\$ 1,736
MFIP Grants	-0-	1,160	7,970	7,890
Child Care Fund Transfer	-0-	-0-		
Revenue	<u>\$ 45</u> <u>604</u>	<u>784</u> <u>839</u>	<u>894</u> <u>266</u>	<u>894</u> <u>266</u>

Requires statutory change: X Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a net increase of \$1,292,000 in F.Y. 1992 and \$3,044,000 in F.Y. 1993 to its budget base.

RATIONALE:

This base increase and corresponding legislation will allow the department to continue the development of the Minnesota Family Investment Plan (MFIP) and in F.Y. 1993 to test the new program on a field trial basis.

MFIP is the most ambitious welfare reform initiative in the nation. It is a single program for families that will replace Aid to Families with Dependent Children (AFDC), Food Stamps (FS), and General Assistance (GA). MFIP emphasizes client movement to self-support by enabling families to increase their income through work. MFIP also strengthens families. Barriers which have prevented help to 2-parent families are removed. The program recognizes and supports both roles of parents, the production of income, and the provision of care to children.

This request will cover development and program costs incurred in the next biennium as well as costs tied to the evaluation of MFIP. A portion of the biennial request for MFIP represents the state share of the cost of an independent evaluation. Federal financial participation is available for these evaluation costs at a rate of 50%. The amount requested for the independent evaluation assumes that federal receipts received for evaluation-related activities are returned to the program. In

addition, savings generated in the child care fund as a result of new federal funding for child care will be designated to cover MFIP child care costs.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the funding as requested except for the following: 1) all unspent state child care funds remaining at the end of the 1990-91 biennium should cancel to the General Fund and should not be carried forward and transferred for use in the MFIP pilot and 2) the total evaluation costs should be appropriated and the federal financial participation should be deposited in the general fund as nondedicated receipts.

1992-93 Biennial Budget

ACTIVITY: Employment and Training
PROGRAM: Economic Support and Transition
Services for Families and Individuals
AGENCY: Human Services, Department of

PLAN TITLE: Reduce WR Literacy Transportation Fund

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

General Fund

Employment and Training	(\$ 101)	(\$ 104)	(\$ 104)	(\$ 104)
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GOVERNOR'S RECOMMENDATION:

General Fund

Employment and Training	(\$ 101)	(\$ 104)	(\$ 104)	(\$ 104)
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Requires statutory change: Yes (rider) No
Statutes Affected:

ITEM SUMMARY:

The agency proposes a decrease of \$101,000 in F.Y. 1992 and \$104,000 in F.Y. 1993 to its budget base.

RATIONALE:

This base reallocation to reduce the funding available for Work Readiness (WR) Literacy Transportation will enable the department to reassign resources to other activities. The state is required to reimburse counties for the cost of providing transportation to persons receiving literacy training. Reimbursements requested by the counties in past years have been less than the available appropriation.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

1992-93 Biennial Budget

ACTIVITY: Work Readiness Grants
PROGRAM: Economic Support and Transition
 Services for Families and Individuals
AGENCY: Human Services, Department of

PLAN TITLE: Restructure the Work Readiness Grants Program

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
WR Grants				
Limited Eligibility	(\$ 11,849)	(\$ 13,542)	(\$ 15,234)	(\$ 13,542)
Post Secondary	(473)	(541)	(609)	(541)
Initial WR Payment	(875)	(1,000)	(1,125)	(1,000)
GAMC	(2,830)	(4,677)	(5,005)	(4,767)
AP Admin.	50	-0-	-0-	-0-

GOVERNOR'S RECOMMENDATION:

General Fund

WR Grants				
Limited Eligibility	(\$ 11,849)	(\$ 13,542)	(\$ 15,234)	(\$ 13,542)
Post Secondary	(473)	(541)	(609)	(541)
Initial WR Payment	(875)	(1,000)	(1,125)	(1,000)
GAMC	(2,830)	(4,677)	(5,005)	(4,767)
AP Admin.	-0-	-0-	-0-	-0-

Requires statutory change: X Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes decreasing the budget base by \$15,977,000 in F.Y. 1992 and by \$19,760,000 in F.Y. 1993.

RATIONALE:

These provisions are effective 7-1-91. This base reduction will be achieved by:

1. Reducing the period that recipients are eligible for work readiness (WR) grants from the current 12 months per year to 3 out of 12 months per year. The commissioner will have authority to adjust the number of months of eligibility, as the limited appropriation permits.
2. Benefits will not start until the first day of the calendar month following application. Now, benefits are prorated from the date of application or the date of eligibility, whichever occurs later.

3. Denying WR payments and services to any person enrolled in a post-secondary education program. WR clients are viewed as being employable and capable of securing employment through their own efforts or with minimal job search assistance. If WR recipients are permitted to attend post-secondary education instead of searching for work, they are likely to remain on assistance for a longer period of time, increasing program costs. WR is not intended to supplement post-secondary financial assistance packages. (This provision does not apply to families.)

There is a one-time administrative cost associated with this proposal. The department is requesting \$50,000 in F.Y. 1992 to develop a program within MAXIS to track clients' months of eligibility.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan with the exception of the \$50,000 requested for administrative costs in F.Y. 1992. Funding for these costs must be reallocated from department resources.

1992-93 Biennial Budget

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

ACTIVITY: MSA Grants

PROGRAM: Economic Support and Transition
Services for Families and Individuals

AGENCY: Human Services, Department of

PLAN TITLE: Restructure Negotiated Rate Facilities

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
MSA Grants				
Extend 90% rate cap	(\$ 41)	(\$ 46)	(\$ 55)	(\$ 58)
Limit Development	(1,112)	(3,648)	(4,636)	(4,922)
Board and Care Payment Limit	(1,044)	(3,438)	(4,401)	(4,703)
State MII Grants	(970)	(1,049)	(1,128)	(1,049)
	(98)	(210)	(235)	(219)

GOVERNOR'S RECOMMENDATION:

MSA Grants				
Extend 90% rate cap	(\$ 41)	(\$ 46)	(\$ 55)	(\$ 58)
Limit Development	(1,142)	(3,648)	(4,636)	(4,922)
Board and Care Payment Limit	(1,044)	(3,438)	(4,401)	(4,703)
State MH Grants	(970)	(1,049)	(1,128)	(1,049)
	(98)	(210)	(235)	(219)

Requires statutory change: Yes (Rider) No
Statutes Affected:

ITEM SUMMARY:

The agency proposes a decrease of \$2,153,000 in F.Y. 1992 and \$4,743,000 in F.Y. 1993 to its budget base.

RATIONALE:

Present growth in the number of Negotiated Rate Facilities (NRF) beds and in payment rates must be controlled to keep state costs in line. This base reduction will be achieved by:

1. Extending the 90% rate cap limit for new NRF until 6-30-93. The cap means that the maximum room and board rate for new facilities cannot exceed 90% of the maximum rate allowed under state law. The current rate cap is scheduled to expire 6-30-91.
2. Limiting the development of NRF to those foster homes required for the achievement of net reductions of regional treatment center developmental disabilities census and for compliance with the Alternative Disposition Plan to develop services for persons with developmental disabilities or mental illness inappropriately placed in nursing homes.
3. Limiting the payment rate for non-certified, non-Rule 36 board and care NRF facilities to the state share of the average nursing home level "A" rate appropriate for that geographic region of the state.

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1992-93 Biennial Budget

ACTIVITY: Child Care Fund Grants
 PROGRAM: Economic Support and Transition
 Services for Families and Individuals
 AGENCY: Human Services, Department of

PLAN TITLE: STRIDE Evaluation/AFDC Child Care

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

General Fund

Child Care Fund	\$ 121	\$ 254	\$ 283	\$ 197
Child Care Fund	(96)	(229)		

GOVERNOR'S RECOMMENDATION:

General Fund

Child Care Fund	\$ 121	\$ 254	\$ 283	\$ 197
Child Care Fund	-0-	-0-		

Revenue	\$ 12	\$ 12	\$ 12	\$ 12
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Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a net increase of \$25,000 in F.Y. 1992 and \$25,000 in F.Y. 1993 to its budget base.

RATIONALE:

This base reallocation will enable the department to cover additional child care and administrative costs associated with Minnesota's participation in the national JOBS evaluation. Minnesota is being considered by the Department of Health and Human Services and Manpower Demonstration Research Corporation as one of the sites for the national evaluation of the Job Opportunity and Basic Skills (JOBS) program (known in Minnesota as Project STRIDE). This is an opportunity to have the STRIDE program thoroughly evaluated, at a fraction of what it would cost DHS to do it. One of the conditions of participating in the national JOBS evaluation is that child care must be available to the control group at the same level it is available to the experimental group. This means some control group members will be eligible for an Aid to Families with Dependent Children (AFDC) child care subsidy who would not otherwise qualify for the subsidy in the absence of the evaluation.

Twenty-five thousand dollars (\$25,000) of the department's request will cover county administrative costs of participating in the evaluation. In addition, savings generated in the child care fund as a result of new federal funding for child care will be designated to cover the costs of providing child care services to members of the control group.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan except that all unspent state child care funds remaining at the end of the 1990-1991 biennium should cancel to the general fund and should not be carried forward and transferred for use in the STRIDE evaluation.

AFDC GRANTS
FORECAST INFORMATION

This table shows total AFDC expenditures, including projections through F.Y. 1993:

Total AFDC Program					
<u>Fiscal Year</u>	<u>Total Annual Payments</u>	<u>Federal Share</u>	<u>State Share</u>	<u>County Share</u>	<u>State Cost for Share Growth</u>
1988	\$294,870,407	\$158,429,645	\$112,765,841	\$23,674,921	
1989	294,809,352	156,816,597	113,693,981	24,298,774	
1990	304,567,971	160,584,391	118,550,789	25,432,791	
PROJECTED					
1991	\$325,318,727	\$172,888,828	\$125,241,110	\$27,188,789	
1992	361,353,122	195,251,156	136,432,195	29,669,771	\$1,014,273
1993	365,106,663	195,554,168	138,969,859	30,582,636	2,711,197

The State share of AFDC has been offset by proceeds from the Mortgage and Deed taxes. This offset ends at the end of 1990, but State share costs will continue to be offset by funds from a special revenue account. A portion of Mortgage and Deed Tax proceeds was also offset against other income maintenance programs, but total offsets are treated here as deducted from AFDC costs.

	<u>Gross State Share</u>	<u>Tax / Revenue Offset</u>	<u>State Cost for County Share Growth</u>	<u>Net State Share</u>
1988	\$112,765,841	(\$52,203,734)		\$60,562,107
1989	113,693,981	(52,266,783)		61,427,198
1990	118,550,789	(54,675,233)		63,875,556
PROJECTED				
1991	\$125,241,110	(\$56,338,000)		\$68,903,110
1992	136,432,195	(54,542,000)	\$1,014,273	82,904,468
1993	138,969,859	(54,542,000)	2,711,197	87,139,056

AFDC GRANTS
FORECAST INFORMATION

The following tables show AFDC caseload and expenditures by three categories of recipients.

<u>Fiscal Year</u>	<u>Monthly Average Recipients</u>	<u>Monthly Average Payments</u>	<u>Total Annual Payments</u>	<u>Federal Share</u>	<u>State Share</u>	<u>County Share</u>
Single Parent AFDC Recipients						
1988	130,946	\$150.84	\$237,024,546	\$127,614,016	\$92,998,951	\$16,411,580
1989	133,036	149.21	238,204,619	126,963,062	94,555,324	16,686,234
1990	135,984	150.56	245,681,828	129,769,142	98,525,783	17,386,903
PROJECTED						
1991	144,955	\$149.47	\$259,999,332	\$138,475,644	\$103,295,135	\$18,228,553
1992	154,748	152.60	283,377,640	153,534,005	110,367,089	19,476,545
1993	155,988	152.35	285,177,560	153,140,350	112,231,629	19,805,582
Unemployed Parent AFDC Recipients						
1988	31,986	\$128.41	\$49,289,043	\$26,537,221	\$19,339,049	\$3,412,773
1989	30,589	128.06	47,005,104	25,053,720	18,658,676	3,292,708
1990	31,296	129.57	48,658,800	25,701,578	19,513,639	3,443,583
PROJECTED						
1991	34,489	\$129.96	\$53,787,915	\$28,647,444	\$21,369,401	\$3,771,071
1992	40,758	133.51	65,296,878	35,377,848	25,431,175	4,487,854
1993	40,758	135.34	66,196,404	35,547,469	26,051,595	4,597,340
Emergency Assistance						
1988	5,575	\$127.91	\$8,556,818	\$4,278,409	\$427,841	\$3,850,568
1989	6,079	131.60	9,599,629	4,799,815	479,981	4,319,833
1990	6,407	133.03	10,227,343	5,113,672	511,367	4,602,304
PROJECTED						
1991	7,082	\$135.69	\$11,531,479	\$5,765,739	\$576,574	\$5,189,166
1992	7,634	138.40	12,678,604	6,339,302	633,930	5,705,372
1993	8,106	141.17	13,732,699	6,866,350	686,635	6,179,715

**AFDC GRANTS
FORECAST INFORMATION**

This table shows the projected increases in AFDC expenditures under current law.

	<u>F.Y. 1992</u> (Thousands)	<u>F.Y. 1993</u>
Projected F.Y. 1991 State Share Cost:	\$125,241	\$125,241
Projected Increases Under Current Law		
Single Parent AFDC		
Caseload:	\$6,979	\$7,862
Average Cost:	2,308	2,141
Change in FFP :	(2,216)	(1,067)
Unemployed Parent AFDC		
Caseload:	3,884	3,884
Average Cost:	689	1,047
Change in FFP:	(511)	(248)
Emergency Assistance		
Caseload:	46	87
Average Cost:	12	23
Total State Share Cost	\$136,432	\$138,970
State Cost for County Share Growth	\$1,014	\$2,711
Total State Cost	\$137,446	\$141,681
Increase over F.Y. 1991	\$12,205	\$16,440

GENERAL ASSISTANCE GRANTS
FORECAST INFORMATION

This table shows total GA caseload and expenditures, including projections through F.Y. 1993:

Fiscal Year	Total GA Program						State Cost for County Share Growth
	Monthly Average Recipients	Monthly Average Payments	Total Gross Annual Payments	Total Net Annual Payments	State Share	County Share	
1988	23,841	\$208.13	\$59,543,873	\$53,178,493	\$40,033,582	\$13,144,911	
1989	23,489	209.42	59,029,791	52,664,808	40,635,095	12,029,713	
1990	24,785	212.03	63,075,177	55,996,564	43,206,200	12,790,364	
PROJECTED							
1991	19,088	\$240.16	\$55,012,059	\$48,509,633	\$37,430,033	\$11,079,600	
1992	14,879	258.51	46,156,143	40,700,487	31,404,496	9,295,491	(\$4,879,481)
1993	15,019	258.59	46,604,476	41,095,827	31,709,540	9,386,287	(5,726,138)

This table shows the projected changes in GA expenditures under current law.

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
	(thousands)	
Projected F.Y. 1991 State Share	\$37,430	\$37,430
<u>Projected Increases Under Current Law</u>		
Caseload: Net of Caseload Increase and Caseload Shift to Work Readiness	(6,026)	(5,720)
Total State Share Cost	31,404	31,710
State Cost for County Share Growth	(4,879)	(5,726)
Total State Cost	26,525	25,984
Increase Over F.Y. 1991	(10,905)	(11,446)

WORK READINESS GRANTS
FORECAST INFORMATION

This table shows total WR caseload and expenditures, including projections through F.Y. 1993:

<u>Fiscal Year</u>	Total WR Program						
	Monthly Average Recipients	Monthly Average Payments	Total Gross Annual Payments	Total Net Annual Payments	State Share	County Share	State Cost for County Share Growth
1988	6,562	\$183.21	\$14,426,736	\$13,431,608	\$10,063,128	\$3,368,480	
1989	7,076	187.26	15,900,819	14,937,393	11,204,189	3,733,204	
1990	8,045	187.88	18,137,564	16,887,886	12,674,462	4,213,424	
PROJECTED							
1991	19,382	\$177.05	\$41,178,525	\$38,341,324	\$28,775,399	\$9,565,925	
1992	29,164	174.09	60,924,305	56,726,620	42,573,677	14,152,943	\$6,910,839
1993	30,881	173.66	64,355,159	59,921,089	44,971,145	14,949,944	9,602,849

This table shows the projected changes in WR expenditures under current law.

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
	(Thousands)	
Projected F.Y. 1991 State share	\$28,775	\$28,775
Projected Increases Under Current Law		
Caseload: combination of caseload increase and caseload shift from GA	13,799	16,196
Total State share cost	\$42,574	\$44,971
State cost for co. share growth	\$6,911	\$9,603
Total State cost	\$49,485	\$54,574
Increase over F.Y. 1991	\$20,710	\$25,799

**MSA GRANTS
FORECAST INFORMATION**

This table shows total MSA caseload and expenditures, including projections through F.Y. 1993:

<u>Fiscal Year</u>	<u>Total MSA Program</u>					
	<u>Monthly Average Recipients</u>	<u>Monthly Average Payments</u>	<u>Total Annual Payments</u>	<u>State Share</u>	<u>County Share</u>	<u>State Cost for County Share Growth</u>
1988	11,853	\$178.98	\$25,457,323	\$21,638,725	\$3,818,598	
1989	12,721	222.49	33,963,413	28,868,901	5,094,512	
1990	15,113	237.75	43,116,805	36,649,284	6,467,521	
PROJECTED						
1991	17,398	\$236.30	\$49,333,638	\$41,933,592	\$7,400,046	
1992	20,551	227.00	55,981,807	47,584,536	8,397,271	\$ 747,122
1993	23,314	232.44	65,029,045	55,274,688	9,754,357	1,924,278

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**MSA GRANTS
FORECAST INFORMATION**

The following tables show MSA caseload and expenditures by the living arrangement of the recipient.

Recipients in Negotiated Rate Facilities

<u>Fiscal Year</u>	<u>Monthly Average Recipient</u>	<u>Monthly Payments</u>	<u>Total Annual Payments</u>	<u>State Share</u>	<u>County Share</u>
1988	3,571	\$424.13	\$18,176,347	\$15,449,895	\$2,726,452
1989	4,327	486.46	25,258,761	21,469,947	3,788,814
1990	5,086	522.60	31,895,319	27,111,021	4,784,298
PROJECTED					
1991	5,400	\$544.06	35,255,000	29,966,750	5,288,250
1992	6,153	523.08	38,622,725	32,829,316	5,793,409
1993	6,846	545.10	44,782,194	38,064,865	6,717,329

Recipients in Nursing Homes

1988	4,373	\$17.08	\$ 896,158	\$ 761,734	\$134,424
1989	4,016	19.57	943,182	801,704	141,477
1990	3,784	23.14	1,050,684	893,081	157,603
PROJECTED					
1991	3,632	\$26.14	\$1,139,420	\$ 968,507	\$170,913
1992	3,523	28.64	1,210,938	1,029,297	181,641
1993	3,418	30.64	1,256,633	1,068,138	188,495

Recipients in Private Dwellings

1988	3,909	\$136.13	\$ 6,384,818	\$ 5,427,096	\$ 957,723
1989	4,378	147.75	7,761,470	6,597,250	1,164,221
1990	6,337	140.11	10,654,823	9,056,600	1,598,224
PROJECTED					
1991	8,365	\$128.90	\$12,939,218	\$10,998,335	\$1,940,883
1992	10,875	123.74	16,148,144	13,725,922	2,422,222
1993	13,050	121.27	18,990,217	16,141,684	2,848,533

MSA GRANTS
FORECAST INFORMATION

This table shows the projected increases in MSA expenditures under current law

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
	(Thousands)	(Thousands)
Projected F.Y. 1991 State share cost:	\$41,934	\$41,934
<u>Projected Increases Under Current Law</u>		
MR/RC waiver recipients		
Caseload:	\$2,791	\$5,371
Average cost:	611	1,141
Other recipients in negotiated rate facilities:		
Caseload:	1,227	2,670
Average cost:	(1,766)	(1,083)
Recipients in private dwellings:		
Caseload:	3,300	6,159
Average cost:	(572)	(1,016)
Recipients in nursing homes:		
Caseload:	(29)	(57)
Average cost:	90	157
Total State share cost:	\$47,585	\$55,275
State cost for county share growth:	\$ 747	\$1,924
Total State cost:	\$48,332	\$57,199
Increase over F.Y. 1991:	\$6,398	\$15,265

**CHILD CARE ENTITLEMENT
FORECAST INFORMATION**

This table shows total child care entitled caseload and expenditures, including projections through FY 1993:

<u>Fiscal Year</u>	Child Care Entitlement					
	<u>Average Number of Families</u>	<u>Monthly Cost/ Family</u>	<u>Total Annual Payments</u>	<u>Total Federal Share</u>	<u>State Share</u>	<u>County Share</u>
1990 PROJECTED	7,226	\$164.87	\$14,296,243	\$6,451,997	\$7,260,486	\$583,760
1991	6,816	\$239.52	\$19,590,560	\$10,433,932	\$9,156,628	\$-0-
1992	8,595	257.78	26,587,200	14,404,945	12,182,255	-0-
1993	10,374	276.42	34,410,633	18,478,510	15,932,123	-0-

This table shows the projected changes in child care entitlement expenditures under current law.

	<u>FY 1992</u>	<u>FY 1993</u>
(Thousands)		
Projected FY 1991 State share cost:	\$ 9,157	\$ 9,157

Projected Increases Under Current Law

Caseload:	\$ 2,341	\$ 5,231
Average cost:	684	1,544
Total State share cost:	\$12,182	\$15,932
Increase over FY 1991:	\$ 3,025	\$ 6,775

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: ECONOMIC SUPPORT/SERVICES ELDERLY

ACTIVITY RESOURCE ALLOCATION:	FY 1989			FY 1992			FY 1993		
	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
AGING ADMINISTRATION	1,234	1,356	1,313	1,322	1,602	1,602	1,320	1,600	1,600
AGING OMBUDSMAN	140	256	354	356	356	356	356	356	356
AGING AREA SERVICES GRANTS	16,615	17,456	17,382	17,382	17,382	17,382	17,382	17,382	17,382
FOSTER GRANDPARENTS GRANTS	666	666	666	666	666	666	666	666	666
RETIRED SENIOR VOLUNTEER GRANTS	347	347	347	347	347	347	347	347	347
SENIOR COMPANION GRANTS	391	391	391	391	391	391	391	391	391
PAS - ALTERNATE CARE GRANTS	14,030	15,458	19,111	23,223	25,073	23,684	23,830	30,167	28,537
TOTAL EXPENDITURES BY ACTIVITY	33,423	35,930	39,564	43,687	45,817	44,428	44,292	50,909	49,279
DETAIL BY CATEGORY:									
STATE OPERATIONS	1,182	1,446	1,422	1,433	1,433	1,433	1,431	1,431	1,431
LOCAL ASSISTANCE	18,211	19,026	19,031	21,054	21,334	21,334	21,054	21,334	21,334
AID TO INDIVIDUALS	14,030	15,458	19,111	21,200	23,050	21,661	21,807	28,144	26,514
TOTAL EXPENDITURES BY CATEGORY	33,423	35,930	39,564	43,687	45,817	44,428	44,292	50,909	49,279
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	18,012	19,670	23,492	23,503	25,633	24,244	23,501	30,118	28,488
STATUTORY APPROPRIATIONS:									
GENERAL				4,112	4,112	4,112	4,719	4,719	4,719
SPECIAL REVENUE	135	135	136	136	136	136	136	136	136
FEDERAL	15,270	16,119	15,920	15,920	15,920	15,920	15,920	15,920	15,920
GIFTS AND DEPOSITS	6	6	16	16	16	16	16	16	16
TOTAL FINANCING	33,423	35,930	39,564	43,687	45,817	44,428	44,292	50,909	49,279

1992-93 Biennial Budget

ACTIVITY: PAS-ACG Grants
PROGRAM: Economic Support and Services to Elderly Persons
AGENCY: Human Services, Department of

PLAN TITLE: PAS/ACG Program Growth

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
PAS-ACG Grants	\$ 6,100	\$ 13,000	\$ 13,000	\$ 13,000
MA Grants	(5,998)	(13,899)	(15,152)	(14,272)

GOVERNOR'S RECOMMENDATION:

General Fund

PAS-ACG Grants	\$ 6,100	\$ 13,000	\$ 13,000	\$ 13,000
	\$ 3,500	\$ 10,400	\$ 10,400	\$ 10,400
MA Grants	(5,998)	(13,899)	(15,152)	(14,272)
	(2,098)	(6,999)	(3,52)	(28)

Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a net increase of \$102,000 in F.Y. 1992 and a net decrease of \$889,000 in F.Y. 1993 to its budget base.

RATIONALE:

This base reallocation will allow the department to provide additional Alternative Care Grant (ACG) services to persons for whom it is appropriate, at a lower cost than for nursing home care. For every 100 persons served on the ACG program, the Medical Assistance (MA) nursing home caseload is reduced by 58 (± 10). The average state share cost per person on ACG is expected to be \$457 per month in F.Y. 1992 and \$476 per month in F.Y. 1993. In contrast, the average state and county share cost for 1 month of nursing home care is expected to be \$834 in F.Y. 1992 and \$882 in F.Y. 1993.

The appropriation below includes \$1 million in F.Y. 1992 and \$2.5 million in F.Y. 1993 for inflation. The balance is sufficient to increase the average number of people served by 1,000 per year. However, this program is not an entitlement; it is limited to the amount of the appropriation. Appropriations listed will be distributed on a targeted basis linked to locally coordinated long term care planning through the SAIL strategy outlined in decision page 2.

A legislative rider will specify that any monies allocated to the ACG program but not spent, will revert to the MA Grants program for the nursing home caseload.

GOVERNOR'S RECOMMENDATION:

The Governor ~~concurs with the agency plan~~ proposes an alternative increase of \$1,402,000 in F.Y. 1992 and \$3,401,000 in F.Y. 1993 to the department's budget base. The new figures on this page are a result of a new forecast of costs issued 3-28-91.

1992-93 Biennial Budget

ACTIVITY: Long Term Care Management
PROGRAM: Economic Support and Services to Elderly Persons
AGENCY: Human Services, Department of

PLAN TITLE: Seniors' Agenda for Independent Living (SAIL)

AGENCY PLAN:	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

General Fund

Aging Administration				
Congregate Housing Svcs. Coord.	\$ 280	\$ 280	\$ 280	\$ 280
LTC Management				
Caregiver Support/Respite Care	145	245	245	245
LTC Forecasting	60	60	60	60
Access/Assessment	514	714	714	714
Adult Foster Care Development	150	250	250	250
Adult Foster Care Modifications	50	50	50	50
Technical Assistance & Public Information Campaign	250	350	350	350

GOVERNOR'S RECOMMENDATION:

General Fund

Aging Administration				
Congregate Housing Svcs. Coord.	\$ 280	\$ 280	\$ 280	\$ 280
LTC Management				
Caregiver Support/Respite Care	500	1,000	1,000	1,000
LTC Forecasting	60	60	60	60
Access/Assessment	514	714	714	714
Adult Foster Care Development	150	250	250	250
Adult Foster Care Modifications	50	50	50	50
Technical Assistance & Public Information Campaign	490	500	500	500
Revenue	271	292	292	292

Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a net increase of \$1,449,000 in F.Y. 1992 and \$1,949,000 in F.Y. 1993 to its budget base.

RATIONALE:

This base reallocation and corresponding legislation will allow the department to enhance the availability of low cost alternatives to high cost institutional placements. In order to achieve the savings in BRD #1, some expenditures must be made to ensure appropriate access to Alternative Care Grant (ACG) services. These alternatives are low cost, generally non-medical services designed to:

1. Enable individually appropriate independent living.
2. Support informal, unpaid caregivers.
3. Appeal to private pay as well as Medical Assistance-eligible individuals.

The strategy includes:

1. Continuation and further development of the caregiver support/respite care project.
2. Development and management of a long term care database to aid in planning and evaluation.
3. Modification of the preadmission screening process.
4. Development of outcome-based assessment and services provision.
5. Pilot project development of Adult Foster Care providers (including 24-hour care and adult day care).
6. Development of congregate housing sites.
7. A statewide public information campaign geared to inform seniors of low cost alternatives to institutionalization.
8. Technical assistance to counties.

Additionally, Board on Aging activities (home-delivered meals, RSVP, senior companion programs) will be integrated into planning for this strategy.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a net increase of \$2,044,000 in F.Y. 1992 and \$2,854,000 in F.Y. 1993.

The Governor proposes to add \$1,500,000 to the agency's request, adding \$1,110,000 to caregiver support/respite care development and \$390,000 to the public information campaign.

The goal of this proposal is to strengthen the informal support networks that already exist and build new ones where they are needed in order to develop in Minnesota the best informal support network in the country.

Included in this proposal are 36 volunteer caregiver support/respite projects and 2 community care manager projects. The caregiver support/respite projects will be initiated by providing \$20,000 grants to local communities to establish volunteer caregiver support/respite care projects. The community care manager projects are similar to the block nurse program.

In addition to building an alternative long-term care infrastructure in Minnesota, the Governor proposes to use a public information campaign to highlight the new alternatives that are being developed. This campaign will aim to inform the public of the alternatives and stimulate interest in them.

By doing so, the Governor believes it will be possible to continue to maintain the moratorium on the development of nursing home beds even though the number of elderly Minnesotans is growing rapidly. The Governor further expects that by creating less expensive alternatives, many elderly, who would otherwise spend down to Medical Assistance if placed in a nursing home, will be able to remain private pays in an appropriate alternative setting.

1992-93 Biennial Budget

ACTIVITY: Long Term Care Management

PROGRAM: Economic Support and Services to Elderly Persons

AGENCY: Human Services, Department of

PLAN TITLE: Alternative Care Grants Restructuring

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
PAS/ACG Grants	(\$ 3,247)	(\$ 4,147)	(\$ 4,147)	(\$ 4,147)

GOVERNOR'S RECOMMENDATION:

General Fund

PAS/ACG Grants	(\$ 3,997)	(\$ 4,897)	(\$ 4,897)	(\$ 4,897)
	<u>(\$ 2,451)</u>	<u>(\$ 3,973)</u>	<u>(\$ 3,943)</u>	<u>(\$ 3,943)</u>

Requires statutory change: X Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a decrease to the budget base of \$3,247,000 in F.Y. 1992 and \$4,147,000 in F.Y. 1993.

RATIONALE:

This restructuring of the Alternative Care Grants (ACG) program includes changes in the way clients' copayments are calculated and collected and will also impose a new monthly limit on state payments for ACG services to 180-day eligible clients.

Currently, the 180-day portion of the ACG program operates on a sliding-fee basis, with counties responsible for collection of sliding-fee payments. However, county collections of sliding-fee payments are minimal and are credited to counties' ACG accounts. Under this proposed change, the fee will be treated similar to medical assistance (MA) spenddown. The fee will be deducted from the provider payment and credited directly to the state Preadmission Screening/ACG program.

State programs for ACG services for 180-day eligible clients shall be limited to 60% of the total cost of nursing home care, according to case mix classification. It is estimated that about 447 people would require services at a higher cost than these limits. These clients would have the option of limiting services, paying the cost of services over the monthly payment limit, or entering a nursing home.

With a monthly payment limit set at 60% of the state share of nursing home costs, the statewide average cost for ACG clients will continue to be below the state share of nursing home costs for the same group of clients.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a decrease to the budget base of \$3,997,000 \$2,451,000 in F.Y. 1992 and \$4,897,000 \$3,943,000 in F.Y. 1993. The new figures on this page are a result of the new forecast for this program issued 3-28-91.

In addition to accepting the restructuring proposal outlined above, the Governor proposes to reduce the budget base an additional \$750,000 per year because the annualized cost of services for the projected end-of-year caseload (F.Y. 1991) is lower than the amount of funding currently in the base level.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: SERVICES TO SPECIAL NEEDS ADULTS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomn.	Adjusted Base	Agency Plan	Governor Recomn.
SOCIAL SERVICES ADMINISTRATION	1,826	1,892	2,108	2,088	2,088	2,088	2,088	3,181	3,181
COMMUNITY SOCIAL SERVICE GRANTS	96,459	97,156	99,195	99,067	99,067	99,067	99,067	99,067	99,067
DEVELOPMENTAL DISABILITIES ADMIN.	1,453	1,659	1,542	1,863	1,906	1,906	1,859	1,902	1,902
SILS	3,658	4,271	4,698	4,698	4,905	4,905	4,698	5,278	5,278
CHEMICAL DEPENDENCY ADMINISTRATION	498	606	763	723	723	723	722	722	722
AMERICAN INDIAN CD GRANTS	1,066	1,062	1,065	1,065	1,065	1,065	1,065	1,065	1,065
CD SPECIAL GRANTS - ADULTS	357	570	1,497	1,318	1,318	1,318	1,217	1,217	1,217
CD BLOCK GRANT - FEDERAL	7,438	13,009	14,132	14,132	14,132	14,132	14,132	14,132	14,132
CD CONSOLIDATED TREATMENT	45,391	54,809	59,216	47,351	47,351	49,851	51,739	51,739	54,239
MH PROGRAM ADMINISTRATION	916	947	1,300	1,103	1,353	1,453	1,099	1,349	1,449
STATE MENTAL HEALTH GRANTS - ADULT	18,931	20,437	24,230	24,460	24,312	25,212	24,460	26,150	27,050
FEDERAL MENTAL HEALTH GRANTS	2,083	2,869	1,345	2,181	2,181	2,181	2,066	2,066	2,066
HEARING IMPAIRED	2,777	2,739	3,104	3,129	3,159	3,159	3,123	3,153	3,153
TOTAL EXPENDITURES BY ACTIVITY	182,853	202,026	214,195	203,178	203,560	207,060	207,335	211,021	214,521
DETAIL BY CATEGORY:									
STATE OPERATIONS	10,884	11,622	13,647	13,321	13,444	13,544	13,082	14,298	14,398
LOCAL ASSISTANCE	127,659	136,671	142,765	143,939	144,198	145,098	143,947	146,417	147,317
AID TO INDIVIDUALS	44,310	53,733	57,783	45,918	45,918	48,418	50,306	50,306	52,806
TOTAL EXPENDITURES BY CATEGORY	182,853	202,026	214,195	203,178	203,560	207,060	207,335	211,021	214,521
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	79,142	81,932	88,904	113,995	114,347	117,877	116,973	120,629	124,159
STATUTORY APPROPRIATIONS:									
GENERAL	753	754	494		30			30	
SPECIAL REVENUE	46,481	55,552	60,264	23,971	23,971	23,971	25,265	25,265	25,265
FEDERAL	56,457	63,788	64,504	65,212	65,212	65,212	65,097	65,097	65,097
AGENCY	18	3							
GIFTS AND DEPOSITS	2	26							
TOTAL FINANCING	182,853	202,026	214,195	203,178	203,560	207,060	207,335	211,021	214,521

1992-93 Biennial Budget

ACTIVITY: SILS
 PROGRAM: Services to Special Needs Adults
 AGENCY: Human Services, Department of

PLAN TITLE: Semi-Independent Living Services Expansion and Adjustment

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
SILS (Cap Rate at 70%)	(\$ 135)	(\$ 135)	(\$ 135)	(\$ 135)
SILS (Growth)	342	715	715	715
MSA Grants	105	223	256	243

GOVERNOR'S RECOMMENDATION:

General Fund

SILS (Cap Rate at 70%)	(\$ 135)	(\$ 135)	(\$ 135)	(\$ 135)
SILS (Growth)	342	715	715	715
MSA Grants	105	223	256	243

Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a net increase of \$312,000 in F.Y. 1992 and \$803,000 in F.Y. 1993 to its budget base.

RATIONALE:

This base reallocation and corresponding legislation will provide Semi-Independent Living Services (SILS) to 100 additional persons per year while imposing a rate cap on the hourly rate SILS vendors charge for providing services.

Growth in the SILS program continues to be necessary in order to relocate persons who no longer need the level of care provided in Intermediate Care Facilities for Persons with Mental Retardation (ICFs/MR). If these relocations do not occur, the state becomes at risk of federal disallowances in the Medicaid program. The increase in Minnesota Supplemental Aid (MSA) is necessary for those persons who require associated living expenses while receiving program services through SILS.

Capping the hourly rate will reduce the total allowable costs per hour of services which will reduce total SILS expenditures. This action potentially impacts 400 persons who are currently being served above the rate of \$22 an hour and would require counties to renegotiate contracts for services. There are a total of approximately 1,400 persons currently served in the SILS program.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

ACTIVITY: Consolidated Chemical Dependency Treatment Fund 1992-93 Biennial Budget
PROGRAM: Services to Special Needs Adults
AGENCY: Human Services, Department of

DECISION ITEM: Chemical Dependency Services for Non-Entitled Clients

Dollars in Thousands			
<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund			
CD Consolidated Treatment	\$ 2,500	\$ 2,500	\$ 2,500

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The Governor proposes an increase of \$2,500,000 in F.Y. 1992 and \$2,500,000 in F.Y. 1993 to enable the Consolidated Chemical Dependency Fund (CCDTF) to serve persons with incomes above MA and GAMC entitlement limits.

RATIONALE:

It is projected that resources currently recommended by the Governor for the CCDTF in the next biennium will serve only "Tier One" clients as defined in legislatively mandated financial standards. These are entitled clients - those enrolled in MA or GAMC or meeting MA income limits. An additional resource commitment will provide treatment which may prevent some of those persons above entitlement limits ("Tier Two" and "Tier Three" clients) from becoming dependent on public assistance. It is currently projected that \$5,000,000 additional funding will serve approximately 40% of those in "Tier Two" (incomes between entitlement limits and 60% of the state median income). However, changes which will increase delivery system productivity may be possible, thereby stretching resources to serve more clients. To that end, the agency will review and evaluate all state chemical dependency service and licensure mandates and submit a report with recommendations to the Governor and the Legislature by 10-1-92.

These additional resources will be administered in a separate account which will not be considered part of entitlement funding.

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ACTIVITY: Hearing Impaired
PROGRAM: Services to Special Needs Adults
AGENCY: Human Services, Department of

PLAN TITLE: Interpreter Referral

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
General Fund				
Hearing Impaired	\$ 30	\$ 30	\$ 30	\$ 30
Dedicated Receipts	(30)	(30)	(30)	(30)

GOVERNOR'S RECOMMENDATION:

General Fund

Hearing Impaired	\$ 30	\$ 30	\$ 30	\$ 30
Revenue				
General Fund	\$ 30	\$ 30	\$ 30	\$ 30

Requires statutory change: X Yes No
Statutes Affected:

ITEM SUMMARY:

The agency is proposing to fund increased statewide interpreter referral services by charging fees for referrals.

RATIONALE:

The Deaf Services Division is mandated to provide for statewide interpreter referral services. This activity is underfunded to meet the level of demand for this service. By instituting fees for referrals, Deaf Services can generate an additional \$20,000/year. Retaining fees that agencies pay for emergency interpreting services provided by Deaf Services' staff will generate an additional \$10,000/year.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan with the exception that fees received for referrals and interpreting services will be non-dedicated receipts of the General Fund pursuant to executive branch policy.

1992-93 Biennial Budget

ACTIVITY: State MH Grants - Adults
 PROGRAM: Services to Special Needs Adults
 AGENCY: Human Services, Department of

PLAN TITLE: Mental Health Housing Initiative

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
State MH Grants-Adults:				
Housing Subsidies	\$ -0-	\$ 1,000	\$ 1,000	\$ 1,000
Hsg. Support Services (Rule 14)		-0-	1,000	1,000
IMD Alternatives	150	600	600	600
Rule 12 Grants	-0-	(500)	(500)	(500)
MSA Grants:				
Bd.& Lodge Neg. Rates	(-0-)	(208)	(249)	(457)
Nursing Facilities	(70)	(298)	(344)	(454)
MA Grants:				
Nursing Facilities	61	262	299	270
IMD Ancillaries	137	478	661	695
GAMC Grants:				
IMD Ancillaries	(299)	(1,032)	(1,420)	(1,494)
State MH Administration	250	250	250	250
Health Care Management	70	70	70	70
TOTAL (Net)	\$ 299	\$ 1,622	\$ 1,367	\$ 980

GOVERNOR'S RECOMMENDATION:

General Fund				
State MH Grants-Adults:				
Housing Subsidies	\$ -0-	\$ 1,000	\$ 1,000	\$ 1,000
Hsg. Support Services (Rule 14)		-0-	1,000	1,000
IMD Alternatives	150	600	600	600
Rule 12 Grants	-0-	(500)	(500)	(500)
MSA Grants:				
Bd.& Lodge Neg. Rates	(-0-)	(208)	(249)	(457)
Nursing Facilities	(70)	(298)	(344)	(454)
MA Grants:				
Nursing Facilities	61	262	299	270
IMD Ancillaries	137	478	661	695
GAMC Grants:				
IMD Ancillaries	(299)	(1,032)	(1,420)	(1,494)
State MH Administration	250	250	250	250
Health Care Management	70	70	70	70
TOTAL (Net)	\$ 299	\$ 1,622	\$ 1,367	\$ 980
Revenue	29	29	29	29

Requires statutory change: Yes No

Statutes Affected:

A SUMMARY:

The agency proposes a net increase of \$299,000 in F.Y. 1992 and \$1,622,000 in F.Y. 1993 to its budget base.

RATIONALE:

This base reallocation and corresponding legislation will:

1. Develop a pilot rental subsidy program to enable about 400 adults with serious and persistent mental illness to live in decent, affordable housing. About 200 of these people are now homeless. ~~50 The other 200 are living in regional treatment centers (RTCs) and the other 150 are in~~ ~~or~~ negotiated rate facilities. Moving people from negotiated rate facilities to supported housing will reduce Minnesota Supplemental Assistance (MSA) costs.
2. Expand housing support services from 10 counties to 40, including a provision to allow counties to convert current Rule 12 funding from residential facility-based services into housing support services.
3. Downsize 18 existing Institutions for Mental Disease (IMD) to improve services for another 400 people and maximize federal reimbursement for 290 of those 400 who would be eligible for medical assistance (MA) if they were not in an IMD. This effort will reduce MSA costs for nursing facilities and reduce general assistance medical care (GAMC) costs for ancillary services.
4. ~~Implement MA reimbursement for rehabilitative services provided by small (non IMD) Rule 36 residential programs.~~

Many adults with mental illness are now in restrictive and expensive placements because of inadequate funding and inadequate support services to permit them to live in less restrictive settings. In 1989, the Legislative Audit program evaluation division conducted a major study of Rule 36 residential treatment programs for adults with mental illness. Instead of recommending additional Rule 36 beds, the study recommended improved services for existing beds and an immediate funding priority for "supportive services that are not tied to residence in a facility." This proposal will result in significant progress towards implementation of the Legislative Auditor's recommendations.

In addition, many of the current facilities are large and have therefore been designated as Institutions for Mental Disease (IMD) under new federal regulations. IMD residents age 21-65 are ineligible for all Medical Assistance services. The Legislature has authorized use of 100% state funding under GAMC to pay for ancillary services for IMD residents. If IMDs are downsized to 16 beds or less, their residents again become eligible for federal funding.

~~Certain components of Rule 36 residential programs are eligible for federal MA rehabilitative services if the services are provided in facilities of 16 beds or less, the state chooses this as a statewide service option and other general requirements relating to federal MA are complied with.~~

~~The proposed reduction in Rule 12 grants will help fund the new housing support services, while the projected new federal revenue will still allow the residential programs to obtain a net increase in funding. The increased funding for the residential programs will be used for improved services, including additional staff to enable these programs to serve more difficult clients as recommended by the Legislative Auditor.~~

~~The department does not propose to expand the number of residential treatment beds available in the state. The department will limit providers to those licensed under Rule 36. The department will control the maximum number of beds and maximum amount of billings through control over the Rule 12 grant process. The non federal share of the MA service payments will be drawn directly from existing state Rule 12 grants based on actual utilization. The projected starting date for MA rehabilitative services in Rule 36 programs is 10-1-92; however, this is dependent on implementation of the new MA Information System and many other factors. In case implementation is delayed, it is essential that Rule 12 grants are available to continue programs at their current funding level.~~

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ACTIVITY: State MH Grants - Adults

(continued)

PROGRAM: Services to Special Needs Adults

AGENCY: Human Services, Department of

A number of counties have requested approval to convert their current Rule 12 facility-based funding into housing support services. The department is proposing a rider allowing such voluntary conversion by counties and providers. The proposed decrease in Rule 12 grants, and \$500,000 of the increase in housing support funding will be contingent on these voluntary conversions.

The proposed administrative costs are needed to coordinate this initiative with the counties, providers, advocacy groups, and others who will be affected. The administrative costs are also essential to generate about ~~\$1,600,000~~ ~~\$600,000~~ in new federal funds in F.Y. 1993, with the potential for increased federal funds in future years. The new federal MA funds do not appear in the state budget, but are a key to making this initiative possible.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

CONSOLIDATED CHEMICAL DEPENDENCY TREATMENT FUND
ENTITLED PLACEMENTS
FORECAST INFORMATION

This table shows total CD Fund entitled placements and expenditures, including projections through FY 1993:

<u>Fiscal Year</u>	<u>Annual Placements</u>	<u>Cost per Placement</u>	<u>Total Vendor Payments</u>	<u>County Payments</u>	<u>Other Revenues & Collections</u>	<u>Net State Obligations</u>
(Total CD Fund)						
1989	17,448	\$2,572	\$44,892,777			
1990	19,455	2,581	50,214,115	\$11,243,494	\$8,752,077	\$30,218,544
PROJECTED 1991	20,645	2,546	51,967,295	11,640,674	9,507,678	30,818,943
(Entitled Placements Only)						
PROJECTED 1992	17,509	\$2,689	\$47,084,848	\$10,547,006	\$12,322,024	\$24,215,818
1993	18,404	2,797	51,473,213	11,530,000	12,633,598	27,309,615

This table shows the projected costs for entitled placements under the CD Fund, compared to total State cost for the CD Fund in FY 1991.

	<u>FY 1992</u> (Thousands)	<u>FY 1993</u>
Projected FY 1991 State cost:	\$30,819	\$30,819
<hr/>		
Projected Increases Under Current Law		
<hr/>		
Caseload: reduced from total fund to entitled placements:	(\$7,909)	(\$5,960)
Average cost per placement:	1,306	2,451
Total State share cost:	\$24,216	\$27,310
Increase over FY 1991:	(\$6,603)	(\$3,509)

PROGRAM PURPOSE:

The Department of Human Services (DHSS), Services to Special Needs Children Program exists to ensure that Minnesota's children and their families have access to appropriate mental health, chemical dependency, family support, and social services programs. To achieve its purpose, the Special Needs Children Program administers a variety of services and activities designed to:

1. Reduce or remove barriers to effective parenting.
2. Strengthen family functioning in times of crises.
3. Protect children at risk of maltreatment and substance abuse.
4. Protect children at risk of inappropriate placement outside the family home.
5. Reunify families who have been living apart.
6. Reduce out-of-home placements for children with developmental disabilities.
7. Identify and treat the mental health needs of children and families.

The Program delivers its services through the following activities: State Mental Health Grants--Children, Children's Services Administration, Children's Services Grants, Family Subsidy, and Chemical Dependency Special Grants--Children.

Access to these programs and services serving children and families is enhanced by:

1. Developing and promoting culturally diverse and sensitive prevention, intervention and treatment service models.
2. Developing and offering appropriate training opportunities and technical assistance for local providers of child protective, family based, foster care, adolescent, mental health, developmental disabilities, and chemical dependency services.
3. Assisting local social services and community agencies to develop alternative service strategies and program models.
4. Improving case management services.

The Program provides leadership to:

1. Shape policy.
2. Develop service standards.
3. Build capacity for service delivery.
4. Develop and test pilot projects.
5. Conduct research and evaluation.
6. Assure compliance with standards, rules, and laws.
7. Improve local agency performance in providing services for children and families.

These functions are performed through technical assistance, training, consultation, monitoring, policy and standards development, and cooperation with advocacy and provider groups.

The Program assures compliance with federal mandates, attempts to influence federal policy development, and enhances the capture of federal funds.

The Program works with counties to develop sound policies and standards and to enhance the state/local partnership.

Funding to support services comes through a variety of mechanisms, including Medical Assistance, Children's Health Plan, and Home and Community-Based Waivered Services.

PERFORMANCE:

The Program believes its efforts to achieve permanent living arrangements for children in the homes of their natural parents, their adoptive parents, or permanent foster care have demonstrated success. But more needs to be done since an increasing number of children are removed from their family homes due to child maltreatment, severe emotional disturbance, substance abuse, and family dysfunction.

Some indicators of success are:

1. In 1990, a total of 24,000 children were diverted from placement. This was an increase from 22,500 children in 1988.
2. A total of 5,900 children were returned to their family homes after spending some time in substitute care. Approximately 70% of children placed spent less than 2 years in substitute care.
3. Almost 250 state ward adoptions were finalized.
4. Subsidies to adoptive parents to help pay expenses of special needs adoptions went to 910 children who would otherwise be wards of the Commissioner and in substitute care arrangements at a cost of \$1.6 million.
5. Efforts to reduce the numbers of American Indian children placed in foster care showed an increase in the percent of placements prevented (from 14% in 1988 to 20% in 1990) as well as an increase in compliance with order of placement preference (65% in 1988 to 75% in 1990).
6. In 1990, 1,200 adolescents received services through the Independent Living Skills Programs which help adolescents living in foster care learn the skills they require to live independently and reduce their potential for becoming part of the adult welfare system.

Increasing attention is being focused on the incidence of child maltreatment and the system's response to these cases. The Program works to ensure the development, enactment and enforcement of laws, rules, and policies which enhance the protection of children. The Program assists local agencies to deal effectively with children in reported abuse and neglect situations.

1. All 87 counties have recently received training from state child protective services personnel.
2. Eighty seven county corrective action plans were reviewed and approved.
3. A Risk Assessment Tool for child protective services workers was implemented in all 87 counties.
4. A Child Protective Services Preservice and Probationary Training Curriculum and a 2 year implementation plan were recently developed.
5. Projects designed to provide coordinated social services to families referred by the court who are at risk of child maltreatment due to parental substance abuse are being developed. Programs will include earlier intervention, in-home supervision, and case management services.

The Minnesota Comprehensive Children's Mental Health Act requires counties to provide a broad range of services for children with severe emotional disturbance and their families. The Act

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT

PROGRAM: SERVICES TO SPECIAL NEEDS CHILDREN

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
STATE MENTAL HEALTH GRANTS - CHILD			300	1,200	1,200	1,200	1,200	4,117	4,117
CD SPECIAL GRANTS - CHILDREN				239	289	289	290	290	290
CHILDRENS SERVICES ADMINISTRATION	2,132	2,570	3,404	3,407	3,657	3,657	3,406	3,656	3,656
CHILDRENS SERVICES GRANTS	24,254	60,534	39,123	38,754	38,934	39,684	38,750	38,930	40,495
FAMILY SUBSIDY	1,039	1,129	1,195	1,195	1,000	1,429	1,195	1,000	1,429
TOTAL EXPENDITURES BY ACTIVITY	27,425	64,233	44,022	44,845	45,080	46,259	44,841	47,993	49,987
DETAIL BY CATEGORY:									
STATE OPERATIONS	3,228	5,406	5,117	5,976	6,306	6,306	5,971	6,301	6,301
LOCAL ASSISTANCE	22,073	55,758	35,648	35,694	35,599	36,778	35,695	38,517	40,511
AID TO INDIVIDUALS	2,124	3,069	3,257	3,175	3,175	3,175	3,175	3,175	3,175
TOTAL EXPENDITURES BY CATEGORY	27,425	64,233	44,022	44,845	45,080	46,259	44,841	47,993	49,987
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	8,307	9,770	12,850	13,234	13,469	14,648	13,229	16,381	18,375
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	115	89	126	126	126	126	126	126	126
FEDERAL	18,992	54,361	31,041	31,480	31,480	31,480	31,481	31,481	31,481
GIFTS AND DEPOSITS	11	13	5	5	5	5	5	5	5
TOTAL FINANCING	27,425	64,233	44,022	44,845	45,080	46,259	44,841	47,993	49,987

ACTIVITY: Children's Services Grants
 PROGRAM: Services to Special Needs Children
 AGENCY: Human Services, Department of

PLAN TITLE: Integrated Services for Children in Placement or
 at Risk of Placement

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

General Fund

Children's Services Grants	\$ 180	\$ 180	\$ 180	\$ 180
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GOVERNOR'S RECOMMENDATION:

General Fund

Children's Services Grants	\$ 180	\$ 180	\$ 180	\$ 180
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Requires statutory change: X Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes an increase of \$180,000 in F.Y. 1992 and \$180,000 in F.Y. 1993 to its budget base.

RATIONALE:

This base reallocation will allow the department to integrate a scheme of services in family preservation and substitute care across target populations of child protective services, mental health, chemical dependency, and minor delinquents so as to avoid duplication and enhance coordination. Efforts will be directed to the development of model strategies designed to further integration across disciplines. Strategies to: 1) increase local agency capability to locate relatives to facilitate placement of children; 2) improve and integrate standards for out of home placement; and 3) explore alternatives to institutional care for some severely disturbed children and selected older children who cannot be returned home or placed for adoption will receive special attention. Following this development phase, the department will provide training and technical assistance to local human services agencies. Efforts may result in the development and implementation of new interagency agreements and/or approaches to shared funding of services. An inventory of successful integrative efforts at the local level will be compiled and disseminated statewide.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

1992-93 Biennial Budget

ACTIVITY: Children's Services Grants
PROGRAM: Services to Special Needs Children
AGENCY: Human Services, Department of

DECISION ITEM: Expansion of Families First Projects

Dollars in Thousands			
F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund			
Children's Services Grants	\$ 750	\$ 1,250	\$ 1,000

ITEM SUMMARY:

The Governor proposes an increase of \$750,000 in F.Y. 1992 and \$1,250,000 in F.Y. 1993 to expand Families First Demonstration Projects.

RATIONALE:

This initiative will allow the department to expand demonstration crisis intervention projects-called "Families First," which are designed to keep children at imminent risk of placement in their family homes. Current Families First projects serve 11 counties. This initiative would provide services to families in an additional 12 counties.

Minnesota is experiencing an increasing number of children entering the foster care system due to child maltreatment, substance abuse, and family dysfunction. Since the mid-1980s there has been a 35% increase in the number of children placed outside of the home. In 1990 more than 15,000 children lived in substitute care arrangements.

Families First services help reduce: (1) the number of children inappropriately entering placement as a result of a temporary crisis; (2) the number of children entering emergency shelter care; and (3) the time some children spend in shelter care prior to reunification with their families. Families First services can be provided at an average cost of \$2,420 per family. The average cost for one child in foster care is approximately \$5,000 per year. As Families First services expand and begin to have a significant impact on the number of children entering out-of-home placement, resulting reductions in expenditures for placement can be expected.

With present trends, Minnesota could expect the number of children living in substitute care to increase by approximately 3,000 during the biennium. With the continuation and expansion of Families First projects, it is expected that this growth will be reduced by 50% to a total of 1,500. Projects will be funded on a competitive basis. State funds will account for 75% of total project cost. County social services agencies will be asked to provide a 25% match.

ACTIVITY: Children's Services Grants
PROGRAM: Services to Special Needs Children
AGENCY: Human Services, Department of

1992-93 Biennial Budget

DECISION ITEM: Children's Safety Centers

Dollars in Thousands				
F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995	

GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund				
Children's Services Grants	\$	-0-	\$	315
			\$	315
			\$	315

Requires statutory change: X Yes No

Statutes Affected: CH. 256F

ITEM SUMMARY:

The Governor proposes an increase of \$315,000 in F.Y. 1993 to design and implement two children's safety centers.

RATIONALE:

This initiative seeks to reduce the vulnerability of children to violence and trauma related to family visitation, where there is a documented history of domestic violence or abuse within the family. Each safety center will provide a healthy interactive environment in which parents who are separated or divorced may visit with their children.

The centers will be available for use for visitation upon order of the district courts. They will also be used as "neutral" drop-off sites for parents who are under court order to have no contact. This will facilitate exchange of children for visitation. Each center will have an educational team to provide both parenting/child development training for parents, and regular instruction designed specifically for children who have experienced domestic violence and abuse.

One center will be located in the 7-county metropolitan area and one will be in greater Minnesota. A total of \$115,000 will be used for a statewide administration grant; \$200,000 will be used for establishing and operating the 2 centers. A performance evaluation of the centers and statewide administration will be conducted by the agency and submitted to the legislature with recommendations by 2-1-93.

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1992-93 Biennial Budget

ACTIVITY: State MH Grants-Children
PROGRAM: Services to Special Needs Children
AGENCY: Human Services, Department of

PLAN TITLE: Children's Mental Health Services

AGENCY PLAN:	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
State MH Grants-Children	\$ -0-	\$ 2,917	\$ 2,917	\$ 2,917
MH Program Administration	250	250	250	250
Medical Assistance Grants-Delay				
Home-based Services	(871)	(871)	(871)	(871)
Health Care Administration	200	200	200	200
MA Grants-Equalize County				
Share RTC	(1,046)	(2,246)	(2,395)	(2,305)
TOTAL (Net)	(\$ 1,467)	\$ 250	\$ 101	\$ 191

GOVERNOR'S RECOMMENDATION:

General Fund				
State MH Grants-Children	\$ -0-	\$ 2,917	\$ 2,917	\$ 2,917
MH Program Administration	250	250	250	250
Medical Assistance Grants-Delay				
Home-based Services	(871)	(871)	(871)	(871)
Health Care Administration	200	200	200	200
MA Grants-Equalize County				
Share RTC	(1,046)	(2,246)	(2,395)	(2,305)
Revenue	100	100	100	100
TOTAL (Net)	(\$ 1,467)	\$ 250	\$ 101	\$ 191

Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY: The agency proposes a net decrease of \$1,467,000 in F.Y. 1992 and an increase of \$250,000 in F.Y. 1993 to its budget base.

RATIONALE: The agency recommends 3 children's mental health proposals which support the Governor's strategy to develop community-based, low cost alternatives to institutional care and to invest in early childhood programs:

1. **Children's Integrated Mental Health Fund (State Mental Health Grants):** For non-Medical Assistance (MA) eligible children and non-MA eligible services, the agency proposes to combine existing funds for family community support services with new funds requested for case management, professional home-based family treatment, therapeutic support for foster care, and expanded family community support services for children with severe emotional disturbance and their families. This request includes support costs needed to administer these grants and provide related technical assistance to counties and providers.

The Comprehensive Children's Mental Health Act requires counties to provide a broad range of services for children with severe emotional disturbance and their families. Currently, counties

receive very little state or federal funding for services which help keep children with severe emotional disturbance together with their families. This request will provide funding in a flexible, efficient mechanism to enable counties to implement the least restrictive, most community-based portions of the Comprehensive Children's Mental Health Act. This request will fund services for 700 children or about 20% of the total number that need non-MA state funding for these services. Additional requests will be necessary in future years to achieve full implementation of the Comprehensive Children's Mental Health Act.

2. **Delay MA Home-based Services:** The agency recognizes that delays have already occurred in the implementation of MA professional home-based family treatment of children with severe emotional disturbance. The 1989 Legislature approved new funding to begin this service January 1991. The current MA forecast includes zero state share for F.Y. 1991, \$871,000 for F.Y. 1992 and about \$1,800,000 for F.Y. 1993. Due to inadequate staff in both the Mental Health and Health Care Divisions, it now appears that the earliest possible start for MA payments for this new service would be April 1992. Because a 3 month lag between date of service and date of payment is also expected for the initial invoicing process, deletion of the entire amount budgeted for home-based treatment is possible in F.Y. 1992. The proposed cut also assumes that expenditures in subsequent years will be less than forecast due to the delayed start.
3. **Equalize County Share for Children's Residential Treatment:** The agency proposes that, effective 12-1-91, counties be required to pay the full non-federal share of MA payments for regional treatment center (RTC) inpatient and for community residential treatment (licensed under Rule 5) for children with severe emotional disturbance.

RTCs now serve about 70 children with severe emotional disturbance. Most of these children are eligible for MA because parents' income and assets are not counted for children who are in out-of-home placement for more than 30 days. For MA-eligible children with severe emotional disturbance, state and federal MA funds pay the full cost for RTC services. Under current law, counties are already required to pay the full cost of RTC services for non-MA eligible children (unless insurance or private funds are available). This contrasts sharply to the general lack of state and federal funding for less restrictive, community-based alternatives. Counties now usually pay 100% of the cost of community residential treatment.

The agency's proposal to increase the county share of children's services in RTCS is combined with a proposal to expand MA to cover children's residential treatment (licensed under Rule 5) in community settings. Counties will be expected to pay approximately 47% (the non-federal share) of the cost of both RTC and community residential treatment. Although implementation of MA for community residential treatment will require significant new administrative expense, it will result in an anticipated net savings to counties of \$1,000,000 in F.Y. 1993, \$4,000,000 in F.Y. 1994 and \$4,600,000 in F.Y. 1995. This will enable counties to redirect current county expenditures towards development of more community-based, low cost alternatives.

Legislation is needed to establish children's residential treatment as a covered service under MA, to require full county liability for the non-federal share for both RTC and community residential treatment and to define the process for county authorization for placement and payment.

Additional legislation may be needed to ensure that county savings (due to increased federal reimbursement) will be reinvested in development of new community-based services required by the Comprehensive Children's Mental Health Act. Additional legislation may also be appropriate relating to admission criteria, maximization of third-party reimbursements, and development of a rate structure.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

1992-93 Biennial Budget

ACTIVITY: Family Subsidy Program
PROGRAM: Services to Special Needs Children
AGENCY: Human Services, Department of

PLAN TITLE: Limit Family Subsidy Program

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
Family Subsidy	(\$ 195)	(\$ 195)	(\$ 195)	(\$ 195)

GOVERNOR'S RECOMMENDATION:

General Fund

Family Subsidy				
Agency Proposal	(\$ 195)	(\$ 195)	(\$ 195)	(\$ 195)
MA Eligibles	(71)	(71)	(71)	(71)
Governor's Proposal	500	500	500	500

Requires statutory change: X Yes _____ No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a decrease of \$195,000 in F.Y. 1992 and \$195,000 in F.Y. 1993.

RATIONALE:

This base allocation will reduce Family Subsidy Program (FSP) expenditures by:

1. Limiting program eligibility to those persons who are not also receiving Home and Community-based Waivered Services for Persons with Mental Retardation or Related Conditions.
2. Limiting program eligibility to families whose adjusted gross incomes are below \$60,000.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a net increase of \$234,000 in F.Y. 1992 and \$234,000 in F.Y. 1993.

The Governor accepts the program reductions proposed by the agency and recommends an additional reduction of \$71,000 in F.Y. 1992 and \$71,000 in F.Y. 1993 by imposing a grant cap of \$200 per month on those FSP recipients who are also eligible to receive Medical Assistance (MA). Current FSP recipients can receive up to \$250 per month.

The Governor also recommends a program increase of \$500,000 in F.Y. 1992 and \$500,000 in F.Y. 1993 to develop additional support services and volunteer networks for families who are caring for their children with mental retardation or related conditions in their homes.

The Governor proposes to increase the access to and availability of respite care services and to develop and coordinate local volunteer support networks. These services will be targeted to families who are receiving no other assistance in maintaining their children at home.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: STATE OPERATED RESIDENTIAL CARE

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
RTC SYSTEMWIDE	380	1,268	1,174	7,423	12,505	7,109	13,227	<2,865>	<4,928>
RESIDENTIAL FACILITIES MANAGEMENT	1,373	1,305	1,865	1,906	1,906	1,906	1,904	1,904	1,904
ANOKA METRO RTC	18,705	21,421	22,691	24,013	24,013	24,013	23,739	23,739	23,739
BRAINERD RHSC	21,854	24,958	26,344	30,425	30,425	30,425	29,788	29,788	29,788
CAMBRIDGE RHSC	23,109	24,350	26,340	25,331	25,331	25,331	23,338	23,338	23,338
FARIBAULT RC	33,941	38,185	39,856	34,312	34,312	34,312	32,885	32,885	32,885
FERGUS FALLS RTC	21,282	23,326	23,220	23,600	23,600	23,600	22,426	22,426	22,426
MOOSE LAKE RTC	18,776	20,457	21,872	21,325	21,325	21,325	20,665	20,665	20,665
ST PETER RTC	23,332	26,569	27,845	25,863	25,863	25,863	24,384	24,384	24,384
SECURITY HOSPITAL	7,357	8,279	10,088	10,721	10,721	10,721	10,688	10,688	10,688
WILLMAR RTC	24,274	26,584	28,166	29,125	29,125	29,125	28,950	28,950	28,950
ROCHESTER STATE HOSPITAL	74	84	104	100	100	100	100	100	100
DD SOCS			2,139	9,796	<307>	5,588	9,796	<307>	2,375
AH-GWAH-CHING NURSING HOME	11,273	12,282	13,489	13,978	13,978	13,978	13,747	13,747	13,747
OAK TERRACE NURSING HOME	10,474	10,014	9,203	555	555	555	151	151	151
TOTAL EXPENDITURES BY ACTIVITY	216,204	239,082	254,396	258,473	253,452	253,951	255,788	229,593	230,212
DETAIL BY CATEGORY:									
STATE OPERATIONS	216,073	238,959	254,303	258,380	253,359	253,858	255,695	229,500	230,119
LOCAL ASSISTANCE	79	100	70	70	70	70	70	70	70
AID TO INDIVIDUALS	52	23	23	23	23	23	23	23	23
TOTAL EXPENDITURES BY CATEGORY	216,204	239,082	254,396	258,473	253,452	253,951	255,788	229,593	230,212
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	194,914	216,783	231,251	235,424	239,510	240,009	232,746	220,628	221,247
STATUTORY APPROPRIATIONS:									
GENERAL	2,524	3,093	3,735	3,773	3,773	3,773	3,766	3,766	3,766
SPECIAL REVENUE	306	358	474	474	474	474	474	474	474
FEDERAL	157	117	150	150	150	150	150	150	150
AGENCY	4,213	4,270	4,364	4,230	4,230	4,230	4,230	4,230	4,230

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: STATE OPERATED RESIDENTIAL CARE

ACTIVITY RESOURCE ALLOCATION:				FY 1992			FY 1993		
	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
GIFTS AND DEPOSITS	144	186	177	177	177	177	177	177	177
ENDOWMENT		22							
ENTERPRISE	13,946	14,253	14,245	14,245	5,138	5,138	14,245	168	168
TOTAL FINANCING	216,204	239,082	254,396	258,473	253,452	253,951	255,788	229,593	230,212

1992-93 Biennial Budget

ACTIVITY: Regional Treatment Center Chemical Dependency Programs
PROGRAM: State Operated Residential Care for Special Needs Populations
AGENCY: Human Services, Department of

PLAN TITLE: Closure of 7 Statewide Chemical Dependency Program

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
CD Operating Loss	\$ 2,470	-0-	-0-	-0-
RTC Layoff	2,499	-0-	-0-	-0-
General Support	800	1,601	1,601	1,601
MA Grants				
Collections	(448)	(846)	(828)	(819)
Claims	190	391	414	381

GOVERNOR'S RECOMMENDATION:

General Fund				
CD Operating Loss	\$ 2,470	-0-	-0-	-0-
RTC Layoff	2,499	-0-	-0-	-0-
General Support	800	1,601	1,601	1,601
MA Grants				
Collections	(448)	(846)	(828)	(819)
Claims	190	391	414	381

Requires statutory change: X Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes an increase of \$5,511,000 in F.Y. 1992 and \$1,146,000 in F.Y. 1993 in its budget base to close the 7 regional treatment center (RTC) chemical dependency treatment programs in F.Y. 1992.

RATIONALE:

The programs have experienced a significant decrease in average daily inpatient census in the past 3 years, from 289 in F.Y. 1989 to 254 in F.Y. 1990, to 220 for the first half of F.Y. 1991. Management has not been able to effectively control staffing costs (85% of all costs) and is faced with a further decrease in census because of changes in the Consolidated Chemical Dependency Treatment Fund (CCDTF) assessment, placement, and eligibility criteria.

As of 6-30-90, the programs had incurred a negative equity balance of \$2.1 million. Operating losses of \$2.96 million are projected for both F.Y. 1992 and F.Y. 1993. The programs are also unable to repay a \$2.8 million advance from the CCDTF for F.Y. 1990 and ability to repay a \$2.6 million advance for F.Y. 1991 is unlikely.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

ACTIVITY: Regional Treatment Center Chemical Dependency 1992-93 Biennial Budget

PROGRAM: State Operated Residential Care for Special Needs

Populations

AGENCY: Human Services, Department of

DECISION ITEM: Mental Illness/Chemical Dependency Treatment Program

standing physical facility, and a program capable of meeting dual licensure standards. Bed capacity for this type of program in the community is limited. Determination of a site for this program will be made following a review of agency-wide capabilities.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

AGENCY PLAN:	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund	\$ 587	\$ 587	\$ 587	\$ 587
MA Collections	(243)	(243)	(243)	(243)
MA Grants	103	112	122	113

GOVERNOR'S RECOMMENDATION:

General Fund	\$ 587	\$ 587	\$ 587	\$ 587
MA Collections	(243)	(243)	(243)	(243)
MA Grants	103	112	122	113

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The agency proposes an increase of \$447,000 in F.Y. 1992 and \$456,000 in F.Y. 1993 in its budget base to operate a statewide 20-25 bed specialized treatment program for persons experiencing both mental illness (MI) and chemical dependency (CD).

RATIONALE:

CD program admission records for F.Y. 1990 indicate that at least 164 of approximately 2,600 clients (6%) were diagnosed as both CD and MI. For the same period, available data suggests that as many as 122 persons were court committed as both CD and MI. An additional 83 F.Y. 1990 CD clients were considered MI "committable" based on behaviors observed by CD program staff.

From a mental health perspective, national surveys indicate that anywhere from 50 to 80% of MI clients experience some degree of alcohol and/or drug abuse. In Minnesota, a survey done in 1990 based on calendar 1989 showed that of the 915 RTC clients under age 65 who were diagnosed as mentally ill, 19% or 174 were also chemically dependent. The predominant psychiatric diagnoses for the RTC clients experiencing both MI and CD were schizophrenia, affective psychosis, personality disorder and anxiety disorder. It is also important to note, depending on diagnosis, that the level of aggressive behavior can be significant, sometimes requiring restraint and/or placement in a locked unit.

There is consensus among mental health and CD professionals that treatment programs for persons dually diagnosed as MI and CD must be fully integrated. This requires a cross trained, multi-disciplinary team that has special diagnostic expertise, the availability of a separate unit or free

1992-93 Biennial Budget

ACTIVITY: RTC Systemwide
PROGRAM: State Operated Residential Care for Special Needs Population
AGENCY: Human Services, Department of

PLAN TITLE: Clozapine

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

General Fund

RTC Systemwide				
Clozapine	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560
Other Medications Savings	(182)	(182)	(182)	(182)
MA Grants				
Collections	(551)	(551)	(551)	(551)
Claims	234	255	276	256

GOVERNOR'S RECOMMENDATION:

General Fund

RTC Systemwide				
Clozapine	\$ 1,560	\$ 1,560	\$ 1,560	\$ 1,560
Other Medications Savings	(182)	(182)	(182)	(182)
MA Grants				
Collections	(551)	(551)	(551)	(551)
Claims	234	255	276	256

Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a net increase of \$1,061,000 in F.Y. 1992 and \$1,082,000 in F.Y. 1993 to the budget base.

RATIONALE:

These base reallocations will allow the department to provide regional treatment center psychiatric patients access to a new atypical antipsychotic medication which became available in February 1990. This new drug has demonstrated effectiveness in approximately 30% of patients with the most treatment resistant manifestations of schizophrenia. Although tardive dyskinesia and extrapyramidal side effects frequently associated with neuroleptic medications are absent with clozapine, it does have potentially life threatening side effects. For this reason the drug is available only through Sandoz Pharmaceutical Corporation's special patient management system. This management system provides the drug and monitors the patient's blood counts weekly. Clozapine costs for Medical Assistance and General Assistance Medical Care (GAMC) recipients, who are not patients in regional treatment centers, is included in the department's MA and GAMC forecast. The cost of this drug is \$172 per week, or \$8,944 per year per patient. The number of patients in the regional treatment centers and state nursing homes meeting criteria to use the drug is estimated to be 160-175 per year.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

1992-93 Biennial Budget

ACTIVITY: DD SOCS
PROGRAM: State Operated Residential Care for Special Needs Population
AGENCY: Human Services, Department of

PLAN TITLE: Eliminate Base for DD SOCS

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
RTC Salaries	\$ 7,913	\$ 7,913	\$ 7,913	\$ 7,913
SOCS Salaries	(7,913)	(7,913)	(7,913)	(7,913)
RTC Operating	334	334	334	334
SOCS Operating	(1,883)	(1,883)	(1,883)	(1,883)
SOCS Training	(307)	(307)	(307)	(307)
MA Grants (RTCs)				
Collections	(9,161)	(9,240)	(9,290)	(9,316)
Claims	3,883	4,274	4,646	4,336
MA Grants (SOCS)				
Collections	10,288	10,288	10,288	10,288
Claims	(4,361)	(4,759)	(5,145)	(4,788)
Net	(1,207)	(1,293)	(1,357)	(1,336)
GOVERNOR'S RECOMMENDATION:				
General Fund				
RTC Salaries	<u>\$ 6,148</u> <u>2,750</u>	\$ 5,943	\$ 5,943	\$ 5,943
SOCS Salaries	<u>(6,148)</u> <u>(2,750)</u>	(5,943)	(5,943)	(5,943)
RTC Operating	<u>254</u> <u>101</u>	241	241	241
SOCS Operating	<u>(1,281)</u> <u>(1,201)</u>	<u>(1,314)</u> <u>(1,221)</u>	<u>(1,314)</u> <u>(1,221)</u>	<u>(1,314)</u> <u>(1,221)</u>
SOCS Training	(257)	(257)	(307)	(307)
MA Grants (RTCs)				
RTC Collections	<u>(7,196)</u> <u>(2,978)</u>	<u>(6,874)</u> <u>(6,780)</u>	<u>(6,955)</u> <u>(6,793)</u>	<u>(6,971)</u> <u>(6,802)</u>
MA Grants	<u>3,050</u>	<u>3,180</u>	<u>3,478</u>	<u>3,244</u>
MA Grants (SOCS)	<u>1,262</u>	<u>3,136</u>	<u>3,397</u>	<u>3,166</u>
SOCS Collections	<u>8,370</u> <u>3,381</u>	7,855	7,855	7,855
MA Share	<u>(3,548)</u> <u>(1,433)</u>	<u>(3,634)</u>	<u>(3,928)</u>	<u>(3,656)</u>
Net	(608)	(803)	(930)	(908)
Effect of Net Change on Decision Page 3 (SEE PAGE 211)	(402)	214	240	212

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a base level adjustment of \$1,207,000 in F.Y. 1992 and \$1,293,000 in F.Y. 1993 as a result of not opening state operated community based ICF/MR and day activity programs.

RATIONALE:

The reduction of base level allocations is being taken as result of the decision to not open state operated community service (SOCS) for the developmentally disabled. The 18 ICF/MR and five day programs have been placed on hold resulting in the savings of non-salary, operating expense for these services.

GOVERNOR'S RECOMMENDATION:

The Governor recommends opening 5 state-operated group homes and 1 day program. The opening of these services will be phased in during the first 6 months of F.Y. 1992 and reduces the base reduction of the Department of Human Services to \$1,411,000 \$1,780,000 for the biennium. Opening these services will also affect decision page 3 page 211 reducing costs to the Department by \$402,000 in F.Y. 1992 and increasing costs by \$214,000 in F.Y. 1993. This represents a net reduction of costs by \$188,000 for the biennium. The new figures on this page are a result of a new forecast of costs issued 3-28-91, which is based upon current law, including Laws of Minnesota (1991) Chapter 2.

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PROGRAM PURPOSE:

The Department of Human Services' (DHS) Health Care for Families and Individuals Program, exists to ensure that low income persons have access to quality medical care for both acute and chronic health-related conditions as well as for preventive and primary care services. This program manages major health care programs for the department. It is an aggregation of the following management activities: Health Care Management, Audits, Provider Appeals, Long-Term Care (LTC) Management, General Assistance Medical Care (GAMC) Grants, Medical Assistance (MA) Grants, Health Care Collections, Medical Assistance (MA) Demonstration Project, Health Care Support and Children's Health Plan (CHP). This program also administers the Preadmission Screening/Alternative Grants (PAS\ACG) Program in the Services to the Elderly Program.

Through their activities, these programs ensure that payments are properly made to enrolled providers of medical and health care services for services provided on behalf of eligible persons of the state. These programs also develop coverage policy for all services and rate setting policy for the MA and GAMC programs and the CHP; for program integrity and efficient claims administration; for developing and managing cost effective LTC service systems and alternatives for persons requiring those services; and for interagency agreements with the Minnesota Department of Health (MDH) for survey, inspection of care, and case mix audits for nursing homes and Intermediate Care Facilities for the Mentally Retarded (ICFs/MR), and review of prepayment contracts.

Health Care Programs staff also provide program supervision to local agencies for implementation of these programs in the form of rules and instructions which are designed to maximize federal funding while ensuring that the needs of low income persons are met. In addition, state agency staff make payments to providers of medical and health services; conduct post-payment audits to detect abuse and/or fraud by recipients and providers of the MA and GAMC programs and the CHP and secure recovery of expenditures where other third parties are liable. State agency staff determine client eligibility for the CHP; however, local agency staff determine individual eligibility for the MA, GAMC, and Home and Community-based Waiver Programs.

The major goal of this program is to provide appropriate medical benefits to all eligible persons in an effective and efficient manner.

To achieve its goal, this program:

1. Administers the MA, GAMC, Early and Periodic Screening, Diagnosis and Treatment (EPSDT), CHP, Traumatic Brain Injury Program, Home and Community Waivered Service Programs, including services for persons who are disabled, or chronically ill, the PAS\ACG Program, and the HIV Insurance Plan, AZT Drug Reimbursement Program, and the HIV Home Care Grant Program.
2. Develops and maintains prevention oriented programs to support the delivery of effective prenatal care services.
3. Initiates the development and funding of programs that increase access to necessary health services for families and children that will improve birth outcomes and children's health and development.
4. Initiates the development and funding of cost-effective health services to enable persons to remain in the community as an alternative to institutional care.
5. Establishes and administers rules and procedures which provide local agencies with the ability to determine eligibility for health care programs in accordance with state and federal law.
6. Ensures that program expenditures are made according to state and federal requirements and securing recovery of expenditures where fraud, abuse, or misuse is established.
7. Ensures that medical care and services provided are medically necessary and are delivered in an appropriate, timely, and cost-effective manner.

8. Maximizes the use of third-party payments and the availability of federal funds through benefit recovery activities to minimize expenditure of state funds.
9. Establishes and administers policies and rules for payment of institutional care in hospitals, nursing homes, intermediate care facilities for the mentally retarded (ICFs/MR), and day training and habilitation (DTH).
10. Manages an effective system of auditing LTC facilities, grantees, and state contractors while resolving provider appeals filed by LTC facilities and acute care hospitals.
11. Develops, reviews, and analyzes methods of reimbursing institutional and alternative LTC services.
12. Seeks and implements federal grants for HIV infected persons.
13. Administers the MDH contract for federally mandated surveys of LTC facilities.
14. Manages the technical design of all rate setting systems for payment necessary to operate the Medicaid Management Information System (MMIS).
15. Manages the process that identifies necessary modifications to the MMIS and that updates the MMIS and long-term care payment system to enhance program efficiency and comply with new regulations, laws, rules, and policy changes.
16. Operates a coordinated care initiative that includes cost containment prepayment reimbursement systems for the MA and GAMC programs, while exploring and initiating alternative health care delivery and funding strategies to maximize efficient use of tax dollars.
17. Operates a centralized medical claims processing and reimbursement system for MA, GAMC, and CHP, as well as the LTC payment system to ensure timely payment of claims.
18. Enters into arrangements with organizations and entities to insure quality, cost-effective services, maximize third-party reimbursements, and other activities to insure the economical and efficient operation of the MA/GAMC programs.
19. Establishes and implements an effective provider training activity to offer instruction on claim submission and program requirements.

PERFORMANCE:

Efficiencies in Program Administration

The following statistics show the numbers of eligible persons receiving services in these programs.

	F.Y. 1990	F.Y. 1991	F.Y. 1992	F.Y. 1993
Medical Assistance (average monthly eligible persons)	304,100	346,400	377,100	391,600
General Assistance Medical Care (GAMC) (average monthly eligible persons)	51,500	59,100	67,340	69,300
Children's Health Program (average number of monthly enrollees)	10,500	15,600	24,600	31,900

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN SERVICES, DPT
PROGRAM: HEALTH CARE-FAMILIES & INDIVIDUALS

ACTIVITY RESOURCE ALLOCATION:	FY 1989			FY 1990			Est. FY 1991			FY 1992			FY 1993		
	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recom.	Adjusted Base	Agency Plan	Governor Recom.	FY 1992	FY 1993	FY 1992	FY 1993	FY 1992	FY 1993
HEALTH CARE MANAGEMENT	4,112	4,927	5,966	5,674	6,499	6,499	5,661	6,665	6,665						
MA GRANTS	1,279,504	1,423,783	1,510,974	1,993,898	1,948,188	1,965,191	2,170,115	2,082,523	2,108,582						
MA DEMO GRANTS	653	623	999	1,000	1,110	1,110	1,000	1,215	1,215						
GAMC GRANTS	92,763	108,349	112,514	164,833	143,345	154,313	175,808	145,093	156,074						
CHILDRENS HEALTH PLAN	1,860	3,675	5,723	8,666	9,435	7,915	8,906	13,036	12,030						
HEALTH CARE SUPPORT	9,124	9,744	11,566	10,630	10,630	10,630	10,082	10,082	10,082						
HEALTH CARE COLLECTIONS	1,761	1,916	3,191	3,223	3,223	3,223	3,215	3,215	3,215						
LONG TERM CARE MANAGEMENT	7,131	10,862	10,985	15,711	17,548	18,193	17,481	19,807	20,762						
AUDITS	1,999	2,651	2,767	2,792	3,777	3,777	2,785	3,484	3,484						
PROVIDER APPEALS	1,140	991	916	924	1,123	1,123	922	1,105	1,105						
TOTAL EXPENDITURES BY ACTIVITY	1,400,047	1,567,521	1,665,601	2,207,351	2,144,878	2,171,974	2,395,975	2,286,225	2,323,214						
DETAIL BY CATEGORY:															
STATE OPERATIONS	25,741	31,285	35,265	38,970	42,445	42,735	40,161	43,658	43,858						
LOCAL ASSISTANCE	5,173	4,579	3,413	81,307	81,850	82,205	81,307	82,299	83,054						
AID TO INDIVIDUALS	1,369,133	1,531,657	1,626,923	2,087,074	2,020,583	2,047,034	2,274,507	2,160,268	2,196,302						
TOTAL EXPENDITURES BY CATEGORY	1,400,047	1,567,521	1,665,601	2,207,351	2,144,878	2,171,974	2,395,975	2,286,225	2,323,214						
SOURCES OF FINANCING:															
DIRECT APPROPRIATIONS:															
GENERAL	491,488	593,295	602,730	821,669	759,924	786,296	919,947	823,837	860,853						
PUBLIC HEALTH	1,860														
STATUTORY APPROPRIATIONS:															
GENERAL	217,838	222,370	233,341	338,200	337,472	338,196	350,459	336,819	336,792						
SPECIAL REVENUE	2,287	1,267	2,864	1,742	1,742	1,742	1,208	1,208	1,208						
FEDERAL	686,574	750,589	826,666	1,045,740	1,045,740	1,045,740	1,124,361	1,124,361	1,124,361						
TOTAL FINANCING	1,400,047	1,567,521	1,665,601	2,207,351	2,144,878	2,171,974	2,395,975	2,286,225	2,323,214						

1992-93 Biennial Budget

ACTIVITY: Health Care Management
 PROGRAM: Health Care for Families and Individuals
 AGENCY: Human Services, Department of

PLAN TITLE: Health Care Management Reallocations

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
Health Care Management MA Grants	\$ 237 (279)	\$ 227 (370)	\$ 227 (370)	\$ 227 (370)

GOVERNOR'S RECOMMENDATION:

General Fund

Health Care Management MA Grants	\$ 237 (279)	\$ 227 (370)	\$ 227 (370)	\$ 227 (370)
Revenue	231	228	228	228

Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a net decrease of \$42,000 for F.Y. 1992 and \$143,000 for F.Y. 1993 to its budget base. This proposal affects agency activities in the areas of: 1) Drug Utilization Review (DUR)/prior authorization of drugs, 2) language interpreter funding, 3) Medical Assistance (MA) eligibility staffing, and 3) quality assurance review.

RATIONALE:

1. A base reallocation of \$135,000 for F.Y. 1992, and \$125,000 for F.Y. 1993 will allow the department to fund 2 staff and administrative activities to fulfill the federal requirements of Omnibus Budget Reconciliation Act (OBRA) 1990 to monitor quality as well as cost containment issues in the pharmacy program.

Historically, the Department of Human Services (DHS) has had a DUR program which focused on quality issues only, and did not have as its primary focus cost containment issues. It was not focused toward reducing over-utilization or over-prescribing or medication. Presently, the DHS does not have sufficient staff to operate a structured prior authorization (PA) program required to prevent inappropriate drug prescribing behavior. PA is a utilization control mechanism used to determine whether or not a requested service is necessary and appropriate.

In addition, OBRA 1990 requires that rebate agreements with pharmaceutical manufacturers be entered into and that states cover all rebated drugs, excluding a limited number of types of drugs such as drugs used for relief of cough and colds, etc. The only restriction a state is authorized to implement is PA of drugs. States are prohibited from prior authorizing of a new drug for 6 months, but may PA drugs after that time only if the state provides a 24-hour response to all requests. States are also required to establish an active DUR program that is both prospective and retrospective in nature. Likewise, although the analysis of OBRA 1990's impact on the department has not been completed, it is quite possible that it will result in additional pharmacy

program costs.

This activity is also anticipated to generate savings in the MA program of \$279,000 for F.Y. 1992, and \$370,000 for F.Y. 1993.

2. A base reduction of \$145,000 in F.Y. 1992 and \$145,000 in F.Y. 1993 will eliminate the funding for language interpreters. This funding was appropriated by the 1989 Minnesota Legislature to enable non-English speaking MA recipients to access health services. However, the size of the appropriation was insufficient to meet the geographic accessibility requirements of the Medicaid regulations. The size of the appropriation was also insufficient to meet the needs of Minnesota's non-English speaking population.

The department issued contracts for the performance of these services and it was this process that made it apparent that the appropriated funding was inadequate. It is estimated that in excess of \$2,000,000 per year would be required to adequately provide this service.

3. An increase in base funding of \$208,000 in F.Y. 1992 and \$208,000 in F.Y. 1993 will allow the department to fund additional staff to address the increasingly complex and voluminous MA eligibility policy area.

The required activities to support the MA program have quadrupled. The basic program has changed to encompass 7 income standards, 3 asset standards, 11 routines to determine eligibility and 6 budgeting standards which address 4 distinctly different sub-programs of MA eligibility. Due to the lack of resources to provide training to counties on MA policy, errors have increased especially in determinations that require an asset standard. The funding of the activity is an agency priority and the need has been determined to be essential.

4. An increase in base funding of \$39,000 in F.Y. 1992 and \$39,000 in F.Y. 1993 will fund quality assurance review activities related to managed care functions under General Assistance Medical Care (GAMC). The Joint Commission on the Accreditation of Health Care Organizations (JCAHO) was awarded a contract in 1988 and 1989 to conduct this review. JCAHO chose not to contract for 1990 so a new contract was issued to a different independent quality assurance review organization. Funding will be necessary for F.Y. 1992 and F.Y. 1993 in order to continue this quality assurance review activity. The data obtained from the reviews provide information not only for recipients enrolled in the GAMC Demonstration Projects, but also for the fee for services provision of care. State funds have been authorized in the past to fund these review contracts.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

1992-93 Biennial Budget

ACTIVITY: MA Grants

PROGRAM: Health Care for Families and Individuals

AGENCY: Human Services, Department of

PLAN TITLE: Worker's Compensation Reduction for ICFs/MR

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

General Fund

MA Grants	(\$ 112)	(\$ 181)	(\$ 202)	(\$ 201)
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GOVERNOR'S RECOMMENDATION:

General Fund

MA Grants	(\$ 112)	(\$ 181)	(\$ 202)	(\$ 201)
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Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a decrease of \$112,000 in F.Y. 1992 and \$181,000 in F.Y. 1993 to its budget base for expenditure in Intermediate Care Facilities for Mentally Retarded (ICFs/MR).

RATIONALE:

This base reallocation and the corresponding legislation recognizes the proposed reduction in worker's compensation premiums to ICFs/MR. The amount of premium reduction expected is 16% (H.F. 283). The ICF/MR rate setting system is prospective and rates are based on past expenditures. Payment rates need to be adjusted to reflect an across-the-board reduction in worker's compensation premiums in order to more accurately reflect the facilities' expenditures.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

1992-93 Biennial Budget

ACTIVITY: MA Grants

PROGRAM: Health Care for Families and Individuals

AGENCY: Human Services, Department of

PLAN TITLE: Reduce Efficiency Incentive ICFs/MR

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
MA Grants	(\$ 374)	(\$ 586)	(\$ 629)	(\$ 599)

GOVERNOR'S RECOMMENDATION:

General Fund

MA Grants	(\$ 374)	(\$ 586)	(\$ 629)	(\$ 599)
	<u>(\$ 113)</u>	<u>(\$ 178)</u>	<u>(\$ 180)</u>	<u>(\$ 181)</u>

Requires statutory change: X Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a decrease of \$374,000 in F.Y. 1992 and \$586,000 in F.Y. 1993 to its budget base.

RATIONALE:

This base reallocation and corresponding legislation will adjust efficiency incentive payments to intermediate care facilities for the mentally retarded. The efficiency incentive is a bonus payment, above facility costs, currently paid to certain facilities. This payment can be reduced from the current \$2 per resident per day to \$1. These savings can be achieved without detriment to the quality of care provided, while ensuring that providers are being reimbursed for expenses necessary to fund an efficient and economically operated facility.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan, proposes an alternative decrease of \$113,000 in F.Y. 1992 and \$178,000 in F.Y. 1993 to the department's budget base. The new figures on this page are a result of a new forecast of costs issued 3-28-91.

1992-93 Biennial Budget

ACTIVITY: MA Grants

PROGRAM: Health Care for Families and Individuals

AGENCY: Human Services, Department of

PLAN TITLE: Delay Promulgation of Rules Governing Rate Setting for Day Training and Habilitation (Rule 75)

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

General Fund

MA Grants	(\$ 147)	(\$ 1,239)	\$ 147	\$ 1,239
	(\$ 64)	(\$ 622)	(\$ 754)	(\$ 503)

GOVERNOR'S RECOMMENDATION:

General Fund

MA Grants	(\$ 147)	(\$ 1,239)	\$ 147	\$ 1,239
	(\$ 64)	(\$ 622)	(\$ 754)	(\$ 503)

Requires statutory change: X Yes _____ No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a decrease of \$147,000 \$63,798 in F.Y. 1992 and \$1,239,000 \$621,664 in F.Y. 1993 to the budget base.

RATIONALE:

This base reallocation will allow the department to delay the promulgation of rules governing day training and habilitation services to all persons with mental retardation or related conditions to 7-1-93.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

1992-93 Biennial Budget

ACTIVITY: MA Grants

PROGRAM: Health Care for Families and Individuals

AGENCY: Human Services, Department of

PLAN TITLE: Reduce Rate Variance for Day Training and Habilitation

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

General Fund

MA Grants	(\$ 49)	(\$ 169)	(\$ 186)	(\$ 177)
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GOVERNOR'S RECOMMENDATION:

General Fund

MA Grants	(\$ 49)	(\$ 169)	(\$ 186)	(\$ 177)
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Requires statutory change: X Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a decrease of \$49,000 in F.Y. 1992 and \$169,000 in F.Y. 1993 to its budget base.

RATIONALE:

This base reallocation and corresponding legislation will allow the department to apply more appropriate criteria to granting of rate variances for day training and habilitation (DT&H) services. DT&H services are provided to persons with developmental disabilities. Current statute requires that a vendor meet 1 of 2 criteria to apply for a variance to the annual limits to rate increases. The first is that the vendor would be unable to meet licensing standards without a rate variance; the second is in order to increase community and supported employment services. This proposal will limit variances to the first criterion, i.e., those required to meet licensing standards.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

1992-93 Biennial Budget

ACTIVITY: PAS/ACG Grants, GAMC Grants, MA Grants, MSA Grants

PROGRAM: Health Care for Families and Individuals

AGENCY: Human Services, Department of

PLAN TITLE: Eliminate Inflationary Rate Increases to Providers

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
PAS/ACG: ACG 180-day program	(\$ 1,003)	(\$ 2,516)	(\$ 2,516)	(\$ 2,516)
MA Grants: ACG waiver program	(132)	(300)	(348)	(360)
<u>CADI</u>	(109)	(365)	(632)	(778)
<u>CAC</u>	(101)	(294)	(462)	(540)
PCA/PDN services	(832)	(2,025)	(2,425)	(2,700)
DT & H services	(920)	(1,869)	(2,300)	(2,486)
MR waiver program	(1,208)	(3,459)	(4,918)	(5,436)
MSA Grants: NRF rates	(450)	(1,500)	(1,500)	(1,500)
GAMC Grants: Inpatient hospital rates	(463)	(1,504)	(1,989)	(2,085)
<u>NET</u>	<u>(\$ 6,161)</u>	<u>(\$ 16,246)</u>	<u>(\$ 19,019)</u>	<u>(\$ 20,234)</u>

GOVERNOR'S RECOMMENDATION:

General Fund				
PAS/ACG: ACG 180-day program	(\$ 1,003)	(\$ 2,516)	(\$ 2,516)	(\$ 2,516)
	<u>(\$ 588)</u>	<u>(\$ 1,720)</u>	<u>(\$ 1,720)</u>	<u>(\$ 1,720)</u>
MA Grants: ACG waiver program	(132)	(300)	(348)	(360)
	<u>(97)</u>	<u>(351)</u>	<u>(359)</u>	<u>(385)</u>
<u>CADI</u>	(109)	(365)	(632)	(778)
<u>CAC</u>	(101)	(294)	(462)	(540)
PCA/PDN services	(832)	(2,025)	(2,425)	(2,700)
	<u>(751)</u>	<u>(1,891)</u>	<u>(2,696)</u>	<u>(3,066)</u>

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
DT & H services	(920)	(1,869)	(2,300)	(2,486)
	<u>(935)</u>	<u>(1,703)</u>	<u>(2,069)</u>	<u>(2,203)</u>
MR waiver program	(1,208)	(3,459)	(4,918)	(5,436)
	<u>(952)</u>	<u>(2,598)</u>	<u>(3,686)</u>	<u>(4,059)</u>
MSA Grants: NRF rates	(450)	(1,500)	(1,500)	(1,500)
	<u>(463)</u>	<u>(1,504)</u>	<u>(1,989)</u>	<u>(2,085)</u>
GAMC Grants: Inpatient hospital rates	(4,406)	(3,918)	(3,918)	(3,918)
	<u>(1,264)</u>	<u>(3,779)</u>	<u>(3,779)</u>	<u>(3,779)</u>
<u>NET</u>	<u>(\$ 5,260)</u>	<u>(\$ 14,205)</u>	<u>(\$ 17,887)</u>	<u>(\$ 18,615)</u>

Requires statutory change: Yes (plus rider) No
Statutes Affected:

ITEM SUMMARY:

The agency proposes a net decrease of \$5,951,000 \$6,161,000 in F.Y. 1992 and \$15,587,000 \$16,246,000 in F.Y. 1993 to its budget base.

RATIONALE:

This base reallocation and corresponding legislation will eliminate inflation increases for the personal care attendant (PCA), private duty nurse (PDN), and home and community based waivers, Community Alternative Care (CAC), Community Alternatives for Disabled Individuals (CADI) programs, the Alternative Care Grants (ACG) program, day training and habilitation (DT&H) services, the mental retardation (MR) waiver program, rates paid to negotiated rate facilities (NRF), and General Assistance Medical Care (GAMC) payments to inpatient hospitals. This base reduction will still provide reimbursement sufficient for efficient and effective program operation.

Additionally, the department believes that the elimination of the inflation increase is a sound approach to control costs in the GAMC program. The GAMC program is not a primary payor for inpatient hospitals. The loss of inflation on their GAMC payments will not cause an overall significant decrease in hospital operating revenues.

This base reduction will also enable the department to control expenditures for NRF. Payments to NRF are increasing rapidly. Efforts are under way to establish a statewide system of rates and payments for NRF. In the meantime, legislation is necessary to eliminate inflation increases allowed in statute to control costs of the program.

This change eliminates the 4% allowable maximum inflation rate for the ACG program, the MR waiver program, and for PCA/PDN services; the 4.5% allowable maximum for DT&H services; the 2.5% allowable maximum for NRF rates; and the 5% F.Y. 1992 and 5.5% F.Y. 1993 allowable maximums for GAMC inpatient hospital rates.

GOVERNOR'S RECOMMENDATION:

The Governor proposes a net decrease of \$5,260,000 in F.Y. 1992 and \$14,205,000 in F.Y. 1993 to the department's budget base for the programs identified, concurs with the agency plan. The new figures on this page are a result of the new forecast, for the programs identified, which was issued 3-28-91.

1992-93 Biennial Budget

ACTIVITY: MA Grants

PROGRAM: Health Care for Families and Individuals

AGENCY: Human Services, Department of

PLAN TITLE: Freezing Personal Needs Allowance

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

General Fund

MA Grants	(\$ 146)	(\$ 451)	(\$ 1,883)	(\$ 1,329)
			(\$ 883)	
MSA	(\$ 114)	(\$ 348)	(\$ 678)	(\$ 1,020)

GOVERNOR'S RECOMMENDATION:

General Fund

MA Grants	(\$ 146)	(\$ 451)	(\$ 1,883)	(\$ 1,329)
			(\$ 883)	
MSA	(\$ 114)	(\$ 348)	(\$ 678)	(\$ 1,020)

Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a decrease of \$146,000 in F.Y. 1992 and a decrease of \$451,000 in F.Y. 1993 to its budget base.

RATIONALE:

Currently, the personal needs allowance for institutionalized individuals increases at the same rate as increases to the Retirement, Survivors, Disability Insurance and Supplemental Security Income programs. (The annual cost of living adjustment effective January 1991 was 5.4%.) The income standard for individuals in the community is being decreased, while the out of pocket expenses for those individuals increases. Therefore, as a mechanism toward equitable treatment of individuals in the community and those in institutions, the Department proposes freezing any further increases to the personal needs allowance.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

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1992-93 Biennial Budget

ACTIVITY: MA Grants
PROGRAM: Health Care for Families and Individuals
AGENCY: Human Services, Department of

PLAN TITLE: Change the Medical Assistance Income Standard

AGENCY PLAN:	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
MA Grants CHP	(\$10,884) 620	(\$15,237) 906	(\$16,288) 964	(\$15,515) 964

GOVERNOR'S RECOMMENDATION:

General Fund	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
MA Grants	(\$ 3,773)	(\$ 5,042)	(\$ 5,052)	(\$ 5,044)
	(\$2,566)	(\$3,433)	(\$3,443)	(\$3,435)

Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a net decrease of \$10,264,000 in F.Y. 1992 and \$14,331,000 in F.Y. 1993 to its budget base.

RATIONALE:

The agency proposes that the income standard for eligibility under Medical Assistance (MA) be lowered to 100% (from 120%) of the income standards by family size used in the Aid to Families with Dependent Children (AFDC) program for persons whose category of eligibility is based on blindness, disability or age of 65 or more years, and that for families and children the standard is to be lowered to 100% from (133-1/3%) of the income standards by family size used in the AFDC program.

Persons in the category of eligibility based on blindness, disability, or age of 65 or more years can become eligible for all Medicare covered health services as Qualified Medicare Beneficiaries (QMB) which is another category of eligibility under the MA program. The QMB component of MA has an upper income limit of 100% of the federal poverty guidelines and recipients must be eligible for Medicare. Most people in the aged, blind, or disabled category who would be affected by the change in standard can convert immediately to the QMB category and be placed on automated spenddown. The spenddown will be used for prescription drugs and certain home care services or supplies not covered currently by Medicare.

Families and children will have to spenddown to the lower standard and they will incur more and higher medical bills. The recent expansions in MA for children and pregnant women will maintain MA eligibility for many low income people, but other families and children who are above the expanded guidelines will have to spenddown to the same standard as AFDC. This proposal is projected to put 2,500 children ages 10 and up on the Children's Health Plan (CHP).

GOVERNOR'S RECOMMENDATION:

The Governor does not accept the agency recommendation concerning the change in the Medical Assistance income eligibility standard. Instead, the Governor recommends that the following service limitations and copayments apply to the MA program.

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Service Restrictions				
1. Dental care for adults limited to \$150 per year	(\$ 2,400)	(\$ 3,200)	(\$ 3,200)	(\$ 3,200)
2. Chiropractic Services - limit to 18 visits per year and prior authorize all services to children.	(142)	(200)	(210)	(202)
3. Copayments to be instituted as follows:				
Service	Copayment	Dollars in Thousands	F.Y. 1992	F.Y. 1993
Non-emergency services provided in an emergency room	\$ 6.00 3.00	(\$ 16) (8)	(\$ 21) (11)	
Total:		24	33	
Eyeglasses	2.00	(27)	(36)	
Dentures	3.00	(9)	(12)	
Prescriptions	1.00	(858)	(1,144)	
Chiropractic	1.00	(30)	(40)	
Medical Transportation				
Basic Life Support	3.00	(5)	(7)	
Adv. Life Support	3.00	(5)	(7)	
Spec. Transport.	1.00 to 3.00 (copay depends on MA payment level)	(72)	(96)	
Therapies				
Occupational	1.00	(11)	(15)	
Physical	1.00	(22)	(29)	
Speech	1.00	(20)	(27)	
Audiology	1.00	0	0	
Pediatry	1.00 to 3.00 (copay depends on MA payment level)	(1)	(2)	
Dental Exams	.50	(17)	(22)	
Psychotherapy				
(Group and Ind. Sessions)	1.00 to 3.00 (copay depends on MA payment level)	(130)	(173)	
TOTAL				
		(\$ 1,231)	(\$ 1,642)	

1992-93 Biennial Budget

ACTIVITY: MA Grants
(Continuation)

PROGRAM: Health Care for Families and Individuals

~~Copayments cannot be imposed on children under age 18, pregnant women (through the post-partum period), institutionalized individuals, and categorically needy individuals enrolled in an HMO.~~

- Copayments cannot be imposed for emergency services (defined as services provided after the sudden onset of a medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain), that the absence of immediate medical attention could reasonably be expected to result in:
 - ~~Placing the patient's health in serious jeopardy,~~
 - ~~Serious impairment to bodily functions,~~
 - ~~Serious dysfunction of any bodily organ or part,~~
- ~~Family planning services and supplies~~
- ~~Hospice care services~~

1992-93 Biennial Budget

ACTIVITY: MA Grant

PROGRAM: Health Care for Families and Individuals

AGENCY: Human Services, Department of

PLAN TITLE: Editing, Manual Pricing and Other Reimbursement Cost Savings Initiatives

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

General Fund

MA Grants	(\$ 1,035)	(\$ 1,374)	(\$ 1,374)	(\$ 1,374)
CHP GAMC Grants	(273)	(364)	(364)	(364)
Health Care Management	170	160	160	160

GOVERNOR'S RECOMMENDATION:

General Fund

MA Grants	(\$ 1,035)	(\$ 1,374)	(\$ 1,374)	(\$ 1,374)
CHP GAMC Grants	(273)	(364)	(364)	(364)
Health Care Management	170	160	160	160

Revenue	58	54	54	54
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Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a net decrease of \$1,138,000 in F.Y. 1992 and \$1,578,000 in F.Y. 1993 to the department's budget base.

RATIONALE:

This base reallocation proposes to provide two staff for individual manual claim reviews in areas where the national coding schemes do not provide adequate specificity for automated processing, and to create edits in the claims processing system. The edits will reduce payment of multiple surgical procedures from 75% to 50%, prevent payment of exploratory laparoscopy when other abdominal surgery is performed, restrict payment for assistance at surgery to specified surgical procedures, eliminate the 35% increase for micro-surgical technique, prevent billing of "new" patient service codes when recipient has received care from provider before and is an established patient, prevent separate reimbursement for the interpretation and reading of an EKG when a physician visit is performed, include pre-op history and physicals, consultations, and hospital visits in the surgical package, reduce complete blood counts performed on the same day as lab profiles, reduce payment for Certified Registered Nurse Anesthetist (CRNA) services. The department also proposes to restructure end-stage renal disease and factor VIII (Antihemophilic Factor) reimbursements, appropriately price diapers and incontinent supplies, and prevent duplicate payments for obstetric services.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

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ACTIVITY: MA Grants

PROGRAM: Health Care for Families and Individuals

AGENCY: Human Services, Department of

PLAN TITLE: Medical Supply Limitations

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
General Fund				
MA Grants	(\$ 93)	(\$ 125)	(\$ 125)	(\$ 125)

GOVERNOR'S RECOMMENDATION:

General Fund

MA Grants	(\$ 93)	(\$ 125)	(\$ 125)	(\$ 125)
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Requires statutory change: X Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a decrease of \$93,000 in F.Y. 1992 and \$125,000 in F.Y. 1993 to the department's budget base.

RATIONALE:

This request proposes to limit Medical Assistance (MA) coverage of eyeglasses to 1 pair in a 24-month period for adults, and 1 pair every 12 months for children. A recipient who needs a second pair of eyeglasses within the benefit period will be able to purchase the second pair at MA contract price. This contract offers a substantial discount compared to the prices available in the retail market.

This request also proposes to eliminate payment for hearing aid batteries beyond the initial batteries provided at the time the hearing aid is purchased. Hearing aid batteries are relatively inexpensive and widely available from drug stores, supermarkets, and department stores.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

1992-93 Biennial Budget

ACTIVITY: MA Grant

PROGRAM: Health Care for Families and Individuals

AGENCY: Human Services, Department of

PLAN TITLE: Restrict Coverage for Over-the-Counter Drugs and Limit Certain Medical Supplies to Pharmacy Providers

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

AGENCY PLAN:

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
MA Grants	(\$ 655)	(\$ 731)	(\$ 731)	(\$ 731)
CHP	(46)	(70)	(70)	(70)
	<u>(19)</u>	<u>(35)</u>	<u>(35)</u>	<u>(35)</u>

GOVERNOR'S RECOMMENDATION:

General Fund

	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
MA Grants	(\$ 655)	(\$ 731)	(\$ 731)	(\$ 731)
CHP	(46)	(70)	(70)	(70)
	<u>(19)</u>	<u>(35)</u>	<u>(35)</u>	<u>(35)</u>

Requires statutory change: X Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a decrease of \$701,000 in F.Y. 1992 and \$801,000 in F.Y. 1993 to the department's budget base.

RATIONALE:

This base reallocation and the corresponding legislation will allow coverage for only specified over-the-counter (OTC) drugs. The OTC drugs that would continue to be eligible for Medical Assistance (MA) reimbursement would be:

1. Insulin.
2. Aspirin/Acetaminophen.
3. Vitamins for pregnant and nursing women and children under 7.
4. Antacids.

In addition, this proposal limits the dispensing of items classified as drugs and listed on the drug formulary to pharmacies, and in limited cases, to physician offices. This limitation would result in savings because the drug formulary provides for a uniform pricing methodology and would allow the department to obtain manufacturer rebates. Medical suppliers would be precluded from providing items that are a part of the MA drug formulary.

1992-93 Biennial Budget

ACTIVITY: MA Grants

PROGRAM: Health Care for Families and Individuals

AGENCY: Human Services, Department of

PLAN TITLE: Master's Level Providers (MH)

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
MA Grants	(\$ 415)	(\$ 575)	(\$ 611)	(\$ 582)
GAMC Grants	(32)	(44)	(46)	(44)

GOVERNOR'S RECOMMENDATION:

General Fund

MA Grants	(\$ 415)	(\$ 575)	(\$ 611)	(\$ 582)
GAMC Grants	(32)	(44)	(46)	(44)

Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a decrease of \$447,000 in F.Y. 1992 and \$619,000 in F.Y. 1993 to its budget base.

RATIONALE:

This base reallocation and corresponding legislation will ensure that Medical Assistance/General Assistance Medical Care providers of mental health services with master's degrees are reimbursed on a comparable basis.

Presently, licensed independent clinical social workers and Registered Nurses (RNs) with master's degrees in psychiatric nursing are reimbursed at approximately \$45 per hour for psychotherapy services. Psychiatrists and Ph.D prepared psychologists licensed at the licensed consulting psychologist (LCP) level are reimbursed at approximately \$66/hour for psychotherapy. There are 2 other groups of mental health professionals with master's degrees; psychologists licensed as licensed psychologists and the licensed marriage and family therapists. Both of these mental health providers are presently reimbursed at \$66 per hour for psychotherapy services. Equity would dictate that all master's prepared mental health professionals be reimbursed the same.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

1992-93 Biennial Budget

ACTIVITY: MA Grants

PROGRAM: Health Care for Families and Individuals

AGENCY: Human Services, Department of

PLAN TITLE: Extend Timelines for Coverage of HIV Insurance Premiums

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

General Fund

MA Grants	(\$ 370)	(\$ 880)	(\$ 880)	(\$ 880)
Health Care Admin.	148	347	347	347

GOVERNOR'S RECOMMENDATION:

General Fund

MA Grants	(\$ 370)	(\$ 880)	(\$ 880)	(\$ 880)
Health Care Admin.	148	347	347	347

Requires statutory change: X Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a net decrease of \$222,000 in F.Y. 1992 and \$533,000 in F.Y. 1993 to its budget base.

RATIONALE:

This base reallocation and corresponding legislation will provide coverage of insurance premiums for a maximum of an additional 11 months thus making this consistent with the requirements of Consolidated Omnibus Budget Reconciliation Act (COBRA). It will also increase the number of HIV-infected persons who can be served through this program. This should prevent or delay the need for persons to apply for Medical Assistance (MA) resulting in cost savings. The expenditures listed below are for the premiums costs for policies.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

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ACTIVITY: MA Grants Demo Grants

PROGRAM: Health Care for Families and Individuals

AGENCY: Human Services, Department of

PLAN TITLE: Prepaid Medical Assistance Program Ramsey County Expansion

AGENCY PLAN:	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
MA Grants Health Care Management	\$ 212 110	(\$ 429) 215	(\$ 1,670) 215	(\$ 1,870) 215

GOVERNOR'S RECOMMENDATION:

General Fund

MA Grants Health Care Management	\$ 212 110	(\$ 429) 215	(\$ 1,670) 215	(\$ 1,870) 215
Revenue	\$ 55	\$ 107	\$ 107	\$ 107

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The agency proposes an increase of \$322,000 in F.Y. 1992 and a net decrease of \$214,000 in F.Y. 1993.

RATIONALE:

The department is proposing to expand the Prepaid Medical Assistance Program (PMAP) to Ramsey County effective 1-1-92. Currently, the project is operational in the counties of Dakota, Hennepin, and Itasca. Over the course of the past 5 fiscal years, PMAP has proven to be a cost-effective alternative to the fee-for-service system. Total PMAP savings are estimated to be between \$2.5 and \$3 million per fiscal year. The experience of the state has shown that it normally takes a 2-year period of time to recover the start-up costs and the overlap of fee-for-service payments which occur when PMAP is incrementally implemented.

The enrollment process for Ramsey County Aid to Families with Dependent Children (AFDC) recipients would begin in 1-92 with the phase-in of AFDC recipients over 1 year. The phase-in of aged recipients would begin 7-92.

In order to implement the PMAP expansion in Ramsey County, the state is requesting a permanent position for 1 current staff and an increase of 2 additional staff positions. These staff persons are necessary to accommodate the addition of approximately 35,000 PMAP enrollees. Consistent with M.S. 256B.031, subd. 9, additional administrative costs are also required to support the education and enrollment process at the county level.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

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ACTIVITY: GAMC Grants

PROGRAM: Health Care for Families and Individuals

AGENCY: Human Services, Department of

PLAN TITLE: Eliminate Current GAMC Program and Replace it with a Basic Health Services Program and a Health Services for MA Recipients of Institutions for Mental Diseases Program

AGENCY PLAN:	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
GAMC Grants	(\$13,863)	(\$15,802)	(\$15,802)	(\$15,802)
	<u>(\$16,188)</u>	<u>(\$18,827)</u>	<u>(\$18,827)</u>	<u>(\$18,827)</u>

GOVERNOR'S RECOMMENDATION:

General Fund

GAMC Grants	(\$5,362)	(\$7,985)	(\$6,835)	(\$6,835)
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Requires statutory change: X Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a net decrease of \$13,863,000 \$16,188,000 in F.Y. 1992 and a net decrease of \$15,802,000 \$18,827,000 in F.Y. 1993 to its budget bases.

RATIONALE:

This base reallocation will eliminate the current General Assistance Medical Care (GAMC) program and redirect the dollars and eligibles to 2 new programs. The state cannot afford to fund the GAMC program as it is currently structured. Therefore, the state will fund a program that is consistent with the current GAMC program for Medical Assistance (MA) residents of Institution for Mental Diseases (IMDs) and develop a new Basic Health Services program for individuals at 115% of Aid to Families with Dependent Children (AFDC) or who spenddown to 115% of AFDC. The Basic Health Services program will limit eligibility to 115% of AFDC to be consistent with the proposed MA income standard for aged, blind, and disabled recipients and adjust the health care benefit package to provide a basic health care package, consistent with the Health Care Access Commission's recommendation for an intermediate services package. The benefit limitations have been modified due to system's restraints in the Department of Human Services' current payment system.

The kinds of benefits that will no longer be covered were not a part of the GAMC benefit package in the early 1980s. These changes may affect some persons' ability to receive some necessary health care services and an increase in uncompensated costs for hospital care. Retro-eligibility for payment of health care services will not exist and special payment incentives available under MA and applied to GAMC rates will be eliminated, i.e., community health clinic 20% premium, disproportionate population adjustments (DPA), etc.

MA eligibles who are GAMC recipients because they reside in an (IMD) will be exempt from the restructure and will continue to receive their current benefit package.

The restructured GAMC Program effective 7-1-91 will include the following changes:

Eligibility

1. No 3-month retro-eligibility

F.Y. 1992 F.Y. 1993

(\$ 1,425) (\$ 1,975)
(\$ 3,750) (\$ 5,000)

2. Income standard at 100% of AFDC

(2,680) (3,717)

Benefits

1. 20% increase for services in Community and Public Health Clinics eliminates.

(8) (11)

2. Eliminate chiropractic, dental, podiatry, vision, durable medical equipment, allergy testing, special transportation, and all rehabilitation services except physical therapy visits.

(4,314) (5,936)

3. Pharmacy changes that limit coverage of over-the-counter drugs to insulin, aspirin, and acetaminophen for certain chronic conditions, reimburse at AWP-15%, lower the dispensing fee payment to the amount paid by the largest insurer with statewide coverage, and restrict drugs on the formulary.

(591) (778)

4. \$50 copay for ER visits that do not result in an inpatient stay and limit outpatient service to a limit of 8 specialty consultation visits.

(570) (820)

5. Limit Primary Physician Services to 8 visits/year plus 3 consultant visits/year.

(429) (627)

6. Limit Mental Health therapy and diagnostic services to those medically necessary services up to 10 hours/year individual therapy or 20 hours/year group therapy, and eliminate day treatment services.

(301) (443)

Rates

1. Limit general assistance medical care (GAMC) inpatient hospital payments to aggregate hospital charges for inpatient services. Presently, under the diagnosis-related group (DRG) system of payment, an average payment is made regardless, in most cases, of the length of hospitalization. Thus, there are some circumstances when a hospital may be paid more than its charges for an individual case and less than charges on other cases. The department intends to review all hospitals on an annual basis and recover the difference between the total of DRG payments made on behalf of GAMC recipients and the total of billed charges. This methodology is the same as used under medical assistance as required by federal regulations. Since the amounts paid above charges offset the payments below charges, the intent is to limit total payments to the total amount billed by the hospital as its price.

-0- (203)

ACTIVITY: GAMC Grants

(continued)

PROGRAM: Health Care for Families and Individuals

AGENCY: Human Services, Department of

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F.Y. 1992 F.Y. 1993

2. Eliminate the disproportionate population adjustment (DPA) for General Assistance Medical Care (GAMC) inpatient hospital payments. The DPA is an additional payment made to hospitals that serve a disproportionate number of Medical Assistance (MA) recipients. Presently, there are approximately 25 hospitals qualifying as DPA facilities. Such a payment is required under federal regulations with respect to MA clients. However, there is no requirement that this methodology be utilized under GAMC. In addition, the adjustment is not related to a facility's cost and therefore is not necessary to insure adequate and appropriate reimbursement.

(95) (142)

Rateables

1. 10% rateable reduction for inpatient hospital services (3,450) (1,150)

No comparable savings have been taken for the 40% of the GAMC case load for which the department has contracted with licensed health maintenance organizations. Under state law HMOs are required to provide sufficient care to ensure the health of the person.

GOVERNOR'S RECOMMENDATIONS:

The Governor concurs with the agency plan with the following exceptions:

F.Y. 1992 F.Y. 1993

1. Retain income standard at present level.	\$ 2,680	\$ 3,717
2. Retain dental services at limit of \$100/yr. per eligible GAMC recipient.	\$ 925	\$ 1,190
3. Retain provision of durable medical equipment.	\$ 838	\$ 880
4. Limit Copay to \$5 visit for ER visits rather than \$50/visit.	\$ 513	\$ 738
5. Retain DPA for inpatient hospital services.	\$ 95	\$ 142
6. Eliminate 10% rateable reduction.	\$ 3,450	\$ 1,150
7. <u>Retain 1-month retroeligibility</u>	<u>\$ 2,325</u>	<u>\$ 3,025</u>

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ACTIVITY: GAMC Grants
PROGRAM: Health Care for Families and Individuals
AGENCY: Human Services, Department of

PLAN TITLE: Counties Responsible for GAMC Switch to MA

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
GAMC Grants	\$ (214)	\$ (225)	\$ (236)	\$ (225)

GOVERNOR'S RECOMMENDATION:

General Fund

GAMC Grants	\$ (214)	\$ (225)	\$ (236)	\$ (225)
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Requires statutory change: X Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a decrease of \$214,000 in F.Y. 1992 and \$225,000 in F.Y. 1993 to its budget base.

RATIONALE:

This base reallocation and corresponding legislation will require a county to be financially responsible for all costs incurred on behalf of medical assistance (MA) eligible clients when it fails to switch eligibility from the General Assistance Medical Care (GAMC) program to the MA program after receiving notice from Department of Human Services (DHS). Likewise, this proposal would make the counties responsible for costs incurred by prepaid health plans for services to infants when the county fails to determine eligibility for MA.

Presently, when a claim for a GAMC recipient is received and the diagnosis, i.e., pregnancy, indicates that the GAMC recipient would be eligible for MA, the GAMC claim is suspended and the county is sent a written notice informing them that the GAMC recipient should be transferred to the MA program. Counties are given 90 days within which to affect this eligibility switch over. The claim is then resubmitted with the MA number and paid under MA thus capturing Federal Financial Participation (FFP). Approximately 1,500 claims a year are paid under GAMC that could, if the county cooperated, be paid under MA instead.

Some local agencies however have failed to respond to DHS's notice to open MA cases. Health care providers have provided service based on a valid GAMC card and must be paid in a timely fashion. This proposal would make those counties who failed to transfer a GAMC recipient to the MA program within 90 days of notification of such by DHS responsible for the entire cost of the recipient's health care. Savings to the state would result from not being liable for the cost of services incurred on behalf of a GAMC recipient who is eligible for MA.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

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ACTIVITY: Children's Health Plan
PROGRAM: Health Care for Families and Individuals
AGENCY: Human Services, Department of

PLAN TITLE: CHP Forecast

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

General Fund

CHP	\$ 175	\$ 3,461	\$ 5,461	\$ 5,461
CHP Administration	62	62	62	62

GOVERNOR'S RECOMMENDATION:

General Fund

CHP	\$ 175	\$ 3,461	\$ 5,461	\$ 5,461
	<u>(\$ 725)</u>	<u>\$ 3,361</u>	<u>\$ 5,361</u>	<u>\$ 5,361</u>
CHP Administration	62	62	62	62

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a net increase of \$237,000 in F.Y. 1992 and \$3,523,000 in F.Y. 1993 to its budget base.

RATIONALE:

The department requests increased funding for the Children's Health Plan (CHP) based upon expected increases in enrollment, utilization, and expenditures over the next biennium. CHP is a health care plan of primary and preventive care services for children ages 1 through 17, in families with income at or below 185% of the federal poverty level, who are not otherwise insured for the services available under this Plan. Payment for services is at the same rates and conditions as Medical Assistance and all claims processing is done by the Department of Human Services staff.

A significant increase in enrollment is expected with the age expansion for 9 through 17 year olds, which began 1-1-91. Utilization will increase with new enrollees and for those who have been enrolled and now use the Plan more often. If funding is not available, enrollment would have to be decreased. The Plan has served more than 22,000 children in the last 2½ years and at least 30,000 children will be added in the next biennium with the expansion in age level; CHP receives more than 350 applications each week, re-enrollment, and new applications. An additional 2 staff are necessary to complete enrollment of children in a timely manner. Even without serving adolescents, program enrollment is expected to grow. This time delay affects approximately 1,700 families who have applied or 3,400 children waiting for assistance.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan, proposes an alternative decrease of \$663,000 in F.Y. 1992 and a net increase of \$3,523,000 in F.Y. 1993 to its budget base. The new figures on this page are a result of a new forecast of costs issued 3-28-91. The Governor does, however, note that this is not an entitlement program and believes the question of fully funding forecast need should be revisited each biennium.

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ACTIVITY: Children's Health Plan
PROGRAM: Health Care for Families and Individuals
AGENCY: Human Services, Department of

PLAN TITLE: Transfer Children Covered Under CHP to MA Per Federal Mandate

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
General Fund				
CHP	(\$ 69)	(\$ 264)	(\$ 570)	(\$ 963)

GOVERNOR'S RECOMMENDATION:

General Fund

CHP	(\$ 69)	(\$ 264)	(\$ 570)	(\$ 963)
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Requires statutory change: X Yes No
Statutes Affected:

ITEM SUMMARY:

The agency proposes a decrease of \$69,000 in F.Y. 1992 and \$264,000 in F.Y. 1993 to its budget base.

RATIONALE:

This base reallocation and corresponding legislation will allow the department to provide for the required transfer of some children now eligible under the Children's Health Plan to the Medical Assistance (MA) program. The Omnibus Budget Reconciliation Act 1990 makes children born after 9-30-83, who are up to age 8 18 and whose family's income is under 100% of the federal poverty level, eligible under MA. This mandatory federal change was made without additional federal funding.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

1992-93 Biennial Budget

ACTIVITY: Long Term Care Management
 PROGRAM: Health Care for Families and Individuals
 AGENCY: Human Services, Department of

PLAN TITLE: Managed Home Care

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

General Fund

Long Term Care Management	\$ 568	\$ 557	\$ 557	\$ 557
MA Grants	(3,790)	(7,635)	(8,825)	(9,153)

GOVERNOR'S RECOMMENDATION:

General Fund

Long Term Care Management	\$ 568	\$ 557	\$ 557	\$ 557
MA Grants	(3,790)	(7,635)	(8,825)	(9,153)
Revenue	284	279	279	279

Requires statutory change: X Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a net decrease of \$3,222,000 in F.Y. 1992 and \$7,078,000 in F.Y. 1993 to its budget base.

RATIONALE:

Over the past several years, demand and cost for home care have increased drastically. This request achieves savings for managed home care by capping the amount of reimbursement for home care services to the statewide average Medical Assistance (MA) reimbursement for nursing facilities, ICFs/MR, and hospitals designated as long-term hospitals under Medicare. In addition, all home care would be prior authorized and the definition of medical necessity will be tightened.

This base reallocation and corresponding legislation will provide additional management of rapidly increasing Medical Assistance home care expenditures. Savings are achieved by using independent RN professionals to prior authorize all MA home care and determine medical necessity. Experience with one RN consultant has demonstrated the cost effectiveness of this method with a small segment of more costly home care cases. This proposal expands the current approach.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

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ACTIVITY: Audits

PROGRAM: Health Care for Families and Individuals

AGENCY: Human Services, Department of

PLAN TITLE: Increase LTC Field Auditors

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

General Fund

Audits	\$ 567	\$ 491	\$ 491	\$ 491
Appeal Admin	199	183	183	183
MA Grants	(945)	(2,747)	(3,851)	(3,768)

GOVERNOR'S RECOMMENDATION:

General Fund

Audits	\$ 567	\$ 491	\$ 491	\$ 491
Appeal Admin	199	183	183	183
MA Grants	(945)	(2,747)	(3,851)	(3,768)

Revenue

Admin	284	246	246	246
Appeals	60	52	52	52
	<u>100</u>	<u>92</u>	<u>92</u>	<u>92</u>

Requires statutory change: X Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a net decrease of \$258,000 in F.Y. 1992 and \$2,151,000 in F.Y. 1993 to its budget base.

RATIONALE:

This base reallocation and corresponding legislation will allow the department to increase field audit and provider appeal staff so that the department will be able to complete more of the federally required and state mandated on-site audits of long-term care facilities. Existing legislation mandates that each year 25% of all facilities be audited. The department is unable to meet this requirement. In addition the funding for the Attorney General Office's Long-Term Care unit would continue from the special revenue accounts. This will insure continued legal support to represent the department in provider appeals. In order to ensure the cost integrity of the Medical Assistance program, the department must have the ability to adequately and fully conduct on site audits. The last federal audit on nursing home reimbursement stated that the desk review is not sufficient to uncover all unallowable costs and the federal government recommended that the state increase its on site audit capabilities.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

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ACTIVITY: Audits

PROGRAM: Health Care for Families and Individuals

AGENCY: Human Services, Department of

PLAN TITLE: Peer Group Hospital Payments

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
Audits	\$ 190	\$ 55	\$ 55	\$ 55
MA Grants	-0-	(4,253)	(4,724)	(4,500)
GAMC Grants	-0-	(1,097)	(1,212)	(1,155)

GOVERNOR'S RECOMMENDATION:

General Fund

Audits	\$ 190	\$ 55	\$ 55	\$ 55
MA Grants	-0-	(4,253)	(4,724)	(4,500)
GAMC Grants	-0-	(1,097)	(1,212)	(1,155)
Revenues	\$ 78	\$ 23	\$ 23	\$ 23

Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY:

The agency proposes an increase of \$190,000 in F.Y. 1992 and a net decrease in F.Y. 1993 of \$5,295,000 to its budget base.

RATIONALE:

This base reallocation and corresponding legislation will change the inpatient hospital reimbursement system by using a peer group system. A peer group system is a methodology for developing a facility's rates by comparing it to similarly situated facilities. This compares to the present system of determining facility specific rates. The department believes that this is an effective way to effect cost containment by limiting Medical Assistance and General Assistance Medical Care payments to a peer group payment rate rather than a facility specific payment rate. It is expected that rates available under this reimbursement methodology would be adequate for an economically and efficiently operated hospital.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

1992-93 Biennial Budget

ACTIVITY: Audits

PROGRAM: Health Care for Families and Individuals

AGENCY: Human Services, Department of

PLAN TITLE: Children's Hospitals Audits, Analysis of Hospital Services and Utilization Review
Contact

<u>AGENCY PLAN:</u>	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund				
Audit Admin	\$ 228	\$ 153	\$ 232	\$ 153
MA Grants	(202)	(421)	(522)	(497)
GAMC Grants	(52)	(55)	(58)	(55)

GOVERNOR'S RECOMMENDATION:

General Fund

Audit Admin	\$ 228	\$ 153	\$ 232	\$ 153
MA Grants	(202)	(421)	(522)	(497)
GAMC Grants	(52)	(55)	(58)	(55)
Revenue	94	63	94	63

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The agency proposes a decrease of \$26,000 in F.Y. 1992 and a decrease of \$323,000 in F.Y. 1993 to its budget base.

RATIONALE:

This base reallocation will allow the department to insure the cost integrity of the medical assistance (MA) program. The department presently uses the audited Medicare cost finding report as the basis for MA payments to all hospitals. Children's hospitals file a Medicare report for MA payment purposes but these reports are not audited by Medicare. Thus, it is necessary for the department to fund necessary on-site audits with a contractor to determine allowable and non-allowable costs. Funding this contract results in savings to the MA grants account.

This base reallocation will also allow the department to enhance its ability to review inpatient hospital payments through computerized reviews of hospital admissions and discharges insuring compliance with federal utilization review requirements. The department proposes to develop a computerized review system that integrates payment and utilization information. This review will include post payment review of readmissions, Diagnosis-Related Group validation, and audits of claims. These enhanced reviews will increase denials and recoveries associated with inpatient hospital claims, thereby saving money in the Medical Assistance and General Assistance Medical Care grants accounts.

Additionally, this base reallocation will allow the department to fund necessary administrative activities involving utilization review activities required by the federal government for inpatient hospital services. This activity reviews the necessity for and appropriateness of all inpatient hospitalizations. Payments for those hospitalizations determined to be unnecessary or inappropriate are recovered. Last year, the contract resulted in cost savings of over \$2 million or about \$3.10 for every dollar spent on the contract. The addition of this cost is necessary to meet this required federal activity, and to generate savings through cost avoidance and recoveries.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan.

**MA GRANTS
FORECAST INFORMATION**

This table shows historical Medical Assistance caseload and total expenditures, with projections for F.Y. 1991 - 1993.

Total MA Program								
<u>Fiscal Year</u>	<u>Monthly Average Recipients</u>	<u>Monthly Average Payments</u>	<u>Total Annual Payments</u>	<u>Federal Share</u>	<u>State Share*</u>	<u>CD Fund Share</u>	<u>County Share</u>	<u>State Cost for County Growth</u>
1988	161,783	\$ 612.49	\$1,189,083,969	\$ 642,149,160	\$492,951,877		\$53,982,932	
1989	166,041	640.79	1,276,775,046	679,834,405	537,336,841		59,603,799	
1990	177,290	668.62	1,422,468,950	744,994,999	609,073,035	\$2,472,333	65,929,583	
PROJECTED								
1991	199,629	\$ 687.86	\$1,647,800,524	\$ 877,522,691	\$690,617,300	\$2,925,277	\$76,735,256	
1992	219,430	725.82	1,911,189,415	1,035,352,393	785,161,863	3,434,952	87,240,207	\$16,461,509
1993	227,896	758.39	2,073,993,553	1,113,573,438	861,106,003	3,635,668	95,678,445	25,933,104

* Before crediting collections from State Regional Treatment Centers and state nursing homes

The State share of MA expenditures is funded in part by collections from State Regional Treatment Centers and State Operated Community Services, which are dedicated receipts deposited in the State MA account. The following table shows how this affects the General Fund appropriation required for MA.

<u>Fiscal Year</u>	<u>Gross State Share</u>	<u>Collections</u>	<u>State Cost for County Share Growth</u>	<u>Net State Share</u>
1988	\$492,951,877	(\$159,231,718)		\$333,720,159
1989	537,336,841	(148,749,415)		388,587,426
1990	609,073,035	(143,235,795)		465,837,240
PROJECTED				
1991	\$690,617,300	(\$150,535,000)		\$540,082,300
1992	785,161,863	(155,857,000)	\$16,461,509	645,766,372
1993	861,106,003	(158,523,000)	25,933,104	728,516,107

MA GRANTS
FORECAST INFORMATION

This table shows MA expenditures, by category of service, from FY 1988 to FY 1991 (projected).

	State Share of MA Expenditures (000's)			
	FY 1988	FY 1989	FY 1990	FY 1991
Nursing Homes	\$187,128	\$191,287	\$215,083	\$248,599
Therapies Billed by Nursing Homes	5,530	3,250	2,493	2,470
ICF/MR	46,053	47,112	50,817	56,127
Devel. Achievement Centers	8,808	10,193	11,410	13,688
MR/RC Waiver	10,862	19,552	23,705	28,631
ACG Waiver	1,958	2,106	2,808	2,925
Disabled Waiver (CADI)	-0-	313	717	1,694
Chronically Ill Waiver (CAC)	710	1,241	1,730	2,505
Waiver Screenings	-0-	305	321	357
State Reg. Tr. Center DD	44,144	40,712	41,550	43,109
State Operated Community Services	-0-	-0-	-0-	-0-
State Reg. Tr. Center MI-CD	5,245	5,436	8,631	9,247
Inpatient Hospital	76,564	79,605	90,482	92,645
Outpatient Hospital	10,710	13,351	12,487	14,472
Mental Health Centers	2,335	2,681	2,731	2,988
Physicians	25,518	31,485	33,055	37,425
Dental	5,737	5,742	6,802	7,556
Psychology	2,617	3,189	3,632	3,628
Special Education Services	-0-	-0-	-0-	84
Home Health	3,538	4,598	5,728	6,615
Nursing Services	3,570	6,457	12,652	20,577
Rehabilitation Serv.	3,782	4,745	5,373	6,351
Prescription Drugs	21,117	23,594	27,529	31,649
Med. Supplies	4,945	5,951	6,826	8,065
Med. Transportation	3,895	4,997	5,789	7,026
Capitation	12,737	14,767	14,804	26,014
Targeted Case Management	-0-	20	341	747
Other Practitioners	1,970	1,954	2,303	2,555
Other Services	2,944	3,487	4,226	4,541
Medicare Buy-In	2,288	3,050	7,886	9,103
Recipient Adjustments	(6,981)	(8,690)	(6,755)	(9,675)
Recoveries (to General Fund)	13,764	11,969	8,481	8,918
Residual (SWA minus Stat. Series)	(8,534)	2,880	5,437	-0-
Total	\$492,952	\$537,337	\$609,073	\$690,617
Collections	(\$159,232)	(\$148,749)	(\$143,236)	(\$150,535)
Net State share cost	\$333,720	\$388,587	\$465,837	\$540,082

MA GRANTS
FORECAST INFORMATION

This table shows the projected increases in MA expenditures under current law, compared with projected F.Y. 1991 expenditures. These increases do not include change requests included in this budget. They include only projected costs under current law.

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
	(Thousands)	
Projected F.Y. 1991 State share cost:	\$690,617	\$690,617
<u>Projected Increases Under Current Law</u>		
Nursing home caseload	\$ 4,363	\$15,983
Nursing home rate inflation factor	12,927	24,581
Nursing home average payment: other changes	3,438	3,672
ICF/MR rate inflation factor	2,379	4,334
ICF/MR program upgrades	2,915	6,139
ICF/MR new beds, offset by closings	1,469	2,464
ICF/MR case-mix reimbursement	-0-	1,466
DAC caseload	1,078	2,799
DAC rates: inflation index	815	1,491
DAC rates: other changes	504	1,519
MR/RC waiver caseload	6,982	14,311
MR/RC waiver rates and intensity	2,422	5,094
State Regional Treatment Center DD caseload reduction	(2,716)	(4,386)
SOCS development	2,185	4,287
Disabled Waiver (CADI) caseload and rates	1,871	3,746
Chronically Ill Waiver (CAC) caseload and rates	808	1,793
Medically needy families caseload	7,853	14,531
Elderly and disabled caseloads	7,006	11,980
AFDC recipient caseload	7,674	8,350
Personal care and private duty nursing caseload and rates	7,278	12,627
Capitation expansion and capitation rates	12,661	12,062
Prescription drug costs	1,969	4,301
Inpatient hospital rates	4,423	9,880
Net of other changes	4,243	7,465
 Total (Gross State Share)	 \$785,162	 \$861,106
Change in gross State share compared to F.Y. 1991	\$94,545	\$170,489
 Projected collections	 (\$155,857)	 (\$158,523)
State cost for county share growth	16,462	25,933
 Net State cost for F.Y. 1992 and F.Y. 1993	 \$645,766	 \$728,516
Change in net State cost compared to F.Y. 1991	\$105,684	\$188,434

MA GRANTS
FORECAST INFORMATION

COST PROJECTIONS BY CATEGORY OF SERVICE
WITH PROJECTED INCREASE OVER FY 1991 COSTS
(Thousands of Dollars: State Funds Only)

	Projected FY 1992	FY 1992 Increase over FY 1991	Projected FY 1993	FY 1993 Increase over FY 1991
Nursing Homes	\$269,326	\$20,727	\$292,835	\$44,236
Therapies Billed by Nursing Homes	2,464	(6)	2,546	76
ICF/MR	62,889	6,762	70,530	14,403
Devel. Achievement Centers	16,084	2,396	19,498	5,810
MR/RC Waiver	38,036	9,404	48,036	19,405
ACG Waiver	3,200	275	3,611	686
Disabled Waiver (CADI)	3,565	1,871	5,440	3,746
Chronically Ill Waiver (CAC)	3,313	808	4,298	1,793
Waiver Screenings	401	44	457	100
State Reg. Tr. Center DD	40,393	(2,716)	38,723	(4,386)
State Operated Community Services	2,185	2,185	4,287	4,287
State Reg. Tr. Center MI-CD	9,333	86	9,556	310
Inpatient Hospital	98,483	5,838	105,031	12,386
Outpatient Hospital	16,185	1,713	17,209	2,737
Mental Health Centers	4,128	1,140	4,955	1,968
Physicians	41,512	4,087	43,710	6,285
Dental	8,117	561	8,202	646
Psychology	3,935	307	4,200	572
Special Education Services	412	328	625	541
Home Health	7,994	1,380	8,891	2,277
Nursing Services	27,884	7,307	33,263	12,686
Rehabilitation Serv.	7,393	1,042	7,891	1,540
Prescription Drugs	36,270	4,621	40,339	8,690
Med. Supplies	9,563	1,498	10,506	2,440
Med. Transportation	8,519	1,493	9,569	2,543
Capitation	41,664	15,649	42,265	16,251
Targeted Case Management	1,140	393	1,340	594
Other Practitioners	2,735	179	2,869	314
Other Services	5,258	717	5,404	863
Medicare Buy-In	10,538	1,435	12,757	3,654
Recipient Adjustments	(6,186)	3,489	(6,250)	3,425
Recoveries (to General Fund)	8,430	(470)	8,512	(388)
Total	\$785,162	\$94,545	\$861,106	\$107,489
Projected collection	(\$155,857)		(\$158,523)	
State cost for co. share growth	16,462		25,933	
Net State share cost	\$645,766		\$728,516	

**GAMC GRANTS
FORECAST INFORMATION**

This table shows historical GAMC caseload and total expenditures, with projections for F.Y. 1991 - 1993.

Total GAMC Program						
<u>Fiscal Year</u>	<u>Monthly Average Recipient</u>	<u>Monthly Payments</u>	<u>Total Annual Payments</u>	<u>State Share</u>	<u>County Share</u>	<u>State Cost for County Share Growth</u>
1988	23,067	\$ 288.18	\$ 79,768,711	\$71,791,840	\$7,976,871	
1989	23,581	319.97	90,541,937	81,487,743	9,054,194	
1990	25,444	352.30	107,567,922	96,811,130	10,756,792	
PROJECTED						
1991	27,158	\$ 377.43	\$123,001,828	\$110,701,645	\$ 12,300,183	
1992	31,173	402.26	150,475,855	135,428,269	15,047,585	\$ 2,532,730
1993	33,257	399.96	159,620,308	143,658,277	15,962,031	4,363,654

This table shows GAMC expenditures, by category of service, from F.Y. 1988 to F.Y. 1991 (projected).

	(State Share Dollars, in Thousands)			
	<u>F.Y. 1988</u>	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>
Inpatient Hospital	\$ 35,983	\$ 40,751	\$ 47,250	\$ 44,920
Outpatient Hospital	5,459	6,804	6,789	6,396
Physicians	10,904	13,456	14,826	14,599
Dental	2,839	2,572	3,150	3,166
Prescription Drugs	3,985	5,309	6,920	8,835
Optometric Services	445	379	511	555
Mental Health /Psych.	361	962	1,683	1,687
Targeted Case Management	-0-	-0-	198	583
Medical Supplies	664	679	818	884
Medical Transportation	993	1,525	2,207	1,958
Other Practitioners	473	540	694	622
Capitation	9,628	8,624	11,275	25,527
Other Services	58	(112)	491	968
Total	\$ 71,792	\$ 81,488	\$ 96,811	\$110,702

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GAMC GRANTS
FORECAST INFORMATION

This table shows the projected increases in GAMC expenditures under current law, compared with projected F.Y. 1991 expenditures. These increases do not include change requests included in this budget; they include only projected costs under current law.

	(Thousands)	
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Projected F.Y. 1991 State share cost	\$ 110,702	\$ 110,702
<u>Projected Increases Under Current Law</u>		
Medically needy caseload	\$ 5,106	\$ 9,007
GA/WR caseload	13,373	19,118
Inpatient hospital rate increases	1,507	3,581
27th medical warrant writing	3,402	-0-
Other rate and utilization changes	1,339	1,251
Total State share cost	\$ 135,428	\$ 143,658
State cost for co. share growth	2,533	4,364
Total State cost	\$ 137,961	\$ 148,022
Increase over F.Y. 1991	\$ 27,259	\$ 37,320

GAMC GRANTS
FORECAST INFORMATION

WITH PROJECTED INCREASE OVER FY 1991 COSTS

This table shows large increases in capitation costs because of the capitation of Hennepin County during FY 1991. The reductions in many service categories result from the shift to capitation.

	Projected FY 1992	FY 1992 Increase over FY 1991	Projected FY 1993	FY 1993 Increase over FY 1991
Inpatient Hospital	\$38,501	(\$6,419)	\$41,855	(\$3,065)
Outpatient Hospital	5,276	(1,120)	5,437	(959)
Physicians	14,017	(582)	14,406	(194)
Dental	3,223	57	3,306	140
Prescription Drugs	9,475	640	10,421	1,586
Optometric Services	665	109	687	131
Mental Health /Psych.	1,723	36	1,767	81
Case Management	808	224	1,069	486
Medical Supplies	1,052	168	1,086	203
Medical Transportation	1,680	(278)	1,699	(259)
Other Practitioners	460	(163)	463	(159)
Capitation	57,952	32,425	60,865	35,338
Other Services	598	(370)	595	(373)
 Total State share	 \$135,428	 \$24,727	 \$143,658	 \$32,957
 State cost for co. share growth	 \$2,533	 \$2,533	 \$4,364	 \$4,364
 Total State cost	 \$137,961	 \$27,259	 \$148,022	 \$37,320

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH,DEPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
HEALTH PROTECTION	21,320	24,320	27,380	26,947	27,314	27,255	26,925	27,521	27,392
HEALTH DELIVERY SYST	76,314	91,534	92,504	87,610	87,133	91,146	87,591	87,259	101,018
SUPPORT SERVICES	10,298	11,572	11,834	12,143	12,080	12,072	12,221	12,136	12,121
TOTAL EXPENDITURES BY PROGRAM	107,932	127,426	131,718	126,700	126,527	130,473	126,737	126,916	140,531
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	36,007	42,663	47,751	46,771	46,436	50,382	46,796	46,744	60,359
SP REV DIRECT APPROP	177								
MN RESOURCES		292	446						
PUBLIC HEALTH	3,604								
STATE GOVT SPEC REV		135	196	173	335	335	172	298	298
TRUNK HIGHWAY	626	1,447	1,479	1,487	1,487	1,487	1,486	1,486	1,486
METRO LANDFILL CONTN	166	107	167	168	168	168	168	168	168
STATUTORY APPROPRIATIONS:									
GENERAL	139	158	166	314	314	314	328	328	
STATE GOVT SPEC REV								105	105
SPECIAL REVENUE	13,117	16,079	18,565	18,019	18,019	18,019	18,019	18,019	18,019
TRUNK HIGHWAY	118	22							
FEDERAL	53,878	66,416	62,908	59,728	59,728	59,728	59,728	59,728	59,728
GIFTS AND DEPOSITS	100	107	40	40	40	40	40	40	40
TOTAL FINANCING	107,932	127,426	131,718	126,700	126,527	130,473	126,737	126,916	140,531

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: HEALTH, DEPT OF

	ALL FUNDS F.Y.92	ALL FUNDS F.Y.93	GENERAL FUND F.Y.92	GENERAL FUND F.Y.93	OTHER STATE FUNDS F.Y.92	OTHER STATE FUNDS F.Y.93	FEDERAL FUNDS F.Y.92	FEDERAL FUNDS F.Y.93
F.Y.91 FUNDING LEVEL	131,631	131,631	47,917	47,917	20,806	20,806	62,908	62,908
ONE-TIME APPROPRIATIONS	<773>	<773>	<748>	<748>	<25>	<25>		
BIENNIAL APPROPRIATIONS	<7>	<7>	<7>	<7>				
APPROPRIATIONS CARRIED FWD	<1,289>	<1,289>	<1,289>	<1,289>				
BASE TRANSFER (BTWN AGENCIES)	<20>	<20>	<20>	<20>				
FUND CHANGE/CONSOLIDATION	<45>	<45>	403	403	<448>	<448>		
SALARY ANNUALIZATION	266	202	255	193	11		9	
ANNUALIZG NEW PROG COST	221	221	221	221				
DOCUMENTED RENT/LEASE INCR.	205	292	205	292				
LCMR FUNDED PROJECTS	<446>	<446>			<446>	<446>		
DEDICATED RECEIPTS AND FUNDS	<11>	<11>			<11>	<11>		
FEDERAL RECEIPTS	<3,180>	<3,180>					<3,180>	<3,180>
BASE TECHNICAL ADJUSTMENTS	148	162	148	162				
TOTAL BIENNIAL TOTAL	126,700	126,737	47,085	47,124	19,887	19,885	59,728	59,728
				94,209		39,772		119,456

ACTIVITY:
PROGRAM:
AGENCY: Health, Department of

1992-93 Biennial Budget

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

DECISION ITEM: Financing Inflationary Costs - Informational

Dollars in Thousands

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
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AGENCY PLAN:

Expenditures				
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
General Fund - Inflation	\$ 903	\$ 1,240	\$ -0-	\$ -0-
- Reallocations	\$ (903)	\$ (1,240)	\$ -0-	\$ -0-
Trunk Highway Fund - Inflation	\$ 16	\$ 34	\$ -0-	\$ -0-
- Reallocations	\$ (16)	\$ (34)	\$ -0-	\$ -0-

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

This Decision Item summarizes the Department's plans for reductions and/or budget adjustments in the event that salaries increase in the next biennium by 3.5% per year and increased appropriations are not available for the increased cost.

RATIONALE:

In order to assure that expenditures do not exceed resources as a result of possible increases in salary obligations the Department will in the first instance maintain a minimum of a 3% vacancy rate in authorized positions. It is estimated that a 3% vacancy rate will save \$512,000 in F.Y. 1992 and \$520,000 in F.Y. 1993. To the extent needed (based on negotiated settlement) the following activities will be reduced:

Program 01				
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>		
Disease Prevention and Control	\$ 117	\$ 163		
Public Health Laboratories		104		
Environmental Health	170		240	
Health Promotion and Education		41		
Total Program 01	<u>\$ 287</u>	<u>\$ 548</u>		
Program 02				
Health Systems Development	\$ 24	\$ 24		
Community Health Services		57		
Total Program 02	<u>\$ 24</u>	<u>\$ 81</u>		
Program 03				
Health Information and General Support	\$ 80	\$ 91		
Vacancy Management	<u>\$ 512</u>	<u>\$ 520</u>		
GRAND TOTAL	<u>\$ 903</u>	<u>\$ 1,240</u>		

ACTIVITY:
PROGRAM:
AGENCY: Health, Department of

1992-93 Biennial Budget

DECISION ITEM: Financing Inflationary Costs In Revenue
Generated Activities

RATIONALE:

These activities are supported by fees, are of a regulatory nature, and will experience an increase in costs. This request estimates the increase in costs to be 4.5% per year. This increase will be supported by fees.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency plan but has adjusted recommended funding for an inflationary rate of 3.5% in order to be consistent with the assumptions that the agency made for activities not supported by fees.

AGENCY PLAN:

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Expenditures				
General Fund	\$ 397	\$ 812	\$ -0-	\$ -0-
Revenues				
General Fund	\$ 397	\$ 812	\$ -0-	\$ -0-

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 315	\$ 636	\$ -0-	\$ -0-
Revenues				
General Fund	\$ 315	\$ 636	\$ -0-	\$ -0-

Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY:

This decision item is for an inflation factor of 4.5% in salaries and supplies and expenses for all fee supported activities in the Department.

DESCRIPTION/BACKGROUND:

The 4.5% inflation was applied to the following activities:

Program 01	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Public Health Labs	\$ 73	\$ 158
Environmental Health	<u>164</u>	<u>326</u>
Total	<u>\$ 237</u>	<u>\$ 484</u>
Program 02		
Health Systems Development	\$ 32	\$ 65
Health Resources	<u>91</u>	<u>188</u>
Total	<u>\$ 123</u>	<u>\$ 253</u>
Program 03		
Health Information and General Support	\$ 31	\$ 63
Management Support	<u>6</u>	<u>12</u>
Total	<u>\$ 37</u>	<u>\$ 75</u>
GRAND TOTAL	\$ 397	\$ 812

ACTIVITY:
PROGRAM:
AGENCY: Health, Department of
DECISION ITEM: Budget Reduction Plan

1992-93 Biennial Budget

Program 01

	F.Y. 1992	F.Y. 1993
AIDS	\$ 98	\$ 98
Non-Smoking	50	100
Dental Health	9	
Total Program 01	\$ 157	\$ 198

Program 02

MCH Formula	\$ 36	\$ 36
Services for Children with Handicaps Treatment	106	106
CHS Subsidy	716	716
Migrant Health	6	6
Indian Health	8	8
Poison Information	20	20
Ambulance Driver Reimbursement	20	20
Total Program 02	\$ 912	\$ 912

GRAND TOTAL

GRAND TOTAL	\$ 1,069	\$ 1,110
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This amount represents 5% of our grant programs with the exception of Family Planning and Women Infants and Children which were not reduced.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

AGENCY PLAN:

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Expenditures				
General Fund	\$ (1,861)	\$ (1,835)	\$ -0-	\$ -0-

GOVERNOR'S RECOMMENDATION:

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Expenditures				
General Fund	\$ (1,861)	\$ (1,835)	\$ -0-	\$ -0-

Requires statutory change: Yes X No
Statutes Affected:

ITEM SUMMARY:

This decision item summarizes the Department's plan for budget reductions in the 91-93 biennium. With the exception of Family Planning Grants and Women Infants and Children Food Supplement (WIC) program, a 5% reduction is shared equally with the Department's grantees.

RATIONALE:

Planned reductions in the Department; non-fee supported activities are:

Program 01	F.Y. 1992	F.Y. 1993
Disease Prevention and Control	\$ 120	\$ 100
Public Health Laboratory	64	
Environmental Health	162	162
Health Promotion and Education	55	
Total Program 01	\$ 401	\$ 262

Program 02	F.Y. 1992	F.Y. 1993
Maternal and Child Health	\$ 109	\$ 153
Community Health Services	182	150
Total Program 02	\$ 291	\$ 303

Program 03	F.Y. 1992	F.Y. 1993
Management Support	100	160
GRAND TOTAL	\$ 792	\$ 725

These reductions represent both salary and various supply items. The Department does not believe that layoffs will be required if given time to implement, given authority to transfer funds between fiscal years and between supplies and salaries in order to avoid layoffs. Planned reductions in grant are:

ACTIVITY:
PROGRAM:
AGENCY: Health, Department of

1992-93 Biennial Budget

DECISION ITEM: MATCH Plan (Minnesotas Answer to Comprehensive Health)

Dollars in Thousands				
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 2,361	\$ 12,637	\$ 12,669	\$ 12,901
Revenues				
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Requires statutory change: X Yes No

Statutes Affected: Chapters 62A, 62C, 62D; Chapter 144 (144.695-703); Chapters 62A, 62C, 62D; M.S. 144.1465 - 144.147, 144.70.

ITEM SUMMARY:

The Governor recommends an appropriation of \$1,761,000 in F.Y. 1992 and \$12,156,000 in F.Y. 1993 for the following purposes:

Small Employer Health Benefit Reform. Proposed changes in health plan regulation would improve the availability and affordability of health plan coverage for employees of small firms. Increased funding is requested for the purpose of the commissioner's review of rating practices for health carriers entering the small employer market. An appropriation is also needed for staffing a professional position for reinsurance task force.

Health Care Cost Containment. The commissioner of health is directed to analyze health care expenditure trends, insurance premium trends, and health care prices and quality, and report to the Legislature biennially with recommendations to strengthen the state's cost containment efforts. Additionally, the commissioner is directed to review the social and financial impact of proposed revisions to minimum health benefit laws, and prepare recommendations related to medical malpractice dispute resolution. A benefits and technology advisory committee will periodically advise the commissioner on matters of health care technology, benefits and coverage.

Administration. The commissioner of health, advised by citizens and health care experts, will prepare a statewide health plan to establish long-term goals for improving the health of Minnesotans. The commissioner will provide the Legislature with recommendations regarding health plan and managed care organization regulation. Funding is provided for private sector health care outcomes and effectiveness research, and the commissioner is directed to establish goals for public dissemination of such information.

Rural Health Care. Funds are provided for rural hospital planning grants and financial assistance,

and for physician and midlevel practitioner loan forgiveness. A newly established Office of Rural Health will administer rural health programs, assist rural communities and providers, and develop recommendations regarding nurse and nurse practitioner training, telecommunication technology, and related topics. The commissioner will enhance the state's health personnel data systems.

Pilot Project for Uninsured Low-Income Persons. Funding is requested for the purpose of creating a pilot project to provide health care coverage for the uninsured. Funds will be used to administer the project and to supplement individuals' and families' premium payments.

BACKGROUND:

Small Employer Health Benefit Reform. Throughout Minnesota, small employers are cancelling or not purchasing health care coverage for their employees as a result of the prohibitive cost of such coverage. This article would allow employers with 2 - 29 employees to purchase a minimum benefit package. It sets forth the level of benefits and creates a reinsurance association to minimize risk. Prior to the establishment of the reinsurance association, a task force will be appointed for six months to develop rules and guidelines for the association.

Health Care Cost Containment. Rising health care costs are creating fiscal strain on government, business, and individuals. Excessive use of advanced medical technologies, expansion of mandated benefits, and medical malpractice suits are thought to contribute to cost increases. Health care purchasers are hindered in making prudent decisions by the absence of information on health service prices and quality.

Administration. In the past, the state relied on federal funds, no longer available, to develop health goals and guide state health program activities. The state's health plan regulatory structure was established years ago. In the rapidly changing medical care marketplace, the health plan coverage offered by HMOs, commercial insurers, and nonprofit health service corporations has changed and become more complex over time. It is possible that the state's current regulatory structure is inequitable in treating similar entities differently, and insufficient for safeguarding consumers' access to covered services.

Rural Health Care. Demographic and economic changes in rural Minnesota, combined with major changes in health care financing and delivery, have combined to threaten the viability of rural community health care delivery systems. Many small rural hospitals are in financial jeopardy; eight rural Minnesota communities have lost their hospital since 1985. Physicians, nurses and other health personnel are in short supply in many rural areas, and both hospital financial condition and personnel shortages are expected to worsen without deliberate efforts to address the problems.

Pilot Project for Uninsured Low-Income Persons. More than 300,000 Minnesotans are uninsured and 18% of those uninsured are children. The state has a vested interest in ensuring that these people have adequate, cost-effective health care. For the purposes of the pilot project, the Commissioner of Health will contract with a health plan to provide a minimum benefit package to persons who enroll in the project. The enrollee will be responsible for a contribution of 10% of

his/her taxable income toward the cost of the premium. The state will contribute the remainder of the premium directly to the health plan. In addition, a "wellness rebate" of up to 50% of the enrollee's contribution will be given to those enrollees who lead a healthy lifestyle (e.g., nonsmoker, regularly exercise, no alcohol, etc.). The pilot project is limited to \$10 million. The pilot project will be evaluated and recommendations made to the legislature by January 15, 1995 as to the effectiveness of the project.

ACTIVITY:
(Continuation)

PROGRAM:

AGENCY: Health, Department of

1992-93 Biennial Budget

RATIONALE:

Small Employer Health Benefit Reform. Allowing the small employer to purchase health care coverage for their employees at a less expensive cost will partially address the problem of uninsured Minnesotans. One FTE position should be adequate to staff the task force.

Health Care Cost Containment. Mandated benefits and medical malpractice liability are governed by current law. These statutes need to be reexamined to strengthen incentives for efficient provision of effective medical care with appropriate consumer safeguards. To begin community deliberations about balancing costs and access, an ongoing, joint citizen-health care expert health care technology and benefits advisory committee is needed.

Administration. The scarcity of public funds requires that government focus resources on the most pressing needs and administer programs efficiently. A statewide health planning process, conducted in light of federally designated nationwide health improvement goals, will enable state officials to prioritize and implement effective state health programs. Health plan market changes necessitate a reexamination of state regulation of health plans and managed care organizations, to ensure that the state has the least restrictive yet effective regulatory structure consistent with consumer protection. The importance of increasing providers' and purchasers' knowledge of effective medical procedures necessitates allocation of state resources to augment private research efforts on medical care protocols, outcomes, and effectiveness.

Rural Health Care. Rural Minnesota communities and medical care providers urgently need strategic planning assistance, technical assistance, and limited short-term financial assistance from both state government and private organizations to preserve access to basic health care. A state-agency based Office of Rural Health is needed to coordinate the many ongoing private sector, federal, and state activities to improve rural health care delivery.

Pilot Project for Uninsured Low-Income Persons. The agency believes that additional positions and funds will be needed to implement, monitor and evaluate the pilot project. In addition, funding will be needed for an appropriation for the state's portion of the premium.

PROGRAM PURPOSE:

Protective Health Services exists to prevent and control acute and chronic disease, promote positive health behaviors and to protect Minnesota citizens from public health hazards. To achieve these ends the Protective Health Services Program includes the following activities: Disease Prevention and Control, the Public Health Laboratory, Environmental Health, and Health Promotion and Education.

Disease Prevention and Control

Disease Prevention and Control strives to prevent and control acute and chronic disease in Minnesota. This is done through the collection of information on disease occurrence in Minnesota and the development of appropriate prevention and control strategies which respond to these diseases.

Public Health Laboratory

The Public Health Laboratory provides the Health Department and other state and local agencies with timely access to laboratory testing services of consistent quality. The Laboratory performs tests on human specimens and on environmental samples and regulates private laboratories in Minnesota.

Environmental Health

Environmental Health protects Minnesota citizens from environmental hazards. Actual and potential risks are minimized and controlled through education, technical assistance and regulation.

Health Promotion and Education

Health Promotion and Education (HP&E) encourages and supports health behaviors in Minnesota citizens that promote health and prevent diseases or conditions that are influenced by lifestyle choices and cultural norms. This activity also promotes early detection of and optimal follow-up care for diseases and conditions for which effective primary prevention measures are not available.

PERFORMANCE:

The Protective Health Services Program addresses the following basic needs: acute and chronic disease reduction and prevention, the assurance that quality laboratory testing is available in a timely fashion, citizen protection from environmental health hazards, and encouragement of behaviors that promote optimal health.

Disease Prevention and Control

- This activity maintains surveillance of selected chronic diseases, conducts epidemiologic investigations of populations exposed to cancer-causing agents and provides epidemiologic analyses of chronic disease patterns in Minnesota. This information is needed to design prevention and control programs for reducing morbidity and mortality resulting from chronic disease. In 1990 80 cancer clusters were investigated and 22,000 cancers were registered.
- The activity monitors the State for the occurrence of communicable diseases. This information is needed to design specific programs for control of vaccine-preventable disease, sexually transmitted disease and tuberculosis. In 1990 410 new AIDS cases and 95 new active tuberculosis cases were reported.
- The activity investigates disease outbreaks and institutes prompt and appropriate measures to control the spread of identified cases of acute disease. In 1990 70 large acute disease outbreaks were investigated, and data was obtained and analyzed on 15,000 acute disease cases.
- The activity designs and implements programs to prevent or eliminate acute diseases. The promotion of immunization programs has resulted in an immunization rate of 99.4% for children

in grades K-12 in 1990. Newly arrived refugees are given health screenings and provided with treatment, if necessary. There are twenty-eight state supported counseling and testing sites aimed at controlling the spread of the AIDS virus and reducing the incidence of sexually transmitted disease (STD). In 1990 1,800 individuals were followed up by the AIDS contact notification unit.

- The activity provides information, training and technical consultation to health personnel, state agencies and communities. Activities provided in 1990 included: 7 AIDS/STD community education projects which reached 24,500 individuals, 2,600 technical consultations to health providers, 18 AIDS/STD community risk reduction programs.

Public Health Laboratory

- The Laboratory tests approximately 70,000 newborns annually for each of four different metabolic diseases and transmits test result information to Maternal and Child Health. Maternal and Child Health follows up on infants with identified disease conditions to ensure that treatment which may prevent or delay disease is provided.
- The Laboratory tests more than 121,000 microbiological specimens annually for disease-causing agents. Information from these tests is used by Disease Prevention and Control to monitor the occurrence of disease throughout the State, and it provides diagnostic assistance to physicians and clinics.
- In 1990 the Laboratory performed 68,000 tests for various contaminants and constituents in the indoor and outdoor environment. The information from these tests was used by environmental control programs in the Department, as well as by those in other State and local agencies.
- In 1990 51 laboratories were regulated by the Laboratory. Inspections and reviews of proficiency data ensured that the quality of tests performed by these laboratories was adequate. The Laboratory licenses private laboratories which perform drug and alcohol tests on Minnesota employees and certifies laboratories which test environmental samples to meet certain state environmental program needs. It is anticipated that 167 labs will be regulated in 1991.
- Changes in equipment and methodology in the labs during the past year have resulted in improvements in efficiency and reliability. Between 1990 and 1991 selected bench hour rates were reduced by 11%, turnaround times by 25%, and the rate of repeat sampling by 9%.

Environmental Health

- Environmental Health protects Minnesota citizens from environmental contaminants in their drinking water by monitoring the State's 1,000 community, 1,500 nontransient, and 9,500 noncommunity public water supplies for contaminants. Minnesota has one of the country's highest compliance rates with federal Safe Drinking Water requirements. There have been no reported outbreaks of waterborne illnesses associated with public drinking water supplies in the last decade. In addition, this activity enforces the State laws and rules which deal with the proper construction and sealing of wells and installation of plumbing.
- Environmental Health protects citizens from unnecessary exposure to other potentially harmful environmental impacts through a network of regulatory programs. These efforts are directed at discovering and correcting risks before they result in harm. The Activity routinely needs to issue corrections to about 10% of the food, beverage, and lodging establishments that it inspects, 15% of x-ray facilities, 50% of employers inspected under the Occupational Safety and Health Act, 55% of plumbing projects installed by non-licensed plumbers, 55% of asbestos removal projects, and 20% of facilities inspected for compliance with the Minnesota Clean Indoor Air Act.
- The Health Risk Assessment Activity calculates and communicates to Minnesota citizens the potential threat of hazards in the environment. In 1990 these calculations were used for the following: seven Superfund cleanups, about 100 private well advisories, five Environmental Impact Statements, the production of the Minnesota Fish Consumption Advisory, and two environmental rule making activities.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HEALTH,DEPT OF
PROGRAM: HEALTH DELIVERY SYST

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
MATERNAL&CHILD HEALTH	49,478	60,109	57,128	52,730	52,479	54,158	52,726	52,431	53,610
HEALTH SYS DEVELOPMENT	1,110	1,296	1,846	1,424	1,777	4,131	1,420	1,875	14,498
HEALTH RESOURCES	9,349	12,117	13,642	13,596	13,969	13,949	13,592	14,020	13,977
COMMUNITY HEALTH SERVICES	16,377	18,012	19,888	19,860	18,908	18,908	19,853	18,933	18,933
TOTAL EXPENDITURES BY ACTIVITY	76,314	91,534	92,504	87,610	87,133	91,146	87,591	87,259	101,018
DETAIL BY CATEGORY:									
STATE OPERATIONS	21,789	22,138	24,126	23,458	23,893	25,867	23,439	24,019	25,989
LOCAL ASSISTANCE	27,693	33,084	30,779	30,303	29,497	31,036	30,303	29,497	31,286
AID TO INDIVIDUALS	26,832	36,312	37,599	33,849	33,743	34,243	33,849	33,743	43,743
TOTAL EXPENDITURES BY CATEGORY	76,314	91,534	92,504	87,610	87,133	91,146	87,591	87,259	101,018
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	22,762	24,476	27,844	26,240	25,601	29,614	26,223	25,660	39,419
SP REV DIRECT APPROP	53								
PUBLIC HEALTH	1,623								
STATE GOVT SPEC REV		135	196	173	335	335	172	298	298
TRUNK HIGHWAY	531	1,360	1,393	1,401	1,401	1,401	1,400	1,400	1,400
STATUTORY APPROPRIATIONS:									
STATE GOVT SPEC REV								105	105
SPECIAL REVENUE	6,689	8,968	10,489	10,489	10,489	10,489	10,489	10,489	10,489
FEDERAL	44,621	56,556	52,565	49,290	49,290	49,290	49,290	49,290	49,290
GIFTS AND DEPOSITS	35	39	17	17	17	17	17	17	17
TOTAL FINANCING	76,314	91,534	92,504	87,610	87,133	91,146	87,591	87,259	101,018

ACTIVITY: Maternal and Child Health

1992-93 Biennial Budget

PROGRAM: Health Delivery Systems

AGENCY: Health, Department of

DECISION ITEM: Expanded Funding for Family Planning Grants

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$1,179,000 each year of the biennium for Family Planning Grants.

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund	\$ 1,179	\$ 1,179	\$ 1,179	\$ 1,179
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Revenues

General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
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Requires statutory change: Yes X No

Statutes Affected:

RATIONALE:

Almost half of all Minnesota families on AFDC began with a teen birth. It is estimated that over 50% of teen mothers never complete high school, and without college or vocational training generally end up relying on public assistance programs such as AFDC, food stamps, and medical assistance to support their families. Three-fourths of all single mothers live in poverty. The more children a woman has, the more difficult it is for her to get off of public assistance.

In Minnesota, funding for family planning activities has remained virtually unchanged since 1979. Adequate funding of family planning grants will help ensure that our children have a chance to live independently and have an opportunity to achieve economic security. Recognizing that women in need of family planning services face cultural, financial and geographic barriers, the Governor recommends increasing funding to local service providers through the Family Planning Grant program.

The Governor believes that this increased funding, in addition to his recommendations in the area of Head Start, the Children's Health Plan, Early Child and Family Education, Way to Grow, and Children's Mental Health will help ensure that the children of Minnesota will have healthy childhoods, be able to benefit from educational programs, and achieve self-sufficiency in adulthood.

The amount of funding recommended will be adequate to fund the applicants who were eligible but not funded for the current biennium, as well as the cost associated with 1 staff position.

STATISTICS:

	F.Y. 1990	F.Y. 1991	F.Y. 1992	F.Y. 1993
Number of grants awarded	40	40	60	60
Number of grants unfunded	16	16	5	5
Number of persons served	24,000	24,000	45,000	45,000

1DECISION ITEM:**1992-93 Biennial Budget**

ACTIVITY: Maternal and Child Health
PROGRAM: Health Delivery Systems
AGENCY: Health, Department of

DECISION ITEM: Fiscal Year Transfer in Funds for WIC

WIC. The recommended transfer of \$500,000 from F.Y. 1991 to F.Y. 1992 will allow the Department to fully utilize state and federal funding, maximize the number of participants served, and minimize the up-and-down effect of caseload changes on local agencies.

The alternative is to increase caseload to a level which could not be sustained beyond September 30, 1991. Such short term up-and-down caseload allocations are extremely frustrating for local agencies, who have difficulty managing caseload, staffing and expenditures under such circumstances. A lapse of federal funding could result.

	Dollars in Thousands				
	F.Y. 91	F.Y. 92	F.Y. 93	F.Y. 94	F.Y. 95
Expenditures					
General Fund	\$ (500)	\$ 500	\$ -0-	\$ -0-	\$ -0-
Positions					
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Revenues					
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The Governor recommends a reduction of \$500,000 in F.Y. 1991 and an appropriation increase of \$500,000 in F.Y. 1992 for the WIC Program for caseload management purposes.

KEY STATISTICS/FINANCING/IMPACT:

	F.Y. 91	F.Y. 92	F.Y. 93
Rebate amount per can	\$ 1.71	\$ 1.40	\$ 1.40
Participants supported by rebate	15,250	12,600	12,600
General Fund Expenditures (000s)	\$ 250	\$ 1,250	\$ 750

RATIONALE/OPTIONS:

The Department anticipated that the next infant formula rebate contract would be negotiated at an amount below the current contract, which did in fact occur. The current rebate is \$1.71 per can, provides \$9.49 million in annual revenue, and supports 15,250 participants. The next contract will be effective on July 1, 1991; it will be \$1.40 per can, provide \$8.7 million in annual revenue, and support 12,600 participants.

However, the Federal grant received for the WIC Program increased by \$2.1 million for Federal F.Y. 1991. The Department held some of the increase in reserve to compensate for the anticipated decline in rebate revenues. As a result, statewide WIC caseload will be increased by more than 1,000 on April 1, 1991; this increase can be sustained through September 30, 1992 if a cash flow problem can be addressed.

The Department currently receives \$750,000 from the General Fund each year of the biennium for

DEPARTMENT OF CORRECTIONS
POSITION AND EMPLOYEE STATUS INFORMATION

POSITION RECONCILIATION:			EMPLOYEES BY EMPLOYMENT STATUS:	
	Current <u>FY 91</u>	Requested <u>For 6/30/93</u>		<u>6/30/90</u>
Authority:				
Legislative Complement:				
General Fund	245.0	245.0	Full-Time Unlimited	1,980
Legislative Authorized:			Full-Time Temporary	62
General Fund	1,882.0	2,069.9	Full-Time Emergency	3
Special Revenue	53.8	46.3	Part-Time Seasonal	1
Federal	6.9	6.9	Part-Time Unlimited	124
Agency	1.5	1.5	Part-Time Temporary	3
Correctional Industry	68.1	68.1	Part-Time Emergency	2
Budgetary Authorized:			Intermittent Unlimited	25
Special Revenue	16.5	-0-	Intermittent Emergency	1
Federal	3.0	1.0		
Agency	1.0	1.0		
Correctional Industry	8.8	9.0		
Total Permanent Positions	2,286.6	2,448.7	TOTAL	2,201
Other Complement (FTE)	3.0	3.0		
TOTAL Positions	2,289.6	2,451.7		
Employees on 6/30/90		2,201		

MISSION:

The Department of Corrections was established in 1959 by the state legislature to consolidate a number of fragmented correctional services and functions under a single department. It derives its authority from statutory provisions which outline and define its responsibilities as a part of the executive branch of state government. The primary purpose of the department is clearly one of public protection by reducing criminal behavior through incarceration of offenders and through the development of programs. Programs are designed to increase the likelihood that those committed to the custody of the department will function as law-abiding citizens when returned to the community.

The department is responsible for the operation of 10 correctional facilities necessary for confinement, control, and treatment of juvenile and adult offenders committed to the Commissioner of Corrections. This responsibility includes defining the purpose of these correctional facilities and the mission of each facility.

The department is responsible for development and delivery of a wide variety of correctional services for juvenile and adult offenders on probation, supervised release, and parole. It also has responsibility for a range of investigative and information reporting services for courts of the state.

As mandated by the Community Corrections Act and other legislation, the department administers subsidies to units of local government for provision of correctional services. These services are monitored by the department through the provision of technical assistance and enforcement of promulgated rules.

The department has statewide regulatory responsibility for inspection and licensing of jails, lockups, residential and detention facilities, and group homes which house selected individuals involved in the criminal and juvenile justice systems.

The department is charged with conducting ongoing planning, research, evaluation, and staff training to ensure efficient, effective delivery of correctional programs and services.

In addition, the department is legislatively mandated to provide financial and technical assistance to public and private agencies or organizations to provide services to victims of crime.

The department is organized into 3 programmatic functions: institution services, community services and management services. These programs carry out the mission of the department through the following objectives:

- Institution Services operates 7 adult, 1 adult/juvenile and 2 juvenile facilities in a secure, safe, just and humane manner with meaningful programs for inmates. Support service functions plan, implement and coordinate inmate health care, educational services, industry programs, and the safe transportation of inmates between facilities.
- Community Services provides a broad range of correctional services in the community including the inspection of jail and local facilities, probation, supervised release, work release and investigative services, administration of the Community Corrections Act and technical assistance and subsidies to counties not participating in the Act and community residential programs. The objective of these services is to protect the public, to control criminal behavior, to further the development of the skills offenders require to function in a normal community setting and to assist with compliance with jail standards relating to local correctional facilities.
- Management Services provides a broad range of management support services throughout the department to provide leadership and direction that will contribute to accomplishing the department's mission. Included are the administrative management of the department, affirmative

action, fiscal services, adult and juvenile release, inmate discipline, hearing officer services, office management, personnel, staff training, and information systems.

MAJOR POLICY DRIVERS:

Population - The number of adult inmates incarcerated in state prisons has been increasing since 1981 with rapidly accelerating increases in more recent years. The total number of inmates is increasing from 1,919 in 1981 to a projected 3,211 in F.Y. 1991. Projections for F.Y. 1993 indicate an adult population of 3,584 and a population of 4,226 by the year 2000.

An upswing in the number of commitments of male offenders from the courts to the department is one reason for this increase. Commitments in 1980 averaged 70 per month while for 1990, commitments average 161 per month. Another reason for the growth in male commitments is the effect of the increases in criminal penalties made by the state legislature and Sentencing Guidelines Commission. It appears that female populations are increasing also due to high commitments. A buildup of female inmates with long sentences has also contributed to the higher population.

Many states have massive and costly new prison construction projects underway. In Minnesota, prison capacity has been expanded by adding beds at existing facilities and by converting space available in state regional treatment centers. That trend is expected to continue to meet the demand for prison beds and no new prisons are planned at this time.

There are a number of options that could address population increases, such as modifying sentencing guidelines; reducing short-term commitments; expanding work release and intensive supervision; increasing electronic monitoring; and at the local level, sentencing to service. While some of these options are already in use, others including modifying sentencing guidelines and administratively reducing sentences all run contrary to current public opinion.

It should also be emphasized that the increase in offender populations is not solely a phenomenon at the state level; it permeates the system including county and municipal levels. Thus, Community Services finds its workload increasing in probation, supervised release, work release and residential placement, licensing and inspection of jails, technical assistance and training to jail operators and services to victims of crime. Further, new demands are made for increased funding by the Community Corrections Act counties to address the disproportionately faster rate of local funding versus state funding for community correctional services.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

With increasing offender populations and demands for correctional services at all levels coupled with the fact that the system is operating at capacity, increased funding will be necessary to meet the department's basic mission. The cost of providing these services exceeds the base budget by the amounts shown below.

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Salary Inflation	\$ 2,227	\$ 4,554
Institution Services	10,790	15,916
Community Services	5,294	5,439
Management Services	331	308
Total	<u>\$ 18,622</u>	<u>\$ 26,217</u>

CORR.AGY
March 26, 1991/mk

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CORRECTIONS,DPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
CORRECTIONAL INSTITUTIONS	101,083	114,974	130,679	128,793	128,793	141,810	129,857	129,857	150,327
COMMUNITY SERVICES	25,759	30,474	38,362	37,087	37,087	42,361	37,167	37,167	42,606
VICTIM SERVICES	4,825	5,719	6,444	6,331	6,331	6,331	6,330	6,330	6,330
MANAGEMENT SERVICES	4,378	5,005	5,824	5,502	5,502	5,833	5,497	5,497	5,805
TOTAL EXPENDITURES BY PROGRAM	136,045	156,172	181,309	177,713	177,713	196,335	178,851	178,851	205,068
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	102,947	126,565	146,066	142,913	142,913	161,535	142,611	142,611	168,828
STATUTORY APPROPRIATIONS:									
GENERAL	23	85	5						
SPECIAL REVENUE	13,800	7,602	7,975	6,758	6,758	6,758	7,005	7,005	7,005
FEDERAL	2,235	2,056	4,476	3,868	3,868	3,868	3,870	3,870	3,870
AGENCY	8,170	8,679	9,931	10,752	10,752	10,752	11,280	11,280	11,280
GIFTS AND DEPOSITS	58	66	32	3	3	3	3	3	3
CORRECTIONAL INDUS	8,812	11,119	12,824	13,419	13,419	13,419	14,082	14,082	14,082
TOTAL FINANCING	136,045	156,172	181,309	177,713	177,713	196,335	178,851	178,851	205,068

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: CORRECTIONS, DPT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	181,309	181,309	146,071	146,071	30,762	30,762	4,476	4,476
ONE-TIME APPROPRIATIONS	<250>	<250>	<250>	<250>				
BIENNIAL APPROPRIATIONS	150	148	150	148				
APPROPRIATIONS CARRIED FWD	<4,535>	<4,535>	<4,535>	<4,535>				
BASE TRANSFER (BTWN AGENCIES)	200	200	200	200				
SALARY ANNUALIZATION	1,270	956	1,270	956				
DOCUMENTED RENT/LEASE INCR.	11	26	11	26				
DEDICATED RECEIPTS AND FUNDS	165	1,603	<5>	<5>	170	1,608	<608>	<606>
FEDERAL RECEIPTS	<608>	<606>						
BASE TECHNICAL ADJUSTMENTS	1		1					
TOTAL	177,713	178,851	142,913	142,611	30,932	32,370	3,868	3,870
BIENNIAL TOTAL		356,564		285,524		63,302		7,738

PROGRAM: Correctional Institutions
Agency: Corrections, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

The Institutional Services Program includes the operation of 10 correctional facilities plus the department-wide coordination and supervision of institution health care, education, industry and other support services. The facilities serve a dual purpose - to protect the public by incarceration of the offender and to provide industrial, vocational, academic and therapeutic opportunities for inmates that help them to return to the community as law-abiding citizens. The mission of the Institutions is to provide a safe, secure and humane environment while offering various programs to inmates.

1. Minnesota Correctional Facility-Faribault (MCF) is the state's newest correctional facility and shares the campus at the Faribault Regional Treatment Center. It opened in F.Y. 1990 for minimum security inmates and became a medium security facility in October, 1990. In the coming biennium, it will house about 432 medium security inmates. It is for adult males and provides an opportunity for inmates to participate in work programs with training and self-discipline.
2. MCF-Red Wing receives and treats delinquent juvenile males up to 19 years of age committed to the Commissioner of Corrections from the juvenile courts in 21 southeastern Minnesota counties including Hennepin County. Red Wing is also a minimum security facility for adult male offenders nearing their release dates.
3. MCF-Lino Lakes is for adult male offenders in medium security and provides opportunities for inmates to participate in work programs with training and self-discipline.
4. MCF-Shakopee provides for adult female offenders and offers activities in education, vocational education, specialized programming such as chemical dependency, parenting, independent living skills, battered women's groups, recreation, work release and industry programs.
5. MCF-Willow River/Moose Lake is for both adult male and female offenders. Programming for adult males includes vocational, academic, work and group treatment at the Willow River site and a short-term offender program at Moose Lake. In November, 1990, a unit opened at Moose Lake to provide education and work programs for up to 60 adult female offenders.
6. MCF-Sauk Centre receives and treats delinquent juvenile males from juvenile courts in 66 counties in western Minnesota and delinquent girls from juvenile courts from all of Minnesota. Currently, juvenile girls are being retained in community resources rather than at MCF-Sauk Centre.
7. Thistedew Camp provides on a per diem basis an educational and confidence building outdoor survival program for young men 13 to 18 years of age who experience difficulties in their home communities. Thistedew Camp is available for use by all juvenile county courts in Minnesota and operates through purchase of service agreements with counties and the local school district.
8. MCF-Stillwater provides academic, vocational, therapeutic and work opportunities for inmates. Stillwater is the state's largest correctional facility and serves as the receiving institution for all convicted male felons aged 24 and older.
9. MCF-St. Cloud is a receiving facility for younger adult male offenders. Programming includes academic, vocational, chemical dependency, individual, group and job counseling, and work programs. With younger adult males, the emphasis is on education, especially vocational education.
10. MCF-Oak Park Heights is the state's maximum security facility and is designed to receive inmates transferred from the St. Cloud and Stillwater facilities. Inmates at MCF-Oak Park

Heights are classified as maximum custody or risks to the public including those convicted of serious person offenses, high escape risks and dangerous and disruptive management problems from other institutions. It offers various programs to inmates with an emphasis on industry programming.

Institution Support Services coordinates health care, education, industries, transportation of inmates, fugitive arrests, facility planning and development, and accreditation activities to ensure that adequate services are provided efficiently at each institution and to prevent duplication of these services within the department.

PERFORMANCE:

Although state correctional facilities are full and inmate populations continue to increase, Minnesota has not been confronted with the dangerous prison crowding problems faced in many states. There are 41 states under federal court order to reduce populations and build more prisons due to unconstitutionally crowded conditions.

Minnesota's sentencing guidelines, its strong probation system, and community corrections apparatus are all factors in controlling inmate populations. Minnesota's system is designed to reserve expensive prison space for only those serious criminals who need it and to have local sanctions such as jails, workhouses, or sentencing to service programs for less serious property offenders.

Corrections' inmate return rate is relatively low. Eighty percent of those released do not return to prison as the result of a new crime after 2 years. Eleven percent come back because they have violated a condition of release, which in most cases involves use of alcohol/drugs or absconding from a halfway house.

PROSPECTS:

Inmate population projections prepared by the Corrections Department and the Minnesota Sentencing Guidelines Commission in September, 1990, indicate that the number of inmates will continue to increase. The adult male population is projected to increase by 437 inmates between F.Y. 1991 and F.Y. 1993. Longer term projections through 2000 have also been calculated. Although these longer term projections are less reliable due to the many factors that can change over time, the projections for male inmates show that the increase from F.Y. 1991 will total 962 by the year 2000. Adult female populations are also increasing. Projections indicate an increase of 15 by F.Y. 1993 and an additional 28 by the year 2000. The trend in juvenile populations remains relatively stable.

The following chart indicates the number of beds needed to meet the population projections for F.Y. 1992 and F.Y. 1993.

	F.Y. 1990-91			F.Y. 1992			F.Y. 1993			Increase FY 90-91 to 1993
	Adult	Juvenile	Total	Adult	Juvenile	Total	Adult	Juvenile	Total	
Adult Male	3,097		3,097	3,384		3,384	3,534		3,534	437
Adult Female	172		172	202		202	202		202	30
Juvenile		170	170		170	170		170	170	-0-
Total	3,269	170	3,439	3,586	170	3,756	3,736	170	3,806	467

PROGRAM: Correctional Institutions
(Continuation)
Agency: Corrections, Department of

1992-93 Biennial Budget

PLAN:

Corrections is in the process of opening the MCF-Faribault, a medium security facility for adult males on the Faribault Regional Treatment Center campus. Plans for bringing buildings on line at MCF-Faribault correspond to the need for beds for the growing male population. Construction at MCF-Lino Lakes will provide an additional 150 beds for adult males beginning in July, 1992 bringing the total at MCF-Lino Lakes to 450. With the addition of 90 beds at MCF-Stillwater and 20 at MCF-St. Cloud, the population projections should be met in the F.Y. 1992-93 biennium.

Costs of the increased workload are shown below and include 62.7 positions the first year and 148.2 positions the second year.

	<u>1992</u>	<u>1993</u>
Institution Services	\$10,790	\$15,916

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

INSTSVS.PRO
03/22/91 2:40 pm cm

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CORRECTIONS, DPT OF
PROGRAM: CORRECTIONAL INSTITUTIONS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
MCF-FARIBAULT		5,312	13,973	11,973	11,973	17,666	12,176	12,176	17,386
MCF-RED WING	7,133	6,951	7,117	7,126	7,126	7,126	7,105	7,105	7,105
MCF-LINO LAKES	11,549	11,989	12,527	13,040	13,040	13,040	13,250	13,250	18,249
MCF-SHAKOPEE	4,658	5,473	6,062	5,775	5,775	6,513	5,953	5,953	6,691
MCF-WILLOW RIVER/MOOSE LAKE	3,207	3,380	5,322	5,369	5,369	5,733	5,361	5,361	5,698
MCF-SAUK CENTRE	4,201	4,401	4,740	4,604	4,604	4,710	4,592	4,592	4,698
THISTLEDEW CAMP	1,818	1,880	2,051	2,130	2,130	2,130	2,274	2,274	2,274
MCF-STILLWATER	29,723	33,817	34,760	34,789	34,789	37,326	34,967	34,967	37,256
MCF-ST CLOUD	17,825	19,425	20,039	20,043	20,043	20,638	19,994	19,994	20,638
MCF-OAK PARK	16,363	17,312	18,276	18,254	18,254	18,254	18,504	18,504	18,504
HEALTH CARE	3,494	3,779	4,101	4,110	4,110	4,646	4,104	4,104	5,295
EDUCATION	425	482	458	460	460	460	459	459	459
INSTITUTION SUPPORT SERV	687	773	1,253	1,120	1,120	3,568	1,118	1,118	6,074
TOTAL EXPENDITURES BY ACTIVITY	101,083	114,974	130,679	128,793	128,793	141,810	129,857	129,857	150,327
DETAIL BY CATEGORY:									
STATE OPERATIONS	101,038	114,939	130,648	128,762	128,762	141,779	129,826	129,826	150,296
LOCAL ASSISTANCE	5	5	1	1	1	1	1	1	1
AID TO INDIVIDUALS	40	30	30	30	30	30	30	30	30
TOTAL EXPENDITURES BY CATEGORY	101,083	114,974	130,679	128,793	128,793	141,810	129,857	129,857	150,327
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	74,535	89,806	102,890	100,665	100,665	113,682	100,389	100,389	120,859
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	8,989	4,743	4,512	3,456	3,456	3,456	3,603	3,603	3,603
FEDERAL	835	771	715	718	718	718	720	720	720
AGENCY	7,863	8,474	9,711	10,532	10,532	10,532	11,060	11,060	11,060
GIFTS AND DEPOSITS	49	61	27	3	3	3	3	3	3
CORRECTIONAL INDUS	8,812	11,119	12,824	13,419	13,419	13,419	14,082	14,082	14,082
TOTAL FINANCING	101,083	114,974	130,679	128,793	128,793	141,810	129,857	129,857	150,327

ACTIVITY: Program-wide Decision
PROGRAM: Correctional Institutions
AGENCY: Corrections, Department of

1992-93 Biennial Budget

DECISION ITEM: Corrections Population Increase

Dollars in Thousands			
<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

AGENCY PLAN:

Expenditures				
General Fund	\$ 10,790	\$ 15,916	\$ 14,815	\$ 14,815

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 10,790	\$ 15,916	\$ 14,815	\$ 14,815

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

This funding is required to house the rapidly expanding prison population in facilities which meet the test of constitutional conditions of confinement.

RATIONALE:

Minnesota has been experiencing rapidly increasing prison populations. This trend is projected to continue. Although the crime rate for the most serious crimes has not changed dramatically in the 1980's many other factors have combined to result in the increased numbers of persons in state prisons. Some of these factors are general growth in the population, the creation in law of new penalties, longer sentences, increased police enforcement, and aggressive prosecution.

Minnesota spent less on state prisons per citizen than all but 2 other states in the most recent comparison. Lower risk offenders tend to be placed in community corrections facilities and programs. Thus, the corrections department receives high risk offenders and those with long criminal histories.

The Minnesota Department of Corrections is one of only 9 states that has not been under court order to reduce prison populations or otherwise make the prison system constitutional. Minnesota's institutions are presently at, or over capacity. In the current biennium, Stillwater, St. Cloud, and Shakopee in particular have been consistently accommodating populations in excess of capacity, and been forced to create dormitories and to use hall space for beds.

The department plans to house the population increase through expansion at Faribault, Lino Lakes, Stillwater and St. Cloud. In addition to costs of institutional space, increased populations require

additional health care, administrative and support services. The funding requested here deals with the F.Y. 1992-93 biennial bed needs only. Population projections indicate additional beds needed in the F.Y. 1994-95 biennium as shown below.

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Beds - funding requested	3,586	3,736	3,736	3,736
Beds needed	<u>3,584</u>	<u>3,750</u>	<u>3,899</u>	<u>4,009</u>
	2	(14)	(163)	(273)

Funding request by budget activity:

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
MCF-Faribault	\$5,693	\$5,210	\$5,210	\$5,210
MCF-Lino Lakes	-	4,999	3,898	3,898
MCF-Shakopee	738	738	738	738
MCF-Willow River/Moose Lake	364	337	337	337
MCF-Stillwater	2,537	2,289	2,289	2,289
MCF-St. Cloud	595	644	644	644
Health Care	536	1,191	1,191	1,191
Institution Support	221	402	402	402
MCF-Sauk Centre	<u>106</u>	<u>106</u>	<u>106</u>	<u>106</u>
Total	\$10,790	\$15,916	\$14,815	\$14,815

GOVERNOR'S RECOMMENDATION:

With opening of the unit at Moose Lake for adult, female offenders and the delay in expansion at MCF-Shakopee, the Governor recommends a revised funding level for Shakopee of \$1,476,000 for the biennium.

The Governor also recommends an increase of \$212,000 for the biennium for MCF-Sauk Centre. With the recent decline in juvenile females committed to the Commissioner of Corrections, it is difficult to provide adequate and equitable programming at Sauk Centre for a small number of juvenile females. This funding would allow for contracting for services with appropriate facilities.

CORR.03
 March 26, 1991/mk

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CORRECTIONS, DPT OF
PROGRAM: COMMUNITY SERVICES

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
PROB & SUPVD REL	4,493	4,823	6,159	6,151	6,151	6,799	6,135	6,135	6,863
COMM CORR ACT	14,486	18,183	20,098	19,848	19,848	23,248	19,848	19,848	23,548
COMMUNITY PROJECTS	2,437	2,889	5,044	4,935	4,935	4,935	5,033	5,033	5,033
FACILITIES PLG & INSPECT	372	492	819	280	280	1,301	279	279	984
COMMUNITY SERV SUPPT	3,971	4,087	6,242	5,873	5,873	6,078	5,872	5,872	6,178
TOTAL EXPENDITURES BY ACTIVITY	25,759	30,474	38,362	37,087	37,087	42,361	37,167	37,167	42,606
DETAIL BY CATEGORY:									
STATE OPERATIONS	8,126	9,095	13,349	12,896	12,896	13,870	12,976	12,976	14,115
LOCAL ASSISTANCE	17,633	21,379	25,013	24,191	24,191	28,491	24,191	24,191	28,491
TOTAL EXPENDITURES BY CATEGORY	25,759	30,474	38,362	37,087	37,087	42,361	37,167	37,167	42,606
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	21,718	27,466	32,648	31,983	31,983	37,257	31,963	31,963	37,402
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	3,409	2,524	3,109	3,031	3,031	3,031	3,131	3,131	3,131
FEDERAL	325	279	2,385	1,853	1,853	1,853	1,853	1,853	1,853
AGENCY	307	205	220	220	220	220	220	220	220
TOTAL FINANCING	25,759	30,474	38,362	37,087	37,087	42,361	37,167	37,167	42,606

ACTIVITY: Program-wide Decision
PROGRAM: Community Services
AGENCY: Corrections, Department of

1992-93 Biennial Budget

DECISION ITEM: Corrections Population Increase

Dollars in Thousands				
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures				
General Fund	\$ 974	\$ 1,139	\$ 1,139	\$ 1,139
Revenues				
General Fund	\$ 186	\$ 186	\$ 186	\$ 186

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 974	\$ 1,139	\$ 1,139	\$ 1,139
Revenues				
General Fund	\$ 186	\$ 186	\$ 186	\$ 186

Requires statutory change: Yes X No
Statutes Affected:

ITEM SUMMARY:

- (1) This request would enable the Department of Corrections to conduct quality and timely investigative services for state district courts and to supervise persons on probation and supervised release at a level commensurate with public safety. For F.Y. 1992 the request reflects the addition of 5.0 Corrections Agents, 1.0 District Supervisor and 3.0 Clerk-Steno positions at a cost of \$462,000. In F.Y. 1993 an additional Agent and .5 Clerk-Steno positions are requested, for a total increase of \$542,000.
- (2) Pursuant to M.S. 260.311, Redwood, Douglas and Watonwan counties have requested probation services for their juvenile courts and the Department of Corrections, per statute, shall furnish 4.0 Agents and necessary expenses, totalling \$186,000 per year.
- (3) The Sentencing to Service (STS) program requests the addition of a Sentencing to Service Coordinator, to be located in Willmar, and 4 half-time Clerk Typists, to be located in Detroit Lakes, St. Cloud, New Ulm and Rochester. Reallocation of non salary funds of \$49,000 is requested to fund the positions.
- (4) The Facilities Licensing and Inspection Unit requests an additional Facility Inspector and 3.0 half-time Clerk Typists for a total of \$121,000 in F.Y. 1992 and \$105,000 in F.Y. 1993.

- (5) The continuing increase in costs of temporary short-term detention of adult offenders in local jails necessitates a request of \$20,000 per year.
- (6) The agency requests \$100,000 in F.Y. 1992 and \$201,000 in F.Y. 1993 to meet the need for additional residential services and surveillance and control services such as electronic monitoring and day programming.
- (7) Per M.S. 260.311, the state shall provide for up to 50% reimbursement of county probation officer(s) salary in non-CCA counties. This request asks for \$85,000 per year to reimburse the salaries of the agents requested for Redwood, Douglas and Watonwan counties.

RATIONALE:

- (1) Because of increasing workloads the Department of Corrections has not been able to supervise clientele at a level considered appropriate to ensure surveillance and public protection. With the additional staff positions requested, adequate supervision would be provided to 100 percent of the offenders at the prescribed level necessary to enhance desired protection for the public.

The case classification system affirms that offenders differ greatly in the degree of risk that they present, and in the amount of time an agent must devote to supervise them properly. Recognizing this, using validated scales for measuring risk and applying the results of several extensive time studies, various classifications of cases have been assigned specific point values and the workload an agent can effectively handle has been established. This analysis reflects the need for additional agent positions.

	Actual F.Y. 1989	Actual F.Y. 1990	Estimated F.Y. 1991	Estimated F.Y. 1992	Estimated F.Y. 1993
Number of agents	56	53	56	61	62

- (2) Per statute the Department of Corrections shall provide the requested probation services. There are no resources available within the department operating budget to fund this request. The General Fund will be reimbursed by the county for applicable expenses, thus resulting in no new direct cost to the state.
- (3) Many jails in the state are overcrowded. The cost of building new jails is high. Sentencing to Service offers an effective alternative to jails for a large percentage of non-dangerous offenders. As work crews are added the number of crewleaders is increased. This requires the addition of a coordinator and clerical support to maintain the effectiveness of the program. Reallocation of non salary funds will fund the request. Only complement is requested.
- (4) Increasing workloads are apparent when noting the increase in average daily populations in jail type facilities. Increased complexity of facilities, changing standards and on-going judicial decisions have resulted in increased time needed for facility inspection and related activity. Increased jail populations have generated increased requests for technical assistance to local units of government with respect to planning for alternatives to incarceration, expansion or new facility construction. A greater level of clerical support is consequently required.

Workload problems are further compounded when clerical support service staff are in the field providing technical assistance, at training activities or on annual leave. Current backup support

ACTIVITY: Program-wide Decision
(Continuation)
PROGRAM: Community Services
AGENCY: Corrections, Department of

1992-93 Biennial Budget

systems are inadequate to meet workload demands. Consequently, technical assistance and report activities are often delayed and left until support staff return further compounding problems.

	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Average daily population of offenders served by jail type facilities	3,796	4,250	4,675	5,100	5,500
County requests for extensive technical assistance	10	15	15	18	20

(5) As the number of inmates in department institutions and the number of work release clients have increased, the need for temporary short-term detention of adult offenders and work release violators has also increased. Costs for this temporary detention have increased 45% per year for the last 3 years.

	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Cost for temporary detention	\$19,066	\$27,322	\$39,300	\$57,300	\$57,300

(6) The department, through its office of Adult Release, mandates residential conditions for substantial numbers of releasees to ensure a high level of public safety. In order to assure bed space for these serious offenders, the department has shortened stays in residential facilities and in order to balance the releases appropriately, the department is endeavoring to develop more residential resources outside the metropolitan area. To supplement residential beds, the department will be continuing to engage in electronic monitoring and contracting for some day care services to assure high levels of surveillance. Since releasees with backgrounds of sex offenses are quite frequent, efforts are made to provide aftercare treatment resources for them in the community in an effort to prevent repeat sex offenses.

This request includes funds to provide additional beds outstate and to provide for electronic monitoring. Based on the numbers of releases, the proportions going to the non-metropolitan areas of the state and the proportions of those releasees who are mandated for extra supervision to protect public safety, the agency is requesting funding for 24 residential beds for average stays of 60 days and funding to provide electronic monitoring for up to 48 offenders for 60 days each. This funding will relieve the pressure on the Twin City metropolitan area facilities which have been receiving nearly all the more serious offenders mandated to residential care and electronic home monitoring. With increasing institution populations and, therefore, increasing number of releases, it is not feasible to place all of the more serious offenders in the Twin City area.

	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Number of residential contracts	8	8	8	9	10
Number of residents served	424	348	365	390	420

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. In addition, the Governor recommends the inclusion of the recently requested juvenile probation agent position in Douglas County to the previously recommended positions for Redwood and Watonwan counties.

CORR.04
03/26/91 8:33 am cm

ACTIVITY: Community Corrections Act
PROGRAM: Community Services
AGENCY: Corrections, Department of

1992-93 Biennial Budget

DECISION ITEM: Community Corrections Act Increase

Dollars in Thousands				
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures General Fund	\$ 3,400	\$ 3,700	\$ 3,700	\$ 3,700
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GOVERNOR'S RECOMMENDATION:

Expenditures General Fund	\$ 3,400	\$ 3,700	\$ 3,700	\$ 3,700
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Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

This request reflects the need for additional resources for counties to expand and introduce new correctional programs to deal with increased correctional demands.

RATIONALE:

Increasing the use of jails/workhouses as a condition of probation along with the response to DWI offenses has resulted in increasing the use of local correctional facilities. Thus local costs have gone up significantly. Increased funding is necessary to assist the CCA counties in meeting increasing demands for services.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial increase in the Community Corrections Act (CCA) block grant to counties of \$7,100,000. One of the basic principles of the CCA is to keep short-term, low-risk offenders at the local level. In the original act, participating counties were responsible for paying for all adult offenders committed to state facilities whose maximum sentences were five years or less. Although this was changed as a result of the 1980 creation of sentencing guidelines, the principle of reserving state prison space for longer-term serious offenders remains fundamental to the CCA. However, significant numbers of commitments to prison (689 for 1990) from CCA counties are for 12 months or less. Many (249 in 1990) are for 6 months or less. The Governor recommends that in F.Y. 1992 the CCA counties be assessed a per diem for offenders committed to state facilities who have 6 months or less to serve. During F.Y. 1993 CCA counties are to be assessed a per diem for offenders committed to state facilities who have 12 months or less to serve.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: JOBS & TRAINING

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
REHABILITATION SERVICES	51,260	52,536	54,829	55,368	55,006	55,006	56,494	56,132	56,132
SERVICES FOR BLIND	9,385	10,292	10,053	10,460	10,460	10,460	10,648	10,648	10,648
ECONOMIC OPPORTUNITY	83,391	79,619	81,795	81,529	81,529	82,529	83,372	83,372	84,372
EMPLOYMENT & TRAINING	77,437	75,765	69,909	79,734	69,176	69,176	78,920	78,403	78,403
UNEMPLOYMENT INSURANCE	39,649	35,575	36,263	34,063	34,063	34,063	35,213	35,213	35,213
TOTAL EXPENDITURES BY PROGRAM	261,122	253,787	252,849	261,154	250,234	251,234	264,647	263,768	264,768
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	36,921	41,128	34,038	35,024	34,104	35,104	34,261	33,382	34,382
STATE GOVT SPEC REV		778	81						
SPECIAL REVENUE	7,465								
GIFTS AND DEPOSITS	94	83	154	114	114	114	114	114	114
STATUTORY APPROPRIATIONS:									
GENERAL	1,319	2,043	1,835	1,542	1,542	1,542	1,541	1,541	1,541
STATE GOVT SPEC REV			4,500	2,650	2,650	2,650	1,200	1,200	1,200
SPECIAL REVENUE	2,840	2,009	4,588	15,591	5,591	5,591	16,111	16,111	16,111
JOBS & TRAINING	212,483	207,746	207,653	206,233	206,233	206,233	211,420	211,420	211,420
TOTAL FINANCING	261,122	253,787	252,849	261,154	250,234	251,234	264,647	263,768	264,768

**BASE RECONCILIATION REPORT
for 1992-1993 Biennium**

AGENCY: JOBS & TRAINING

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93
F.Y. 91 FUNDING LEVEL	252,849	252,849	35,873	35,873	9,323	9,323	207,653	207,653
ONE-TIME APPROPRIATIONS	<75>	<75>	<75>	<75>				
BIENNIAL APPROPRIATIONS	1,217	467	1,217	467				
APPROPRIATIONS CARRIED FWD	<529>	<529>	<529>	<529>				
SUNSET PROGRAMS	<70>	<70>			<70>	<70>		
SALARY ANNUALIZATION	80	62	80	62				
DOCUMENTED RENT/LEASE INCR.		4		4				
DEDICATED RECEIPTS AND FUNDS	9,102	8,172			9,102	8,172		
FEDERAL RECEIPTS	<1,420>	3,767					<1,420>	3,767
TOTAL BIENNIAL TOTAL	261,154	264,647	36,566	35,802	18,355	17,425	206,233	211,420
				72,368		35,780		417,653

F.Y. 1991 Budget Reductions (Information Only)

The following F.Y. 1991 reductions were implemented in Laws 1991, Chapter 2. These reductions are not reflected as changes to F.Y. 1991 or F.Y. 1992-93 BASE Levels within the budget documents.

	(Dollars in Thousands)	
	<u>General Fund</u>	<u>Special Fund</u>
Jobs and Training	\$ (230)	
Dislocated Worker Special Fund		\$ (1,700)

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: JOBS & TRAINING
PROGRAM: REHABILITATION SERVICES

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
VOC REHAB SVC	27,861	29,267	30,909	31,255	31,255	31,255	32,101	32,101	32,101
INDEPEND LIVING SVCS-VR	1,026	1,146	1,431	1,381	1,381	1,381	1,381	1,381	1,381
CLIENT SVC INNOVATION/DEMO	1,338	963	919	706	706	706	718	718	718
REHAB SVCS-WORKERS COMP	1,669	1,750	1,851	1,854	1,542	1,542	1,854	1,542	1,542
EXTENDED EMPLOYMENT	9,629	9,989	10,007	10,010	9,960	9,960	10,010	9,960	9,960
DISABILITY DETERMINATION SV	9,737	9,421	9,712	10,162	10,162	10,162	10,430	10,430	10,430
TOTAL EXPENDITURES BY ACTIVITY	51,260	52,536	54,829	55,368	55,006	55,006	56,494	56,132	56,132
DETAIL BY CATEGORY:									
STATE OPERATIONS	26,685	26,990	29,013	30,028	29,866	29,866	31,229	31,067	31,067
LOCAL ASSISTANCE	11,629	11,844	11,892	11,579	11,379	11,379	11,594	11,394	11,394
AID TO INDIVIDUALS	12,946	13,702	13,924	13,761	13,761	13,761	13,671	13,671	13,671
TOTAL EXPENDITURES BY CATEGORY	51,260	52,536	54,829	55,368	55,006	55,006	56,494	56,132	56,132
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	17,782	18,376	18,666	18,599	18,237	18,237	18,599	18,237	18,237
GIFTS AND DEPOSITS	87	41	60	60	60	60	60	60	60
STATUTORY APPROPRIATIONS:									
JOBS & TRAINING	33,391	34,119	36,103	36,709	36,709	36,709	37,835	37,835	37,835
TOTAL FINANCING	51,260	52,536	54,829	55,368	55,006	55,006	56,494	56,132	56,132

ACTIVITY: Workers' Compensation Rehabilitation Unit

1992-93 Biennial Budget

PROGRAM: Rehabilitation Services

AGENCY: Jobs and Training, Department of

DECISION ITEM: Workers' Compensation Reduction (Adjustment)

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan except that the department should reconsider the type of staff reductions to ensure that the impact on injured workers is held to a minimum.

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

AGENCY REQUEST:

Expenditures

General Fund	\$ (112)	\$ (112)	\$ (112)	\$ (112)
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Revenues

General Fund	\$ 192.7	\$ 242.0	\$ 242.0	\$ 242.0
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GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund	\$ (112)	\$ (112)	\$ (112)	\$ (112)
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Revenues

General Fund	\$ 192.7	\$ 242.0	\$ 242.0	\$ 242.0
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Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The program readjusts its original budget reduction by having all fund reductions coming from State operations non-personal services. No Qualified Rehabilitation Consultants (QRCs) will be laid off in either year of the biennium. Possibly, one non-income generating clerical staff would be laid off if non-personal services do not cover the reduction.

As a result of full staffing of our income-producing QRCs, the same level of injured workers will still be served. The billings generated by this program will also be increased because of rate increase from \$50 to \$65 per hour which will result in greater revenue generation for the general fund.

RATIONALE:

The reduction was made to comply with recommendations to adjust our administrative and personnel reduction decisions. The adjustment was made possible because the program will generate more income at the new increased, yet, competitive billing rate.

ACTIVITY: Workers' Compensation Rehabilitation Special Project 1992-93 Biennial Budget
PROGRAM: Rehabilitation Services
AGENCY: Jobs and Training, Department of

DECISION ITEM: Reduce Special Project

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures				
General Fund	\$	(200)	\$	(200)
			\$	(200)
Revenues				
General Fund	\$	-0-	\$	-0-
			\$	-0-

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$	(200)	\$	(200)
			\$	(200)
Revenues				
General Fund	\$	-0-	\$	-0-
			\$	-0-

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The Workers' Compensation Special Project was intended to be a short-term demonstration to improve services for injured workers who were having difficulty entering rehabilitation planning. The grant is designated for Vinland Center and not awarded through an open competitive process. The 1991 grant is the third year of this pilot which was funded at \$200,000 to serve 33 injured workers. Evaluation of the project to date has found that as a result of this three-week intensive service, injured workers who previously were reluctant to enter vocational planning report improved self concepts and many have entered the vocational rehabilitation process. About 36% have been placed in employment since the pilot started.

RATIONALE:

The reduction would eliminate this special project for both years of the biennium. Thirty-three injured workers would not receive the service each year of the biennium. Approximately 80% of the individuals are eligible for rehabilitation services under the Workers' Compensation Law, and it is likely that the insurance carrier will approve payment for services at the Vinland Center. The remaining individuals would receive services through the Department Workers' Compensation Rehabilitation Services activity which was established for individuals where the employer has denied liability for the workers' rehabilitation.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

ACTIVITY: Extended Employment
PROGRAM: Rehabilitation Services
AGENCY: Jobs and Training, Department of

1992-93 Biennial Budget

DECISION ITEM: Extended Employment Reduction (Adjustment)

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY REQUEST:

Expenditures				
General Fund	\$	(50)	\$	(50)
			\$	(50)
Revenues				
General Fund	\$	0	\$	0
			\$	0

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$	(50)	\$	(50)
			\$	(50)
Revenues				
General Fund	\$	0	\$	0
			\$	0

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The program will be reduced \$50,000 a year by eliminating one position and some non-personal service costs.

RATIONALE:

This reduction will be met by eliminating a provider certification process which can be replaced through national accreditation already required in the Rule and by adding assurances to the Extended Employment contracts. This will require a non-controversial change in the Rule.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. Furthermore, the department should consider developing a plan for its rehabilitation services program which continues to support the delivery of services to citizens with disabilities through a single point of entry at the community level, allows greater consumer control, and ensures greater coordination of services among the public and private agencies currently involved in providing services.

ACTIVITY:
PROGRAM:
AGENCY: Nursing, Board of
DECISION ITEM: Operations Increases

1992-93 Biennial Budget

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures				
Special Revenue	\$ 236	\$ 272	\$ 272	\$ 272
Revenues				
Special Revenue	\$ 236	\$ 272	\$ 272	\$ 272

GOVERNOR'S RECOMMENDATION:

Expenditures				
Special Revenue	\$ 202	\$ 240	\$ 240	\$ 240
Revenues				
Special Revenue	\$ 202	\$ 240	\$ 240	\$ 240

Requires statutory change: Yes X No
Statutes Affected:

ITEM SUMMARY:

This request is for the purpose of: 1) monitoring adherence by nurses to the provisions of Board orders (including 2 professional and 1 clerical position); 2) developing and maintaining a continuing education program for licensed practical nurses (including 1 clerical position), and: 3) improving fiscal accountability (includes 1 support position).

RATIONALE:

Currently the Board monitors 373 nurses under Board orders and has another 340 open cases awaiting processing. This labor intensive activity requires sufficient competent staff to assume compliance with orders and provide public protection.

Licensed practical nurses were not included in the implementation of continuing education as a requirement for registration renewal along with registered nurses in 1978. Repeated requests to include the 22,000 licensed practical nurses have been received.

Fiscal management of the Board has become increasingly complex as the functions of the Board and sources of funds have increased. The agency has 9 major activities with 30 different funding codes. Financial management, including processing receipts and disbursements, needs the attention of a full-

time Board employee to assure fiscal accountability, prompt payment and close budget oversight.

All expenditures for Board costs are offset by revenues raised through licensure, renewal and other fees.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan, except the Governor does not recommend funding for the administrative position as it appears to be in conflict with M.S. 214.04.

NURBD.01
March 27, 1991/mk

MISSION:

The Board of Optometry serves to protect the residents of the state of Minnesota by assuring that all practitioners meet state services and competency standards, as set forth in the Minnesota Optometric Practice Act (M.S. 148.52 - 148.62).

For the Board of Optometry to accomplish its mission, it is necessary to closely review all applications for licensure, and prepare and administer an examination to test competency of qualified applicants.

In addition, the Board of Optometry processes consumer complaints according to procedures set forth by the Attorney General's Office, and monitors continuing education according to Board Rule 6500.0900 through 6500.1700.

MAJOR POLICY DRIVERS:

In an effort to maintain high quality optometric care in the state of Minnesota, the board will review examination procedures and content to exact fair and equitable testing of all qualified applicants.

With the practice of optometry changing and expanding, the need to document limitations and requirements presents itself. The Board of Optometry will be reviewing and submitting changes to M.S. 148.52 through 148.62 and MN Rules Chapter 6500 in a continuing effort to provide high standards to which the optometrist is expected to perform and to which consumers are deserving.

As consumer awareness, regarding competency and ethical issues increases, the need to expeditiously respond to those concerns is a principal agency responsibility.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

Current fee levels were established and effective in F.Y. 1990, with a mind toward the upcoming biennium and the expected increase in operating costs. The Board of Optometry will generate funds more than sufficient to offset any increase in board expenses.

Agency Base Reallocation:

With the increase in board activity, to provide the public with exceptional optometric care, the need for additional funds is essential.

1. Contractual Consultant F.Y. 1992 \$1,000 F.Y. 1993 \$ -0-

The need for a professional consultant to the board will be a necessity for F.Y. 1992. A professional consultant, on contract to the board, will be used during F.Y. 1992 as a representative of the board to address the issues relative to legislative changes to M.S. 148.52 - 148.62 being introduced, in F.Y. 1991, by an outside interest group. This legislation will have a direct and profound impact on the responsibilities of the board of Optometry. Inasmuch, it is imperative that the board be kept abreast of the progress of said legislation. In addition, the use of professional consultant will be necessary to assist in defining the effect of the expected legislative changes into Board Rule.

2. Computer Software Update F.Y. 1992 \$1,000 F.Y. 1993 \$1,000

The board of Optometry purchased in 1985, a personal computer system to store and process board information. This system includes software for wordprocessing and maintenance of a data base of licensees. However, the system is now very antiquated and extremely inefficient for the current needs of the board. The performance of the board is directly indicated by the information available to consumers and board members alike. The timely production of data in any and all forms will be greatly enhanced with the replacement of current computer software.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

ACTIVITY:
PROGRAM:
AGENCY: Pharmacy, Board of

DECISION ITEM: F.Y. 1991 Deficiency

1992-93 Biennial Budget

	Dollars in Thousands			
	F.Y. 1991	F.Y. 1992	F.Y. 1993	F.Y. 1994

AGENCY PLAN:

Expenditures

Special Revenue Fund	\$ 29	\$ -0-	\$ -0-	\$ -0-
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GOVERNOR'S RECOMMENDATION:

Expenditures

Special Revenue Fund	\$ 29	\$ -0-	\$ -0-	\$ -0-
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Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The Board of Pharmacy has been subjected to a number of expenses in F.Y. 1991 which were not anticipated at the time of our budget request prepared in the fall of 1989. These unanticipated expenses of \$28,500 represent \$7,500 paid to Intertech to keep our computerization project moving forward; \$5,000 for remodeling of our office space; \$4,000 for furniture for the remodeled area; \$5,000 for a rent increase for the final 7 months of F.Y. 1991 as included in our recently negotiated lease extension; \$2,500 in increased board member per diem due to 1990 legislative change; and \$4,500 for workers' compensation costs.

The unanticipated expenses incurred by the Board of Pharmacy arose from several different sources.

With the decision made by Intertech and the Department of Administration to discontinue and dismantle the Statewide Licensure System, the Board of Pharmacy was required to develop a computerized licensing system in-house. We have been working with Intertech on this project, are receiving some funding from Intertech, and are requesting the balance of the funding in the next biennium. We were forced, however, to expend \$7,500 in F.Y. 1991 beyond what was anticipated in order to keep the project moving forward until the funding from Intertech became available to us.

The remodeling done by the board was part of extensive renovations made to the building that houses all health boards. The Board of Pharmacy's share of the remodeling costs were \$4,000. Furniture for the reception area created in the remodeling was \$4,000.

During October and November of 1990, a new 5-year lease was negotiated for the Board of Pharmacy by the Real Estate Management Division of the Department of Administration. The new

lease became effective 12-1-90. The rent increase for the board over the last 7 months of F.Y. 1991 is approximately \$5,000.

During the 1990 legislative session, the per diem rate paid to board members of all the health board was increased from \$35 to \$55, resulting in an unanticipated increase in per diem expenses of \$2,500.

Finally the board has had to reimburse the Department of Employee Relations for Workers' Compensation expenses associated with an injury suffered several years ago by a board inspector who is no longer with us. This expense in F.Y. 1991 has been approximately \$4,500 to date.

In considering what alternatives are open to it, should this deficiency request be denied, the board determined that it would cancel one board meeting before the end of June; curtail pharmacy inspections in Greater Minnesota by the board's inspectors, thus saving hotel, meal, and mileage costs; and attempt to defer payment for the licensing exam given in June until the next fiscal year.

In F.Y. 1990, the board had over \$40,000 in revenue in excess of its total expenses. Even in F.Y. 1991, the board is anticipating a small surplus of revenue, collected through fees, over actual expenses. The board, therefore, is generating more than sufficient funds through its fees to cover this deficiency request during this biennium. It is simply a matter of obtaining authorization to spend the money we have already collected.

IPO RECOMMENDATION:

The IPO recommends the following:

The Information Policy Office supports completion of the project. To continue to perform its licensing duties efficiently, an automated system is needed. Funding of \$46,200 from the special revenue fund is recommended for hardware and training costs. Funds are not available through base reallocation. Based on an independent consultant's report on replacing obsolete technologies, InterTech has allocated money for statewide licensing system conversion. The remaining \$20,000 in the request is for software development and should come from that fund. The board should develop and implement a method to measure both the effects of technology changes and any work place re-engineering efforts.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's request.

ACTIVITY:
PROGRAM:

1992-93 Biennial Budget

AGENCY: Psychology, Board of

DECISION ITEM: F.Y. 1991 Deficiency

Dollars in Thousands				
<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	

AGENCY PLAN:

Expenditures

Special Revenue Fund	\$ 60	\$ -0-	\$ -0-	\$ -0-
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GOVERNOR'S RECOMMENDATION:

Expenditures

Special Revenue Fund	\$ 60	\$ -0-	\$ -0-	\$ -0-
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Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

Request is for authority to increase the F.Y. 1991 expenditure authorization by \$60,000 to cover the costs associated with holding two contested case hearings with respect to two licensees against whom allegations of serious violations of law and rule have been filed. Evidence supports the allegations.

The board's appropriations for F.Y. 1991 for direct expenditures is \$197,000. It is anticipated that the board's ordinary expenses will consume about \$194,000 of the appropriation. There will, therefore, be insufficient spending authority to pursue even one contested case, let alone two, in this fiscal year, without having to spending authority increased. The fee rule when adopted will provide sufficient revenue to cover the budget portion of the costs related to contested case hearings as well as the non-budget portion represented by fees charged by the Attorney General's office. It is imperative that the disciplinary process be initiated this year to ensure that the licensees in question do not remain undisciplined any longer than absolutely necessary.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's request.

characteristics, as well as packaging and processing to meet consumer tastes. Increased consumer concern over other issues, such as nutrition, health, food safety and the environment, are all impacting agriculture.

Environmental Protection/Regulation. The increasing recognition of the need to consider the environmental impacts of all agricultural activities will cause more resources to be spent on environmental monitoring and in assessing impacts of current programs as well as analyzing potential impacts before new programs are implemented.

As a major user of natural resources and producer of the food and fiber supply, all agricultural activities will be affected, ranging from the production of inputs through production agriculture to processing and final consumption of agricultural products. This trend will also result in new markets for more environmentally benign products (e.g., ethanol as the "clean air solution"). Another issue will be the disposing of petro-chemical wastes.

Dependency Upon Exporting. Because of geographic location and production capacity, Minnesota must market the majority of its agricultural products to locations outside the state. Foreign exports, mostly bulk commodities, account for approximately one-fourth of Minnesota farm cash receipts. The impact of decreases in or losses of foreign markets was a major factor during the farm financial crisis of the mid 80's. However, domestic exports also are key to Minnesota's agricultural economy. While some processed products go into foreign exports, the greatest proportion are sent to locations within the USA.

Capitalization of Agriculture. The farm financial crisis of the early to mid-eighties demonstrated the extent that production agriculture uses borrowed capital. During the past 30 years, total farm indebtedness has risen sharply, as has the proportion that interest payments comprise of all farm production expenditures. This use of borrowed capital has led to a potential vulnerability that will continue, since the cost and availability of capital are major inputs.

National fiscal policy in general now impacts producers to a greater degree than ever before. Increases or decreases in interest rates have direct, profound impacts upon the profitability of farmers as well as international trade opportunities.

Food Safety. Throughout the 1980's there were several major food safety emergencies in Minnesota, such as: the PCB contamination of products in a food warehouse and bakery; product tampering and vandalism due to a labor dispute; and recalls of food products due to hazardous substances and product adulteration. More recently, there have been emergencies related to aflatoxin in corn, food borne illness outbreaks associated with *Salmonella javiana* and *Listeria monocytogenes* in meat, smoked fish, dairy products and sandwiches. These have also been real or potential health and safety problems associated with alar in apple products, aldicarb in potatoes, and the Chilean fruit tampering incident, as well as increased public concern over the safety of fruits and vegetables imported into this country.

Consumer awareness and concern will probably lead to demand for increased monitoring, inspecting and testing of the food supply. The changes in diets and consumer preferences will lead to modifications in labeling laws, etc.

Diversification. Minnesota agriculture produces over 30 different varieties of crops and livestock products with cash farm receipts split about evenly between crops and livestock products. However, the greatest share of production (and cash receipts) occurs in 6 commodity areas. In 1988, corn, wheat and soybeans accounted for 78% of all crop receipts. In terms of livestock, cattle, hogs and dairy products account for 86% of all such receipts. While very diversified, Minnesota's natural resource base and climate are such that an even greater diversity of products can be grown. Moreover, an increased diversification of crops and non-food uses might provide more economic

stability to agriculture while finding ways to use a productive capacity that is under utilized.

Demand for Renewable Resources. The current reliance on petrochemically-based fuels and products, as well as concern over the reliable sourcing of petrochemicals and the disposal of petrochemically-based waste products will create new markets for renewable fuels (e.g., ethanol) and substitutes for plastics and oils (e.g., starch polymer technologies, soybean oil-based inks, etc.). These developments potentially could have tremendous impact for agricultural production and value-added processing in Minnesota through the creation of new jobs and the reduction of resource imports.

Value-Added Processing. The expansion of value-added processing could be a major contributor to economic growth in Minnesota. While Minnesota has a large food and kindred products industry, a large proportion of several major commodities are exported raw from the state for processing elsewhere. For example, 3 leading export crops--soybeans, feed grains and wheat--accounted for 77% of the state's total agricultural exports in 1988. Increased value-added processing for food and non-food products would create higher values for producers, increase manufacturing jobs and facilitate an active strategy of import substitution.

Centralization of Food Distribution Patterns. Continuing growth of centralized food distribution centers makes it difficult for small and mid-sized food processors to gain access to a market dominated by large producer/marketer entities. Trends toward centralization can be offset by a strategy to encourage marketing of products directly to consumers, increased marketing education for producers and formation of producer-owned cooperatives.

Disposal of Livestock Waste. The livestock sector of Minnesota agriculture accounts for slightly over 50% of direct cash farm receipts. However, with ever-increasing concentrations in production units, the disposal of livestock waste is becoming a major problem. An example includes poultry industry wastes such as dead birds or raw manure. Continued concentrations of livestock production will result in disposal problems due to quantity of waste material. There may be aesthetic problems with non-farm inhabitants of the countryside. Potential environmental problems associated with poor or improper waste management and disposal will increase.

Federal Budget Deficit. Reductions in the federal budget affect the department both directly and indirectly. Direct reductions decrease revenue in direct federal grants and also areas where the department performs services under contract or agreement with federal agencies.

There are indirect impacts as well. Reductions often result in cutbacks in traditionally direct federal services provided by federal agencies. The states are then left with a decision to either pick up the service or take the risk of allowing the absence of some regulatory activity. Decreased activity, due to less inspections or the elimination of activities, weakens the overall regulatory network upon which agriculture and agribusinesses depend. An example is USDA moving to quarterly, risk-based custom meat processing plant inspections.

Sustaining Production Agriculture. There is increasing concern over the long term sustainability of Minnesota's family farm system. The need for efficiency and economic competitiveness will push for changing and restructuring production agriculture as it has been traditionally known. Farming practices will be impacted by the necessity to lower the cost of production, concern over the environment and groundwater quality, and the availability of energy. Although there are terms used to describe current responses - alternative agriculture, low input agriculture, sustainable agriculture, etc., most mean decreased inputs, increased profitability and environmental soundness.

Federal Farm Policy. With federal policy encouraging a more market-oriented agriculture, the total volume of both U.S. exports and imports will increase as nations seek greater interactions of trade. The volume of exports will likely increase with more demands for regulatory inspections, certifications, etc. Increased imports will likely occur, with greater need for pest interception and control, food safety and product quality monitoring, and other related regulatory activities.

Restructuring of Farm and Agribusiness Operations. Structural change is occurring in both the farm and agribusiness sectors of agriculture. Farms are moving into 2 groups, with 1 group being large and the other small. These 2 groups, along with shrinking middle group, have diverse needs for research, extension and supportive programs.

Centralization and consolidation is also occurring among packers, processors, etc. Consolidation results in more sophisticated equipment, organizational structures and marketing systems. The trend in consolidations and growth in size with more sophisticated technologies and equipment (such as computers), requires the department to employ more sophisticated surveillance techniques as well as upgrade personnel skill levels to deal with the sophistication.

There are several other issues that directly affect the department. In the food safety area, the proliferation of convenience stores as well as the growth in value-added processing at retail establishments are creating inspection challenges. Mid-sized feed mills are decreasing, along with related growth in larger operations or on-farm mixing. The larger operations present new problems due to sophistication of equipment, etc.; the proliferation of smaller operations can lead to a lessening of quality control and uniformity of product. Since feed is a major input in the food chain, product quality can be a health or food safety concern, as well as an economic one.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

The department has determined that current program resources can be managed to meet the most pressing needs. However, emerging needs and increases in the costs of some programs will result in funding demands which will exceed base funding. Consequently, the department will recommend statutory changes to increase fees in these areas in order to generate an additional \$821,000 in general funds each fiscal year. In terms of dedicated funds, the department is proposing increases that will generate an additional \$417,000 each fiscal year. However, some of the proposed fee increases do not need legislative approval since the fees can be set by rule or Commissioner's Order.

The department has received LCMR approval for 4 projects during the 1992-93 biennium. The total amount approved by LCMR for the biennium is \$1,380,000, with estimated expenditures to be \$690,000 in F.Y. 1992 and \$690,000 in F.Y. 1993.

The general fund reconciliation by program is as follows:

Reallocations by Program
(Dollars in Thousands)

	General Fund F.Y. 1991	F.Y. 1992 Change From F.Y. 1991	F.Y. 1993 Change From F.Y. 1991
Protection Service	\$ 5,014	\$ 440	\$ 430
Promotion and Marketing	927	(49)	(52)
Family Farm Services	1,554	(186)	(186)
Administrative Support and Grants	<u>5,601</u>	<u>(110)</u>	<u>(95)</u>
TOTAL	\$13,096	\$ 95	\$ 97

GOVERNOR'S RECOMMENDATION:

The Governor recommends the funding as requested except for a biennial increase of \$200,000 for a Farm Support Center and program specific reductions of \$1,734,000 for the biennium which are described on separate pages of this budget.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
PROTECTION SERVICE	14,570	16,893	18,476	18,148	19,696	19,696	18,552	19,020	19,020
PROMOTION & MARKETING	1,294	1,145	953	905	905	780	902	902	777
FAMILY FARM SERVICES	4,072	2,324	2,694	2,118	2,118	1,718	2,118	2,118	1,718
ADMIN-SUPPORT & GRANTS	6,758	8,060	8,030	7,442	7,742	7,500	7,477	7,477	7,235
TOTAL EXPENDITURES BY PROGRAM	26,694	28,422	30,153	28,613	30,461	29,694	29,049	29,517	28,750
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST									
GENERAL	13,115	13,801	13,070	12,262	650	650	12,264	12,732	11,965
MN RESOURCES	308	280	310		12,730	11,963			
SPECIAL REVENUE	102	85	185	730			185	185	185
ENVIRONMENTAL			185	185			185	185	185
130			130	130	130	130	130	130	130
STATUTORY APPROPRIATIONS:									
GENERAL	48	17	26						
SPECIAL REVENUE	11,863	13,267	14,943	14,819	14,819	14,819	15,253	15,253	15,253
FEDERAL	943	907	1,289	1,161	1,161	1,161	1,161	1,161	1,161
ENVIRONMENTAL			75						
AGENCY	40								
GIFTS AND DEPOSITS	275	65	70	56	56	56	56	56	56
TOTAL FINANCING	26,694	28,422	30,153	28,613	30,461	29,694	29,049	29,517	28,750

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: AGRICULTURE

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	30,153	30,153	13,096	13,096	15,768	15,768	1,289	1,289
ONE-TIME APPROPRIATIONS	<1,143>	<1,142>	<816>	<815>	<327>	<327>		
BIENNIAL APPROPRIATIONS	<123>	<125>	<68>	<70>	<55>	<55>		
BASE TRANSFER (BTWN AGENCIES)	<26>	<26>	<26>	<26>				
LEG-DIRECTED ADJUSTMENTS	<88>	<88>	<88>	<88>				
SALARY ANNUALIZATION	115	84	115	84				
DOCUMENTED RENT/LEASE INCR.	65	99	65	99				
LCMR FUNDED PROJECTS	<58>	<58>			<58>	<58>		
DEDICATED RECEIPTS AND FUNDS	<138>	296			<138>	296		
FEDERAL RECEIPTS	<128>	<128>					<128>	<128>
BASE TECHNICAL ADJUSTMENTS	<16>	<16>	<16>	<16>				
TOTAL	28,613	29,049	12,262	12,264	15,190	15,624	1,161	1,161
BIENNIAL TOTAL		57,662		24,526		30,814		2,322

F.Y. 1991 Budget Reductions (Information Only)

The following F.Y. 1991 reductions were implemented in Laws 1991, Chapter 2. These reductions are not reflected as changes to F.Y. 1991 or F.Y. 1992-93 BASE Levels within the budget documents.

	<u>General Fund</u>
Protection Service	\$ 120,000
Plant Industry	169,000
Family Farm Services	66,000
Family Farm Services	169,000
Admin-Support and Grants	66,000
Accounting, Licensing and Grants	\$ 355,000

PROGRAM: Family Farm Services
Agency: Agriculture, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

The mission of this program is to administer programs or provide direct services which strengthen and protect the family farm system. The program also administers regulatory programs which control non-farm corporate or alien ownership of farm land.

The major objectives of the program are to:

- Assist with entry of beginning farmers into farming as a vocation by administering a loan guaranty program and provide interest adjustment payments.
- Protect and maintain the family farm system by enforcing laws that control the corporate and alien ownership of Minnesota farm land.
- Provide counseling services to financially struggling farmers through farm crisis assistance activity.

PERFORMANCE:

The ownership of farms in Minnesota by families has long been regarded as a societal goal, as well as a major state policy. Overall, more than one-half (53%) of Minnesota farmers own the land they operate. In addition, some 34% are part owners of the farms they operate, while only about 12% rent all their land. Moreover, the vast majority of commercial farms (approximately 90%) fall within the mid-sized range of farms. It is this strong pattern of family farm ownership and management that has always been a major goal of the state.

The pattern of strong family farm ownership is evident by other measures as well. According to the 1987 Census of Agriculture, the types of farm ownership organizational structures in both Minnesota and the nation as a whole were dominated by sole or some type of family proprietorship. However, the incidence of other than family type ownership was 2½ times greater for the entire U.S. than for Minnesota.

The department provides affirmative support and information to financially distressed Minnesota farmers. For the year 1989, the 24 Farm Advocates had 17,801 contacts with farmer clients, lawyers, lenders, consultants, counselors and others who could assist farmer clients. A significant portion of work comprised of assisting farmers with mandatory farm credit mediation. Of the 1,508 mediations reported in Minnesota in 1989, Farm Advocates assisted farmers in 911 or about 60%. Another large portion of the department's work involved assisting farmers with the Farmers Home Administration's (FmHA's) 16 page debt restructuring applications. Some 4,000 FmHA debt restructuring notices, which are precursors to foreclosure, went out to Minnesota farmers in 1988, and applications in response to them were due in January 1989. Another 490 went to Minnesota farmers in August 1989. Many farmers did not receive the financial assistance they expected from the FmHA and ended up in negotiations, mediations and appeals with the agency. More than 41% of Farm Advocate 1989 contacts were made helping farmers work with the FmHA.

Farm Credit Services (FCS), local banks, the Federal Deposit Insurance Corporation, and local agricultural input suppliers were also actively restructuring farm debts which otherwise could not have been repaid in 1989. Helping with these negotiations accounted for almost a third of the Farm Advocates contacts for the year.

Entry into and continuing in farming has and continues to be difficult. Reasonably priced credit for the purchase of farmland by beginning farmers is a major obstacle. Two hundred and forty-seven beginning farmers are currently purchasing a land base through the Farm Security Program. Over 100 others are currently farming with initial assistance from the state.

Minnesota has one of the strongest corporate and alien farm laws in the United States. Only 11 non-resident alien individuals/entities own farmland in Minnesota involving 11,667 acres. The

department received reports from 1,462 corporations/limited partnerships owning farmland in 1989. Seventy-one percent are classified family farms. The amount of land reported held by financial institutions and insurance companies dropped from 478,255 in 1987 to 179,953 in 1989.

The legislature passed The Producer Protection Act during the 1990 session. The law is intended to strengthen the family farm system by assuring that producers receive payment for commodities or labor under contracts they have entered into. The act directs the department to act as an ombudsman, provide mediation services, etc.

The Minnesota Packers and Stockyards Act, also passed during the 1990 session, requires the department to perform certain administrative functions. The purpose of the legislation was to set in place a reporting system so that livestock producers would not be exposed to financial losses caused by questionable trade practices on the part of packers. The Commissioner was given certain enforcement duties to carry out the intent of the law.

PROSPECTS:

The trend toward agricultural contracting or use of contract production is increasing and is expected to increase at an accelerated pace. The trend is a reflection of the growing "consumerism" in dictating products, internationalization, greater competitiveness in the processing industry, etc. Moreover, most state statutes affording economic protection and regulation were written at a time when contracting was a minor part of agriculture. Contracting is expected to continue to grow as producers, buyers and processors alike attempt to adapt to a changing and ever increasing competitive marketplace.

The sources of farm credit continue to change. The most significant trend for this program is the increased market share of the credit market by FmHA. This has occurred most markedly in non-real estate lending where the market share was doubled while FCS lending has dropped by 40%. The movement by commercial institutions into and out of agricultural lending, depending upon market conditions, leads to a lack of predictability. The decrease in lending activity by private individuals for real estate purchases is also significant, since this was a major avenue of entry for beginning farmers. However, entry into and continuing in farming has and continues to be difficult. Private sources of capital, which in 1980 accounted for 40% of real estate lending, have declined by one-third to about 28% of such lending.

Preliminary results from the 1990 Farm Financial Report show a deterioration of farm financial conditions between 1988 and 1989. The most significant finding is the increasing proportion of farmers who fell into a vulnerable category, based upon measures of cash flow and indebtedness. While this does not indicate that these farmers are faced with the loss of their farms, it does indicate a vulnerability to major events which could affect their financial stability in agriculture, such as droughts, crop losses, rising interest rates, etc. If changes in federal farm policies, such as decreases in target prices and loan rates, decrease farm income there will be severe effects upon a sizable proportion of Minnesota farmers.

Government payments, which have blunted the cost-price squeeze in recent years, are scheduled to decrease. Because of declining government support prices, agricultural economists are predicting lower farm income in the future. An example of future expectations is FmHA's Minnesota Administrative Notice 553 which instructs FmHA county supervisors to use the following prices in 1992 farms plans: corn \$1.52 per bushel; soybeans \$5.02 per bushel; milk \$10.46 per hundred pounds; and hogs 41¢ per pound. In addition, the Administrative Notice instructs supervisors to increase projected costs for fuel and fertilizer by 15%; for agricultural chemicals by 11%; and for machinery and family living by 16%. The expected decrease in loan rates and target prices will depress farm income at the same time that restructuring agreements made during the financial crisis of the mid-80's, will come up for review and renewal.

The high demand for the support services and information offered by the department is likely to continue into 1991 and beyond. A large number of borrowers with FmHA and FmHA Guaranteed loans are being put on notice. The FmHA appeals process is currently bogged down, with many

PROGRAM: Family Farm Services
(Continuation)
Agency: Agriculture, Department of

1992-93 Biennial Budget

farmers having to wait 3 to 6 months for an appeal hearing. Many Farm Credit Service's debts that were restructured on 3 and 5 year plans are now due to be renegotiated, and Farm Credit loan officers have expressed doubts that the farm operations will cash flow with current 11 and 12% interest rates.

Lower farm income and increased farm expenses will mean tighter farm budgets at a time when many farmers have not yet fully recovered from the cost-price squeeze of the early '80s, the severe drop in land values from 1981 to 1987, and the drought of 1987-89. More farmers will be forced to negotiate with their lenders about debts which cannot be repaid as scheduled. To keep their loans performing and their farms producing, they will need technical support and information.

The flux in financial markets and federal lending programs, as well as opportunities for "safe" investments will lead to greater pressures for alien or corporate ownership of land. Other areas of the United States are experiencing the influx of foreign capital to underwrite production or even purchase agricultural land.

ALTERNATIVES CONSIDERED:

There are no feasible alternatives for this program area. The majority of expenditures are dedicated to specific purposes by law, and the mechanism for disbursements are contracts between individuals and the state. The majority of these funds cannot be reallocated within this program even if changes in law were to occur.

BUDGET ISSUES

The 1990 legislature passed the Producer Protection Act (Chapter 517). The legislation gave the Commissioner of Agriculture certain authorities in the area of agricultural contracting, and directed him to carry out certain functions. The purpose of the legislation is to provide ways of assuring producers payments for their commodities or labor. An agricultural ombudsman is authorized to implement the act, which would include facilitating the resolution of contract disputes. Other provisions of the act provide for recapture of large capital investments, parent company responsibility for contracts, an implied promise of good faith in all agricultural contracts and a provision for a first priority lien for agricultural commodity producers. No resources were provided to implement the legislation.

The 1989 legislature provided \$100,000 for F.Y. 1990 farm crisis assistance regarding mediation. No funds were provided for F.Y. 1991. It is questionable whether or not current levels of funding will be sufficient to meet needs, given the emerging rounds of restructured loans coming due, the expected FmHA action on loan notices, etc.

PLAN:

The department will propose the following reallocation.

1. <u>Family Farm Services Interest</u>	F.Y. 92	(100.0)	F.Y. 93	(100.0)
	The department is reducing interest adjustments to provide funding for the Farm Advocate program.			
2. <u>Farm Advocates</u>	F.Y. 92	100.0	F.Y. 93	100.0

The department has increased the Farm Advocate funding to be at the fiscal year 1991 level of expenditure.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends funding as requested except for the following: a biennial increase of \$200,000 for a Farm Support Center, and biennial reductions of \$800,000 for the elimination of the farm advocates program, and \$200,000 for the further reduction in Family Farm interest payment adjustments.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: AGRICULTURE
PROGRAM: FAMILY FARM SERVICES

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
FAMILY FARM SERVICES	4,072	2,324	2,694	2,118	2,118	1,718	2,118	2,118	1,718
TOTAL EXPENDITURES BY ACTIVITY	4,072	2,324	2,694	2,118	2,118	1,718	2,118	2,118	1,718
DETAIL BY CATEGORY:									
STATE OPERATIONS	3,997	2,187	2,559	2,083	2,083	1,683	2,083	2,083	1,683
LOCAL ASSISTANCE		100	100						
AID TO INDIVIDUALS	75	37	35	35	35	35	35	35	35
TOTAL EXPENDITURES BY CATEGORY	4,072	2,324	2,694	2,118	2,118	1,718	2,118	2,118	1,718
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,098	1,501	1,554	1,368	1,368	968	1,368	1,368	968
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	1,974	823	1,140	750	750	750	750	750	750
TOTAL FINANCING	4,072	2,324	2,694	2,118	2,118	1,718	2,118	2,118	1,718

ACTIVITY: Family Farm Services
PROGRAM: Family Farm Services
AGENCY: Agriculture, Department of

1992-93 Biennial Budget

DECISION ITEM: Farmer Support Center

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 100	\$ 100	\$ 100	\$ 100
Revenues				
General Fund	\$	\$	\$	\$

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The Governor recommends that funding of \$100,000 a year be provided for a Farmer Support Center within the department. This Center will be the one-stop service for all operating family farmers or potential farmers seeking information on resources available to them and their families. Resource areas the Center will first concentrate on are those related to financial and business management, agricultural law and family support. A central theme of the Center will be to assist farms avoid problems, as compared to most activities that are aimed at assisting farmers once they are in some financial or family difficulty.

One of the primary activities will be to maintain a major, broad-scoped data base of services and informational resources available to farmers. There will be the establishment of a widely publicized 800 number "hot line" for farmers in search of information or assistance. "How-to" publications and resource and training programs will be held for farmers and those who work with or are associated with farmers and their families.

There will be some work with individual farmers to resolve particular financial and financially related problems. However, primary efforts will be directed to being a producer and disseminator of information available to all family farmers and their families.

RATIONALE:

The financial situation of Minnesota farmers generally has improved since the height of the farm financial crisis of the mid-eighties. However, there currently are geographic areas and sectors of the agricultural economy (such as dairy) where tight fiscal conditions remain. Moreover, other sectors of the farm community can be greatly affected by decreases in exports, etc.

The implementation of a Farmer Support Center will provide the flexibility to meet current needs while providing for future needs - as and where they arise.

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NEW PAGE

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ACTIVITY: Family Farm Services
PROGRAM: Family Farm Services
AGENCY: Agriculture, Department of

1992-93 Biennial Budget

DECISION ITEM: Program Specific Reductions

Dollars in Thousands			
<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ (500)	\$ (500)	\$ (500)	\$ (500)

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The Governor recommends that the funding for the Farm Advocates be eliminated at \$400,000 a year and that the interest payment adjustments under the Family Farm Security program be further reduced by \$100,000 a year. These reductions are to the agency's plan, which includes moving \$100,000 from the Family Farm Security program to the Farm Advocates.

RATIONALE:

The Farm Advocates program was initiated as a response to the farm crisis in the 1980s. It was not intended to be a permanent program. The financial situation of Minnesota farmers has improved significantly since the height of the crisis. State support for that program should be eliminated; however, the Governor also recommends funding for a Farm Support Center in the department to provide information on resources available to them and their families. That recommendation is found on the previous page of this budget document.

The Family Farm Security program includes the payment of a 4% interest adjustment on loans guaranteed under the program. Through tighter program management and more restrictive use of the ten-year renewal option on those payments, additional savings of \$100,000 are anticipated.

The Governor and the department's new administration have developed these reductions as part of the Governor's plan to balance the budget for the F.Y. 1992-93 biennium.

PROGRAM PURPOSE:

The purpose of this program is to carry out policy functions of the department while providing for the overall management and supervision of the department so that statutory obligations are met within budgetary limitations. Other goals include providing agriculture and the department with multiple services and making various payments and reimbursements which support Minnesota agriculture.

The program increases the efficiency and effectiveness of the department by consolidating and providing centralized administration, planning, personnel, office management, laboratory, data and information processing and accounting support services to all departmental activities.

The major mission related objectives are to:

- Develop and suggest to the Governor and the legislature state policies and initiatives needed to assure the growth and development of agriculture in Minnesota.
- Develop and present the department's legislative initiatives and budget requests to the Governor and the legislature.
- Conduct and coordinate the environmental review and planning for the department.
- Investigate and report on the status of Minnesota agriculture, including an annual farm financial report and other studies on significant current issues or topics.
- Develop and maintain laboratory services sufficient to provide regulatory and inspection activities with consistent and timely results consistent with professional standards and required specifications.
- Support the development of research and promotion councils by providing services consistent with statutory responsibilities;
- Administer the accounting, budgeting and auditing functions of the department, including processing appropriations for agricultural societies and timber wolf caused livestock losses.
- Collect, compile and publish Minnesota agricultural statistics and data for use by farmers, consumers, government and the private sector.
- Initiate and develop pilot developmental and demonstration agricultural programs that have potential for statewide implementation.
- Develop and administer environmental programs that protect and enhance production agriculture, including agricultural land preservation and energy and sustainable agriculture.
- Develop and administer the department's computer network and provide agency-wide programming assistance.

PERFORMANCE:

The department provided support for 2 legislative task forces during the biennium. The Agricultural Contracts Task Force submitted a report which resulted in passage of the Producer Protection Act. This legislation, recognizing the growth in agricultural contracting, is designed to assure that producers receive payment for commodities or labor under contracts they have entered into. The Farm Safety Task Force report will be submitted in January, 1991. The report will have several recommendations directed at reducing the hazards of farming, including the development of a pilot program of farm safety audits.

During the current biennium, the department participated in several legislative initiatives that resulted in passage of laws having significance for the future of Minnesota agriculture. The initiatives include, among others, far reaching legislation to protect groundwater quality; laws to facilitate the marketing of organic food products as well as promoting Minnesota-Grown food products; statutes creating programs in Minnesota Grown Coupon WIC and sustainable agriculture; and a law that will facilitate the growth and development of the aquaculture industry.

The Sustainable Agriculture Loan Program has issued 79 loans since June of 1989. A total of \$849,122 in loans at an interest rate of 6% have been issued. The loans, carrying a 5 to 7 year repayment schedule, were awarded based on their potential to enhance profitability and efficiency when using off-farm inputs and their soundness environmentally. The loan receipts are being used to finance equipment to improve fertilizer and pesticide management, increase soil conservation, reduce farm energy consumption and better utilize on-farm resources. Increased net farm income resulting from these improvements are used for loan repayment. To date, the program has received approximately 160 applications requesting a total of \$2,000,000.

The Sustainable Agriculture Grant Program makes grants to farmers to demonstrate and promote practices which increase the efficiency of input use or to reduce the amount of purchased inputs used while maintaining or enhancing farm profitability. Grant recipients demonstrate farming practices to their neighbors through field days. Over the past 2 seasons, 51 field days have been held with a total of 2,000 farmers and other agribusiness personnel present. These farm scale demonstrations have included integrated pest management in apples, modified ridge tillage for sugarbeets, alternative weed control in corn, green manure for nitrogen and intensive rotational grazing. One grant recipient's project earned him selection as 1 of 4 National Farmers of the year in 1990.

While definitive results are not available from all sustainable agriculture grant recipients, preliminary results from several show great promise for reducing costs and/or increasing efficiency of input use. For example, an integrated pest management apple project resulted in about a 50% reduction in sprays for apple scab spore maturity while the percent of scab infested fruit remained about the same. A modified ridge-till system for sugar beet production resulted in a reduction of fuel usage by 42% labor reduction of 18% and a reduction in herbicide use by 81%. One loan recipient was able to reduce his fertilizer expenses by 50% by making the transition to a lower input system that better utilized commercial fertilizer through banding. An indirect benefit was reducing the chance of excess nitrogen leaking into the groundwater.

During the past 3 years, the department has moved from having a few personal computers to a department that is fully computerized in a function sense. An Information Services Division was created, with a computer network coordinator, and a department-wide computer network has been implemented. These initiatives have resulted in standardization of hardware and software, while allowing greater efficiencies in use of personnel and equipment. Because of the computerization, the laboratory and regulatory divisions are now capable of tracking all laboratory testing and results from sample check-in to finish. Laboratory results are immediately available on the network to the division needing them.

Minnesota Agriculture in the Classroom (M-AITC) is a public/private partnership that helps better educate students, educators and the general public about the social and economic importance of agriculture today. About 60 private entities currently support the program with the State Board of Education, Department of Education and all leading education and agriculture-based organizations participating. During the biennium, the program steadily broadened a network of users and gained visibility and impact within the formal K-12 education arena. The expanding urban audience is a key target audience and requests for materials from urban educators increase each year. However, M-AITC continues to provide resources and services to all 435 school districts and to non-public schools. Specific achievements included:

- M-AITC services a network of 1,265 schools and 2,000 libraries with its popular student Minnesota Agriculture Magazine and Teacher Guide Series.
- M-AITC provides resources to all 435 school districts, including its new Model Learner Outcomes and Program Planning Guide for Integrating Agricultural Awareness in Grade K-12, a resource for local committees and curriculum leaders. M-AITC also publishes an Educational Resources Guide and offers 2 cash awards programs to educators.

During the biennium, the Laboratory Services Division dealt with several major food safety crises while processing an increasing number of routine samples for regulatory survey and inspection purposes. Laboratory services responded to concerns over salmonella in cheese by working under

ACTIVITY: Program Wide Decision
PROGRAM: Livestock and Poultry Health
AGENCY: Animal Health, Board of

1992-93 Biennial Budget

DECISION ITEM: Other Reallocations

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures

General Fund

Disease Control	\$	(41)	\$	(43)	\$	(43)	\$	(43)
Administrative Services		<u>41</u>		<u>43</u>		<u>43</u>		<u>43</u>
Program Total	\$	-0-	\$	-0-	\$	-0-	\$	-0-

GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund

Disease Control	\$	(41)	\$	(43)	\$	(43)	\$	(43)
Administrative Services		<u>41</u>		<u>43</u>		<u>43</u>		<u>43</u>
Program Total	\$	-0-	\$	-0-	\$	-0-	\$	-0-

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

Funds are reallocated for the rental of additional office space in the amount of \$16,000 in each year of the biennium and to fund a position in the amount of \$25,000 in F.Y. 1992 and \$27,000 in F.Y. 1993. The reallocations total \$41,000 in F.Y. 1992 and \$43,000 in F.Y. 1993.

RATIONALE:

When our agency moved to a different location, it was with the understanding that we would be charged rent on the additional office space we required. The above reallocation is the cost of this additional office space. We needed the space due to the expansion of some of our programs. The additional position was requested from the LAC in F.Y. 1991, with funding to come from the pseudorabies program. The position is being placed under the Administrative Services budget activity since the majority of the job is a receptionist for the agency. We are reallocating pseudorabies program money to this budget activity to pay for the salary costs of this position as well as the rental of office space. This means that fewer pigs will be tested at state expense. Herd owners will have to pay for the drawing of blood samples and the laboratory results in order to accommodate the rules established by the agency.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

MISSION:

The commission's mission is to assess the status of the state's natural resources and to provide leadership and oversight of resource management by recommending allocations of dedicated revenue sources to projects that will preserve and enhance Minnesota's environment.

On a biennial basis, the commission assesses the status of the state's natural resources; convenes a state resource congress; establishes priorities for funding requests, reviews and recommends allocations for programs from the Minnesota Future Resources Fund, Minnesota Environment and Natural Resources Trust Fund and Oil Overcharge money. After commission recommendations have been enacted into law, the projects are required to submit workplans and are subjected to ongoing review. The commission holds interim hearings for the purpose of accomplishing this task.

The commission is comprised of 16 members of the legislature consisting of the chairs of the house and senate committees on environment and natural resources or designees appointed for the terms of the chairs, the chairs of the house appropriations and senate finance committees or designees appointed for the terms of the chairs, 6 members of the senate appointed by the subcommittee on committees of the committee on rules and administration, and 6 members of the house appointed by the Speaker.

ALLOCATION PROCESS:

The process of choosing projects to recommend for funding is both complex and time consuming. Commission members and Citizen Advisory Committee members spent the summer of '89 visiting cities and towns throughout Minnesota looking at natural resource projects. Seven regional forums were held giving over 1,000 citizens the opportunity to advise commission members of their concerns regarding natural resources in their area. In October, the commission sponsored a statewide Natural Resource Congress which was held in St. Paul. Experts were brought in from all over the United States to address concerns in 11 different issue areas. About 250 people attended the Congress. The data was gathered, organized and evaluated.

In December, we issued a Request for Proposal (RFP) resulting in over 700 responses. They came from academic institutions, state agencies, cities and counties and private businesses, both profit and non-profit. From the February 16th RFP deadline, through July, hundreds of dedicated people have had input into the selection of the recommended projects.

The first group to review the projects were coordinating committee members - experts in each issue area who spent dozens of hours carefully analyzing the diverse projects. After their consideration, the Citizen Advisory Committee (CAC), comprised of 14 individuals appointed by the Governor, the Speaker of the House and Majority Leader, carefully reviewed each project that might be funded by the Environment and Natural Resource Trust Fund. The CAC formulated the Trust Fund's Strategic Plan and the projects were considered according to the guidelines set forth in the Trust Fund strategic plan.

With these recommendations in place, the commission began their work. The projects were winnowed down to 220 which best matched the criteria set forth in the RFP. Hearings (very similar to legislative budget hearings) were then set and each proposed project manager had the opportunity to state their case before the commission members. The hearings occurred over 8 separate days and then the allocation process took an additional 3 days.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

The strategies guiding the commission's recommendations for the 1992-93 biennium are listed below by issue area:

Recreation, Fisheries

- Develop significant recreational opportunities through increased access and acquisition for trails, lakes, rivers and streams.
- Preserve and manage river, lake, stream resources.
- Enhance recreational resource uses in urban areas.
- Provide natural and historic resource preservation and interpretation.
- Improve sportfishing and hunting opportunities.

Water

- Broaden the base of water monitoring activities through citizen and local government partners.
- Accelerate land and water restoration activities by pursuing new research techniques.

Natural Resource and Environmental Education

- Coordinate lifelong learning opportunities through a variety of deliverers of environmental education.
- Address future needs through planning efforts.
- Increase learning opportunities for persons with disabilities and minority and urban populations.
- Target inservice training and continuing education opportunities for natural resource and education professionals.

Agriculture, Wildlife and Forestry

- Improve land and resource management practices.
- Increase the potential of biological, nonchemical controls of pests and exotic species.
- Broaden and increase the understanding of managing the forest ecosystem for the impacts on forest resources and wildlife.
- Provide for wetland restoration, information, education and easement acquisition to enhance wildlife habitat, control erosion and improve water quality.
- Maintain the diversity of the ecosystem through research, acquisition, monitoring and data collection.

Land, Minerals, Waste and Energy

- Support all natural resource management by providing basic data collection and mapping.
- Determine new mineral resource and technology potential.
- Research and develop alternative uses for problem wastes and production by-products.
- Increase energy efficiency and conservation reduce energy generation and consumption and the resulting pollution.

LCMR Administration

The commission and its advisory committee activities are supported by 6 professional non-partisan staff. The major activities of the commission can be divided into the following major categories

Percent of Time

Evaluation	40%
Factfinding	25%
Strategies and Priorities	2%
Allocation	33%

AGENCY: Legislative Commission on Minnesota Resources (LCMR) 1992-93 Biennial Budget
 (Continuation)

Recommended Projects

These LCMR recommendations are supported by funding from the following sources based on July 1990 revenue projections.

Minnesota Future Resources Fund	17,399,000
Environment and Natural Resources Trust Fund (noted as TF)	13,960,000
Oil Overcharge (Subd. 14)	<u>1,050,000</u>
TOTAL	32,409,000

Projects consistent with the RIM statutes are noted (R).

There are 26 such projects which total \$10,256,000.

Subd. 2 LCMR Administration 850,000

Subd. 3 Recreation 4,364,000

(a) Off-Highway Vehicle Recreation Area	75,000
(b) Superior Hiking Trail	400,000
(c) Rails-to-Trails Acquisition and Development	1,000,000
(d) Local Rivers Planning	400,000
R (e) Access to Lakes and Rivers	1,000,000
TF (f) Land/Water Resource Management Lower St. Croix Riverway	360,000
TF (g) Mississippi River Valley Blufflands Initiative	150,000
(h) Reclamation of Recreation Systems and Environmental Resources	200,000
(i) Preservation of Historic Shipwrecks Lake Superior	100,000
(j) Pokegama Lake Outlet Channel	15,000
(k) Land and Water Conservation Fund Administration	84,000
(l) Historic Records Database-Final Phase	180,000
(m) Fur Trade Research and Planning	250,000
(n) Mystery Cave State Park Resource Evaluation	150,000

Subd. 4 Water 4,769,000

TF (a) Stream and Watershed Information System	200,000
TF (b) S Can Minnesota Surface Water Resource Atlases/Data Base	300,000
TF (c) Minnesota River Basin Water Quality Monitoring	700,000
(d) Waterwatch-Citizen Monitoring and Protection Program	272,000
TF (e) Bioremedial Technology for Groundwater	96,000
TF (f) County Geologic Atlas and Groundwater Sensitivity Mapping	1,400,000
(g) Aquifer Analyses in Southeast Minnesota	73,000
TF R (h) Clean Water Partnership/Grants to Local Units of Government	700,000
TF R (i) Cannon River Watershed Grants	60,000
TF (j) Mitigating Mercury in Northeast Minnesota Lakes	300,000
(k) Development and Application of Aeration Technologies	148,000
(l) Lake Superior Initiative/Institute for Research	400,000
(m) Lake Mille Lacs Public Land Use Plan	20,000
TFR (n) Ecological Evaluation of Year-Round Aeration	100,000

Subd. 5. Education 2,885,000

TF (a) Environmental Education Program	790,000
(b) Teacher Training for Environmental Education	5,000

TF (c) Video Education Research and Demonstration Project	100,000
TF (d) Integrated Resource Mgmt Education and Training Program	300,000
(e) Continuing Ed in Outdoor Rec for Natural Resource Mgrs	125,000
TF R (f) Environmental Exhibits Collaborative	400,000
(g) Upper Mississippi River Environmental Education Center	600,000
(h) Urban Rangers Program	100,000
(i) Crosby Farm Park Nature Program	85,000
(j) Youth in Natural Resources	250,000
(k) Environmental Education for Handicapped	130,000
Subd. 6 Agriculture	2,490,000
TF (a) Biological Control of Pests	650,000
(b) Review Levels of Pesticides at Spill Sites	300,000
(c) Effective Nitrogen/Water Mgt for Sensitive Areas	300,000
TF R (d) Conservation Reserve Easements	1,000,000
(e) Native Grass and Wildflower Seed	130,000
(f) Community Gardening Program	110,000
Subd. 7 Forestry	1,550,000
R (a) Minnesota's Old-Growth Forest: Character and Identification	150,000
(b) Nutrient Cycling and Tree Species Suitability	220,000
R (c) State Forest Land Acquisition	500,000
(d) Means for producing Lignin-Based Plastics	100,000
R (e) Regeneration and Management of Minnesota's Oak Forests	225,000
(f) Private Forest Management for Oak Regeneration	200,000
(g) Aspen Hybrids and New Tissue Culture Techniques	70,000
(h) Aspen Decay Models for Mature Aspen Stands	85,000
Subd. 8 Fisheries	2,020,000
R (a) Pilot Fish Pond Complex-Fisheries Development and Education	250,000
(b) Aquaculture Facility Purchase and Dev. and Genetic Gamefish	1,200,000
R (c) Cooperative Urban Aquatic Research Education Program	340,000
R (d) Catch and Release Program	35,000
(e) Metropolitan Lakes Fishing Opportunities	75,000
R (f) Lake Minnetonka Bass Tracking	85,000
(g) Stocking Survey	35,000
Subd. 9 Wildlife	5,500,000
TF R (a) Insecticide Impact on Wetland and Upland Wildlife	650,000
TF (b) Biological Control Eurasian Water Milfoil	100,000
(c) Microbial and Genetic Strategies for Mosquito Control	150,000
TF R (d) Minnesota County Biological Survey	1,000,000
TF R (e) Data Base for Plants of Minnesota	130,000
TF (f) Aquatic Invertebrate Assessment Archive	130,000
TF R (g) Wetlands Forum	40,000
TF R (h) Easement Acquisition on Restored Wetlands	400,000
R (i) Swan and Heron Lake Area Projects	1,000,000
(j) Wildlife Oriented Rec Fac/Sandstone Unit Nat Wildlife Refuge	9,000
TF R (k) Reinvest in Minnesota Critical Habitat Match	1,000,000
R (l) Acquisition and Development of Scientific and Natural Areas	300,000
R (m) Black Bear Research in East Central Minnesota	100,000
R (n) Partnership for Accelerated Wild Turkey Management	50,000
TF (o) Restore Thomas Sadler Roberts Bird Sanctuary	50,000
TF R (p) Changes in Ecosystem on Biodiversity of Forest Birds	300,000

AGENCY: Legislative Commission on Minnesota Resources (LCMR) **1992-93 Biennial Budget**
 (Continuation)

R	(q) Establish Northern Raptors Rehabilitation and Ed Facility	75,000
	(r) Effect of Avian Flu Virus in Wild Waterfowl	16,000
Subd. 10	Land	4,826,000
TF	(a) Base Maps for 1990s	1,900,000
	(b) Accelerated Soil Survey	1,270,000
TF R	(c) Statewide Natl Wetlands Inv/PWI/Watershed Map Digitization	750,000
	(d) Statewide Land Use Update	338,000
	(e) Local Geographic Information System Program	143,000
	(f) Geographic Information System Control Point Inventory	175,000
	(g) Land Use and Design Strategies to Enhance Env. Quality	100,000
	(h) Model Residential Land Use Guidelines	150,000
Subd. 11	Minerals	620,000
	(a) Subsurface Greenstone Belts in Southwestern Minnesota	120,000
	(b) Direct Smelting	500,000
Subd. 12	Waste	385,000
	(a) Remediation of Soils by Co-Composting with Leaves	135,000
	(b) Land Spreading of Yard Wastes	100,000
	(c) Cellulose Rayons for Biodegradable Packaging	150,000
Subd. 13	Energy	300,000
	(a) Tree and Shrub Planting for Energy in Minnesota Communities	300,000
Subd. 14	Oil Overcharge	1,050,000
	(a) Traffic Signal Timing and Optimization Program	500,000
	(b) Waste Crumb Rubber in Roadways	100,000
	(c) Biodegradable Plastics-Microbial and Crop Plant Systems	150,000
	(d) Agricultural Energy Savings Information	150,000
	(e) Residential Urban Environmental Resource Audit	150,000
Subd. 15	Contingent Account	<u>800,000</u>
	Total	\$32,409,000

GOVERNOR'S RECOMMENDATION:

The Governor makes no specific recommendations on the allocations proposed by the commission. However, as the attached decision item indicates, the Governor recommends transfer of certain Minnesota Resources fund balances to the General Fund.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS,DPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
MINERAL RESOURCES MGMT	5,091	5,287	5,436	5,265	5,381	5,381	5,260	5,358	5,358
WATER RESOURCES MGMT	6,237	8,605	8,859	8,214	9,355	9,355	8,128	8,133	8,133
FOREST MANAGEMENT	36,052	34,809	35,847	33,532	35,611	33,360	33,484	34,297	32,046
PARKS & RECREATION MGMT	14,418	19,172	20,411	19,810	20,172	20,172	19,765	20,241	20,241
TRAILS & WATERWAYS MGMT	9,159	9,762	10,199	11,452	14,763	14,763	11,435	12,465	12,465
FISH & WILDLIFE MANAGEMENT	29,595	32,654	35,277	34,173	43,553	43,553	34,067	38,767	38,767
ENFORCEMENT--NR LAWS&RULES	11,688	12,968	13,443	13,594	14,786	14,786	13,556	15,053	15,053
FIELD OPERATIONS SUPPORT	9,122	11,926	12,562	12,117	13,100	13,033	12,095	13,479	13,406
REGIONAL OPERATIONS SUPPORT	4,332	4,841	5,400	5,417	6,026	6,026	5,400	5,511	5,511
SPECIAL SERVICES AND PROGRAMS	6,484	6,940	6,880	6,715	8,505	8,505	6,712	6,824	6,824
ADMINISTRATIVE MANAGEMENT	5,129	6,185	6,406	6,467	6,622	6,622	6,455	6,710	6,710
NON-PROGRAMMATIC ACCOUNTS	21,875	21,467	18,288	18,288	18,288	16,188	18,288	18,288	16,188
TOTAL EXPENDITURES BY PROGRAM	159,182	174,616	181,008	175,044	196,162	191,744	174,645	185,126	180,702
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST					5,100	5,100			
GENERAL	53,538	74,182	78,258	78,538	79,537	77,219	78,383	79,833	77,509
MN RESOURCES	2,849	2,408	3,552		7,481	7,481			
NATURAL RESOURCES		15,018	17,943	16,941	20,350	20,350	16,905	20,724	20,724
WATER RECREATION	7,681								
SPECIAL REVENUE	11,627	742	935	835	1,220	1,220	835	835	835
GAME AND FISH	39,989	43,521	45,595	46,053	49,829	49,829	45,918	51,066	51,066
IRON RANGE R & R	172	199	200						
WATER POLLUTION CNTRL	806								
PERMANENT SCHOOL	359	337	303	299	267	267	299	363	363
STATUTORY APPROPRIATIONS:									
GENERAL	17,543	14,613	13,974	13,974	13,974	11,874	13,974	13,974	11,874
WATER RECREATION	9								
SPECIAL REVENUE	17,103	16,176	13,496	13,400	13,400	13,400	13,400	13,400	13,400
GAME AND FISH	1,010	1,120	1,224	1,224	1,224	1,224	1,224	1,224	1,224
FEDERAL	6,118	5,960	5,213	3,465	3,465	3,465	3,392	3,392	3,392

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS,DPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1989			FY 1990			Est.			FY 1992			FY 1993		
	FY 1989	FY 1990	FY 1991	FY 1989	FY 1990	FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.			
GIFTS AND DEPOSITS	378	340	315				315	315	315	315	315	315			
TOTAL FINANCING	159,182	174,616	181,008				175,044	196,162	191,744	174,645	185,126	180,702			

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: NATURAL RESRCS,DPT OF

	ALL FUNDS F.Y.92	ALL FUNDS F.Y.93	GENERAL FUND F.Y.92	GENERAL FUND F.Y.93	OTHER STATE FUNDS F.Y.92	OTHER STATE FUNDS F.Y.93	FEDERAL FUNDS F.Y.92	FEDERAL FUNDS F.Y.93
F.Y.91 FUNDING LEVEL	184,192	184,192	92,232	92,232	86,747	86,747	5,213	5,213
ONE-TIME APPROPRIATIONS	<1,405>	<1,405>	<163>	<163>	<1,242>	<1,242>		
BIENNIAL APPROPRIATIONS	49	47	<81>	<83>	130	130		
APPROPRIATIONS CARRIED FWD	<483>	<483>	<268>	<268>	<215>	<215>		
SUNSET PROGRAMS	<263>	<263>	<63>	<63>	<200>	<200>		
SALARY ANNUALIZATION	1,421	1,040	838	628	583	412		
DOCUMENTED RENT/LEASE INCR.	48	105	48	105				
LCMR FUNDED PROJECTS	<3,552>	<3,552>			<3,552>	<3,552>		
DEDICATED RECEIPTS AND FUNDS	<31>	<31>	<31>	<31>				
FEDERAL RECEIPTS	<1,748>	<1,821>					<1,748>	<1,821>
TOTAL	178,228	177,829	92,512	92,357	82,251	82,080	3,465	3,392
BIENNIAL TOTAL		356,057		184,869		164,331		6,857

F.Y. 1991 Budget Reductions (Information Only)

The following F.Y. 1991 reductions were implemented in Laws 1991, Chapter 2. These reductions are not reflected as changes to F.Y. 1991 or F.Y. 1992-93 BASE Levels within the budget documents.

General Fund

General Reduction \$ (970)

* Reconciliation totals include re-invest in Minnesota (RIM) Fund amounts which are not included on the fiscal pages that follow.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS,DPT OF
PROGRAM: MINERAL RESOURCES MGMT

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
MINERAL MGMT	4,657	4,722	4,833	4,654	4,716	4,716	4,652	4,750	4,750
MINELAND RECLAMATION	434	565	603	611	611	611	608	608	608
TOTAL EXPENDITURES BY ACTIVITY	5,091	5,287	5,436	5,265	5,327	5,327	5,260	5,358	5,358
DETAIL BY CATEGORY:									
STATE OPERATIONS	5,090	5,247	5,436	5,265	5,327	5,327	5,260	5,358	5,358
LOCAL ASSISTANCE	1	40							
TOTAL EXPENDITURES BY CATEGORY	5,091	5,287	5,436	5,265	5,327	5,327	5,260	5,358	5,358
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	4,392	4,948	5,202	5,179	5,241	5,241	5,174	5,272	5,272
MN RESOURCES	153	82	148						
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	511	201	51	51	51	51	51	51	51
FEDERAL	22	18							
GIFTS AND DEPOSITS	13	38	35	35	35	35	35	35	35
TOTAL FINANCING	5,091	5,287	5,436	5,265	5,327	5,327	5,260	5,358	5,358

ACTIVITY: Mineral Management
PROGRAM: Mineral Resources Management
AGENCY: Natural Resources, Department of

1992-93 Biennial Budget

DECISION ITEM: Mineral Diversification

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures				
General Fund	\$ 116	\$ 98	\$ 98	\$ 98
Revenues				
General Fund	\$ 116	\$ 98	\$ 98	\$ 98

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 116	\$ 98	\$ 98	\$ 98
Revenues				
General Fund	\$ 116	\$ 98	\$ 98	\$ 98

Requires statutory change: Yes X No
Statutes Affected:

ITEM SUMMARY:

Increased revenue from mineral leasing of tax-forfeited lands is projected for the next biennium. Twenty percent of this increase (\$116,000 in F.Y. 1992 and \$98,000 in F.Y. 1993) would have been deposited into the mineral lease account for mineral diversification projects prior to fund consolidation. These revenues are now deposited directly to the General Fund.

RATIONALE:

The increased funding will ensure the intent that the revenue receipts continue to be used for the purposes for which they have been expended at the time of the fund consolidation.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS,DPT OF
PROGRAM: WATER RESOURCES MGMT

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est.	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
WATER RESOURCES MGMT	6,237	8,605	8,859	8,214	9,355	9,355	8,128	8,133	8,133
TOTAL EXPENDITURES BY ACTIVITY	6,237	8,605	8,859	8,214	9,355	9,355	8,128	8,133	8,133
DETAIL BY CATEGORY:									
STATE OPERATIONS	5,782	6,982	7,545	6,833	7,586	7,586	6,747	6,752	6,752
LOCAL ASSISTANCE	455	1,623	870	937	1,325	1,325	937	937	937
AID TO INDIVIDUALS			444	444	444	444	444	444	444
TOTAL EXPENDITURES BY CATEGORY	6,237	8,605	8,859	8,214	9,355	9,355	8,128	8,133	8,133
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST									
GENERAL	4,634	7,911	7,844	7,879	7,879	7,879	7,866	7,866	7,866
MN RESOURCES	560	445	779		88	88			
NATURAL RESOURCES		87	93	94	97	97	94	99	99
WATER RECREATION	80								
WATER POLLUTION CNTRL	806								
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	60	61	37	37	37	37	37	37	37
FEDERAL	97	101	106	204	204	204	131	131	131
TOTAL FINANCING	6,237	8,605	8,859	8,214	9,355	9,355	8,128	8,133	8,133

ACTIVITY:
PROGRAM: Water Resources Management
AGENCY: Natural Resources, Department of

1992-93 Biennial Budget

DECISION ITEM: Legislative Commission on Minnesota Resources

Dollars in Thousands			
F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures

Minnesota Resources Fund	\$ 88	\$	\$
Environment and Natural Resources	\$ 1,050	\$	\$
Trust Fund			

GOVERNOR'S RECOMMENDATION:

Expenditures

Minnesota Resources Fund	\$ 88	\$	\$
Environment and Natural Resources	\$ 1,050	\$	\$
Trust Fund			

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The Legislative Commission on Minnesota Resources (LCMR) has recommended funding for the following projects:

■ Minnesota Resources Fund

\$ 73,000 - Aquifer Analyses in Southeast Minnesota
\$ 15,000 - Pokegama Lake Outlet Channel

■ Environment and Natural Resources Trust Fund

\$300,000 - South Central Minnesota Surface Water Resources Atlas
\$750,000 - Statewide National Wetlands Inventory/Protected Water Inventory/Watershed Map Digitization

RATIONALE:

■ Aquifer Analyses in Southeast Minnesota: This project provides funds to the Commissioner of Natural Resources for a grant to Winona State University to perform aquifer tests in southeast Minnesota in order to determine aquifer characteristics, surface-subsurface ground water interaction, and aquifer interaction.

■ Pokegama Lake Outlet Channel: This project provides funds to the Commissioner of Natural Resources for a grant to the Pokegama Lake Association to develop an environmentally sensitive design for and to install a permanent outlet channel for Pokegama Lake. State funds provided for this project must be matched by \$15,000 of local resources. The local funds must be spent before the grant is made.

■ South Central Minnesota Surface Water Resource Atlases and Data Base: Project funding is from the Minnesota Environment and Natural Resources Trust Fund to the Commissioner of Natural Resources for a grant to Mankato State University for development of surface hydrology atlases and data base in both hard copy and electronic format for the 13 counties of south central Minnesota.

■ Statewide National Wetlands Inventory, Protected Water Inventory, and Watershed Map Digitization: Project funding is from the Minnesota Environment and Natural Resources Trust Fund to the Commissioner of Natural Resources to complete the digitization of the national wetlands inventory, protected water inventory, and watershed boundaries.

GOVERNOR'S RECOMMENDATION:

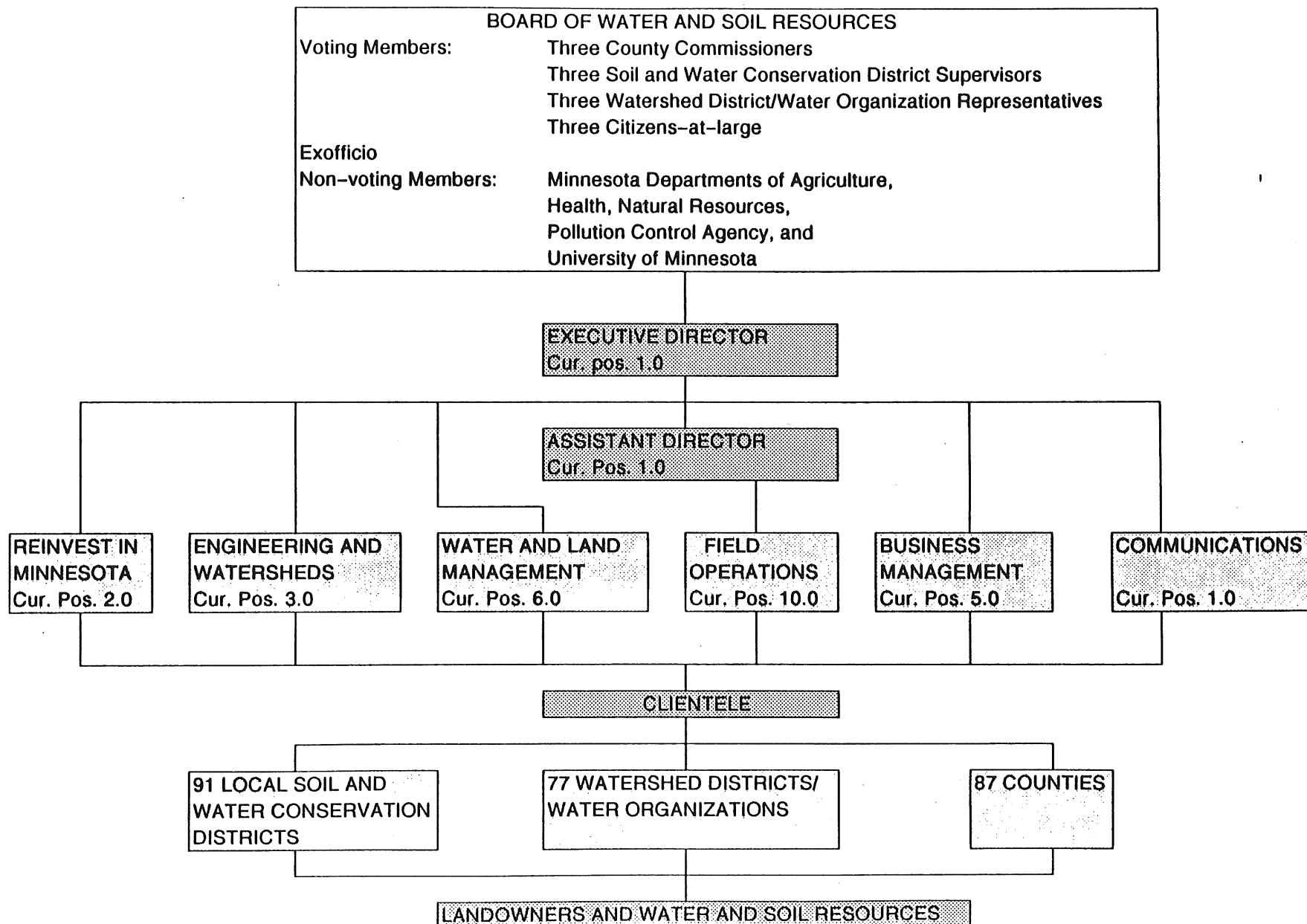
Recognizing the authority of the LCMR to make budget recommendations for projects funded by the Minnesota Resources Fund and the Environment and Natural Resources Trust Fund, the Governor makes no specific recommendations.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS,DPT OF
PROGRAM: NON-PROGRAMMATIC ACCOUNTS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
NON-PROGRAMMATIC ACCOUNTS	21,875	21,467	18,288	18,288	18,288	16,188	18,288	18,288	16,188
TOTAL EXPENDITURES BY ACTIVITY	21,875	21,467	18,288	18,288	18,288	16,188	18,288	18,288	16,188
DETAIL BY CATEGORY:									
STATE OPERATIONS	16,825	18,202	14,851	14,851	14,851	14,851	14,851	14,851	14,851
LOCAL ASSISTANCE	5,050	3,265	3,437	3,437	3,437	1,337	3,437	3,437	1,337
TOTAL EXPENDITURES BY CATEGORY	21,875	21,467	18,288	18,288	18,288	16,188	18,288	18,288	16,188
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
NATURAL RESOURCES		80	80	80	80	80	80	80	80
WATER RECREATION	73								
GAME AND FISH	610	538	375	375	375	375	375	375	375
STATUTORY APPROPRIATIONS:									
GENERAL	10,728	9,087	8,945	8,945	8,945	6,845	8,945	8,945	6,845
SPECIAL REVENUE	9,530	10,788	7,870	7,870	7,870	7,870	7,870	7,870	7,870
GAME AND FISH	921	974	1,013	1,013	1,013	1,013	1,013	1,013	1,013
FEDERAL	13		5	5	5	5	5	5	5
TOTAL FINANCING	21,875	21,467	18,288	18,288	18,288	16,188	18,288	18,288	16,188

MINNESOTA BOARD OF WATER AND SOIL RESOURCES ORGANIZATION CHART



ACTIVITY:
PROGRAM:
AGENCY: Waste Management, Office of

1992-93 Biennial Budget

DECISION ITEM: LCMR

Dollars in Thousands			
F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures

Minnesota Resources Fund	\$ 385	\$ 0	\$ 0	\$ 0
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Requires statutory change: Yes X No

ITEM SUMMARY:

LCMR: Remediation of Soils by Co-Composting with Leaves F.Y. 1992 \$135,000

This project is a cooperative research project proposed by the Minneapolis Community Development Agency and the consulting firm, Braun Environmental Laboratories, Inc. Preliminary research by Braun has shown that soils contaminated with semi-volatile compounds may be degraded through co-composting with leaves. The result of the project will be development and field-testing of this treatment method.

LCMR: Land Spreading of Yard Wastes F.Y. 1992 \$100,000

Building on the expertise gained from the F.Y. 1990-91 project on compost and co-compost research, the University of Minnesota's Department of Soil Science will determine the maximum and optimum rates that yard wastes can be applied to soils without reducing yields or endangering the environment. The result will be a determination of how much yard waste can be applied directly to fields without intermediate composting.

LCMR: Cellulose Rayons for Biodegradable Packaging F.Y. 1992 \$150,000

Bemidji State University, Center for Environmental Studies, has identified the need to develop packaging material from cellulose, which is naturally biodegradable, as a substitute for nondegradable, petroleum-based packaging materials. The challenge is to develop a product which will compete economically with petroleum-based products.

RATIONALE:

Funding for these projects has been approved by the Legislative Commission on Minnesota Resources. The Office of Waste Management will not receive any portion of the funds to administer these research projects.

GOVERNOR'S RECOMMENDATION:

Recognizing the authority of the LCMR to make budget recommendations for projects funded by the Minnesota Resources Fund, the Governor makes no specific recommendations.

MISSION:

Under M.S. 41A.09, the Commissioner of Revenue makes payments to producers of ethanol or wet alcohol located in the state for those products fermented in the state. The payments are made quarterly and based on the number of gallons of ethanol or wet alcohol produced. For each gallon of ethanol, the subsidy is 20¢. For each gallon of wet alcohol, the subsidy is determined by formula based on the percentage of alcohol purity. Total payments in F.Y. 1991 are estimated at \$4,500,000. Payments are capped at \$10,000,000 a year and \$3,000,000 a year to individual producers.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

Current law provides that the amount required for these payments is appropriated from the General Fund; however, the law also provides that the amount required to fund this appropriation be reduced from the portion of the Motor Vehicle Excise Tax (MVET) transfer that is distributed to the highway user tax distribution fund until 6-30-91, and to the trunk highway fund after that time. The result of those 2 provisions is that the subsidy has no net impact on the General Fund under current law.

Elsewhere in the budget, the Governor recommends the elimination of the MVET transfer so that those proceeds remain in the General Fund. As a result of that recommendation and without any other changes in current law, the ethanol development subsidy would become an additional expenditure out of the general fund.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the ethanol development subsidy be retained and funded out of the General Fund. He also recommends that the subsidy be capped at \$4,000,000 a year. The Commissioner of Revenue should determine a method of pro-rating the subsidy in the event that the payments applied for exceed \$4,000,000 a year.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ETHANOL DEVELOPMENT SUBSIDY
PROGRAM: REVENUE REFDS & AIDS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
PETROLEUM TAX REFUND	2,310	2,125	4,500	4,500	4,500	4,000	4,500	4,500	4,000
TOTAL EXPENDITURES BY ACTIVITY	2,310	2,125	4,500	4,500	4,500	4,000	4,500	4,500	4,000
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	2,310	2,125	4,500	4,500	4,500	4,000	4,500	4,500	4,000
TOTAL EXPENDITURES BY CATEGORY	2,310	2,125	4,500	4,500	4,500	4,000	4,500	4,500	4,000
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
STATUTORY APPROPRIATIONS:									
GENERAL	2,310	2,125	4,500	4,500	4,500	4,000	4,500	4,500	4,000
TOTAL FINANCING	2,310	2,125	4,500	4,500	4,500	4,000	4,500	4,500	4,000

ACTIVITY: Petroleum Tax Refund
PROGRAM: Revenue Refunds and Aids
AGENCY: Ethanol Development Subsidy

1992-93 Biennial Budget

DECISION ITEM: Ethanol Development Subsidy Cap

Dollars in Thousands				
<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ (500)	\$ (500)	\$ (500)	\$ (500)

Requires statutory change: X Yes _____ No

Statutes Affected: M.S. 41A.09

ITEM SUMMARY:

The Governor recommends that the ethanol development subsidy under M.S. 41A.09 be capped at \$4 million per fiscal year.

RATIONALE:

Ethanol development subsidies to producers are currently capped at \$3,000,000 per producer and \$10,000,000 in total per fiscal year. Under current law the amount necessary to fund the subsidies would be reduced from the portion of the Motor Vehicle Excise Tax (MVET) transfer that would otherwise be distributed to the Trunk Highway Fund in the next biennium. Elsewhere, the Governor recommends the elimination of the MVET transfer, which would result in the ethanol development subsidies being paid directly out of the General Fund. Current estimates project that ethanol producers will be eligible for \$4.5 million in subsidies for each year of the next biennium under current law. That assumes significantly increased ethanol production in the state over previous years. The Governor's recommendation to cap the subsidies at \$4 million a year would allow for most of the projected subsidies applied for to be paid, but would set a limit to allow for control over those expenditures. The Department of Revenue would pro-rate the subsidies if the amounts applied for exceeded the cap.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE, DEPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
FINANCIAL EXAMINATIONS	4,252	4,265	4,655	4,759	5,406	5,406	4,749	5,550	5,550
REGISTRATION & ANALYSIS	1,725	1,997	1,941	1,966	1,937	1,992	1,959	1,960	2,015
PETROLEUM TANK CLEANUP FUND	871	11,362	21,531	21,535	21,690	21,690	21,538	21,694	21,694
ADMINISTRATIVE SERVICES	1,725	1,690	1,585	1,763	1,774	1,774	1,782	1,812	1,812
ENFORCEMENT & CONS ASSIST	2,440	3,010	3,327	3,383	3,284	3,284	3,387	3,400	3,400
TOTAL EXPENDITURES BY PROGRAM	11,013	22,224	33,039	33,406	34,091	34,146	33,415	34,416	34,471
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	9,641	10,359	10,849	11,156	11,686	11,741	11,143	11,988	12,043
PETRO CLEANUP	53								
SPECIAL REVENUE	264	267	299	316	316	316	329	329	329
ENVIRONMENTAL		55	61	65	220	220	68	224	224
STATUTORY APPROPRIATIONS:									
PETRO CLEANUP	818								
SPECIAL REVENUE	237	236	360	399	399	399	405	405	405
ENVIRONMENTAL		11,307	21,470	21,470	21,470	21,470	21,470	21,470	21,470
TOTAL FINANCING	11,013	22,224	33,039	33,406	34,091	34,146	33,415	34,416	34,471

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: COMMERCE, DEPT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	33,039	33,039	10,849	10,849	22,190	22,190		
SALARY ANNUALIZATION	144	108	143	107	1	1		
DOCUMENTED RENT/LEASE INCR.	164	187	164	187				
DEDICATED RECEIPTS AND FUNDS	59	81			59	81	0	
TOTAL BIENNIAL TOTAL	33,406	33,415	11,156	11,143	22,250	22,272	44,522	
		<i>66,821</i>		<i>22,299</i>				

ACTIVITY:
PROGRAM: Agency-Wide Decision
AGENCY: Commerce, Department of

1992-93 Biennial Budget

DECISION ITEM: Financing Inflation Cost

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures

General Fund - Inflation	\$ 452	\$ 905	\$ 905	\$ 905
General Fund - Reallocation	(451)	(538)	(538)	(538)
Total	\$ 1	\$ 367	\$ 367	\$ 367

Revenues

General Fund	1,044	1,256	1,256	1,256
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GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund	\$ 56	\$ 422	\$ 422	\$ 422
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Revenues

General Fund	\$ 1,102	\$ 1,310	\$ 1,310	\$ 1,310
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Requires statutory change: X Yes No

Statutes Affected: M.S. 155A.08, Subd. 3, M.S. 155A.09, Subd.7 (salon inspections)
 M.S. 80C.04, Sub. 1, 80C.07, 80C.08, Sub 1 (franchise fees)
 M.S. 60A.14, Sub 1 (c) insurance fees

ITEM SUMMARY:

An inflation rate of 4.5% for F.Y. 1992 and an additional 4.5% for F.Y. 1992 was assumed for the following programs.

	F.Y. 1992	F.Y. 1993
Financial Examinations	\$ 205	\$ 410
Registration & Analysis	81	161
Administrative Services	50	100
Enforcement & Cons. Assist.	116	234
	\$ 452	\$ 905

These inflation rates were applied to all salary, supply and expense costs with the exception of documented space rental rate increases. A plan has been developed to cover these anticipated inflationary increases from two different sources.

1. Program reductions of \$451,000 in F.Y.1992 and \$538,000 in F.Y. 1993.
2. Increase in revenue in fee-supported activities of \$193,000 in F.Y. 1992 and \$386,000 in F.Y. 1993. The revenue generated as a part of this decision is related to the assessment and examination fee cost recovery of the financial examinations program of the department. Examination costs are recovered at 100% of cost and assessment expenses are recovered at 103% of cost. Also, the department recommends that franchise fees, (\$93,000 annually) and insurance fees (\$975,000 in

F.Y. 1992 and \$995,000 in F.Y. 1993) be increased to cover the cost of regulation.

RATIONALE:

Even though the department is entirely supported through fees and assessments, it has developed a plan to manage costs. Reductions in staffing and expenses required to finance inflationary increases in the General Fund will be spread over all of the department's General Fund programs, except for the Financial Examination Program, as follows:

Registration and Analysis	F.Y.1992	\$149,000	F.Y.1993	\$198,000
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The reductions in this activity will require staff to absorb additional responsibilities as vacant positions will not be filled. (For F.Y. 1992 two professional positions and one clerical position; F.Y. 1993 three professional positions and one clerical position.) The net result will be delays in processing registrations and insurance policy and rate filings and increased backlog in clerical support functions. The staff will be required to review workload and determine priorities as burdens of meeting approval deadlines and interest of companies in having products approved will conflict with consumers who have specific interest in what is available in the market.

Additionally, a contract to locate unclaimed property in other states nationally will not be executed. The cost of this contract to the General Fund is \$55,000 per year. It is estimated that \$435,000 in unclaimed property will be reported to Minnesota as a result of this contract. An estimated 50% of that property will be returned to owners and the remaining 50% would be remitted to the General Fund. Proceeds from this contract to the General Fund is estimated to be \$162,500 per year.

Administrative Services	F.Y.1992	\$39,000	F.Y.1993	\$70,000
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This reduction eliminates the ability to pay employees overtime for work during annual renewal and peak workload times throughout the year. This will ultimately mean that annual renewals will experience processing delays and cash will not be deposited in the 24 hour turnaround time requested by the Treasurer for investment purposes.

Additionally, \$30,000 is reduced each year from the department's legal services budget which will impair the department's ability to take enforcement and regulatory matters to the administrative hearings process.

Finally, one position is eliminated in the second year of the biennium as a result of an anticipated retirement. Remaining staff will be required to pick up the additional workload which will not allow us to provide the required support to the department and non-health licensing boards in a timely manner.

Enforcement and Licensing	F.Y.1992	\$263,000	F.Y.1993	\$270,000
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The reductions in this activity will require staff to absorb additional responsibilities as vacant positions will not be filled. (For F.Y. 1992 and 1993 two professional positions from investigations and one clerical position from licensing.) The net result will be delays in processing consumer complaints and inquiries. Additionally, the licensing division will change internal procedures to have testing companies perform application screening services. The staff will be required to continuously review workload and determine priorities as burdens of providing continued service to licensees, the general public and the business community increase and staffing to accomplish our overall mission decreases.

Additional processing changes will be made in licensing which will eliminate some of the printing and mailing costs associated with annual renewals to accomplish the target reduction.

Finally, the department would propose the elimination of the cosmetology salon inspection program. Currently, as part of the regulatory program of the cosmetology program, cosmetology salons licensed in Minnesota are annually inspected to assure sanitary conditions exist for the patrons of the licensed

(Continuation)

1992-93 Biennial Budget

ACTIVITY:

PROGRAM: Agency-Wide Decision

AGENCY: Commerce, Department of

salon. It is the department's position that the "market" can comfortably regulate salons cleanliness and health oriented practices as consumers will presumably not use facilities that are not kept in a sanitary condition. This action would eliminate four positions and related travel expenditures to have these 4 people traveling throughout the State of Minnesota inspecting salons for a total savings of \$159,000 in F.Y. 1992 and \$164,000 in F.Y. 1993.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan, except for the following items. a) The Governor does not recommend terminating the unclaimed property contract because this will result in a loss of General Fund revenue amounting to \$435,000 for the biennium. Therefore, it is recommended that funding for the contract be restored in the amount of \$110,000 for the biennium, and b) The Governor recommends that cosmetology fees be reduced by \$159,000 in F.Y. 1992 and \$164,000 in F.Y. 1993 as a result of savings achieved by eliminating salon inspections.

Listed below is a summary of the revenue changes:

Recommended by Department:	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Assessment & Exam Fees	\$ 193	\$ 386	\$ 386	\$ 386
Insurance Fees	975	995	995	995
Franchise Fees	93	93	93	93
Unclaimed Property	(217)	(218)	(218)	(218)
Total Department Request	\$1,044	\$1,256	\$1,256	\$1,256

Additional Governor's Recommendation:

Restore Unclaimed Property	\$ 217	\$ 218	\$ 218	\$ 218
Reduce Cosmetology Fees	(159)	(164)	(164)	(164)
Total Governor's Rec.	\$1,102	\$1,310	\$1,310	\$1,310

ACTIVITY:
PROGRAM: Agency-Wide Decision
AGENCY: Commerce, Department of

1992-93 Biennial Budget

DECISION ITEM: Professional Staff Development (Training)

AGENCY PLAN:	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

Expenditures				
General Fund	\$ 210	\$ 214	\$ 214	\$ 214

Revenues				
General Fund	\$ 213	\$ 217	\$ 217	\$ 217

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 210	\$ 214	\$ 214	\$ 214

Revenues				
General Fund	\$ 213	\$ 217	\$ 217	\$ 217

Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY:

Agency-wide request for professional staff development to provide training opportunities for department staff to keep abreast of new developments in an ever-changing marketplace. Request is to provide training funds at 3.5% of the professional staff salary cost for the following programs:

	F.Y. 1992	F.Y. 1993
Financial Examinations	\$ 123,000	\$ 127,000
Registration & Analysis	39,000	38,000
Enforcement & Cons. Assist.	48,000	49,000
	\$ 210,000	\$ 214,000

RATIONALE:

The Department has discovered, through audit and review of operations, that the level of professional development provided to professional staff is well below the national average. Most states, according to the Conference of State Bank Supervisors (CSBS), provide training to staff at a level of 5-10% of staff salary cost. During our accreditation review and in an operations audit done by a CPA firm, this was one of the strong areas of criticism.

It is the intention of the department to request additional resources for professional staff development for all programs of the department; financial examinations, registration; policy and rate review; and investigations. The industries regulated are constantly changing in the way of development of new products, new financing methods, new investment strategies, new sales techniques and so on.

If the department staff responsible for the regulation of these industries is not adequately trained to keep up with these changes it is difficult to provide adequate regulation to protect the public interest.

The intent would be that all members of the staff would be able to participate in training opportunities to enhance their knowledge and skill to benefit both the regulated industries by having currently trained regulators and the general public who rely on this agency to protect their interests when dealing with a department regulated financial service.

The new revenue generated as a part of this decision is related to the assessment and examination fee cost recovery of the financial examinations program of the department. Examinations costs are recovered at 100% of cost and assessment expenses are recovered at 103% of cost. The remaining portion of this request is funded from existing revenue as the department charges the cost of regulation back to the industries by way of fees for filing documents and licenses. The General Fund revenue estimates are listed below:

	F.Y. 1992	F.Y. 1993
Current Revenue	\$ 109,000	\$ 109,000
New Revenue	104,000	108,000
Total	\$ 213,000	\$ 217,000

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE, DEPT OF
PROGRAM: ENFORCEMENT & CONS ASSIST

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993 *		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
INVESTIGATIONS	1,334	1,715	1,915	1,942	2,011	2,011	1,936	2,091	2,091
ENFORCEMENT DEPUTY COMR	118	112	118	120	125	125	119	130	130
LICENSING	930	1,183	1,294	1,321	1,148	1,148	1,332	1,179	1,179
N/A	58								
TOTAL EXPENDITURES BY ACTIVITY	2,440	3,010	3,327	3,383	3,284	3,284	3,387	3,400	3,400
DETAIL BY CATEGORY:									
STATE OPERATIONS	2,314	2,864	3,124	3,180	3,081	3,081	3,184	3,197	3,197
LOCAL ASSISTANCE	10	10	3	3	3	3	3	3	3
AID TO INDIVIDUALS	116	136	200	200	200	200	200	200	200
TOTAL EXPENDITURES BY CATEGORY	2,440	3,010	3,327	3,383	3,284	3,284	3,387	3,400	3,400
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,060	2,607	2,828	2,867	2,768	2,768	2,858	2,871	2,871
SPECIAL REVENUE	264	267	299	316	316	316	329	329	329
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	116	136	200	200	200	200	200	200	200
TOTAL FINANCING	2,440	3,010	3,327	3,383	3,284	3,284	3,387	3,400	3,400

1992-93 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: LABOR AND INDUSTRY, DEPARTMENT OF

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1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LABOR & INDUSTRY, DPT

PROGRAM RESOURCE ALLOCATION:	FY 1989			FY 1990			Est. FY 1991			FY 1992			FY 1993		
	FY 1989	FY 1990	FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
WORKERS COMP REGULATION & ENFORCEMENT	5,557	6,719	6,912	7,031	7,666	7,457	7,037	7,965	7,756						
WC SPECIAL COMP FUND	102,684	99,343	99,625	107,220	113,077	113,077	111,174	119,589	119,589						
WORKPLACE REGULATION & ENFORCEMENT	5,933	6,120	6,390	6,525	6,671	6,599	6,592	6,809	6,737						
GENERAL SUPPORT	4,003	4,575	4,784	4,848	5,421	5,266	4,924	5,576	5,421						
TOTAL EXPENDITURES BY PROGRAM	118,177	116,757	117,711	125,624	132,835	132,399	129,727	139,939	139,503						
SOURCES OF FINANCING:															
DIRECT APPROPRIATIONS:															
GENERAL	3,386	5,128	5,379	5,437	5,583	5,511	5,444	5,661	5,589						
SP REV DIRECT APPROP	1,402														
WORKERS COMP SPECIAL	7,992	9,659	9,827	9,995	11,203	10,839	10,013	11,593	11,229						
STATUTORY APPROPRIATIONS:															
GENERAL	14														
SP REV DIRECT APPROP	15														
SPECIAL REVENUE	39	174	218	220	220	220	242	242	242						
FEDERAL	2,619	2,439	2,612	2,702	2,702	2,702	2,804	2,804	2,804						
WORKERS COMP SPECIAL	102,684	99,343	99,625	107,220	113,077	113,077	111,174	119,589	119,589						
AGENCY	26	14	50	50	50	50	50	50	50						
TOTAL FINANCING	118,177	116,757	117,711	125,624	132,835	132,399	129,727	139,939	139,503						

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: LABOR & INDUSTRY, DPT

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	117,711	117,711	5,379	5,379	109,720	109,720	2,612	2,612
NON RECURRING EXPENDITURES	<48>	<47>	<48>	<47>				
BASE TRANSFER (BTWN AGENCIES)	20	20	20	20				
SALARY ANNUALIZATION	188	139	66	47	122	92		
ANNUALIZG NEW PROG COST	375	375			375	375		
DOCUMENTED RENT/LEASE INCR.	71	149	20	45	46	94	5	10
DEDICATED RECEIPTS AND FUNDS	2	24			2	24		
FEDERAL RECEIPTS	85	182					85	182
OPEN APPROPRIATIONS	7,220	11,174			7,220	11,174		
TOTAL	125,624	129,727	5,437	5,444	117,485	121,479	2,702	2,804
BIENNIAL TOTAL		255,351		10,881		238,964		5,506

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LABOR & INDUSTRY,DPT
PROGRAM: WC SPECIAL COMP FUND

ACTIVITY RESOURCE ALLOCATION:	FY 1989			FY 1992			FY 1993 *		
	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
SPECIAL FUND BENEFITS	102,684	99,343	99,250	106,470	112,327	112,327	110,424	118,839	118,839
LOGGER EXPENSE AND REIMBURSEMENT			375	750	750	750	750	750	750
TOTAL EXPENDITURES BY ACTIVITY	102,684	99,343	99,625	107,220	113,077	113,077	111,174	119,589	119,589
DETAIL BY CATEGORY:									
STATE OPERATIONS	102,684	99,343	99,625	107,220	113,077	113,077	111,174	119,589	119,589
TOTAL EXPENDITURES BY CATEGORY	102,684	99,343	99,625	107,220	113,077	113,077	111,174	119,589	119,589
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
STATUTORY APPROPRIATIONS:									
WORKERS COMP SPECIAL	102,684	99,343	99,625	107,220	113,077	113,077	111,174	119,589	119,589
TOTAL FINANCING	102,684	99,343	99,625	107,220	113,077	113,077	111,174	119,589	119,589

ACTIVITY: Program-Wide Decision
PROGRAM: Workers' Compensation Special Compensation Fund
AGENCY: Labor and Industry, Department of

1992-93 Biennial Budget

DECISION ITEM: Workers' Compensation Special Fund Deficit Reduction - Information

Dollars in Thousands				
F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995	

AGENCY PLAN:

Expenditures

Workers Special Compensation Fund	\$ 5,857	\$ 8,415	\$ 8,415	\$ 8,415
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Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

This is an information item only. An open appropriation is made to the department to pay certain claims from the Special Compensation Fund. The fund had an estimated deficit of \$44 million in F.Y. 1991. The department estimates that this deficit will be reduced by \$5.8 million in F.Y. 1992 and \$8.4 million in F.Y. 1993. The projected Special Compensation Fund deficit balance is listed below:

Dollars in Thousands					
F.Y. 1989 actual	F.Y. 1990 actual unaudited	F.Y. 1991 estimated	F.Y. 1992 estimated	F.Y. 1993 estimated	
Special Compensation Fund Balance	(55,438)	(48,753)	(44,167)	(38,310)	(29,895)

RATIONALE:

The Special Compensation Fund deficit represents the dollar amount of annual claims for reimbursement filed with the department by insurers or self-insured employers for which funds are not yet available. As a result, insurers and self-insured employers currently must wait approximately 9 to 11 months after submitting a claim for reimbursement of amounts they have paid to injured workers under the second injury or supplementary benefit programs.

The target has been to reduce the deficit to the point at which reimbursements could consistently

be paid within 6 months and then to reduce the assessment and maintain this timeline for reimbursement. Regardless of the level of administrative funding for the Department of Labor and Industry, the Office of Administrative Hearings, and the Workers' Compensation Court of Appeals for the next biennium, this target should be reached by the end of F.Y. 1992. Unless the level of assessment or expenditures changes from currently projected levels, a reduction in the assessment could be considered in F.Y. 1993 which would help to slightly reduce costs for employers. The current assessment amounts to 31% of indemnity benefits paid by all insurers and self insurers in the prior year.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SERVICE,DPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
TELECOMMUNICATIONS	475	544	692	699	836	836	698	863	863
WEIGHTS & MEASURES	1,810	1,982	1,992	2,061	2,157	2,157	2,058	2,236	2,236
INFORMATION & OPERATIONS MGMT	1,335	1,438	1,565	1,583	1,639	1,639	1,578	1,691	1,691
ENERGY	6,987	7,206	6,902	5,322	5,874	5,874	4,499	5,163	5,163
TOTAL EXPENDITURES BY PROGRAM	10,607	11,170	11,151	9,665	10,506	10,506	8,833	9,953	9,953
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	6,266	6,586	6,996	7,076	7,917	7,917	7,057	8,177	8,177
SPECIAL REVENUE	4								
STATUTORY APPROPRIATIONS:									
GENERAL			9						
SP REV DIRECT APPROP	64								
SPECIAL REVENUE	3,913	4,169	3,684	2,035	2,035	2,035	1,250	1,250	1,250
FEDERAL	360	406	471	554	554	554	526	526	526
TOTAL FINANCING	10,607	11,170	11,151	9,665	10,506	10,506	8,833	9,953	9,953

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: PUBLIC SERVICE, DPT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	11,151	11,151	6,996	6,996	3,684	3,684	471	471
NON RECURRING EXPENDITURES	<7>	<7>	<7>	<7>				
SALARY ANNUALIZATION	85	63	85	63				
DOCUMENTED RENT/LEASE INCR.	2	5	2	5				
FEDERAL RECEIPTS	55	55					55	55
BASE TECHNICAL ADJUSTMENTS	<1,621>	<2,434>			<1,649>	<2,434>	28	
TOTAL BIENNIAL TOTAL	9,665	8,833	7,076	7,057	2,035	1,250	554	526
		18,498		14,133		3,285		1,080

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SERVICE, DPT OF
PROGRAM: INFORMATION & OPERATIONS MGMT

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
INFORMATION & OPERATIONS MGMT	1,335	1,438	1,565	1,583	1,639	1,639	1,578	1,691	1,691
TOTAL EXPENDITURES BY ACTIVITY	1,335	1,438	1,565	1,583	1,639	1,639	1,578	1,691	1,691
DETAIL BY CATEGORY:									
STATE OPERATIONS	1,335	1,438	1,565	1,583	1,639	1,639	1,578	1,691	1,691
TOTAL EXPENDITURES BY CATEGORY	1,335	1,438	1,565	1,583	1,639	1,639	1,578	1,691	1,691
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,224	1,274	1,365	1,383	1,439	1,439	1,378	1,491	1,491
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE		37	57	57	57	57	57	57	57
FEDERAL	111	127	143	143	143	143	143	143	143
TOTAL FINANCING	1,335	1,438	1,565	1,583	1,639	1,639	1,578	1,691	1,691

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SERVICE,DPT OF
PROGRAM: ENERGY

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
ENERGY	6,987	7,206	6,902	5,322	5,874	5,874	4,499	5,163	5,163
TOTAL EXPENDITURES BY ACTIVITY	6,987	7,206	6,902	5,322	5,874	5,874	4,499	5,163	5,163
DETAIL BY CATEGORY:									
STATE OPERATIONS	3,169	3,272	3,622	3,712	4,264	4,264	3,674	4,338	4,338
LOCAL ASSISTANCE	3,818	3,934	3,280	1,610	1,610	1,610	825	825	825
TOTAL EXPENDITURES BY CATEGORY	6,987	7,206	6,902	5,322	5,874	5,874	4,499	5,163	5,163
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,777	2,917	3,097	3,083	3,635	3,635	3,073	3,737	3,737
STATUTORY APPROPRIATIONS:									
SP REV DIRECT APPROP	64								
SPECIAL REVENUE	3,897	4,010	3,477	1,828	1,828	1,828	1,043	1,043	1,043
FEDERAL	249	279	328	411	411	411	383	383	383
TOTAL FINANCING	6,987	7,206	6,902	5,322	5,874	5,874	4,499	5,163	5,163

AGENCY: Lottery
(Continuation)

1992-93 Biennial Budget

Typical Percentage Breakdown of Lottery Costs and Proceeds

Examples of typical percentage breakdown:

	Example Amount on \$1,000,000 Sales	Explanation
Revenue		
Ticket Sales	\$ 1,000,000	Retail Sales of Tickets
Less Tax (in lieu of sales tax)	<u>(\$60,000)</u>	(6% of sales)
Gross Receipts	\$ 940,000	Sales Less Tax
Plus Other Income (Interest Earned & Retailer Fees)	\$ 16,000	Interest Earned Plus Fees
Gross Revenue	\$ 956,000	Gr. Receipts Plus Other Income
Costs		
Total Prizes	\$ 560,000	56% of Sales
Retailer Commissions	50,000	5% of Sales
Operating Expenses	<u>141,010</u>	14.75% of Gr. Revenue
Net Proceeds (to beneficiaries)	\$ 204,990	Result of Above
Payable to State		
Net Proceeds	\$ 204,990	
Tax (in lieu of Sales Tax)	<u>60,000</u>	
Total Payable	\$ 264,990	

MAJOR POLICY DRIVERS:

What Drives the Lottery?

The overwhelming rationale for the purchase of lottery tickets is fun/entertainment. It is not a "belief" that one will win a prize, but rather the possibility of winning, and resultant excitement that such a possibility brings that drives play. The Lottery's efforts are directed at providing the desired opportunity to play, creating higher awareness levels through marketing efforts, and reinforcement of the potential through game design.

What Affects Upturn/Downturn?

Instant games are driven by the prize structure and prize pools, with only marginal affect by the game theme. Low-tier prizes drive repeat purchase, higher pools drive the volume of low-tier prizes. Game features (e.g., free tickets as prizes, grand prize drawings, multiple win tickets) provide novelty.

On-line games provide medium to very large prize opportunities, and self-determination aspect by a player's selection of numbers. Lotto is in a class of its own. It is axiomatic that "sales drive jackpots, and jackpots drive sales." The more dramatic the jackpot, the higher sales will be, and the more dramatic the jackpot will be.

Lotteries "mature" and sales reach a peak when the market of potential players is fully penetrated, and gaming opportunities are fully in place. There is, generally, a second year slump as the market

place adjusts to the novelty of lotteries, and a flattening of sales as gaming features and advertising applications are expanded.

Prize Payout/Sales

The fundamental challenge is to increase repeat purchase and to increase the level of purchase among those inclined to play the various games. This is accomplished by offering reinforcement via higher prize pools and multiple prize levels. Much of the lower level prizes are used for re-purchase - "churn" - extending the players involvement and sense of opportunity. The increase in net proceeds realized comes from higher volume rather than a higher net profit per ticket. The higher volume also has a residual effect across the various games - i.e., a pool driven increase in play yields a greater propensity to play alternative games. Higher volumes also impact the various vendors (retailers, primarily) and lead to increased companion sales and profits.

Effect of Economy on Lottery

Economic conditions affect lottery sales as other discretionary income businesses would be affected. The only exception would be dramatic lotto jackpots, where a lifestyle changing, "break-out" prize is available.

Are there Direct Benchmarks Related to our Industry?

Yes. All, however, suffer from the problem of an "apples to oranges" comparison. Prize pools, populations, urbanization budgets, income levels, age levels, etc. create major variances which no measure can account for properly. Benchmarks are generally found in Gaming and Wagering Business, a trade journal. They include per capita sales, sales as percentage of income, etc.

How do we Perceive the Future, What do we Watch for?

The Minnesota Lottery will aggressively seek out gaming opportunities based upon market research, will employ comparable gaming features and will do so within an environment of security and accountability.

This does not imply, necessarily, an expansion of gaming, but does imply utilization of existing technical and marketing features selected for local effectiveness.

Any competing force can affect the net proceeds for beneficiaries. Lawful gambling, video lotteries, Tribal gaming, off-track wagering, dog racing, etc. could all impact (up or down) the Lottery.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

The essence of the Minnesota Lottery and its perceived success relates directly to the flexibility provided by statute. The activity of this business enterprise, typically foreign to state government, must be fostered and preserved. It is the Lottery's responsibility to live within its budget based on a percentage of sales.

The establishment of a strong foundation was critical, and functionally will sustain the enterprise for the immediate future. Budgeting is classic in terms of its application in a market and technical environment. The Lottery is sales driven and retail oriented. High levels of technology are, and will be, applied in furtherance of the mission.

The overall Lottery's revenues/expenses operate independently from the State budget system through the Lottery's separate banking and operating systems. The Lottery makes cash payments to the State for the purchase of 2 services (employee payroll and employee expense reimbursement). These 2 purchased services become part of the State Budget as shown with the * below along with the Lottery net proceeds (which are paid to the state) shown with the ** below:

Lottery Budget Summary
(Dollars in Thousands)

<u>Income</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Total Income	\$322,031	\$323,779	\$323,779
Less Tax on Ticket			
Sales (in lieu of Sales Tax)	<u>(19,249)</u>	<u>(19,353)</u>	<u>(19,353)</u>
Gross Revenue	\$302,782	\$304,426	\$304,426
<u>Costs</u>			
Prizes & Prize Reserve	\$179,413	\$183,651	\$183,651
Retailer Com. & Incent.	17,514	17,607	17,607
Oper. Exp. & On-Line Vendor	35,417	37,042	37,042
*Purch. Serv. from State	<u>7,118</u>	<u>7,861</u>	<u>7,861</u>
** Net Proceeds	\$ 63,320	\$ 58,265	\$ 58,265

GOVERNOR'S RECOMMENDATION:

The Governor agrees with the agency's plan except elsewhere he recommends:

1. Lottery proceeds currently dedicated to Greater Minnesota Corporation programs be undedicated and deposited to the General Fund. This recommendation increases revenues to the General Fund by an estimated \$14.6 million per year.
2. Lottery proceeds currently dedicated to the Infrastructure Development Fund be undedicated and deposited to the General Fund. This recommendation increases revenues to the General Fund by an estimated \$20.4 million per year.

The agency's plan and Governor's recommendation also include payments to the General Fund of \$250,000 a year from the Lottery operations account in recognition of Lottery-related costs incurred by the compulsive gambling treatment program in the Department of Human Services and the division of gambling enforcement in the Department of Public Safety.

MISSION:

The Greater Minnesota Corporation is a public non-profit corporation of the state established to support the development and adoption of advanced technology by Minnesota industry. A primary emphasis will be to focus on the technical/technology needs of industry in greater Minnesota, particularly in the areas of agriculture, natural resources and manufacturing.

The objective of these efforts is to enhance the long-term competitive ability of Minnesota Industry in the international marketplace. The corporation's purpose is not to create new programs or services but to build on the existing educational, business, and economic development infrastructure.

MAJOR POLICY DRIVERS:

The objectives of the corporation are designed to help Minnesota companies develop, as well as adopt new technologies. All of the objective inherently contain technology transfer mechanisms. The corporation's goals are to:

1. help industry adopt modern manufacturing techniques and technologies;
2. help entrepreneurs/small companies develop and commercialize new product and process technologies; and
3. help with the creation of new technology intensive companies.

The operational policies are to keep activities market and industry driven; establish linkages between industry and academia in the metro area and greater Minnesota; provide industry in greater Minnesota with access to technology and technology resources; and support technology investments which provide clear economic benefits to the state. Our objective is to help Minnesota industry learn about, develop and apply modern techniques and technologies to enhance their long-term competitive ability in the world marketplace.

PERFORMANCE INDICATORS:

The corporation's technology transfer will primarily take the form of helping Minnesota's 7,500 existing manufacturers improve their quality, productivity and profitability. The corporation will assist small and mid-size manufacturing firms evaluate and adopt new technologies, and learn how to apply modern manufacturing techniques and practices. The enacting legislation called for the corporation to set up an Agricultural utilization Research Institute which is located in Crookston, with an office in Marshall focusing on research for additional uses of agricultural oils, in Morris focusing on aquaculture and a food processing lab in Waseca. The Agricultural Utilization Research Institute has started operations and has entered in 48 agreements in its Pilot Grant Program, Agri Product Research Grant-Program, Initial Product Assessment Program, and Partnership Program.

The Agricultural Energy Savings Program is funded with \$2 million in oil overcharge funds appropriated by the 1989 Legislature. Grants are awarded up to \$100,000 each to post-secondary educational institutions and nonprofit organizations for research and demonstration of energy-saving techniques that can be transferred to Minnesota farms. Twenty-three projects are underway, and an at least 10 more will be awarded in the fall of 1990.

The funding provided to the Natural Resources Research Institute has allowed it to fund projects that will foster economic development of Minnesota's natural resources in an environmentally sound manner that will promote private sector employment. Todate, over 25 projects have been funded.

The Technology Research Grant Program was established to support applies research and development leading to new products, processes and services, with an emphasis on early commercialization. Proposals have been accepted from businesses and from post-secondary institutions that have arranged joint research projects with businesses. up to \$3 million have been allocated annually by the corporation for this program. All proposals are evaluated by expert merit reviewers from universities, federal laboratories and industry, and by the the Greater Minnesota Corporation's

Research Advisory Board. Currently, 49 projects have been approved from over 300 applications, 55% of the projects were awarded to companies located outside of the metro area. These grants do require matching funds. The Manufacturing assistance has been provided by the Minnesota Advanced Manufacturing Technology Center, whose services and programs are market driven. The institute was created to foster and facilitate the implementation of automated manufacturing systems, advanced manufacturing technologies, processes and management procedures. It provides hands-on training and demonstrations of available advanced technologies. The Center conducts manufacturing assessments to provide manufacturers with appropriate advice and information regarding those technologies and techniques which can cost-effectively improve their operation. recommendations may include the modernization of technology, improvements in production methods, implementation of a quality program, cost reduction methods, or training. The Center has worked with approximately 100 manufacturers.

The Business Innovation Center program was started to provide businesses in Minnesota with assistance in technology related areas. They provided support to commercialize technologies, adopting the best practices to promote regional economic growth and to stimulate innovative ideas and entrepreneurship in Minnesota. These Centers are part of the reorganization described in the budget section. The services will be provided by the regional technology centers, and not as a separate program.

The Seed Capital investment was made to one organization (Northeast Ventures Corporation) as part of a \$6.5 million fund to encourage start-up businesses by increasing early-stage investment, and act as a catalyst to attract private sector capital. When other regional venture funds are formed, funding will be determined at that time.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

In 1987, the legislature allocated \$105.5 million to the Greater Minnesota Corporation to be invested, and the interest used for operations and programs of the corporation. In the 1988 Session, the legislature unallotted \$80 million from the corporation, and allowed certain loan repayments to the Department of Trade and Economic Development to be deposited in the Greater Minnesota Account, for the rest of the biennium. (This amounted to approximately \$6 million.) In 1989, the legislature allowed for 50% of the net proceeds from the Lottery to be deposited in the account - when the Lottery began operation. In 1990, that percentage was reduced to 25% of the net proceeds for a period of 10 years.

Before F.Y. 1990, the Greater Minnesota Corporation was not part of the Statewide Accounting System, because of this the F.Y. 1990 and 1991 figures show amounts spent on obligations of prior year encumbrances. Had the Greater Minnesota Corporation been part of system prior to F.Y. 1990, the encumbered funds would be as follows:

	F.Y. 1988	F.Y. 1989	F.Y. 1990	F.Y. 1991	F.Y. 1992
Operations	\$1,419.0	\$2,184.0	\$2,523.0	\$2,370.0	\$1,500.0
Ag Utilization Research Institute	76.0	769.0	4,921.0	5,000.0	3,000.0
Ag Pilot Grants		475.0			
Manufacturing		500.0	2,500.0	1,500.0	3,100.0
Agricultural Energy Savings Program (Restricted Federal Funds)		506.0	1,030.0	511.0	
Natural Resources Research Institute		750.0	504.0	1,203.0	1,000.0
Business Innovation Centers		4,108.0	2,487.0		
Technology Research Grant		1,686.0	2,109.0	3,000.0	4,400.0
Seed Capital Program			500.0		
SRI			300.0	50.0	
Project Outreach			1,600.0		
Sure Access			148.0		
Other		126.0	73.0	275.0	1,000.0
NIST					115.0
U of M					75.0
TOTAL ENCUMBERED	\$1,495.0	\$11,104.0	\$18,695.0	\$14,099.0	\$14,000.0

AGENCY: Greater Minnesota Corporation
(Continuation)

1992-93 Biennial Budget

Program Restructuring:

In November of 1990, the Greater Minnesota Corporation's Board of Directors adopted a restructuring plan providing for a clearer, more focused mission, reduced overhead, and greater financial accountability.

The plan refocuses the corporation's mission toward supporting the development and adoption of advanced technology by Minnesota industry. The primary emphasis will be to meet the technical and technological needs of industry in greater Minnesota, particularly in the areas of agriculture, natural resources, and manufacturing.

The objective is to help Minnesota industry learn about, develop and apply modern techniques and technologies to enhance their long-term competitive ability in the world marketplace.

As a result of board actions, the corporation will consolidate its operations into 3 areas: technology transfer, applied research, and financial investments in innovation and new product development. This consolidation plan will enable the corporation to provide industry with simpler, more direct access to technology services and support, while reducing the corporation's overhead and administrative costs.

The corporation's technology transfer will primarily take the form of helping Minnesota's 7,500 existing manufacturers improve their quality, productivity and profitability. The Corporation will assist small and mid-size manufacturing firms evaluate and adopt new technologies, and learn how to apply modern manufacturing techniques and practices. These services will be available through 3 manufacturing technology centers in St. Cloud, Minneapolis/St. Paul, and southeastern Minnesota, as well as through 3 technology resource centers in Duluth, Granite Falls, and Moorhead. Services to regional manufacturers will be provided either by corporation personnel, outside consultants or the academic community. The functions of the Business Innovation Centers will be performed through these centers.

Applied research and development will be continued in agriculture and Natural Resources Research Institute, University of Minnesota-Duluth.

The AURI will continue its efforts to establish research and technology development activities with the university-based research system and Minnesota-based private research groups. In addition, the Agricultural Utilization Research Institute will conduct approximately 75% of its own technology development activities at its facilities in Crookston, where research such as potatoes, sugarbeets, wheat, barley and corn starch. The AURI will conduct about 25% of its internal technology activities in Marshall, focused on oil product development from soybeans, corn, and new crops such as canola.

Research on developing environmentally sound uses for the state's natural resources will be continued at the Natural Resources Research Institute, University of Minnesota-Duluth.

While the corporation would welcome the establishment of an SRI research center in Minnesota, plans for the corporation to be a major financial partner in the endeavor have been discontinued.

Finally, the corporation is anticipating making financial investments aimed at helping to develop and commercialize new products. To help direct the corporation's investment policies the corporation will be forming a Technology Advisory Group comprised of individuals from throughout the state representing Minnesota's key industry segments, academia and the venture capital community. The Technology Advisory Group will augment the corporation's existing Research Advisory Board, which currently reviews corporation research investments.

The Technology Grant Program will have a number of alternatives, including establishing an

"innovation" investment of up to \$10,000, designed to help entrepreneurs or small companies test an idea or develop a prototype; a "seed" investment of \$10,000 to \$50,000 to help develop product or process ideas which have commercial potential; University/Industry Challenge Grants, to support partnerships between the academic community and industry; and manufacturing cost-sharing project investments. Any lottery funding beyond the current projections will be used to increase these investments. Conversely, if the funding does not meet current projections, this funding could be reduced.

In addition to these 3 activities, the corporation will also continue to leverage public, private and federal funds for technology development. Current projects include Minnesota Project Outreach, SURE Access, Minnesota Project Innovation, and the University of Minnesota's Center for Interfacial Engineering.

The corporation plans to continue reducing overhead and administrative costs by centralizing administrative, legal, communications and marketing functions, eliminating potential overlaps between corporation programs and other state programs, and consolidating corporation activities.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the following changes to GMC's budget:

1. Lottery proceeds, currently dedicated to GMC, be undedicated and deposited in the General Fund. This recommendation increases General Fund revenues by an estimated \$14.6 million per year.
2. That GMC be appropriated \$12 million from the General Fund in the form of a grant. This is a general reduction of \$2 million from GMC's BASE. It is intended that the General Fund grant be transferred and expended from GMC's special revenue account.

Further, the Governor has initiated legislation which has been introduced to restructure the corporation, centralize oversight of technology development and application, and consolidate management and coordination of state technology activities under a newly structured and renamed Minnesota Technology Development Corporation.

ACTIVITY:
PROGRAM:
AGENCY: Greater Minnesota Corporation (GMC)

1992-93 Biennial Budget

DECISION ITEM: Undedicate LotteryProceeds to GMC and Replace
with Direct, General Fund Appropriation

Dollars in Thousands				
F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995	

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Revenues				
General Fund	\$ 14,566	\$ 14,566	\$ 14,566	\$ 14,566

Requires statutory change: Yes No

Statutes Affected:

ITEM SUMMARY:

This proposal undedicates that portion of the net lottery proceeds dedicated to the GMC and replaces it with a General Fund, direct appropriation. The amount recommended is \$12,000,000 per year. Under this proposal, the lottery proceeds which now go to GMC will be deposited in the General Fund. The revised revenue estimate is \$14.6 million per year.

RATIONALE:

The Greater Minnesota Corporation's restructuring plan, proposed last November, is an impressive start in refocusing the agency' mission in a way that will be more cost effective.

In addition, legislation has been introduced which calls for a renaming of the agency and provides a stronger focus and commitment to technology development statewide. It proposes that the new agency will coordinate the state's technology initiatives, including the responsibilities for the DTED science and technology activities, and the promotion of technology development and utilization throughout Minnesota.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan ¹	Governor Recomm.
ADMIN & RELATED SVS	3,910	5,347	5,640	5,398	5,710	5,448	5,385	5,854	5,550
EMERGENCY MANAGEMENT	6,480	8,311	4,382	2,984	3,458	3,485	2,984	3,440	3,465
CRIMINAL APPREHENSION	13,933	15,119	17,306	16,181	16,527	16,504	16,367	16,732	16,686
FIRE MARSHAL	2,000	2,357	2,750	2,785	2,785	2,785	2,789	2,789	2,789
STATE PATROL	39,008	42,887	42,527	42,562	44,950	43,408	42,476	46,345	44,205
CAPITOL SECURITY	1,017	1,336	1,313	1,353	1,353	1,353	1,348	1,348	1,348
DRIVER & VEH SERVICES	27,805	31,090	33,108	32,821	34,311	33,167	32,156	34,232	32,504
LIQUOR CONTROL	746	809	801	811	811	811	759	759	759
GAMBLING ENFORCEMENT		334	1,430	1,259	1,259	1,259	1,256	1,256	1,256
TRAFFIC SAFETY	2,429	2,918	2,954	2,585	2,596	2,596	2,585	2,596	2,596
DRUG POLICY		1,950	5,640	7,509	7,509	7,509	7,509	7,509	7,509
PIPELINE SAFETY	456	528	846	940	1,010	1,010	940	1,040	1,040
CRIME VICTIMS SERVICES	1,684	1,710	2,098	1,787	2,116	2,116	1,787	2,083	2,083
CHILDRENS TRUST FUND	450	588	571	553	553	1,098	553	553	1,098
EMERGENCY RESPONSE	128	344	411	406	416	416	406	416	416
PRIVATE DETECTIVE AND SECURITY LIC	44	56	67	68	68	68	67	67	67
CRIME VICTIMS OMBUDSMAN	114	105	112	112	153	153	112	156	156
TOTAL EXPENDITURES BY PROGRAM	100,204	115,789	121,956	120,114	125,585	123,186	119,479	127,175	123,527
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	22,427	26,191	31,228	29,671	30,494	30,565	29,667	30,456	30,507
SPECIAL REVENUE		963	1,334	1,383	1,608	2,300	1,383	1,642	2,330
TRUNK HIGHWAY	54,002	62,036	62,295	62,172	65,955	63,184	61,498	67,278	63,510
HGHWY USER TAX DISTR	8,488	9,462	10,209	10,144	10,594	10,344	10,171	10,871	10,371
ENVIRONMENTAL			48	41	41	41	41	41	41
STATUTORY APPROPRIATIONS:									
GENERAL	109	197	487	519	519	519	691	691	691
SPECIAL REVENUE	3,544	1,805	1,561	1,579	1,769	1,628	1,529	1,697	1,578
TRUNK HIGHWAY	1,346	631	772	650	650	650	650	650	650
FEDERAL	10,243	14,502	13,952	13,955	13,955	13,955	13,849	13,849	13,849
GIFTS AND DEPOSITS	45	2	70						
TOTAL FINANCING	100,204	115,789	121,956	120,114	125,585	123,186	119,479	127,175	123,527

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: PUBLIC SAFETY, DPT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	121,956	121,956	31,715	31,715	76,289	76,289	13,952	13,952
ONE-TIME APPROPRIATIONS	<199>	<199>	<154>	<154>	<45>	<45>		
APPROPRIATIONS CARRIED FWD	<1,857>	<1,857>	<1,455>	<1,455>	<402>	<402>		
NON RECURRING EXPENDITURES	<1,113>	<1,519>	<328>	<282>	<785>	<1,237>		
SUNSET PROGRAMS		<50>				<50>		
SALARY ANNUALIZATION	1,126	857	270	208	856	649		
ANNUALIZG NEW PROG COST	134	134	60	60	74	74		
DOCUMENTED RENT/LEASE INCR.	67	91	33	45	34	46		
DEDICATED RECEIPTS AND FUNDS	<3>	169	49	221	<52>	<52>		
FEDERAL RECEIPTS	3	<103>					3	<103>
TOTAL	120,114	119,479	30,190	30,358	75,969	75,272	13,955	13,849
BIENNIAL TOTAL		239,593		60,548		151,241		27,804

ACTIVITY:
PROGRAM:
AGENCY: Public Safety, Department of

1992-93 Biennial Budget

DECISION ITEM: Financing Inflationary Costs

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures

General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Trunk Highway Fund	2,350	4,350	4,350	4,350
Highway User Tax Dist.	450	700	700	700
	\$ 2,800	\$ 5,050	\$ 5,050	\$ 5,050

Revenues

General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Trunk Highway Fund	2,350	4,350	4,350	4,350
Highway User Tax Dist.	450	700	700	700
	\$ 2,800	\$ 5,050	\$ 5,050	\$ 5,050

GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Trunk Highway Fund	350	350	350	350
Highway User Tax Dist.	200	200	200	200
	\$ 550	\$ 550	\$ 550	\$ 550

Revenues

General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Trunk Highway Fund	350	350	350	350
Highway User Tax Dist.	200	200	200	200
	\$ 550	\$ 550	\$ 550	\$ 550

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The Biennial Budget instructions assumed a 4.5% inflationary increase each year of the 1992-93 biennium for both salaries and non-salary line items. A 20% increase in postage rate was anticipated. Data processing operating costs reflect increase in expected transaction volumes with no anticipated rate changes.

Gasoline costs were estimated to increase by \$0.20 per gallon.

RATIONALE:

General Fund Expenditures

The agency deleted 15.5 FTE General Fund complement positions in FY1992-93 in order to fund the position roster above 100% of the calculated roster liability. Any increases in the roster liability

for the FY 1992-93 cost of labor contracts will be absorbed within the base budget for programs funded with General Fund dollars. As positions become vacant, some positions will be held vacant for the remainder of the next biennium to fund salary increases.

Gasoline increases in the Criminal Apprehension Program were covered by reallocating funds within the program.

The Criminal Justice Data Network has experienced significant growth in the numbers of users and volume of transactions over the last 4 years. Continued growth in volume and the addition of new devices on the network (mobile terminals) over the next biennium will result in projected costs exceeding the base level budget by an estimated \$600,000 in FY1992 and \$800,000 in FY 1993. Alternatives considered to fund the projected shortfall are:

1. Increasing local governments share of the cost of the system.
2. Billing State agencies for their share of system use.
3. Implement a Public Safety message switching system.

Trunk Highway Fund

Due to growth in the Trunk Highway Fund, the agency requested allocation of funds to cover projected salary increases of \$2,000,000 in FY 1992 and \$4,000,000 in FY 1993.

A \$200,000 request was made for each year of the biennium to cover projected gasoline increases for the State Patrol and a \$150,000 request was made for each year to cover projected postage increases in the Driver Vehicle Services program.

Highway User Tax Distribution Fund

Due to growth in the Highway User Tax Distribution Fund, the agency requested allocation of funds to cover projected salary increases of \$250,000 in FY 1992 and \$500,000 in FY 1993.

A \$200,000 request was made for each year of the biennium to cover projected postage increases in the Driver Vehicle Services program.

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$350,000 each for gasoline and postage increases in the Trunk Highway Fund and \$200,000 each year for postage increases to the Highway User Tax Distribution Fund. No funding is recommended for salary supplements.

1992-93 Biennial Budget

ACTIVITY:
PROGRAM:
AGENCY: PUBLIC SAFETY, DEPARTMENT OF

DECISION ITEM: Allocation of General Funds

AGENCY PLAN:

	E.Y. 1992	E.Y. 1993	E.Y. 1994	E.Y. 1995
Expenditures:				
General Fund				
Nuclear Plant Assessment	276	276	276	276
Non-Criminal Justice Records	191	191	191	191
Crime Victim Reparations	329	296	296	296
Increase Data Processing				
Costs-Emergency Response	10	10	10	10
Crime Victims Ombudsman	41	44	44	44
	<u>847</u>	<u>817</u>	<u>817</u>	<u>817</u>
Revenues:				
General Fund	847	817	817	817

GOVERNOR'S RECOMMENDATIONS:

	E.Y. 1992	E.Y. 1993	E.Y. 1994	E.Y. 1995
Expenditures:				
General Fund				
Nuclear Plant Assessment	0	0	0	0
Non-Criminal Justice Records	191	191	191	191
Crime Victim Reparations	329	296	296	296
Increase Data Processing				
Costs-Emergency Response	10	10	10	10
Crime Victims Ombudsman	41	44	44	44
	<u>571</u>	<u>541</u>	<u>541</u>	<u>541</u>
Special Revenue				
Nuclear Plant Assessment	700	700	700	700
Revenues:				
General Fund	571	541	541	541
Special Revenues	700	700	700	700

Requires Statutory Change: Yes

Statutes Affected: M.S. 12.14

ITEM SUMMARY:

Due to growth in the number paying the fees and an increase in fees in certain categories, the department request allocation of funds to the above functions.

RATIONALE:

Nuclear Plant Assessment:

The agency requests an increase in funding for the Nuclear Plant Preparedness Activity by \$276,000 each year. \$192,000 of the \$276,000 request will cover costs that in the past have been absorbed by the Departments of Health, Agriculture, and Human Services. The agency requests an increase of 1 FTE General Funded complement position for this program. The agency is requesting that this be funded by an increase in assessments for nuclear power plants, M.S. 12.14.

Non-Criminal Justice Records:

The agency requests that the \$5 Non-Criminal Justice Records Request Fee be raised to \$8 per inquiry. With anticipated volume and fee increases, an estimated \$212,000 and \$262,000 in new revenues will be generated in the next biennium. The agency requests an increase of 4 FTE General Funded complement positions and \$195,000 in F.Y. 1992 and \$191,000 in F.Y. 1993. The additional positions are needed to handle the added workload due to volume increases and to provide additional support services to this activity.

Crime Victims Reparations:

The agency requests that those dollars generated from the assessments and surcharges on criminal fines (M.S. 609.101) and drug forfeiture dollars (M.S. 609.5315) be made available for crime victims services. An estimated \$1,150,000 and \$1,160,000 in revenues will be collected under present law. The F.Y. 1992-93 base includes only \$550,000 each year from these revenue sources. The agency requests that additional funding be made available from these sources of revenues for the administration of the Crime Victims Services, \$129,000 and \$96,000, and for the payment of claims, \$200,000 each year.

Crime Victim Ombudsman:

The agency requests an increase of 1 FTE position and \$41,000 and \$44,000 from fines and forfeiture dollars designated for victims assistance.

Increase Data Processing Costs - Emergency Response:

The agency requests an increase in funding of \$10,000 each year for data management costs of hazardous chemical information. The agency projects that additional funding can be met through an increase in the number of facilities paying the Hazardous Chemical Report Fee during the next biennium.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan with one exception, Nuclear Plant Assessment. The Governor recommends that the entire cost of this activity be supported by an assessment to businesses that have nuclear fission electrical generating plants located in Minnesota. The total cost of the activity is estimated to be \$700,000 each year of the 1992-93 biennium. A new account will be established in the Special Revenue Fund entitled the Nuclear Safety Preparedness Account. The assessments will be billed quarterly based on actual costs.

1992-93 Biennial Budget

ACTIVITY:
PROGRAM:
AGENCY: PUBLIC SAFETY, DEPARTMENT OF

DECISION ITEM: Allocation of Special Funds

AGENCY PLAN:

	E.Y. 1992	E.Y. 1993	E.Y. 1994	E.Y. 1995
Expenditures:				
Special Revenue Fund				
On-Call System	\$ 198	\$ 180	\$ 180	180
Increase BCA Lab Account	139	139	32	32
Increase BCA Buy Fund Account	8	8	8	8
Increase Pipeline Safety	30	60	60	60
Attorney Pipeline Safety	40	40	40	40
	\$ 415	\$ 427	\$ 320	\$ 320
Revenues:				
Special Revenue Fund	\$ 415	\$ 427	\$ 320	\$ 320

GOVERNOR'S RECOMMENDATIONS:

	E.Y. 1992	E.Y. 1993	E.Y. 1994	E.Y. 1995
Expenditures:				
General Fund				
On-Call System	\$ 188	\$ 168	\$ 193	193
Special Revenue Fund				
On-Call System	\$ 49	\$ 49	\$ 56	56
Increase BCA Lab Account	139	139	32	32
Increase BCA Buy Fund Account	8	8	8	8
Increase Pipeline Safety	30	60	60	60
Attorney Pipeline Safety	40	40	40	40
	\$ 266	\$ 296	\$ 196	\$ 196
Revenues:				
General Fund	\$ 200	\$ 200	\$ 200	\$ 200
Special Revenue Fund	\$ 266	\$ 296	\$ 196	\$ 196

Requires Statutory Change: Yes No

Statutes Affected: M.S. 299K.09, Subd. 2

ITEM SUMMARY:

Due to growth in the number of clientele paying fees and an increase in the fees in certain categories, the department request allocation of funds to the above functions.

RATIONALE:

On Call System: The agency requests an increase in funding in the Emergency Management Program of \$198,000 and \$180,000 for a 24 hour on-call system to replace the current duty officer system. To improve the division's responsiveness to the current volume of calls received on the statewide emergency number, this program must implement a full time duty

officer system. The agency requests an increase in complement of 5 FTE positions. These costs will be offset by a redirection of the fees currently paid by petroleum and agriculture chemical transporters. New U.S. Department of Transportation (DOT) regulations have increased the reporting requirements for the transportation industry. Various associations, such as the Northwest Petroleum Association and the Minnesota Plant Food and Chemical Dealer Association, have requested that this program serve as its point of notification and offered to fund the additional costs.

Increase in funding of BCA Lab Account: The BCA's lab account is a dedicated account funded from 8% of DWI reinstatement fees. There are excess dollars (\$214,000) in this account from prior years, and the agency proposes to increase the BCA's budget by \$107,000 per year to accommodate increased needs for laboratory supplies. Also, there is increased growth in revenues to this account (\$32,000 per year) due to the increased level of DWI reinstatements.

Increase BCA Buy Fund Account: Two percent of DWI reinstatement fees are dedicated to the BCA Buy Fund Account for the purpose of cross-jurisdictional criminal investigations. The projected increase in volume in DWI reinstatements is projected to generate an additional \$8,000 in revenues each year.

Increase Funding For Pipeline Safety Salaries: The agency requests an increase in funding of \$30,000 in F.Y. 1992 and \$60,000 in F.Y. 1993 to cover projected salary increases. All costs related to this program are covered through fees.

Funding For Legal Services - Pipeline Safety: The agency request an increase in funding of \$40,000 each year of the biennium for the funding of an attorney position in the Attorney General's Office. The agency will contract with the Attorney General's Office for legal services for the Office of Pipeline Safety. The statutory responsibilities of the office has generated extensive legal work, including numerous rulemaking, complex federal preemption issues, and legal questions regarding federal agency status.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan with one exception, the On-Call System. The agency should increase its efforts in the collection of the Hazardous Chemical Report Fee. An estimated \$200,000 in additional revenues could be collected in this area in F.Y. 1992-93. It is recommended that the fees collected are to cover a portion of the costs associated with the proposed On-Call System.

ACTIVITY: Various
 PROGRAM: Agency-Wide Decision
 AGENCY: Public Safety, Department of

1992-93 Biennial Budget

DECISION ITEM: Allocation of Trunk Highway

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
AGENCY PLAN:				
Expenditures				
Trunk Highway Fund				
Full Salary Funding	\$ 2,000	\$ 4,000	\$ 4,000	\$ 4,000
MIS Plan	110	115	115	115
Motor Fuel Costs Increase	200	200	200	200
Patrol Immunizations	50	-0-	-0-	-0-
Postage Increase	150	150	150	150
Implied Consent	20	20	20	20
MN/DOT Radio Contract	397	437	437	437
State Patrol Equipment	250	250	250	250
Failure to Appear	46	48	48	48
Drivers License Photo	560	560	560	560
	<u>\$ 3,783</u>	<u>\$ 5,780</u>	<u>\$ 5,780</u>	<u>\$ 5,780</u>
Revenues				
Trunk Highway Fund	\$ 3,783	\$ 5,780	\$ 5,780	\$ 5,780
GOVERNOR'S RECOMMENDATION:				
Expenditures				
Trunk Highway Fund				
Full Salary Funding	\$ -0-	\$ -0-	\$ -0-	\$ -0-
MIS Plan	110	115	115	115
Motor Fuel Costs Increase	200	200	200	200
Patrol Immunizations	50	-0-	-0-	-0-
Postage Increase	150	150	150	150
Implied Consent	20	20	20	20
MN/DOT Radio Contract	397	437	437	437
State Patrol Equipment	149	1,042	1,042	1,042
Failure to Appear	46	48	48	48
Drivers License Photo	-0-	-0-	-0-	-0-
	<u>\$ 1,012</u>	<u>\$ 2,012</u>	<u>\$ 2,012</u>	<u>\$ 2,012</u>
Revenues				
General Fund	\$ 1,012	\$ 2,012	\$ 2,012	\$ 2,012

Requires statutory change: Yes X No
 Statutes Affected:

ITEM SUMMARY:

Due to growth in the Trunk Highway Fund the department requests allocation of funds to the above functions.

RATIONALE:

Full Salary Funding: Anticipated salary increases will be funded in Administration, State Patrol, Driver and Vehicle Services, and Traffic Safety programs.

MIS Plan: Because of application development and maintenance requirements in the State Patrol, 1 additional programming position is needed. Due to expansion of a wide area network to 25 remote locations throughout the state, 2 additional auditor/trainer positions are needed.

Motor Fuel Cost Increase: An increase of 20¢ per gallon over available base funding is requested for State Patrol vehicles.

Patrol Immunizations: OSHA policy mandates that Hepatitis B vaccinations be provided for employees determined to be at risk. This group includes law enforcement personnel.

Postage Increase: A 4¢ increase in the postage rate is in effect. This increase in the postage rate will have a negative impact in the budget of the Driver and Vehicle Services program.

Implied Consent: The department requests an increase in funding to pay for legal services provided by the Attorney General for litigation of driver license revocations under the implied consent law. The present level of funding for this activity is not sufficient to cover all of the legal costs.

MN/DOT Radio Contract: The patrol radio system is maintained under contractual agreement with the Department of Transportation. This request will cover anticipated rate and volume increases.

State Patrol equipment: The State Patrol equipment budget was reduced by \$600,000 per year for F.Y. 1991-92-93. This request will provide funding for the replacement of weapons and vehicles that can no longer be economically repaired or that are no longer safe to operate.

Failure to Appear: In 1989, the legislature passed a "failure to appear" law requiring the Driver and Vehicle Services Division to suspend an estimated 60,000 driver licenses for failing to appear in court. The program was not funded. This request will provide funding for this activity and 1 additional Trunk Highway Funded complement position.

Driver License Photo: An increase in funding is requested to improve the driver license card. The current system is obsolete and new or replacement cameras are no longer available. This request will provide the additional funding needed for a digitized image system which will improve the quality of the license, reduce issuance time, and permit new offices to be added.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that Motor Vehicle Excise Tax proceeds no longer be transferred to the Trunk Highway Fund. This loss of funds requires reductions to the agency's plan. The Governor's adjustments to the agency's plan are summarized as follows: no salary supplement for increased salary costs is provided. The MIS plan is funded for 1993 only. Equipment budgets are increased. The drivers license photo request is not funded.

ACTIVITY: Children's Trust Fund
PROGRAM: Children's Trust Fund
AGENCY: Public Safety, Department of

1992-93 Biennial Budget

DECISION ITEM: Child Abuse Professional Consultation Telephone
Line

Dollars in Thousands				
<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 45	\$ 45	\$ 45	\$ 45

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The Governor recommends that \$45,000 be appropriated each year of the 1992-93 biennium to the Commissioner of Public Safety. The commissioner shall contract for at least one statewide toll-free 24-hour telephone line for the purpose of providing consultative and training services for physicians, therapists, child protection workers, and other professionals involved in child protection as provided in M.S. 626.562.

RATIONALE:

Laws of 1990, Chapter 542, Section 40 provided funding for the Child Abuse Professional Consultation telephone Line only through 6-30-91. Funds were appropriated from the Children's Trust Fund for this purpose.

ACTIVITY: Executive Protection
PROGRAM: State Patrol
AGENCY: Public Safety, Department of

1992-93 Biennial Budget

DECISION ITEM: Executive Protection--Increase of Complement

Dollars in Thousands				
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures				
General Fund	\$ 50	\$ 50	\$ 50	\$ 50
Revenues				
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 50	\$ 50	\$ 50	\$ 50
Revenues				
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The agency requests \$50,000 each year of the 1992-93 biennium to fund 1.0 additional trooper position assigned to the security of the Governor and his family. At the present time, 6 troopers are permanently assigned to this activity.

RATIONALE:

This agency is mandated by statute to provide security for the Governor and his family. This is accomplished through the Executive Protection Activity with the State Patrol. Currently, there are 6.0 positions assigned to this activity. The agency request 1.0 additional position to adequately carry out its security responsibility.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's request.

ACTIVITY:
PROGRAM: Emergency Management
AGENCY: Public Safety, Department of

1992-93 Biennial Budget

DECISION ITEM: Deficiency Request - Flood Disaster Relief

<u>AGENCY PLAN</u>	Dollars in Thousands		
	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Expenditures: General Fund	\$286	\$-0-	\$-0-
Revenues: General Fund	-0-	-0-	-0-

GOVERNOR'S RECOMMENDATION:

Expenditures: General Fund	\$286	\$-0-	\$-0-
Revenues: General Fund	-0-	-0-	-0-

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The agency requests a \$286,000 deficiency appropriation for state F.Y. 1991 to cover prior state obligations under 2 Presidential Disaster Declarations; Twin City metro area flood and storm of 1987 and the Red River Valley flood of 1989. This request should cover the remaining states obligations as agreed upon by former Governor Perpich and the Federal Emergency Management Assistance Agency (FEMA) under the State Agreement for Federal Financial Assistance.

RATIONALE/OPTIONS:

Federal assistance provided by FEMA had been limited to 75% of the total eligible public property costs, with the state and/or local government providing 25% hard match. The state had committed to fund 15% of the cost of the damage to local public property with local government's funding 10% of the total cost. The state had committed to cover 25% of the cost of the damage to state property.

A total of \$2,152,000 had been appropriated to meet the state obligations for metro area disaster assistance payments and \$645,000 for the Red River Valley flood. The remaining obligations for reimbursement of flood disaster payments exceed the appropriations by \$26,000 for the metro area disaster and by \$260,000 for the Red River Valley flood disaster.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

PROGRAM: Emergency Management
Agency: Public Safety

1992-93 Biennial Budget

PROGRAM PURPOSE:

This program's mission is to minimize the threats to life and property from all man made and natural disasters in Minnesota, through mitigation of the threat and implementation of planning, response and recovery programs. This involves development of all-hazard plans for the state and all local governments, exercising those plans to ensure their feasibility, and training of state and local personnel to carry out their emergency management responsibilities. The Division of Emergency Management coordinates its efforts with other state and local agencies that have responsibilities for disaster response or recovery and with all appropriate federal agencies.

The first line of response to a disaster is the local unit of government. The state provides assistance when response and recovery requirements exceed local capabilities. In Minnesota, as in most states, we rely on local all hazard emergency management plans, coordinated and reviewed by the division, to meet the federal mandates. The division works closely with many jurisdictions on the development of their plans, because these local programs are not adequately funded or staffed to do so independently. The division achieves its mission through efforts to:

- Increase the public's ability to survive disasters, through increased awareness and education on protective actions that should be taken.
- Improve the capabilities of state and local personnel in planning, response, recovery, and mitigation efforts.
- Improve the ability of state and local governments to deliver emergency public information in a timely fashion.
- Receive and disseminate timely emergency notifications to all state agencies and provide prompt assistance to local governments and the public.
- Maintain state and local eligibility for federal emergency management funds.
- Provide technical and financial assistance in response to threatened disaster and damage.

PERFORMANCE:

The division must perform a variety of federally mandated functions to maintain funding eligibility. Requirements include planning, training, exercising, and administrative and reporting functions.

Emergency Response Plans: In F.Y. 1991, major revisions were made to the prototype county and municipal plans and distributed to local governments. These documents assist local governments to ensure their plans comply with state and federal requirements. In F.Y. 1991, the Minnesota Emergency Operations Plan was updated with input from 21 state agencies to reflect changing needs and federal requirements. In F.Y. 1990-91, updating of the Minnesota Emergency Response Plan for Nuclear Power Plants was coordinated with 7 state, 6 local, and 2 private sector agencies.

Training: Training courses are conducted to improve the ability of state and local officials to prepare for and respond effectively and efficiently to emergency situations and to improve the survivability of the populace. In F.Y. 1989, the division established a certification process for local directors who completed curriculum prescribed by the division and by the Federal Emergency Management Administration (FEMA). FEMA requires state and local emergency management personnel to complete two courses by the end of federal F.Y. 1993, as an eligibility requirement for federal matching funds for personnel and administrative costs.

	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Certification:					
No. directors cert.	0	10	25	40	5
Percent directors cert.	0	8	20	32	44
Personnel completing required courses:					
CD Systems					
Number	30	50	105	165	235
Percent	13	21	45	70	100
Continuity of Govt.					
Number	30	57	115	180	235
Percent	13	24	49	77	100
Student hrs. of trng. conducted	13,499	16,032	17,500	17,750	18,000
Trng. cost/student hour	8.52	7.07	6.99	6.90	6.83

Exercises: Local jurisdictions receiving federal funds are required to conduct an annual exercise of their emergency operations plans to remain eligible. The division reported to FEMA on these exercises and requested extensions, as needed, to maintain eligibility of all 125 local programs. The state is also required to meet FEMA exercise requirements to receive federal matching funds, and has done so annually. Federally evaluated exercises of the Monticello and Prairie Island nuclear power plants were successfully with more than 400 state and local responders involved. This is required for NSP to maintain Nuclear Regulatory Commission licensing.

Outdoor Warning System: During the current biennium, the division has provided technical assistance to more than 30 jurisdictions and administered over \$600,000 in federal assistance under the Direction, Control and Warning program. This has resulted in 65 political subdivisions receiving federal funding for their emergency operating centers, and 87% of the state's population being covered by an outdoor warning system.

Disaster Declarations: In 1988, revisions to P.L. 93-288 substantially increased our disaster assistance program administrative responsibilities. These revisions were implemented after the 1989 Red River Valley flood. The 1989 revisions established a federal matching fund Hazard Mitigation Grant program that must be implemented each time a state receives a presidential disaster declaration. The division implemented this program in F.Y. 1990.

Hazardous Materials: To ensure an adequate response to hazardous materials incidents, the division formed and coordinates a State Hazardous Materials Response Network, which consists of representatives from 15 state and federal agencies. The network ensures a coordinated response to hazardous materials incidents by aligning the equipment and personnel resources of these agencies through planning and clarification of their capabilities and responsibilities.

PROSPECTS:

Computerization: The division is evaluating alternatives for implementing a resource database and computer mapping capability. This would improve the division's ability to identify vulnerable populations (such as the elderly and handicapped) in its disaster responses. It would also benefit all state agencies involved in disaster operations by providing visuals of affected areas, the locations of resources (both technical and equipment), and response status (such as the location of roadblocks). This would improve the effectiveness of disaster response and recovery efforts by reducing the time required to locate resources, and it would improve the sharing of information among state agencies whose responses impact on each other. This new system should go on-line during F.Y. 1992, on a trial basis and will require ongoing maintenance and upgrades.

PROGRAM: Emergency Management
(Continuation)
Agency: Public Safety

1992-93 Biennial Budget

Plans: In F.Y. 1992, the Minnesota Emergency Response Plan for High-Level Radioactive Waste Transportation Accidents/Incidents will be updated with assistance from four other state agencies. Additional coordination with and assistance from other state and federal agencies will be required to proceed with the Hazard Mitigation Grant program to ensure that all approved projects are in accordance with the requirements of other state and federal agencies. In the next biennium, the response plan for nuclear power plants will be updated. Extensive planning efforts are needed, due to major new federal requirements.

Communications: A 100% federally funded upgrade of the division's nationwide radio and teletype communication capabilities is underway and will be completed during the next biennium. Resulting communications will be much more effective and efficient. With ongoing technological advances, the division continues to work with local governments on their emergency communication capabilities, so that no communication islands are formed.

Duty Officer: The division maintains a 24 hour emergency number. In the past many other state agencies maintained separate systems. In F.Y. 1985, the division was successful in adding the after hours calls of all state agencies with hazardous materials responsibilities to the calls forwarded to the division's duty officer. The result has been a reduction in the confusion of whom to call for which incidents, and a reduction in the state's response time. We are now working to implement a single statewide emergency number for use by local governments, the public, and business and industry to report all types of emergencies, including statutorily required notifications of the State Emergency Response Commission and the Office of Pipeline Safety. The division will assume responsibility for receiving hazardous materials incident calls in F.Y. 1992-93. This will require changes to the duty officer procedures and staff training.

Hazardous Materials: The division coordinates the delivery of hazardous materials training for first responders and local emergency managers with the Technical College System, the Department of Education's FIRE Center, and the State Emergency Response Commission. We are currently reviewing the viability of providing certification for local hazardous materials first responders, which would ensure more consistent and standardized training of these responders. If feasible, this program will be implemented during F.Y. 1992-93.

Emergency Broadcast System: A recent survey of local governments' procedures for use of the Emergency Broadcast System identified the need for a training course to be delivered in conjunction with the broadcast media. This training will begin in F.Y. 1991, and continue through the next biennium. The goal will be to improve local utilization of the system through increased understanding of its capabilities and uses.

PLAN:

The division's ability to reallocate funds is very limited, due to the mix of federal funds and the restrictions placed on the use of those funds. Inflationary increases and general fund salaries will be financed through the reduction of discretionary expenditures and the elimination of 1 position in F.Y. 1991. The result will be a reduction in services and assistance to local emergency management programs.

In 1989, the Red River Valley flood received a presidential disaster declaration, for which we have paid local assistance each year. In F.Y. 1991, our budget is deficient by \$226,000 for state match required for assistance to local units of government.

Agency Reallocations:

<u>1. Nuclear Power Plant</u>	<u>F.Y. 1992</u>	\$276,000	<u>F.Y. 1993</u>	\$276,000
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The division receives and reallocates funds for the nuclear power plant activities of state and local governments. Many agencies are absorbing a large part of the costs for carrying out their responsibilities under this program. Some of those agencies are unable to continue doing so to the present degree. The agency is proposing to amend M.S. 12.14, to increase the NSP assessments for these increased costs. Following is a breakdown of the needed increases.

- The Department of Health requires 1 position to write procedures and conduct training, and compensation for all staff participating in power plant program activities. In the past, they absorbed about 20% of the training costs (about \$40,000 annually) for response staff. They feel this program should cover 100% of those costs. FEMA has specified numerous areas assigned to Health that require corrective actions. Total additional funding needed by MDH for the biennium is \$156,000 per year.
- The Department of Human Services has an expanded role in caring for people displaced by a nuclear power plant emergency. Staff time, training, equipment, and supplies required to meet federal mandates will cost \$24,000 each year.
- The Division of Emergency Management requires \$64,000 and 1 planner position to meet the expanded minimum training requirements established by the federal government for state and local emergency response staffs. Additional phone lines, personnel protection supplies, and supplies to improve emergency operations are also required to address FEMA requirements.
- The Department of Agriculture requires an additional \$12,000 each year to compensate for the currently inadequate funding for an existing position.
- Grants to local governments located within a 10-mile radius of a nuclear power plant must be increased by \$20,000 per year to meet revised federal training requirements for emergency responders and to maintain and replace capital equipment supporting local response needs.

<u>2. Full-Time Duty Officer</u>	<u>F.Y. 1992</u>	\$198,000	<u>F.Y. 1993</u>	\$180,000
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New U.S. Department of Transportation (DOT) regulations have increased the reporting requirements for the transportation industry. The Northwest Petroleum Association and the Minnesota Plant Food and Chemical Dealers Association have requested the division to serve as its point of notification and offered to fund the additional costs. It is anticipated that other organizations impacted by the DOT regulations will also request assistance from the division. To handle these calls effectively, and to improve the division's responsiveness to the current volume of calls received on the statewide emergency number, the division must implement a full time duty officer system. This will require the addition of 5 positions. These costs will be offset by a redirection of the fees currently paid by petroleum and agricultural chemical transporters.

GOVERNOR'S RECOMMENDATION:

The Governor makes the following recommendations:

Nuclear Plant Preparedness:

The Governor recommends that the entire cost of this activity be supported by an assessment to businesses that have nuclear fission electrical generating plants located in Minnesota. The total cost of the activity is estimated to be \$700,000 each year of the 1992-93 biennium. A new account will be established in the special Revenue Fund entitled the Nuclear Safety Preparedness Account. The assessments will be billed quarterly based on actual costs.

Full time duty office/Single answering point system:

The agency should increase its efforts in the collection of the Hazardous Chemical Report Fee. An estimated \$200,000 in additional revenues could be collected in this area in F.Y. 1992-93. It is recommended that the fees collected are to cover a portion of the costs associated with the proposed On-Call System.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: EMERGENCY MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993 *		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
EMER MGMT ASSIST	6,120	7,900	3,926	2,548	2,746	2,785	2,548	2,728	2,765
NUCLEAR PLANT PREPAREDNESS	360	411	456	436	712	700	436	712	700
TOTAL EXPENDITURES BY ACTIVITY	6,480	8,311	4,382	2,984	3,458	3,485	2,984	3,440	3,465
DETAIL BY CATEGORY:									
STATE OPERATIONS	1,833	1,990	1,851	1,829	2,283	2,310	1,828	2,264	2,289
LOCAL ASSISTANCE	4,409	6,293	2,531	1,155	1,175	1,175	1,156	1,176	1,176
AID TO INDIVIDUALS	238	28							
TOTAL EXPENDITURES BY CATEGORY	6,480	8,311	4,382	2,984	3,458	3,485	2,984	3,440	3,465
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,598	1,539	1,037	1,026	1,302	778	1,026	1,302	758
SPECIAL REVENUE						700			700
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE					198	49		180	49
FEDERAL	3,882	6,772	3,345	1,958	1,958	1,958	1,958	1,958	1,958
TOTAL FINANCING	6,480	8,311	4,382	2,984	3,458	3,485	2,984	3,440	3,465

PROGRAM PURPOSE:

The State Patrol provides police traffic services on Minnesota's state and federal highways. The division's mission is to provide for the safe and efficient movement of traffic and to protect and serve the people of Minnesota through enforcement, assistance and education. The agency strives to achieve this mission through programs that:

1. Provide uniformed troopers to patrol over 12,000 miles of state and federal highways, providing emergency response, traffic law enforcement, accident investigation and motorist assistance to highway users.
2. Provide aerial support activities that augment the patrolling of highways activity, including airborne traffic law enforcement searches and surveillance.
3. Provide a statewide radio communications system for the division, Department of Natural Resources and other state and federal law enforcement agencies. Eleven communications centers serve as emergency warning points and as answering points for cellular E911 telecommunications.
4. Provide commercial vehicle enforcement/inspection activities including annual school bus inspection, commercial vehicle size, weight and load enforcement, civil overweight inspection.
5. Provide Governor's residence security 24 hours per day, security to visiting dignitaries, and assistance to the Capitol Security Division during legislative and other special events.

PERFORMANCE:

Using a commonly accepted barometer of traffic safety (number of persons killed per 100 million miles traveled) the performance of the division has been excellent. Minnesota has been the safest state in which to drive during 1986-88, and among the safest in 1989. During the past decade, Minnesota has experienced a 30% decrease in traffic fatalities despite a 15% increase in miles traveled. Such an enviable traffic safety record contributes significantly to Minnesota's quality of life.

Traffic speeds have crept higher over recent years to a point which has created the possibility of federal sanctions, and a corresponding state loss of federal funds. Although the division has increased its speed enforcement and safety education efforts, the trend toward higher speeds is apparent.

During the 1980's, there has been a steady decline in the number of persons killed who have tested positive for alcohol, owing in part to our aggressive enforcement of drunk driving laws. The State Patrol's efforts in DWI enforcement were broadcast on CBS's "48 Hours" last year.

The agency's school bus inspection program continues to insure that Minnesota's children are transported in safe vehicles; only 2 of 1989's 416 school bus accidents were attributed to defective equipment.

The State Patrol's animated video accident reconstruction capability is the only one of its kind in the nation. Other states such as Kentucky have asked for assistance and many others have asked for presentations. The FBI Academy is looking at adapting it to other crime scenes.

Minnesota was one of the first states to accomplish all of the goals of the National Governor's Association recommendations for more efficient administration of the motor carrier industry. As the designated lead agency for commercial vehicle motor carrier safety, the State Patrol established a successful voluntary truck inspection program in cooperation with the trucking industry.

PROSPECTS:

The population growth trend within the extended urban area, Rochester through the metropolitan area into the greater St. Cloud area, continues, with increased need for police traffic services on the expanding highway system. More agency resources will need to be shifted to this area, with a corresponding decrease in resources allocated to other areas of the state. As demographics change, the division's ability to provide rapid response to highway emergencies in Greater Minnesota will be greatly diminished without modest increases in the division's complement.

Several processes to aid in long range planning are contemplated, including the following:

- **Police Allocation Model:** The agency will utilize Northwestern Traffic Institute's recently developed police allocation model as a tool to aid in efficient deployment of Troopers based upon the several criteria used in the model.
- **Traffic Enforcement Management System:** The agency has consolidated budget information, traffic volume and accident data, workload data and staffing data into a computerized system which will be used to identify and prioritize program activity, control resources, manage performance and develop measurements of benefits gained by the division's activities.
- **Strategic Planning Team:** The agency's strategic planning team has been reformed with the specific mandate of the preparation of an agency 5 year plan. The team will evaluate potential programmatic changes within the agency, and how they may effect the division's ability to meet its mission objectives.
- **Law Enforcement Accreditation:** The agency will undergo rigorous self-assessment of its operations, comparing with standards developed by the Commission on Law Enforcement Accreditation, and will seek formal accreditation through the Commission. This 2 year process will insure that the agency meets and maintains the highest standards of police operations.
- **Survey of Clientele:** A citizen's survey will be conducted to assess Minnesotans' expectations of the division and to gather information useful for self-assessment and operational planning.

PLAN:

The State Patrol is funded out of the trunk highway fund. The agency requests reallocation of additional trunk highway revenues to fund this program.

Agency Reallocations:

	<u>Fuel</u>	<u>F.Y. 1992</u>	<u>\$200,000</u>	<u>F.Y. 1993</u>	<u>\$200,000</u>
	<u>Radio Maintenance</u>	<u>F.Y. 1992</u>	<u>\$397,000</u>	<u>F.Y. 1993</u>	<u>\$437,000</u>
	<u>Equipment</u>	<u>F.Y. 1992</u>	<u>\$250,000</u>	<u>F.Y. 1993</u>	<u>\$250,000</u>

\$200,000 each year will fund an increase in fuel costs for patrol cars of 20 cents per gallon. It is difficult to estimate how high gasoline prices will go; however, we have already experienced unmanageable increases, which will cause travel shut downs if left unfunded.

The Patrol radio system is maintained under contractual agreement with the Department of Transportation. Costs keep increasing due to their increased costs and increased volume of equipment needing repair.

The Patrol currently has a reduced equipment budget with increased needs. It is imperative that their weapons and vehicles be maintained and replaced regularly. To do otherwise could jeopardize the safety of troopers and the public.

PROGRAM: State Patrol

(Continuation)

Agency: Public Safety, Department of

1992-93 Biennial Budget

4. Health & Safety F.Y. 1992 \$ 50,000 F.Y. 1993 \$ -0-

An OSHA policy mandates that Hepatitis B vaccinations and training be provided for employees determined at risk, including law enforcement personnel. The training will be conducted within the existing budget, however the vaccinations are \$150 per person.

5. Complement Conversion F.Y. 1992 \$ -0- F.Y. 1993 \$ -0-

The agency seeks to convert 59.3 FTE non-complement law compliance representative positions to complement positions. The LCR's were originally seasonal laborers. As work load and requirements changed these positions have become full-time permanent jobs.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan with the exception of reduction of \$1,491,000 for salary funding and \$101,000 for equipment in F.Y. 1992 and a reduction of \$2,982,000 for salary funding and an increase of \$792,000 for equipment in F.Y. 1993. In addition, the Governor recommends \$50,000 and one position each year for executive protection.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: STATE PATROL

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
PATROLLING HIGHWAYS	32,689	36,173	35,470	35,487	37,649	36,283	35,383	38,800	37,062
COMMERCIAL VEH ENF	5,174	5,390	5,802	5,804	6,030	5,804	5,825	6,277	5,825
EXECUTIVE PROTECTION	345	335	387	392	392	442	391	391	441
STATE PATROL SUPPORT	800	989	868	879	879	879	877	877	877
TOTAL EXPENDITURES BY ACTIVITY	39,008	42,887	42,527	42,562	44,950	43,408	42,476	46,345	44,205
DETAIL BY CATEGORY:									
STATE OPERATIONS	38,569	42,588	42,078	42,113	44,501	42,959	42,027	45,896	43,756
LOCAL ASSISTANCE	439	254	449	449	449	449	449	449	449
AID TO INDIVIDUALS		45							
TOTAL EXPENDITURES BY CATEGORY	39,008	42,887	42,527	42,562	44,950	43,408	42,476	46,345	44,205
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	345	335	387	392	392	442	391	391	441
TRUNK HIGHWAY	35,819	40,582	39,740	39,892	42,280	40,688	39,807	43,676	41,486
HGHWY USER TAX DISTR	62	90	90	90	90	90	90	90	90
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	9	7	10	10	10	10	10	10	10
TRUNK HIGHWAY	1,300	631	772	650	650	650	650	650	650
FEDERAL	1,473	1,242	1,528	1,528	1,528	1,528	1,528	1,528	1,528
TOTAL FINANCING	39,008	42,887	42,527	42,562	44,950	43,408	42,476	46,345	44,205

PROGRAM PURPOSE:

The Office of the Children's Trust Fund is the program within state government whose principal purpose is to provide funding to community-based programs designed to help prevent child maltreatment, and to provide education, leadership and resources to local prevention organizations.

The mission of the office is to prevent child maltreatment through partnerships with communities across the state. This office, with the advice and assistance of an 18 member Advisory Council, strives to achieve its mission through efforts and programs that:

1. Provide technical assistance to county leaders in order to organize a local prevention council, survey existing programs and services, assess the need for additional programs and services and develop a county-wide prevention plan.
2. Provide grants in an equitable and effective manner to private nonprofit and public agencies in support of their efforts to prevent child maltreatment.
3. Provide direction to authorized county prevention councils regarding the process for reviewing and ranking grant applications from their geographic area.
4. Increase the awareness of the responsibility that local communities have for the well-being of all children, including the prevention of child abuse and neglect.
5. Identify effective primary and secondary prevention programs that can be adapted and/or replicated throughout the state.

By statute this program is required to provide statewide educational and public informational seminars to develop public awareness on preventing child abuse, encourage professional persons and groups to recognize instances of child abuse and work to prevent them, make information on child abuse prevention available to the public, organizations and agencies, and encourage the development of prevention programs.

PERFORMANCE:

The responsibility for identifying prevention needs rests with local prevention councils. Public and private nonprofit agencies may apply for grant monies only if their county has a prevention council authorized to review grant applications from their geographic area. To date, 40 of the 87 counties have local councils. In 1989, applications were received from authorized counties totaling \$1.5 million, however, only \$370,682 was available for distribution.

A simplified process for counties to seek authorization as a prevention council was developed. Although the amount of grant funds is limited, counties are encouraged to organize a prevention council and develop community awareness and public education programs. Two year awards were established in 1989 in order to fund programs that lend themselves to more measurable outcomes. A 2 year process allows more time for the council and staff to focus their time and limited resources on other aspects of the program.

The annual operating budget of this program limits its ability to develop and maintain a program intended to serve the primary and secondary child maltreatment prevention needs of the entire state. Since 1987, only 20 programs received grants each year. The \$100,000 operating budget primarily allows a staff of 2 to do only limited program development. Technical assistance and program monitoring is limited to telephone contact and review of quarterly reports. These limitations inhibit any prospects of providing for coordination and exchange of program maintenance and operation information among grantees.

Revenue from the birth certificate surcharge in Minnesota does not come near the expectations that were projected when this program began. Limited operating funds do not allow for staff time and resources to be devoted to generating additional revenue. In contrast, Ohio, with 88 counties, realizes revenue from surcharges on birth and death certificates and on divorce and dissolution decrees. From those sources they had over \$3 million available for distribution in 1989. This allowed Ohio to earmark funds for every county according to the number of children residing in the county, and to set aside funds for minority initiative grants, program evaluation and public awareness activities.

All states that have established Children's Trust Funds and who have funds dedicated to support child abuse prevention activities, are eligible to apply for Federal Challenge Grant monies. The funds Minnesota received were utilized to accomplish some of the programs and services set forth in statute.

- Sponsored 2 annual forums for chairpersons of local prevention councils and members of the Children's Trust Fund Advisory Council in order to solicit input and feedback on existing programs, exchange information, and plan future strategies.
- Developed and published a communications guide and public relations materials for use by local prevention councils.
- Funded a community resources developer, who provides consultation and technical assistance to counties interested in organizing prevention councils and training for council members on how to develop and conduct community education programs.

PROSPECTS:

A Federal Challenge Grant has been received for 1991 for reduced amount. This will only enable us to continue funding the community resources developer through June 1991. If Challenge Grant monies are not appropriated by Congress for F.Y. 1992, this program will not be able to continue providing technical assistance to current and developing local councils.

Counties with no local prevention council state that the amount of grant funds available for distribution in Minnesota does not warrant the required effort to seek authorization status. While this attitude is understandable, it inhibits achieving the goal of establishing a strong and responsible infrastructure at the community level for the prevention of child maltreatment. It is unrealistic to expect that the \$380,000 currently available annually will effectively serve the prevention needs of Minnesota's 1.3 million children and their parents. This is only 29 cents per child.

The very nature of prevention requires a long term effort before measurable results are evident. Evaluation data on currently funded programs is not yet available. Our desired position is to be able to award research and evaluation grants along with service and programs grants.

The formula governing the distribution of trust fund monies appropriates \$100,000 annually for program administration. It also provides that until the total amount of assets in the trust fund exceeds \$20 million, the amount available for grants cannot exceed 60% of the gross amount contributed to the trust fund each year, plus 100% of all earnings credited to the trust fund the previous fiscal year, and all monies collected in federal grants, gifts, donations, bequests, and net proceeds from the sale of promotional items.

Funds available for distribution in grants from the surcharge on birth certificates have not been realized at the level anticipated. When the formula was developed, it was expected that revenues would be close to \$1 million per year. In fact, revenues from the birth certificates surcharge is only \$579,000, and the heirloom birth certificate brings in only \$1,000 per year. If the funds available for grants continues to be limited to revenue generated from gifts, donations and the surcharge, it can be projected that only \$380,000 to \$395,000 per year will ever be available for grants.

PROGRAM: Children's Trust Fund
(Continuation)
Agency: Public Safety, Department of

1992-93 Biennial Budget

Cost increases attributable to inflation, supply/expense items, legislative increases in per diems and salaries have not been realized since the inception of this program in 1986. Had these factors been taken into account each year, the operating budget would now be \$112,000. To date, these costs have been managed by a minimum development of services, delaying certain tasks and programs, and with the assistance of federal dollars. Continuing to operate within these limitations will not allow this program to provide the leadership, technical assistance and resources to communities throughout the state to prevent the maltreatment of children that was planned for when the Children's Trust Fund was created.

Additional sources of revenue would provide a more equitable opportunity for grantees to serve the prevention needs of Minnesota's 1.3 million children. To this end there are alternatives to consider:

- Reallocate grant monies for program development purposes.
- Transfer the operating budget into the general fund.
- Identify additional sources of revenue for the fund.

PLAN:

Program Restructuring:

- A percentage of each grant award in 1992-94 will be set aside for evaluation purposes.
- The awarding of \$1,000 mini-grants will be extended for an additional year in order to provide more councils with the opportunity to develop and conduct community awareness programs. Providing this resource is believed to be the most efficient way to build an infrastructure that will be sustained at the local level. This priority and endeavor will be evaluated in 1991 and a decision to continue or to redirect these funds will be made at that time.
- Meetings of the CTF Advisory Council will be reduced from 12 to 6 per year, with the understanding that certain tasks will be undertaken by work group committees. This will help reduce the expenses of the Advisory Council.
- A proposal will be submitted to various volunteer service organizations asking them to adopt the "heirloom birth certificate" program as a project. This involves securing the services of a marketing firm to develop a plan that will increase sales, and is to include maintenance strategies. Increased revenue from the sale of promotional items will, in turn, increase the amount of funds available for distribution in grant awards.

Agency Reallocations:

The issues discussed suggest the need for additional administrative and support monies in order to provide for the professional leadership, technical assistance, materials and other resources necessary to help communities prevent the maltreatment of children.

1. Administrative Costs F.Y. 1992 \$8,000 F.Y. 1993 \$12,000

The department requests the Children's Trust Fund operating budget be increased to support increased administrative expenses.

2. Children's Trust Fund Grants F.Y. 1992 (\$8,000) F.Y. 1993 (\$12,000)

In order to finance the increased administrative and program development costs of this office, the department requests that funds available for grants be reduced by like amounts.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that special revenue administrative cost funding continue at \$100,000 per year and the balance be distributed as grants. In addition, the Governor recommends \$25,000 for administrative costs and \$475,000 for child abuse grants each year from the General Fund. Also, \$45,000 each year from the General Fund for a child abuse professional consultant's telephone line is recommended.

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1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: CHILDRENS TRUST FUND

ACTIVITY RESOURCE ALLOCATION:	FY 1989			FY 1990			Est. FY 1991			FY 1992			FY 1993		
	FY 1989	FY 1990	FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.			
CHIDRENS TRUST FUND	450	588	571	553	553	1,098	553	553	1,098	553	553	1,098			
TOTAL EXPENDITURES BY ACTIVITY	450	588	571	553	553	1,098	553	553	1,098	553	553	1,098			
DETAIL BY CATEGORY:															
STATE OPERATIONS	105	128	146	146	154	171	146	158	171	407	395	927			
LOCAL ASSISTANCE	345	460	425	407	399	927	407	395	927	407	395	927			
TOTAL EXPENDITURES BY CATEGORY	450	588	571	553	553	1,098	553	553	1,098	553	553	1,098			
SOURCES OF FINANCING:															
DIRECT APPROPRIATIONS:															
GENERAL							545					545			
SPECIAL REVENUE		98	145	100	108	100	100	112	100	410	398	410			
STATUTORY APPROPRIATIONS:															
SPECIAL REVENUE	443	441	383	410	402	410	410	398	410	43	43	43			
FEDERAL	7	49	43	43	43	43	43	43	43	43	43	43			
TOTAL FINANCING	450	588	571	553	553	1,098	553	553	1,098	553	553	1,098			

ACTIVITY: 1992-93 Biennial Budget

PROGRAM:

AGENCY: Transportation Regulation, Board of

DECISION ITEM: Administrative Law Judge Costs

Dollars in Thousands			
	F.Y. 1991	F.Y. 1992	F.Y. 1993

AGENCY PLAN:

Expenditures

Trunk Highway Fund	\$	40	\$	-0-	\$	-0-
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Dollars in Thousands			
	F.Y. 1991	F.Y. 1992	F.Y. 1993

GOVERNOR'S RECOMMENDATION:

Expenditures

Trunk Highway Fund	\$	40	\$	-0-	\$	-0-
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Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

It is requested that additional funds be appropriated for administrative law judge expenses.

RATIONALE/OPTIONS:

The law requires that contested cases be heard before an administrative law judge. The TRB has no control over the number of cases which require the services of the Office of Administrative Law Judge. The additional anticipated costs can not be accommodated within existing appropriations. The agency has experienced other unforeseen costs including employee severance costs, higher than usual Attorney General costs and increased rent costs. The only option available to the agency is to cancel further hearings. This would be unfair and costly to motor carriers who are awaiting decisions on authority and rate matters.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's request.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
OPERATIONS MANAGEMENT	12,691	13,290	14,782	14,918	15,019	15,019	14,905	15,015	15,015
INTERTECHNOLOGIES GROUP	5,661	6,051	5,588	5,602	5,641	8,441	5,599	5,490	7,890
PROPERTY MANAGEMENT	8,571	11,434	9,803	10,011	10,087	10,087	10,060	10,245	10,245
ADMINISTRATIVE MANAGEMENT	12,446	8,328	4,238	4,537	4,469	3,298	4,534	4,456	3,285
INFORMATION POLICY OFFICE	1,221	1,730	1,655	1,643	1,503	1,503	1,641	1,548	1,548
MANAGEMENT ANALYSIS	1,174	1,390	1,342	1,350	1,342	1,342	1,349	1,334	1,334
TOTAL EXPENDITURES BY PROGRAM	41,764	42,223	37,408	38,061	38,061	39,690	38,088	38,088	39,317
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	16,006	20,796	20,044	20,697	20,697	22,326	20,724	20,724	21,953
SP REV DIRECT APPROP	1,617								
STATUTORY APPROPRIATIONS:									
GENERAL	95	76							
STATE GOVT SPEC REV		7,219	4,638	4,638	4,638	4,638	4,638	4,638	4,638
SPECIAL REVENUE	13,686	3,164	1,476	1,476	1,476	1,476	1,476	1,476	1,476
HGHWY USER TAX DISTR	1								
FEDERAL	758	1,742	980	980	980	980	980	980	980
WORKERS COMP SPECIAL	284	31							
NE MN ECONOMIC PROT	135	161							
AGENCY	8,828	8,708	10,198	10,198	10,198	10,198	10,198	10,198	10,198
GIFTS AND DEPOSITS	354	326	72	72	72	72	72	72	72
TOTAL FINANCING	41,764	42,223	37,408	38,061	38,061	39,690	38,088	38,088	39,317

**BASE RECONCILIATION REPORT
for 1992-1993 Biennium**

AGENCY: ADMINISTRATION, DPT OF

	ALL FUNDS F.Y.92	GENERAL FUND F.Y.92	OTHER STATE FUNDS F.Y.92	FEDERAL FUNDS F.Y.92
	F.Y.93	F.Y.93	F.Y.93	F.Y.93
F.Y.91 FUNDING LEVEL	146,469	20,044	125,445	980
ONE-TIME APPROPRIATIONS	<404>	<404>	<404>	
BIENNIAL APPROPRIATIONS	464	464	464	1
APPROPRIATIONS CARRIED FWD	<88>	<88>	<88>	
FUND CHANGE/CONSOLIDATION	130	130	130	
SALARY ANNUALIZATION	155	116	116	
DOCUMENTED RENT/LEASE INCR.	396	462	396	
TOTAL	147,122	20,697	125,445	980
BIENNIAL TOTAL	294,271	41,421	250,890	1,960

E.Y. 1991 Budget Reductions (Information Only)

The following F.Y. 1991 reductions were implemented in Laws 1991, Chapter 2. These reductions are not reflected as changes to F.Y. 1991 or F.Y. 1992-93 BASE Levels within the budget documents.

Program Management Building Code \$ (700)

Reconciliation totals include internal service fund amounts which are not included on fiscal pages which follow.

PROGRAM: Administrative Management
Agency: Administration, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

The Administrative Management program provides internal management support services to Admin's operating units. The program includes the functions of budget and fiscal services, personnel services, agency relations coordination, grant administration, systems and automation coordination and executive support. The grant administration area includes specific legislative grant administration tasks dealing with public broadcasting, regional cable communications, oil overcharge programs, and the State Band. The results achieved through this program include a well-managed department making the best use of its human, financial and information resources as it fulfills its mission.

More specifically:

- **Fiscal Services** establishes and maintains a centralized and integrated budget and accounting system for the department, both for general and revolving funds, as well as for the Office of the Governor, Office of the Lieutenant Governor, Capitol Area Architectural and Planning Board, Citizens Committee on Voyageurs National Park, Spanish Speaking Affairs Council, Council on Black Minnesotans, Council on Asian/Pacific Minnesotans and the Boundary Waters Canoe Area Task Force.
- **Personnel Services** provides personnel services to departmental managers, supervisors and employees. Services include labor relations, employee training and development, performance appraisal assistance, recruitment, affirmative action, classification, safety administration, employee counseling, payroll and personnel transactions.
- **Executive Support** provides departmental direction, priority and policy setting, short- and long-range planning and problem solving services, public information, and employee communications for the entire department. The program provides secretarial and office support services for the department's executive managers. In addition, statewide coordination on a variety of critical issues ranging from security to state energy policy is included here.
- **Public Broadcasting** is the grant administration program carried out for the legislature under terms of M.S. Chapter 139.16-21. Legislative allocations are divided among 6 public television and 12 public educational radio stations in the form of block, matching and equipment grants. The bureau oversees the grant program, disbursing funds in accordance with legislative appropriations and direction, and ensures that all statutory requirements and criteria are complied with.
- **Public Broadcasting -- Minnesota Public Radio** is an additional public broadcasting grant program for establishment, improvement and operation of Minnesota Public Radio's network of 18 stations serving Minnesota. State grants to MPR are also conditioned by eligibility and criteria of M.S. 139.16-21.
- **Twin Cities Regional Cable Channel** is a grant program based on M.S. Chapter 238.43 which mandates an interconnected regional cable channel to be carried on 7-county metropolitan area cable systems. Legislative appropriations to assist in the establishment and operation of the channel by the nonprofit corporation named as the operating entity are administered by the bureau in accordance with legislative direction.
- **Oil Overcharge Administration** is the program assigned to the Department of Administration by the legislature in 1988 for management, administration and coordination of programs for which appropriations are made from funds received by the state from settlements with oil companies for violations of pricing regulations from 1973-1981.

PERFORMANCE:

1. Achieved a 4.48% decrease in revolving fund rates for F.Y. 1991;
2. Completed 90% of a strategic information plan for the department;
3. Implemented the state's first on-site child care facility;
4. Administered 69 public radio and television grants to 20 recipients for a total of \$5,762,835 during the biennium;
5. Administered 14 new oil overcharge grants for a total of \$6,611,200 and continued management oversight of 8 earlier grants whose total is \$16,769,000 during the biennium;
6. Implemented a new performance management system for the department developed by employees; and
7. Cooperatively, with the department's InterTechnologies Group, advanced the preparation of the STARS program for implementation and for utilization by state agencies.
8. Provided leadership on a variety of interdepartment issues such as energy and security.

During the past year, Admin's Executive Team worked with employees to re-work the department's mission statement, values statement and its vision for the future. Through these efforts, the efforts of all employees can be focused toward the achievement of shared goals.

Twin Cities Regional Cable Channel

- Recent accomplishments include:

Established its own operating facility;
Doubled weekly broadcasts from 35 to 85 hours;
Opened schedule to broader base of producers;
Developed new graphics and identity;
Arranged schedule in thematic blocks;
Secured experienced, full-time management; and
Gained more audience and producer recognition.

Minnesota Public Radio

- Accomplishments include:

Reporters in all parts of the state;
Distribution of Canadian and British programs;
Distribution of National Public Radio and American Public Radio programs;
Weekly cumulative audience of 320,000;
Financial contributions from 65,000 individuals; and
Support from 400 businesses and foundations.

Public Broadcasting

- Current measurable outputs include:

Total Broadcast Hours (TV)	38,921 hours
Member Contributions (TV)	\$5,400,000
Local Production Hours (TV)	850 hours
Member Contributions (Radio)	\$1,287,800
Volunteer Hours (Radio)	73,230 hours
Local Programming Hours (Radio)	58,400 hours

PROGRAM: Administrative Management
(Continuation)
Agency: Administration, Department of

1992-93 Biennial Budget

PROSPECTS:

The centralized support functions within this program will experience many of the same trends and issues facing all other state agencies. The future suggests increasing fiscal stringencies, greater demands for improved and speedier service to state agency and citizen customers, and a need for increased productivity. As issues become increasingly complex, often crossing governmental boundaries, Admin will play a continued leadership role in coordinating those involved. Personnel Services must respond to the need for more highly qualified and specially trained personnel, along with the need for work force flexibility to attract and retain them. Their challenge is to create innovation within the values of the merit system and the collective bargaining boundaries. Fiscal Services already has 4 fewer staff and 5 more revolving funds than in F.Y. 1981. If Admin creates more revolving funds as a way to fund its activities, this increased workload will fall on Fiscal Services to manage. The issues facing Admin management can change rapidly. As the department adapts to these changes, the need for responsive and flexible support services increases. In addition, the diversity of Admin presents unique challenges to its own support functions, as it moves from such issues as child care to telecommunications infrastructure.

Public Broadcasting:

Opportunities exist to:

- 1) Export locally produced programs beyond the state to promote Minnesota; 2) Attract and leverage funding from other sources to further enhance service capability; 3) Moderate the escalating costs of providing high quality program services; and 4) Preserve long term progress by restoring previous cuts to block and matching grant areas to meet public educational needs of the 1990s.

Minnesota Public Radio:

- To accomplish its goal of expanded service delivery to all Minnesotans, MPR plans a more complete and technologically updated system, and expects to move rapidly to claim diminishing noncommercial radio frequencies allocated to state communities.

Twin Cities Regional Cable Channel:

- Recent achievements have validated the legislative vision that created the channel and have set it on a course to become a major source of information for 400,000 cable households in the metro area. Continued state assistance will leverage increased private contributions, support and channel use.

PLAN:

Like many of Admin's activities, salaries and rent comprise the major portion of this program's budget, once pass through money is taken out. Specifically, biennial BASE level funding for this program totals \$9,071,000. Of that amount, \$5,442,000 is distributed in oil overcharge and public broadcasting grants. Of the remainder, 86% is salaries and rent. Because of this, it will be difficult to absorb salary and other inflationary increases, without looking at staff reductions.

Admin receives no money for the administration of the public broadcasting grants. A legislative appropriation is received from oil overcharge money which supports staff to administer that program. If that appropriation were not made, this program would have to make a staff reduction of 2.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the funding as requested except for a biennial reduction of \$2,342,000 for Public Broadcasting and Minnesota Public Radio Grants.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
FISCAL & PERSONNEL SERVICES	1,242	1,274	1,088	1,109	1,146	1,146	1,108	1,183	1,183
EXECUTIVE SUPPORT	809	646	737	707	602	602	705	552	552
PUBLIC BROADCASTING	1,986	3,202	2,063	2,271	2,271	1,150	2,271	2,271	1,150
MINNESOTA PUBLIC RADIO		226		100	100	50	100	100	50
TWIN CITIES REGIONAL CABLE CHANNEL	40								
OIL OVERCHARGE	8,369	2,980	350	350	350	350	350	350	350
TOTAL EXPENDITURES BY ACTIVITY	12,446	8,328	4,238	4,537	4,469	3,298	4,534	4,456	3,285
DETAIL BY CATEGORY:									
STATE OPERATIONS	2,049	1,915	1,821	1,812	1,744	1,744	1,809	1,731	1,731
LOCAL ASSISTANCE	10,397	6,413	2,417	2,725	2,725	1,554	2,725	2,725	1,554
TOTAL EXPENDITURES BY CATEGORY	12,446	8,328	4,238	4,537	4,469	3,298	4,534	4,456	3,285
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,675	5,053	3,816	4,115	4,047	2,876	4,112	4,034	2,863
STATUTORY APPROPRIATIONS:									
GENERAL	45								
STATE GOVT SPEC REV		2,980	350	350	350	350	350	350	350
SPECIAL REVENUE	8,369								
AGENCY	3	2							
GIFTS AND DEPOSITS	354	293	72	72	72	72	72	72	72
TOTAL FINANCING	12,446	8,328	4,238	4,537	4,469	3,298	4,534	4,456	3,285

ACTIVITY: Public Broadcasting/MPR
PROGRAM: Administrative Management
AGENCY: Administration, Department of

1992-93 Biennial Budget

DECISION ITEM: Reduce Public Broadcasting/MPR Grants

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ (1,171)	\$ (1,171)	\$ (1,171)	\$ (1,171)
Revenues				
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

Reduce BASE level funding for public broadcasting operational and equipment grants which will result in a remaining base of \$1,150,000 for Public Broadcasting and \$50,000 for Minnesota Public Radio.

BACKGROUND:

This program provided direct matching, operational and equipment grants to those noncommercial television and radio stations which meet the criteria set forth in the statutes M.S.139.16-19.

Operational grants are used to offset the ongoing costs associated with providing public broadcast services. Equipment grants are used to replace worn out and obsolete equipment and to acquire new equipment.

RATIONALE/OPTIONS:

Support for this type of activity should be dependent upon public contributions.

<u>BASE:</u>	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
General Fund Expenditures (000's)				
Public Broadcasting	\$ 3,102	\$ 1,963	\$ 2,271	\$ 2,271
MPR Grants	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total	<u>3,202</u>	<u>2,063</u>	<u>2,371</u>	<u>2,371</u>

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
ADMINISTRATION	1,887	2,342	2,641	2,586	2,686	2,686	2,521	2,621	2,621
EMPLOYEE HEALTH AND BENEFITS	132,264	161,085	175,946	204,545	204,693	204,693	236,783	236,948	236,948
LABOR RELATIONS	470	493	497	517	517	517	528	528	528
STAFFING AND COMPENSATION	2,119	3,812	4,269	3,152	3,052	3,052	3,158	3,058	3,058
SAFETY AND WORKERS' COMPENSATION	18,739	23,397	25,271	25,422	25,638	25,847	25,422	25,638	26,172
TRAINING AND DEVELOPMENT	805	1,002	1,204	955	955	955	955	955	955
EQUAL OPPORTUNITY	224	276	330	320	320	320	327	327	327
GENERAL REDUCTION					<422>				<551>
TOTAL EXPENDITURES BY PROGRAM	156,508	192,407	210,158	237,497	237,861	237,648	269,694	270,075	270,058
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	7,706	10,335	9,914	8,808	8,808	8,811	8,805	8,805	9,004
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	16,933	21,538	24,138	24,150	24,366	24,150	24,168	24,384	24,168
EMPLOYEE INS TRUST	131,039	157,877	172,756	201,464	201,612	201,612	233,696	233,861	233,861
AGENCY	830	2,657	3,350	3,075	3,075	3,075	3,025	3,025	3,025
TOTAL FINANCING	156,508	192,407	210,158	237,497	237,861	237,648	269,694	270,075	270,058

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: EMPLOYEE RELTNS, DPT

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	210,158	210,158	9,914	9,914	200,244	200,244		
ONE-TIME APPROPRIATIONS	<1,394>	<1,394>	<1,394>	<1,394>				
SALARY ANNUALIZATION	114	93	114	93				
DOCUMENTED RENT/LEASE INCR.	174	192	174	192				
DEDICATED RECEIPTS AND FUNDS	28,445	60,645			28,445	60,645		
TOTAL	237,497	269,694	8,808	8,805	228,689	260,889		
BIENNIAL TOTAL		507,191		17,613		489,578		

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
PROGRAM: SAFETY AND WORKERS' COMPENSATION

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
SAFETY AND WORKERS' COMPENSATION	1,971	2,206	1,949	2,100	2,316	2,100	2,100	2,316	2,100
WORKERS' COMP NON-OPERATING	16,768	21,191	23,322	23,322	23,322	23,747	23,322	23,322	24,072
TOTAL EXPENDITURES BY ACTIVITY	18,739	23,397	25,271	25,422	25,638	25,847	25,422	25,638	26,172
DETAIL BY CATEGORY:									
STATE OPERATIONS	18,739	23,397	25,271	25,422	25,638	25,847	25,422	25,638	26,172
TOTAL EXPENDITURES BY CATEGORY	18,739	23,397	25,271	25,422	25,638	25,847	25,422	25,638	26,172
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,184	2,327	2,807	1,807	1,807	2,232	1,807	1,807	2,557
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	16,555	21,070	23,464	23,615	23,831	23,615	23,615	23,831	23,615
TOTAL FINANCING	18,739	23,397	25,271	25,422	25,638	25,847	25,422	25,638	26,172

ACTIVITY: Safety & Workers' Compensation
PROGRAM: Safety & Workers' Compensation
AGENCY: Employee Relations, Department of

1992-93 Biennial Budget

DECISION ITEM: Increase to Administration

AGENCY PLAN:	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Expenditures				
General Fund	\$ 216	\$ 216	\$ 216	\$ 216
Positions	5.0	5.0	5.0	5.0
Revenues	216	216	216	216

GOVERNOR'S RECOMMENDATION:

Expenditures	\$	-0-	\$	-0-	\$	-0-	\$	-0-
General Fund	\$	-0-	\$	-0-	\$	-0-	\$	-0-
Positions	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Revenues	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

DOER requests authority to spend in addition to the BASE level for this program \$432,000 in the 1992-93 biennium, and request an additional 5.0 complement.

RATIONALE:

The increase in spending would fund 4 claims specialists and 1 data entry position. Also included is funding for actuarial services and computer system enhancements. The additional expenditure would result in estimated annual savings of \$840,000 and a 10% decrease in the State's future liability. The additional funding and positions would speed up claims processing and payment.

GOVERNOR'S RECOMMENDATION:

Given the constraints for funding of new programs, the Governor does not recommend funding for this request.

1992-93 Biennial Budget

ACTIVITY: Workers' Comp Non-operating
PROGRAM: Safety and Workers' Compensation
AGENCY: Employee Relations, Dept. of

DECISION ITEM: WCRA Premium Adjustments

premium year are calculated by the Department of Employee Relations, adjustments are then made for the relevant period. Adjustments to FY 1989 premiums have been added to quarterly billings for FY 1991. The result is a deficiency in the appropriation for the current year of \$486,000.

Projected payroll and premium rate increases indicate costs for WCRA premiums in excess of BASE level expenditures for FY 1992 and FY 1993. The additional amounts required to meet the full projected premium are \$425,000 and \$750,000 respectively. The chart below details the premium cost history and projected 1992-93 biennial obligations:

Dollars in Thousands		
F.Y. 1991	F.Y. 1992	F.Y. 1993

AGENCY REQUEST:

Expenditures

General Fund

Dollars in Thousands		
F.Y. 1991	F.Y. 1992	F.Y. 1993

F.Y. 1991	F.Y. 1992	F.Y. 1993
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GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund

Requires statutory change: Yes No
 Statutes Affected:

ITEM SUMMARY:

This proposal is to increase the appropriations for the WCRA premium to meet FY 1991 costs and fund projected adjustments for the 1992-93 biennium.

RATIONALE:

The state "re-insures" for workers' compensation claims through the Workers' Compensation Reinsurance Association (WCRA). The WCRA is a not-for-profit public corporation created to provide reinsurance (insurance for claims that exceed a designated "retention threshold"). The current retention threshold for state worker claims is \$410,000: That is, the state is self-insured for claims up to that level. For any particular claim that should exceed total costs of \$410,000, WCRA assumes liability. Membership is mandatory for all self-insured employers in Minnesota.

Annual premiums paid to the WCRA are based on previous payroll levels and job risk classifications. The actual salary paid during a calendar year is multiplied by the risk factors associated with state occupations. This estimate is based on historical payroll data. Once actual payroll data for the

Dollars in Thousands							
	Actual 1987	Actual 1988	Actual 1989	Est. 1990	Est. 1991	Est. 1992	Est. 1993
WCRA pure prem.	26,413	28,261	28,348	31,271	34,398	35,946	37,743
% Increase		7.0%	0.31%	10.31%	10.00%	4.50%	5.00%
% Adjustments	18.10%	18.78%	13.41%	18.44%	-	-	-
Total paid	1,289	1,409	1,384	1,448	2,036	2,128	2,453
Adjustments	233	265	182	267	-	-	-
Prior year liability					153	-	-
Appropriation required (est.)					2,189	2,128	2,453
Less: Current BASE					(1,703)	(1,703)	(1,703)
Additional appropriation required:	\$	486	425	750			

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$486,000 to fund the FY 1991 deficiency, \$425,000 in FY 1992 and \$750,000 in FY 1993 to cover projected premium adjustments.

ACTIVITY: LAC Contingency
PROGRAM: LAC Contingency
AGENCY: Legislative Advisory Committee

1992-93 Biennial Budget

DECISION ITEM: Legislative Advisory Commission Increase

Dollars in Thousands				
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
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Revenues

General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
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Requires statutory change: _____ Yes No

Statutes Affected:

ITEM SUMMARY:

Request for additional funding for the Legislative Advisory Commission (LAC).

BACKGROUND:

Contingent accounts are appropriations made from several state accounts to provide supplemental funding for emergencies.

The release and subsequent 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, emergency funding for specific purposes is transferred to individual agency budgets, by the Department of Finance.

RATIONALE/OPTIONS:

General Fund contingent appropriations have decreased significantly in the last 10 years from \$8,300,000 per biennium in 1980-1981 to the present \$500,000 in 1990-1991, during this same period General Fund expenditures increased from \$7 billion in 1980-1981 to approximately \$14 billion in 1990-1991. Additional contingent funds will provide a greater flexibility to the executive branch in providing emergency support to agencies, especially in a time of downward adjustments to agency's budgets.

AGENCY: Employee Pension Contributions**1992-93 Biennial Budget****PURPOSE:**

Governor Carlson believes that during periods of economic recession, when the citizens of Minnesota are less able to afford higher taxes, and private sector employees risk pay reductions, government must find a way -- a fair and just way -- for public employees to contribute toward the solution of the state's temporary, but serious financial circumstances.

Compensation to Minnesota's approximately 245,000 state and local public employees is about \$7 billion annually. Personnel costs will, inevitably, be included in any resolution to the budget problem: But reductions in force are only one way, and a crude way, of factoring those costs into the solution.

The Governor feels strongly that an equitable means of allowing public employees to participate in the current budget adjustment process must be found. Mass layoffs, while they would certainly drive down costs, are neither equitable, nor in the long-run, effective. Layoffs impact most severely those least able to recover from the financial shock. For those who find alternative employment, government would lose many talented individuals in whose professional development it has a considerable investment. While some layoffs may indeed occur, the Governor believes that a more just policy would involve some contribution toward the budget adjustment by all public employees in the state.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that for the next two years only, while the state is working its way out of its fiscal problems, employer contributions to public employee retirement plans be reduced and employee contributions be increased.

The impact of these adjustments on employer pension costs for state agencies, higher education institutions, school districts, and other local governments is summarized in the following table:

<u>State Agencies</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>Biennium</u>
General Fund	\$ (10,301)	\$ (10,301)	\$ (20,602)
State Govt. Special Revenue	(78)	(78)	(156)
Natural Resources	(74)	(74)	(148)
State Airports	(41)	(41)	(82)
Game & Fish	(391)	(391)	(782)
Trunk Highway	(3,693)	(3,693)	(7,386)
Highway User Distrib.	(91)	(91)	(182)
Workers' Compensation Special	(215)	(215)	(430)
Environmental	(115)	(115)	(230)
Sub-Total	\$ (14,999)	\$ (14,999)	\$ (29,998)
Post-Secondary Education	(18,679)	(18679)	(37,358)
School Districts	(58,886)	(58,886)	(117,772)
Other Local Governments	(33,138)	(33,138)	(66,276)
TOTAL	\$ (125,702)	\$ (125,702)	\$ (251,404)

Amounts reflected above for state agencies will be reduced from the agency appropriations. The Governor recommends that the savings for post-secondary education, school districts, and other governmental units be retained by those units to fund their priorities.

REVISED GOVERNOR'S RECOMMENDATION:

As of March 28, 1991, the Governor does not recommend this proposal. The most recent forecast indicates that obligations in the coming biennium can be met through other expenditure adjustments.

REVISED 3/28/91

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE PENSION CONTRIBUTIONS

	FY 1989			FY 1990			Est.			FY 1992			FY 1993		
	FY 1989	FY 1990	FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.			
PROGRAM RESOURCE ALLOCATION:															
TOTAL EXPENDITURES BY PROGRAM															
SOURCES OF FINANCING:															
DIRECT APPROPRIATIONS:															
STATUTORY APPROPRIATIONS:															
TOTAL FINANCING															

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HUMAN RIGHTS, DPT OF
PROGRAM: HUMAN RIGHTS ENFORCEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
INVESTIGATION/EDUC/OUTREACH	1,426	1,874	1,821	1,855	1,855	1,855	1,856	1,856	1,856
LITIGATION	272	191	201	201	201	201	201	201	201
CONTRACT COMPLIANCE	204	182	202	205	205	205	204	204	204
ENFORCEMENT SUPPORT	400	359	418	425	425	475	423	423	473
MANAGEMENT SERVICES & ADMIN	503	419	446	453	453	453	450	450	450
TOTAL EXPENDITURES BY ACTIVITY	2,805	3,025	3,088	3,139	3,139	3,189	3,134	3,134	3,184
DETAIL BY CATEGORY:									
STATE OPERATIONS	2,805	3,025	3,088	3,139	3,139	3,189	3,134	3,134	3,184
TOTAL EXPENDITURES BY CATEGORY	2,805	3,025	3,088	3,139	3,139	3,189	3,134	3,134	3,184
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,797	3,023	3,080	3,131	3,131	3,181	3,126	3,126	3,176
FEDERAL	8	2	8	8	8	8	8	8	8
STATUTORY APPROPRIATIONS:									
TOTAL FINANCING	2,805	3,025	3,088	3,139	3,139	3,189	3,134	3,134	3,184

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: HUMAN RIGHTS, DPT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	3,088	3,088	3,080	3,080			8	8
SALARY ANNUALIZATION DOCUMENTED RENT/LEASE INCR.	41	31	41	31				
	10	15	10	15				
TOTAL BIIENNIAL TOTAL	3,139	3,134	3,131	3,126			8	8
		6,273		6,257				16

ACTIVITY:

1992-93 Biennial Budget

PROGRAM:

AGENCY: Human Rights, Department of

DECISION ITEM: Financing Inflationary Costs - Informational

Dollars in Thousands			
F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures

General Fund - Inflation	\$ 112	\$ 226	\$ 226	\$ 226
- Reductions	<u>(112)</u>	<u>(226)</u>	<u>(226)</u>	<u>(226)</u>
	\$ 0	\$ 0	\$ 0	\$ 0

Requires statutory change: Yes X No

ITEM SUMMARY:

Following the Biennial Budget instructions, salary projections assumed a 4.5% across the board increase for all employees. Salary costs were fully funded, assuming no vacancies. Other costs were not inflated.

RATIONALE:

The department will generate required savings in the first year of the biennium by eliminating or holding vacant a professional or higher management level position and utilizing \$50,000 in litigation activity funds which would be available assuming no large scale case occurs. In the second year, it is anticipated that 3 to 4 additional positions will be held vacant, and \$50,000 in litigation funds would again be transferred. These reductions will have the following impact: The number of open cases at the end of the biennium will be approximately 3,403. It will take 26.5 months to close a case and 64% of the caseload will be over 6 months old. (In 1990, cases were closed in 12.6 months and 48% of the caseload was over 6 months old.)

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

ACTIVITY: Enforcement Support
PROGRAM: Human Rights Enforcement
AGENCY: Human Rights, Department of

1992-93 Biennial Budget

DECISION ITEM: Information, Innovation, and Improvement Projects

Dollars in Thousands				
<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	

GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund				
Enforcement Support	\$ 50	\$ 50	\$ 50	\$ 50

Requires statutory change: _____ Yes No

Statutes Affected:

ITEM SUMMARY:

The Governor proposes an increase of \$50,000 in F.Y. 1992 and \$50,000 in F.Y. 1993 to undertake special projects which will: (1) promote awareness of and voluntary compliance with the law; or (2) improve the efficiency and effectiveness of the enforcement process.

RATIONALE:

The agency currently allocates virtually its entire budget to the enforcement function. This must be done to keep on top of the complaint workload. Little funding has been available for cost effective investments which would: (1) encourage voluntary compliance with the law; (2) support analyses (incidence and prevalence of discrimination, etc.) which are required in order to assess the impact of jurisdictional, legislative, and policy changes regarding the Human Rights Act and agency operations; (3) support studies of possible policy or operational changes which can improve the efficiency and effectiveness of the agency.

This initiative would earmark funding for the type of investments described above. A multi-year plan identifying the highest pay-off projects would be implemented with detailed annual plans. The status and impact of projects would be reported in the agency's F.Y.s 1994-95 budget request.

1992-93 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: HOUSING FINANCE AGENCY

<u>PROGRAM</u>	<u>PAGE</u>
Appropriated Programs	313
Non-Appropriated Programs	320
Administrative Cost Ceiling	324



State of Minnesota Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
(612) 296-5900

April 4, 1991

To: Senator Gene Merriam, Chairman
Senate Finance Committee

Representative Wayne Simoneau, Chairman
House Appropriations Committee

Fr: John Gunyou *JK*

Re: Errors, Omissions and supplemental changes to the Governor's 1992-93 Biennial Budget - Change Order # 5

Only changes submitted under my signature should be considered as official changes in the Governor's position.

Attached to this memorandum, please find the following budget page updates:

Environment & Natural Resources Committee:

Pages 88, 89, 90, and 124 have been revised to reflect a base adjustment for increased federal receipts to restore wetland wildlife habitat. The increased funding available is \$1,601,000 for F.Y. 91, \$1,500,000 for F.Y. 92 and \$1,500,000 for F.Y. 93 with 1.0 position in F.Y. 91 and 3.0 positions in F.Y. 92 and F.Y. 93 to carry out the program. The North American Wetland Conservation Act was established by Congress to provide funds for wetland projects. These federal funds are provided as match dollars to state and private habitat expenditures for selected projects. This change does not affect the General Fund.

Pages 227 and 228 are revised. The Governor has recommended an additional \$2,500,000 for F.Y. 92 and \$2,500,000 for F.Y. 93 for the Ethanol Development Subsidy. The Supplemental Budget Recommendations dated April, 1991 were correct as released. However, the Budget change order #4, dated March 28, 1991, was incorrect stating the subsidy at \$2,000,000 each year.

Page 229 has been deleted.

State Government Affairs Committee:

Page 246 should have been submitted with the 4th change order. This page relates to the base adjustment made on page 236 for dedicated receipts for the Employee Insurance Trust Fund. This is an omission.

Sufficient detail is provided for each error, omission and supplemental change to identify and reference the appropriate budget page affected. New and revised pages have been copied with remaining original budget materials for ease in inserting and removal of pages into three ring binder budget books.

cc: Governor Carlson
Lieutenant Governor Dyrstad
Senator Roger Moe
Representative Robert Vanasek
Representative Terry Dempsey
Senator Duane Benson
Senate and House Division Chairs
Lyall Schwarzkopf
Patsy Randell
David Doth
Dick Pfutzenreuter
Peggy Ingison
Team Leaders
Executive Budget Officers

Representative Ron Abrams
Representative Leroy Koppendrayer
Representative Bernie Omann
Representative Dennis Ozment
Representative Art Seaberg
Representative Brad Stanis
Representative Steve Svingum
Representative Charles Weaver
Representative Ray Welker
Jean Danaher
Dan Wolf

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS,DPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
MINERAL RESOURCES MGMT	5,091	5,287	5,436	5,265	5,381	5,381	5,260	5,358	5,358
WATER RESOURCES MGMT	6,237	8,605	8,859	8,214	9,355	9,355	8,128	8,133	8,133
FOREST MANAGEMENT	36,052	34,809	35,847	32,532	35,611	33,360	33,484	34,297	32,046
PARKS & RECREATION MGMT	14,418	19,172	20,411	19,810	20,172	20,172	19,765	20,241	20,241
TRAILS & WATERWAYS MGMT	9,159	9,762	12,199	11,452	14,763	14,763	11,435	12,465	12,465
FISH & WILDLIFE MANAGEMENT	29,595	32,654	36,878	35,673	45,053	45,053	35,567	40,267	40,267
ENFORCEMENT--NR LAWS&RULES	11,688	12,968	13,443	13,594	14,786	14,786	13,556	15,053	15,053
FIELD OPERATIONS SUPPORT	9,122	11,926	12,562	12,117	13,100	13,033	12,095	13,479	13,406
REGIONAL OPERATIONS SUPPORT	4,332	4,841	5,400	5,417	6,026	6,026	5,400	5,511	5,511
SPECIAL SERVICES AND PROGRAMS	6,484	6,940	6,880	6,715	8,505	8,505	6,712	6,824	6,824
ADMINISTRATIVE MANAGEMENT	5,129	6,185	6,406	6,467	6,622	6,622	6,455	6,710	6,710
NON-PROGRAMMATIC ACCOUNTS	21,875	21,467	18,288	18,288	18,288	16,188	18,288	18,288	16,188
TOTAL EXPENDITURES BY PROGRAM	159,182	174,616	182,609	176,544	197,662	193,244	176,145	186,626	182,202
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST					5,100	5,100			
GENERAL	53,538	74,182	78,258	78,538	79,537	77,219	78,383	79,833	77,509
MN RESOURCES	2,849	2,408	3,552		7,481	7,481			
NATURAL RESOURCES		15,018	17,943	16,941	20,350	20,350	16,905	20,724	20,724
WATER RECREATION	7,681								
SPECIAL REVENUE	11,627	742	935	835	1,220	1,220	835	835	835
GAME AND FISH	39,989	43,521	45,595	46,053	49,829	49,829	45,918	51,066	51,066
IRON RANGE R & R	172	199	200						
WATER POLLUTION CNTRL	806								
PERMANENT SCHOOL	359	337	303	299	267	267	299	363	363
STATUTORY APPROPRIATIONS:									
GENERAL	17,543	14,613	13,974	13,974	13,974	11,874	13,974	13,974	11,874
WATER RECREATION	9								
SPECIAL REVENUE	17,103	16,176	13,496	13,400	13,400	13,400	13,400	13,400	13,400
GAME AND FISH	1,010	1,120	1,224	1,224	1,224	1,224	1,224	1,224	1,224
FEDERAL	6,118	5,960	6,814	4,965	4,965	4,965	4,892	4,892	4,892

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS,DPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1989			FY 1990			Est. FY 1991			FY 1992			FY 1993		
	Adjusted Base	Agency Plan	Governor Recomm.												
GIFTS AND DEPOSITS	378	340	315	315	315	315	315	315	315	315	315	315			
TOTAL FINANCING	159,182	174,616	182,609	176,544	197,662	193,244	176,145	186,626	182,202						

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: NATURAL RESRCS, DPT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93
F.Y. 91 FUNDING LEVEL	185,793	185,793	92,232	92,232	86,747	86,747	6,814	6,814
ONE-TIME APPROPRIATIONS	<1,405>	<1,405>	<163>	<163>	<1,242>	<1,242>		
BIENNIAL APPROPRIATIONS	49	47	<81>	<83>	130	130		
APPROPRIATIONS CARRIED FWD	<483>	<483>	<268>	<268>	<215>	<215>		
SUNSET PROGRAMS	<263>	<263>	<63>	<63>	<200>	<200>		
SALARY ANNUALIZATION	1,421	1,040	853	628	583	412		
DOCUMENTED RENT/LEASE INCR.	48	105	48	105				
LCMR FUNDED PROJECTS	<3,552>	<3,552>			<3,552>	<3,552>		
DEDICATED RECEIPTS AND FUNDS	<31>	<31>	<31>	<31>				
FEDERAL RECEIPTS	<1,849>	<1,922>					<1,849>	<1,922>
TOTAL	179,728	179,329	92,512	92,357	82,251	82,080	4,965	4,892
BIENNIAL TOTAL		359,057		184,869		164,331		9,857

F.Y. 1991 Budget Reductions (Information Only)

The following F.Y. 1991 reductions were implemented in Laws 1991, Chapter 2. These reductions are not reflected as changes to F.Y. 1991 or F.Y. 1992-93 BASE Levels within the budget documents.

	<u>General Fund</u>
General Reduction	\$ (970)

* Reconciliation totals include re-invest in Minnesota (RIM) Fund amounts which are not included on the fiscal pages that follow.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: NATURAL RESRCS,DPT OF
PROGRAM: FISH & WILDLIFE MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
FISH MANAGEMENT	13,273	15,037	16,413	15,991	17,839	17,839	15,929	17,426	17,426
WILDLIFE MANAGEMENT	14,531	15,188	17,587	16,877	24,141	24,141	16,840	19,931	19,931
ECOLOGICAL SERVICES	1,791	2,429	2,878	2,805	3,073	3,073	2,798	2,910	2,910
TOTAL EXPENDITURES BY ACTIVITY	29,595	32,654	36,878	35,673	45,053	45,053	35,567	40,267	40,267
DETAIL BY CATEGORY:									
STATE OPERATIONS	29,031	32,137	36,183	34,978	44,208	44,208	34,872	39,422	39,422
LOCAL ASSISTANCE	107	182	265	265	265	265	265	265	265
AID TO INDIVIDUALS	457	335	430	430	580	580	430	580	580
TOTAL EXPENDITURES BY CATEGORY	29,595	32,654	36,878	35,673	45,053	45,053	35,567	40,267	40,267
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
ENVIRONMENT TRUST					3,240	3,240			
GENERAL	1,744	2,307	2,739	2,770	2,770	2,770	2,763	2,763	2,763
MN RESOURCES	1,041	933	1,225		2,329	2,329			
NATURAL RESOURCES		1,806	1,951	1,755	3,255	3,255	1,748	3,303	3,303
WATER RECREATION	157								
SPECIAL REVENUE	532								
GAME AND FISH	24,674	26,916	28,389	28,675	30,986	30,986	28,583	31,728	31,728
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	925	117	100	100	100	100	100	100	100
GAME AND FISH		9							
FEDERAL	460	511	2,429	2,328	2,328	2,328	2,328	2,328	2,328
GIFTS AND DEPOSITS	62	55	45	45	45	45	45	45	45
TOTAL FINANCING	29,595	32,654	36,878	35,673	45,053	45,053	35,567	40,267	40,267

ACTIVITY:
PROGRAM: Fish and Wildlife Management
AGENCY: Natural Resources, Department of

1992-93 Bicennial Budget

DECISION ITEM: Fish and Wildlife Base Adjustment

Dollars in Thousands				
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures				
Game and Fish Fund	\$ 465	\$ 465	\$ 465	\$ 465
Revenues				
Game and Fish Fund	\$ 465	\$ 465	\$ 465	\$ 465

GOVERNOR'S RECOMMENDATION:

Expenditures				
Game and Fish Fund	\$ 465	\$ 465	\$ 465	\$ 465
Revenues				
Game and Fish Fund	\$ 465	\$ 465	\$ 465	\$ 465

Requires statutory change: Yes X No
Statutes Affected:

ITEM SUMMARY:

This request is for \$930,000 to adjust base levels for the Division of Fish and Wildlife.

RATIONALE:

Base level funding for F.Y. 1991 was not sufficient enough to cover salary costs. Salary supplement was also underfunded for the fiscal year. This request is to restore underfunded salaries.

Without this base level adjustment, programs and operations of the division will be impacted by forcing cuts elsewhere within existing operations. In addition, the underfunded salary problem is further compounded when base level F.Y. 1991 salary amounts are used to annualize salaries for F.Y. 1992-93 salary allotments. The restoration of underfunded salary supplement for the biennium will allow the division to achieve the goals set forth in its long-range plan.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

ACTIVITY:

1992-93 Biennial Budget

PROGRAM:

AGENCY: Waste Management, Office of

DECISION ITEM: LCMR

Dollars in Thousands				
E.Y. 1992	E.Y. 1993	E.Y. 1994	E.Y. 1995	

AGENCY PLAN:

Expenditures

Minnesota Resources Fund	\$ 385	\$ 0	\$ 0	\$ 0
--------------------------	--------	------	------	------

Requires statutory change: _____ Yes No

ITEM SUMMARY:

LCMR: Remediation of Soils by Co Composting with Leaves E.Y. 1992 \$135,000

This project is a cooperative research project proposed by the Minneapolis Community Development Agency and the consulting firm, Braun Environmental Laboratories, Inc. Preliminary research by Braun has shown that soils contaminated with semi-volatile compounds may be degraded through co-composting with leaves. The result of the project will be development and field-testing of this treatment method.

LCMR: Land Spreading of Yard Wastes E.Y. 1992 \$100,000

Building on the expertise gained from the E.Y. 1990-91 project on compost and co compost research, the University of Minnesota's Department of Soil Science will determine the maximum and optimum rates that yard wastes can be applied to soils without reducing yields or endangering the environment. The result will be a determination of how much yard waste can be applied directly to fields without intermediate composting.

LCMR: Cellulose Rayons for Biodegradable Packaging E.Y. 1992 \$150,000

Bemidji State University, Center for Environmental Studies, has identified the need to develop packaging material from cellulose, which is naturally biodegradable, as a substitute for nondegradable, petroleum-based packaging materials. The challenge is to develop a product which will compete economically with petroleum-based products.

RATIONALE:

Funding for these projects has been approved by the Legislative Commission on Minnesota Resources. The Office of Waste Management will not receive any portion of the funds to administer these research projects.

GOVERNOR'S RECOMMENDATION:

Recognizing the authority of the LCMR to make budget recommendations for projects funded by the Minnesota Resources Fund, the Governor makes no specific recommendations.

MISSION:

Under M.S. 41A.09, the Commissioner of Revenue makes payments to producers of ethanol or wet alcohol located in the state for those products fermented in the state. The payments are made quarterly and based on the number of gallons of ethanol or wet alcohol produced. For each gallon of ethanol, the subsidy is 20¢. For each gallon of wet alcohol, the subsidy is determined by formula based on the percentage of alcohol purity. Total payments in F.Y. 1991 are estimated at \$4,500,000. Payments are capped at \$10,000,000 a year and \$3,000,000 a year to individual producers.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

Current law provides that the amount required for these payments is appropriated from the General Fund; however, the law also provides that the amount required to fund this appropriation be reduced from the portion of the Motor Vehicle Excise Tax (MVET) transfer that is distributed to the highway user tax distribution fund until 6-30-91, and to the trunk highway fund after that time. The result of those 2 provisions is that the subsidy has no net impact on the General Fund under current law.

Elsewhere in the budget, the Governor recommends the elimination of the MVET transfer so that those proceeds remain in the General Fund. As a result of that recommendation and without any other changes in current law, the ethanol development subsidy would become an additional expenditure out of the general fund.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the ethanol development subsidy be retained and funded out of the General Fund. He also recommends that the subsidy be capped at \$4,500,000 a year, the current estimate of expenditures for that subsidy in the F.Y. 1992-93 biennium. The Commissioner of Revenue should determine a method of pro-rating the subsidy in the event that the payments applied for exceed \$4,500,000 a year.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ETHANOL DEVELOPMENT SUBSIDY
PROGRAM: REVENUE REFDS & AIDS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
PETROLEUM TAX REFUND	2,310	2,125	4,500	4,500	4,500	4,500	4,500	4,500	4,500
TOTAL EXPENDITURES BY ACTIVITY	2,310	2,125	4,500	4,500	4,500	4,500	4,500	4,500	4,500
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	2,310	2,125	4,500	4,500	4,500	4,500	4,500	4,500	4,500
TOTAL EXPENDITURES BY CATEGORY	2,310	2,125	4,500	4,500	4,500	4,500	4,500	4,500	4,500
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
STATUTORY APPROPRIATIONS:									
GENERAL	2,310	2,125	4,500	4,500	4,500	4,500	4,500	4,500	4,500
TOTAL FINANCING	2,310	2,125	4,500	4,500	4,500	4,500	4,500	4,500	4,500

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELTNS,DPT
PROGRAM: EMPLOYEE HEALTH AND BENEFITS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
STATE GROUP INSURANCE	1,675	2,490	2,990	2,681	2,681	2,681	2,687	2,687	2,687
PUBLIC EMPLOYEES INS	245	372	300	315	463	463	315	480	480
INSURANCE NON-OPERATING	130,344	158,223	172,656	201,549	201,549	201,549	233,781	233,781	233,781
TOTAL EXPENDITURES BY ACTIVITY	132,264	161,085	175,946	204,545	204,693	204,693	236,783	236,948	236,948
DETAIL BY CATEGORY:									
STATE OPERATIONS	132,264	161,085	175,946	204,545	204,693	204,693	236,783	236,948	236,948
TOTAL EXPENDITURES BY CATEGORY	132,264	161,085	175,946	204,545	204,693	204,693	236,783	236,948	236,948
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	439	569	37						
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	19	91	153	81	81	81	87	87	87
EMPLOYEE INS TRUST	131,039	157,877	17,756	201,464	201,612	201,612	233,696	233,861	233,861
AGENCY	767	2,548	3,000	3,000	3,000	3,000	3,000	3,000	3,000
TOTAL FINANCING	132,264	161,085	175,946	204,545	204,693	204,693	236,783	236,948	236,948

ACTIVITY: Public Employee Insurance
PROGRAM: Employee Health and Benefits
AGENCY: Employee Relations, Department of

1992-93 Biennial Budget

DECISION ITEM: Increase for PEIP Administration

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
AGENCY PLAN:				
Expenditures				
General Fund	\$ 0	\$ 0	\$ 0	\$ 0
Public Employee Insurance Trust	\$ 148	\$ 165	\$ 165	\$ 165
Positions				
Public Employee Insurance Trust	1.8	2.0	2.0	2.0

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

The Department requests the authorization of the funds and positions as detailed above to meet anticipated workload and expense increases due to legislated activities in administering the Public Employees Insurance Plan in the 1992-93 biennium.

RATIONALE:

Minnesota Laws 1989, Chapter 589 requires that the PEIP program be expanded to allow individual participation by retirees beginning in 1992. Plan administration and casework are expected to increase considerably. This request is based on estimated cost increases for staff, claims communications, professional/technical services and counseling. Included in this request is \$15,000 in F.Y. 1992 and \$30,000 in F.Y. 1993 for general inflation. The Department requests that funds be authorized from the Public Employee Insurance Trust Fund, and the addition of 1.8 positions in F.Y. 1992 and 2.0 positions in F.Y. 1993.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.



State of Minnesota Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
(612) 296-5900

April 15, 1991

To: Senator Gene Merriam, Chairman
Senate Finance Committee

Representative Wayne Simoneau, Chairman
House Appropriations Committee

Fr: John Gunyou *jk*

Re: Errors, Omissions and supplemental changes to the Governor's 1992-93 Biennial Budget - Change Order # 6

Only changes submitted under my signature should be considered as official changes in the Governor's position.

Attached to this memorandum, please find the following budget page updates:

Human Development Committee:

Pages 323 and 325 have been revised in the narrative part of the budget to agree with the numbers pages. The agency narrative page was rewritten to clarify the "Budget Request and Issues" and "Budget Reallocation Decisions". The numbers were stated correctly on the numbers page and in the budget system.

State Government Affairs Committee:

Page 172 has been revised to reflect the agency's current projections for inflationary costs and to provide funding for a couple of items, including the Intergovernmental Information Systems Advisory Council. The changes to this page affect page 170, the agency numbers page as well as every program level page, including pages: 176, 187, 198, 202, 206, and 209. There is no additional funding for the agency, however funding is reallocated between programs.

Page 467 has been revised. The totals shown for expenditures under the agency plan were incorrect. The Governor's Recommendations were also shown in error on this narrative page, due to the fact that the agency's totals were accepted. The correct numbers were entered into the budget system by the individual reduction items. The numbers pages are correct in the original budget as submitted. This is a technical narrative correction, there is no dollar change to agency's budget.

Sufficient detail is provided for each error, omission and supplemental change to identify and reference the appropriate budget page affected. New and revised pages have been copied with remaining original budget materials for ease in inserting and removal of pages into three ring binder budget books.

cc:	Governor Carlson	Representative Ron Abrams
	Lieutenant Governor Dyrstad	Representative Leroy Koppendrayer
	Senator Roger Moe	Representative Bernie Omann
	Representative Robert Vanasek	Representative Dennis Ozment
	Representative Terry Dempsey	Representative Art Seaberg
	Senator Duane Benson	Representative Brad Stanus
	Senate and House Division Chairs	Representative Steve Svingum
	Lyall Schwarzkopf	Representative Charles Weaver
	Patsy Randell	Representative Ray Welker
	David Doth	Jean Danaher
	Dick Pfutzenreuter	Dan Wolf
	Peggy Ingison	
	Team Leaders	
	Executive Budget Officers	

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: SOC WRK & MNT HLTH BOS
PROGRAM: HEALTH BOARDS
OFFICE OF SOCIAL WORK

ACTIVITY SUMMARY	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
STATE OPERATIONS	147	226	296	301	301		301	301	
TOTAL EXPENDITURES BY CATEGORY	147	226	296	301	301		301	301	
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
SP REV DIRECT APPROP	146								
STATE GOVT SPEC REV		223	284		289	289		289	289
STATUTORY APPROPRIATIONS:									
SP REV DIRECT APPROP	1								
STATE GOVT SPEC REV		3	12		12	12		12	12
TOTAL FINANCING	147	226	296	301	301		301	301	

PROGRAM: Social Work, Board of
Agency: Social Work and Mental Health Boards

1992-93 Biennial Budget

MISSION:

The Minnesota Board of Social Work's mission is to provide protection to the public with respect to the practice of social work.

The board strives to fulfill it's mission through various licensure and regulatory activities, as defined in M.S. 148B.

Mission-related activities include:

- to examine eligible candidates for licensure as a licensed social worker, licensed graduated social worker, licensed independent social worker, and licensed independent clinical social worker;
- to renew licenses biennially for the 4 levels of licensure;
- to process complaints and educate the public and licensees about the complaint process;
- to review continuing social work education requests and enforce requirements;
- to maintain accurate records which include evidence of compliance to continuing education and supervision requirements for licensees; and
- to develop and implement rules governing social work practice.

MAJOR POLICY DRIVERS:

The board is still in a developmental stage. New systems and procedures are being developed and implemented. The following are the board's major policy drivers:

Complaints: the board has registered approximately 135 complaints since it's establishment in 1987. As the public has become more aware of the existence of the board and it's functions, the number of complaints has increased at a steady rate, as well as the complexity of complaint issues.

Licensure: the board has licensed approximately 8,650 social workers through the transitional grandpersoning period, licensure examinations, and reciprocity.

Licensure Examination: the board administers at least 2 licensure examinations per year. The board estimates that more than 400 individuals will be eligible to take the examination per year.

The board, in conjunction with the Office of Social Work and Mental Health Boards, is currently developing a licensee database, a computerized complaint registration and monitoring system, and a computerized continuing education system which will ensure compliance with the established statutory mandates.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

Budget History/Background

M.S. 148B created an Office of Social Work and Mental Health Boards which provides staffing/administrative assistance to 3 mental health boards, including the Board of Social Work. A significant amount of the office staff time is spent on activities associated with the Board of Social Work.

During F.Y. 1990, the board received an LAC allocation in the amount of \$86,000. The Legislature appropriated a Supplemental Budget in the amount of \$82,000 for F.Y. 1991.

Both allocations were necessary to cover expenditures associated with a larger number of licensees than originally estimated. Fees generated by the board recovered those additional appropriation amounts.

Budget Request and Issues

Although the Board of Social Work is requesting several structural changes, the overall appropriation amount is not an increase. The board's request is a combination of 80% of the office request and 100% of the board request and is funded by non-dedicated receipts collected by the board. The Board of Social Work's biennial budget request is based on the following assumptions:

1. the Board of Social Work exists in an autonomous manner;
2. the Board of Marriage and Family exists in an autonomous manner;
3. the Board of Unlicensed Mental Health Providers sunsets as scheduled; and
4. the permanent complement positions of the Office of Social Work and Mental Health Boards are transferred to the Board of Social Work and the office no longer exists.

The non-dedicated revenue collected by the Board of Social Work currently covers operational costs of the board and approximately 80% of the operational costs for the office. The requested appropriation level would enable the board to continue existing operations.

1992-93 Biennial Budget Request:

F.Y. 1992	\$ 415,000
F.Y. 1993	<u>415,000</u>
Total	<u>\$ 830,000</u>

Budget Reallocation Decisions

The board currently employees 1 full-time temporary Staff Social Worker. The board has determined that the need for the Staff Social Worker complement will be ongoing. Therefore, we are requesting this position to be a permanent complement. The salary for this position is included in the base level request. Additional funds are requested for employee benefits.

To ensure utmost public protection and to expedite the complaint process, the board is requesting a permanent complement position and funding for 1 professional position to assist in the processing of complaints, informing the public about the board's complaint process, participate in public outreach programs, and assist in the coordination of other board functions.

The Board of Social Work requests that 6.0 complement positions currently allocated to the office be transferred to the board. This transfer (creating new positions) of complement positions would allow the board to continue operations.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the preliminary recommendations of the Interagency Task Force on Mental Health Regulation. Specifically, the Governor recommends that the Board of Social Work and Marriage and Family Therapy operate autonomously and that the Board of Unlicensed Mental Health Service Providers be allowed to sunset as scheduled.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: SOC WRK & MNT HLTH BDS
PROGRAM: HEALTH BOARDS
BOARD OF SOCIAL WORK

ACTIVITY SUMMARY	FY 1989			FY 1990			Est.			FY 1992			FY 1993		
	FY 1989	FY 1990	FY 1991	FY 1989	FY 1990	FY 1991	Adjusted Base	Agency Plan	Governor Recomn.	Adjusted Base	Agency Plan	Governor Recomn.			
STATE OPERATIONS	129	170	146				147	415	415	147	415	415			
TOTAL EXPENDITURES BY CATEGORY	129	170	146				147	415	415	147	415	415			
SOURCES OF FINANCING:															
DIRECT APPROPRIATIONS:															
SP REV DIRECT APPROP	129														
STATE GOVT SPEC REV		169			141		142	406	406	142	406	406			
STATUTORY APPROPRIATIONS:															
STATE GOVT SPEC REV			1		5		5	9	9	5	9	9			
TOTAL FINANCING	129	170	146				147	415	415	147	415	415			

ACTIVITY:
PROGRAM: Social Work, Board of
AGENCY: Social Work and Mental Health Boards

DECISION ITEM: Staffing and Operations Costs

1992-93 Biennial Budget

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures				
Special Revenue	\$ 268	\$ 268	\$ 268	\$ 268
Revenues				
Special Revenue	\$ 268	\$ 268	\$ 268	\$ 268

GOVERNOR'S RECOMMENDATION:

Expenditures				
Special Revenue	\$ 268	\$ 268	\$ 268	\$ 268
Revenues				
Special Revenue	\$ 268	\$ 268	\$ 268	\$ 268

Requires statutory change: X Yes _____ No
Statutes Affected: M.S. 148B.01-.171

ITEM SUMMARY:

The Board of Social Work requests the following budget reallocations:

1. the reallocation of a temporary staff social worker position to a permanent complement position with funding for benefits;
2. the creation of a permanent professional position to assist in the processing of complaints with funding for benefits; and
3. the transfer of complement positions currently allocated to the Office and funding for these new positions and additional operating costs.

RATIONALE:

The board currently employs one full time temporary staff social worker. The board has determined that the need for the staff social worker complement will be ongoing. Therefore, the board is requesting this position to be a permanent complement. The salary for this position is included in the base level request. Additional funds are requested for employee benefits.

To ensure utmost public protection and to expedite the complaint process, the board is requesting a permanent complement position and funding for this position to assist in the processing of complaints, informing the public about the board's complaint process, participation in public outreach programs, and to assist in the coordination of other related board functions.

The board requests that 6 of the 6.5 complement positions currently allocated to the Office of Social Work and Mental Health be transferred (creating new positions) to the board and funding for these positions and additional operating costs.

The total budget reallocation request is \$268,000 per fiscal year.

These budget reallocation requests would enable the board to continue existing operations in an autonomous manner. These reallocation expenditures will be offset by anticipated receipts collected by the board.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
OPERATIONS MANAGEMENT	12,691	13,290	14,782	14,918	14,898	14,898	14,905	14,942	14,942
INTERTECHNOLOGIES GROUP	5,661	6,051	5,588	5,602	5,604	8,404	5,599	5,431	7,831
PROPERTY MANAGEMENT	8,571	11,434	9,803	10,011	10,021	10,021	10,060	10,125	10,125
ADMINISTRATIVE MANAGEMENT	12,446	8,328	4,238	4,537	4,541	3,370	4,534	4,567	3,396
INFORMATION POLICY OFFICE	1,221	1,730	1,655	1,643	1,686	1,686	1,641	1,704	1,704
MANAGEMENT ANALYSIS	1,174	1,390	1,342	1,350	1,311	1,311	1,349	1,319	1,319
TOTAL EXPENDITURES BY PROGRAM	41,764	42,223	37,408	38,061	38,061	39,690	38,088	38,088	39,317
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	16,006	20,796	20,044	20,697	20,697	22,326	20,724	20,724	21,953
SP REV DIRECT APPROP	1,617								
STATUTORY APPROPRIATIONS:									
GENERAL	95	76							
STATE GOVT SPEC REV		7,219	4,638	4,638	4,638	4,638	4,638	4,638	4,638
SPECIAL REVENUE	13,686	3,164	1,476	1,476	1,476	1,476	1,476	1,476	1,476
HGHWY USER TAX DISTR	1								
FEDERAL	758	1,742	980	980	980	980	980	980	980
WORKERS COMP SPECIAL	284	31							
NE MN ECONOMIC PROT	135	161							
AGENCY	8,828	8,708	10,198	10,198	10,198	10,198	10,198	10,198	10,198
GIFTS AND DEPOSITS	354	326	72	72	72	72	72	72	72
TOTAL FINANCING	41,764	42,223	37,408	38,061	38,061	39,690	38,088	38,088	39,317

**BASE RECONCILIATION REPORT
for 1992-1993 Biennium**

AGENCY: ADMINISTRATION, DPT OF

	ALL FUNDS F.Y.92	GENERAL FUND F.Y.92	OTHER STATE FUNDS F.Y.92	FEDERAL FUNDS F.Y.92
	F.Y.93	F.Y.93	F.Y.93	F.Y.93
F.Y.91 FUNDING LEVEL	146,469	20,044	125,445	980
ONE-TIME APPROPRIATIONS	<404>	<404>	<404>	
BIENNIAL APPROPRIATIONS	464	464	464	1
APPROPRIATIONS CARRIED FWD	<88>	<88>	<88>	
FUND CHANGE/CONSOLIDATION	130	130	130	
SALARY ANNUALIZATION	155	116	155	116
DOCUMENTED RENT/LEASE INCR.	396	462	396	462
TOTAL	147,122	20,697	125,445	980
BIENNIAL TOTAL	294,271	41,421	250,890	1,960

E.Y. 1991 Budget Reductions (Information Only)

The following E.Y. 1991 reductions were implemented in Laws 1991, Chapter 2. These reductions are not reflected as changes to E.Y. 1991 or E.Y. 1992-93 BASE Levels within the budget documents.

Program Management Building Code \$ (700)

Reconciliation totals include internal service fund amounts which are not included on fiscal pages which follow.

ACTIVITY:
PROGRAM:
AGENCY: Administration, Department of

1992-93 Biennial Budget

DECISION ITEM: Financial Inflationary Costs - Informational

AGENCY PLAN:	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Expenditures				
General Fund - Inflation - Reduction	\$ 385	\$ 570	\$ 570	\$ 570
	<u>(\$385)</u>	<u>(\$570)</u>	<u>(\$570)</u>	<u>(\$570)</u>
Revenues				
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

This reduction is needed to fund salary and inflationary increases of 3.76% in F.Y. 1992 and 1.74% in F.Y. 1993.

RATIONALE:

1. Risk Management: A cut of \$18,000 would mean that a coordinated statewide effort for business continuation planning would be discontinued. Lack of this centralized coordination could affect the state's ability to plan for a speedy recovery of critical operations following a disaster.
2. Materials Management: A savings of \$7,300 annually can be achieved by limiting the advertising of bids to the State Register. Advertising used to also be purchased in the Legal Ledger and Commerce Daily, so vendors will have to either subscribe to the State Register or visit their county or local library.
3. Materials Management: An annual reduction of \$75,000 could be achieved by holding open 2 positions, one a purchasing agent which will reduce interaction with vendors to ensure timely delivery of supplies, materials, and other commodities. In addition there would be a reduction in auditing and training in the field. Holding the other position open will reduce our ability to operate the statewide computer purchasing system that is used by all state agencies. This will impede the ability of state agencies to get what they need in time and to receive the assistance they need regarding how to use the purchasing system.
4. Materials Management: An annual reduction of \$19,000 will eliminate student workers which will increase the response time involved in sending bids to vendors and in the handling of bid documents.
5. Minnesota Office on Volunteer Services: This cut of \$10,000 will reduce the office's ability to handle peak workloads by hiring temporary employees which will delay the response to requests from community organizations, state agencies, and other public and public sector customers. In addition, other forms of support to these customers will be reduced such as printed materials and contracted projects.
7. Employee Assistance Program: A cut of \$10,000 will eliminate Admin's contributions of supplies and materials to 2 employee health units.

7. State Building Construction: Two professional positions will be held open through the biennium for a savings of \$86,900 annually. This will increase the workload of management by transferring to them the scheduling duties of project work flow through the office, addressing of technical issues previously handled by the positions, and reducing time available for management to provide guidance, consultation and assistance to client agencies.
8. Energy Conservation: A reduction of \$15,465 each year of the biennium will cut in half the current effort for training the employees in energy conservation methods. This will mean that maintenance staff at facilities statewide may have less knowledge of updated energy conservation strategies.
9. Information Support for Agencies and the Public: Changing the Records Center from general to a revolving fund will save \$187,000 in general fund dollars by the second year of the biennium and will reduce costs to state agencies for storing records, since many records are now stored in premium, expensive office space rather than at storage rates.
10. Management Analysis Division: A cut of \$60,000 annually will be achieved by holding a position vacant. This will reduce the amount of general fund support provided to the Department of Administration by this activity, and will reduce funding for statewide productivity/quality improvement programs.
11. Executive Support: A reduction of \$50,000 annually can be achieved by holding a communications position open and reducing a variety of related line items such as printing and postage.
12. Telecommunications Analyst: A cut of \$34,000 annually can be achieved by holding open a telecommunications analyst position. This will reduce the amount of free consulting provided to state agencies who wish to modify their phone system, or otherwise restructure their communications system. Some agencies may have to use private sector consultants.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

PROGRAM PURPOSE:

The Department of Administration Operations Management Bureau provides centralized operating support services to the agencies of state government. These services are provided as cost-effective alternatives to decentralized administrative services; as efficient and responsive ways to help other agencies accomplish their missions; as a means to take advantage of economies of scale; as measures of control and oversight for the legislature and the governor; as assurance that high public standards for fairness, openness, and ethics are maintained; and as a means to implement broad public policies and goals. Services are also offered directly to the Minnesota business community and to the public.

The bureau achieves this mission through programs that:

- competitively bid purchases, construction projects, and statewide volume purchase contracts in order to acquire quality products and services at the lowest possible prices while at the same time providing Minnesota businesses with fair and open access to the state's purchasing dollar;
- target purchases toward minority-owned, female-owned, and economically disadvantaged-area small businesses in order to remedy the effects of prior discrimination and to alleviate the impacts of low income and high unemployment;
- provide quality goods and services at low cost to political subdivisions by making state purchasing contracts available to them through the Cooperative Purchasing Venture;
- review and approve professional and technical services contracts in order to assure that proper open process and contract requirements have been followed;
- report and set standards for the management of fixed assets and consumable inventory in the state so that accountability for assets is assured and asset investment practices are cost-efficient;
- encourage recycling and create recycling markets by 1) creating and managing recycling services, 2) promoting recycling and the purchasing of recycled products, 3) providing technical assistance to recyclers and recycling activity managers, and 4) coordinating and creating partnerships with recycling programs at all levels of government and in the private sector;
- manage surplus property for maximum reusage, maximum return of value to the state, and minimum cost of purchase for agencies and citizens;
- provide office supplies to state offices at the lowest possible price and greatest convenience;
- manage the state's fleet of vehicles (with certain agency and system exceptions) for maximum cost-effectiveness by leasing vehicles at very low rates, reviewing private vehicle reimbursement, approving agency vehicle purchases, and matching the peaks and valleys of individual agency needs for maximum vehicle usage;
- assure the availability of the lowest possible commercial air travel costs and related hotel and car arrangements;
- reduce the number of vehicles driven by state employees to their worksites, and the associated energy consumption, by 1) providing vans for commuting and establishing the van pooling routes, 2) providing MTC buscards at a reduced rate to state employees, and 3) promoting the usage of both of these programs;
- provide state agencies with the expertise and printing services needed to produce quality printed documents at competitive prices;

- finance, market, distribute, and provide a return to the state on state agency publications;
- sell official publications, regional publications, and publicly maintained mailing lists to the public;
- provide efficient and cost-saving federal and interoffice mailing and addressing and inserting services;
- save state agencies money by leasing and selling electronic office equipment to state offices at low prices and assure office productivity by training and providing maintenance service on office equipment;
- manage the state's risk by 1) identifying risk management options and selecting the optimal risk management strategy, 2) self-insuring through the Risk Management Fund when purchased insurance policies are more expensive or not available, and 3) purchasing appropriate insurance when prices are reasonable and appropriate policies are available from dependable private companies;
- prepare state operations for a disaster by having disaster recovery plans in place so that the critical business of the state can continue;
- assist state employees to be as personally productive and healthy as possible by 1) confidentially diagnosing, referring and counseling employees whose personal emotional, physical, financial, and family difficulties interfere with their performance in the workplace, 2) advising and assisting managers and supervisors whose difficult or troubled employees detract from their performance in the workplace, 3) providing information and training on the most common stressors for individuals, including chemical abuse, and 4) promoting good health habits and lifestyles;
- enable and empower community organizations to accomplish their missions through the effective mobilization of volunteers;
- mobilize volunteers to address and resolve priority problems facing our communities and our state;
- provide leadership and supportive services that encourage, sustain, and expand volunteer programs, citizen participation efforts, and public/private partnerships that contribute to the quality of life in Minnesota;
- provide information, technical assistance, training, visibility and networking that will result in increased utilization and more effective involvement of volunteers; and
- mobilize and effectively involve youth in volunteer community service in order to increase their self-esteem, divert youth from negative activities, supplement traditional modes of learning, and create life-long habits of volunteerism and civic service.

PERFORMANCE:

- In recent years, purchasing and contract activities have kept up with the growth in state spending, improved processing time, become more responsive to agency needs, and saved significant amounts of money by creating volume purchasing contracts. Despite these improvements, certain purchasing areas are not providing sufficient service to agencies in newly developing areas of emphasis in state government. Additional expertise and focus on high technology purchases and contracts are needed. Human service program areas are large expenditure areas where significant additional savings could be accomplished. Freight, packaging, product testing and assurance of product quality, technical specification development, and energy conservation are areas of expertise that are needed to provide additional savings across all purchases and contracts.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION, DPT OF
PROGRAM: OPERATIONS MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
RISK MANAGEMENT	141	134	147	149	136	136	148	137	137
MATERIALS MANAGEMENT	2,545	2,886	3,151	3,270	3,251	3,251	3,262	3,283	3,283
TRAVEL MANAGEMENT	196	445	221	221	221	221	221	221	221
PRINT COMMUNICATIONS	9,117	9,056	10,512	10,520	10,534	10,534	10,518	10,538	10,538
STATE EMPLOYEE ASSISTANCE PROGRAM	437	498	438	442	443	443	441	447	447
MINNESOTA OFFICE ON VOLUNTEER SERV	255	271	313	316	313	313	315	316	316
TOTAL EXPENDITURES BY ACTIVITY	12,691	13,290	14,782	14,918	14,898	14,898	14,905	14,942	14,942
DETAIL BY CATEGORY:									
STATE OPERATIONS	12,691	13,290	14,782	14,918	14,898	14,898	14,905	14,942	14,942
TOTAL EXPENDITURES BY CATEGORY	12,691	13,290	14,782	14,918	14,898	14,898	14,905	14,942	14,942
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,757	4,254	4,501	4,637	4,617	4,617	4,624	4,661	4,661
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	109	330	83	83	83	83	83	83	83
AGENCY	8,825	8,706	10,198	10,198	10,193	10,198	10,198	10,198	10,198
TOTAL FINANCING	12,691	13,290	14,782	14,918	14,898	14,898	14,905	14,942	14,942

REVOLVING FUND ACTIVITY - CENTRAL STORES
BUDGET ACTIVITY: MATERIALS MANAGEMENT
TYPE OF FUND: INTERNAL SERVICE FUNDBUDGET ACTIVITY FISCAL SUMMARY - BIENNIAL BUDGET
PROGRAM: OPERATIONS MANAGEMENT

AGENCY: ADMINISTRATION

	OPERATIONS DATA					FINANCIAL DATA		
	ACTUAL FY 1989	ACTUAL FY 1990	ESTIMATED FY 1991	PROJECTED FY 1992	FY 1993	ACTUAL FY 1989	ACTUAL FY 1990	ESTIMATED FY 1991
OPERATING REVENUES:								
NET SALES	4,371	4,315	4,893	5,940	7,425	CURRENT ASSETS:		
LESS: COST OF SALES	3,518	3,348	4,028	4,345	6,181	CASH	263	222
GROSS PROFIT ON SALES	853	966	871	995	1,244	OTHER CURRENT ASSETS	834	874
OTHER REVENUE	0	0	0	0	0	TOTAL CURRENT ASSETS	1,103	1,096
NET REVENUES	853	966	871	995	1,244	NON-CURRENT ASSETS:	60	58
LESS: OPERATING EXPENSES:								
SALARIES	338	472	452	436	513	TOTAL ASSETS	1,163	1,154
SUPPLIES & EXPENSES	224	310	332	531	543	LIABILITIES & FUND EQUITY		1,105
INTEREST EXPENSE	0	0	0	0	0			
INDIRECT COSTS	112	125	137	157	165			
AMORTIZATION & DEPRECIATION	8	7	7	10	10			
TOTAL OPERATING EXPENSES	741	915	928	1,135	1,242			
OPERATING INCOME (LOSS)	112	51	(57)	(193)	2	CURRENT LIABILITIES:		
NON-OPERATING REVENUES (EXPENSE)	0	0	0	0	0	DUE GENERAL FUND - CURRENT	0	0
NET INCOME (LOSS)	112	51	(57)	(193)	2	MASTER LEASE - CURRENT	0	0
BEGINNING RETAINED EARNINGS	102	214	265	208	9	OTHER CURRENT LIABILITIES	253	192
PRIOR PERIOD ADJUSTMENT	0	0	0	0	0	TOTAL CURRENT LIABILITIES	253	192
ENDING RETAINED EARNINGS	214	265	268	211	11	NON-CURRENT LIABILITIES:		
FOOTNOTES TO STATEMENTS:						DUE GENERAL FUND - NON-CURRENT	0	0
92 & 93 biennial numbers are per mgmt.						MASTER LEASE - NON-CURRENT	0	0
Assumptions: 1) Expansion, add'l staff, automation/						OTHER NON-CURRENT LIABILITIES	5	6
FY92 & 93 sales increase is due to expansion, primarily computer paper.						TOTAL NON-CURRENT LIABILITIES	5	6
Rate changes: * Inc (-Dec)	(9.30%)	(8.00%)	(1.37%)	0.00%	0.00%	TOTAL LIABILITIES	259	198
Rates - markup	25.0%	23.0%	22.0%	22.0%	22.0%	FUND EQUITY:		
Five year average increase (decrease):	(3.73%)					CONTRIBUTED CAPITAL	691	691
						RETAINED EARNINGS	214	265
						TOTAL FUND EQUITY	905	956
						TOTAL LIABILITIES & FUND EQUITY	1,163	1,154

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1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: INTERTECHNOLOGIES GROUP

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
INFORMATION SUPPORT FOR AGENCIES A 9-1-1	1,462 4,199	1,534 4,517	1,428 4,160	1,442 4,160	1,444 4,160	4,244 4,160	1,439 4,160	1,271 4,160	3,671 4,160
TOTAL EXPENDITURES BY ACTIVITY	5,661	6,051	5,588	5,602	5,604	8,404	5,599	5,431	7,831
DETAIL BY CATEGORY:									
STATE OPERATIONS	5,616	6,019	5,588	5,602	5,604	8,404	5,599	5,431	7,831
LOCAL ASSISTANCE	45	4							
AID TO INDIVIDUALS	28								
TOTAL EXPENDITURES BY CATEGORY	5,661	6,051	5,588	5,602	5,604	8,404	5,599	5,431	7,831
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,462	1,534	1,428	1,442	1,444	4,244	1,439	1,271	3,671
STATUTORY APPROPRIATIONS:									
STATE GOVT SPEC REV		4,193	4,160	4,160	4,160	4,160	4,160	4,160	4,160
SPECIAL REVENUE	4,154	292							
FEDERAL	45	32							
TOTAL FINANCING	5,661	6,051	5,588	5,602	5,604	8,404	5,599	5,431	7,831

ACTIVITY: STARS
PROGRAM: Intertechnologies
AGENCY: Administration, Department of

1992-93 Biennial Budget

DECISION ITEM: STARS Loan for Network Implementation

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund - Loan	\$ 2,800	\$ 2,400	\$ -0-	\$ -0-
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Revenues

General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
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Requires statutory change: Yes X No

Statutes Affected:

ITEM SUMMARY:

A loan from the cash position of the General Fund will cover a short term negative cash flow as STARS is implemented. Authority is requested to move funds between the 2 years as the implementation schedule requires.

STARS will operate from a revolving fund. In order to develop an operating plan for STARS, expenses and revenues were estimated for a 6 year period. The financial model shows that STARS should reach break even in the 3rd year of operation, and be able to pay back all start-up loans in the 6th year. Estimates show that there will be a gap between revenues and expenses for the first 2 years. This gap between projected revenue and expenses is caused by the normal lag between availability of services, and full utilization of the services.

BACKGROUND:

STARS will: 1) provide easy access to reliable data communications facilities; 2) provide a video conferencing alternative to travel for meetings; 3) deliver a communications structure that enables data processing systems to interoperate and supplies the building blocks so customers can evolve toward open systems for data sharing; 4) make public access to public services more readily available; and 5) help contain the costs for telecommunications services supporting existing and new applications.

STARS has been in planning for more than 2 years. During that period, InterTech has gathered information from potential customers for STARS about their projected needs for telecommunications in the next 5 years. STARS consultants pulled together detailed information about existing networks and looked at the new technologies which are likely to become available in the next 5 years. The results of these efforts are reported in the STARS final report published in March, 1990.

That work formed the information base for developing a Request For Proposal (RFP) for STARS services. The RFP was issued in December, 1990, with responses expected in April, 1991. Following evaluation of responses and contract negotiations, a contract award is anticipated in late 1991. STARS will lease services from the private sector. The STARS network will be built and operated by private sector vendors, and managed by the state.

KEY STATISTICS/FINANCING/IMPACT:

Detailed financial benefits resulting from STARS won't be known until responses to the RFP are received. Costs are expected to be lower than present for each unit of transmission, although overall expenditures for telecommunications are expected to rise as agencies use telecommunications more for improved operations efficiency.

RATIONALE/OPTIONS:

Telecommunications is an essential service for nearly all state agencies. Continued pressure to provide more services to more citizens at lower costs will likely push state agencies to depend even more heavily on telecommunications to support delivery of services. Effective government operations will probably require access to more information, more quickly and with minimum effort. These trends underscore the need for effective, modern, cost effective telecommunications services. STARS is an important step towards meeting those needs.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: PROPERTY MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
REAL ESTATE MANAGEMENT	390	314	274	280	288	288	280	292	292
ENERGY CONSERVATION	309	378	472	482	475	475	481	478	478
STATE BUILDING CONSTRUCTION	2,736	4,411	3,114	2,942	2,908	2,908	2,937	2,929	2,929
BUILDING CODES AND STANDARDS	1,186	1,387	1,794	1,815	1,858	1,858	1,811	1,875	1,875
PLANT MANAGEMENT	3,950	4,944	4,149	4,492	4,492	4,492	4,551	4,551	4,551
TOTAL EXPENDITURES BY ACTIVITY	8,571	11,434	9,803	10,011	10,021	10,021	10,060	10,125	10,125
DETAIL BY CATEGORY:									
STATE OPERATIONS	8,571	11,434	9,803	10,011	10,021	10,021	10,060	10,125	10,125
TOTAL EXPENDITURES BY CATEGORY	8,571	11,434	9,803	10,011	10,021	10,021	10,060	10,125	10,125
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	5,191	7,474	8,027	8,235	8,245	8,245	8,284	8,349	8,349
SP REV DIRECT APPROP	1,617								
STATUTORY APPROPRIATIONS:									
STATE GOVT SPEC REV		46	128	128	128	128	128	128	128
SPECIAL REVENUE	632	2,012	668	668	668	668	668	668	668
HGHWY USER TAX DISTR		1							
FEDERAL	711	1,710	980	980	980	980	980	980	980
WORKERS COMP SPECIAL	284	31							
NE MN ECONOMIC PROT	135	161							
TOTAL FINANCING	8,571	11,434	9,803	10,011	10,021	10,021	10,060	10,125	10,125

OPERATIONS DATA						FINANCIAL DATA			
	ACTUAL FY 1989	ACTUAL FY 1990	ESTIMATED FY 1991	PROJECTED FY 1992	FY 1993		ACTUAL FY 1989	ACTUAL FY 1990	ESTIMATED FY 1991
OPERATING REVENUES:									
NET SALES	13,877.2	14,003.3	16,288.2	20,724.1	24,330.0	CURRENT ASSETS:			
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0	CASH	1,187.7	992.9	606.9
GROSS PROFIT ON SALES	13,877.2	14,003.3	16,288.2	20,724.1	24,330.0	OTHER CURRENT ASSETS	1,971.2	1,084.4	931.6
OTHER REVENUE	287.4	327.7	246.7	275.0	300.0	TOTAL CURRENT ASSETS	3,158.9	2,077.3	1,538.6
NET REVENUES	14,164.5	14,331.0	16,534.8	20,999.1	24,630.0	NON-CURRENT ASSETS:			
LESS: OPERATING EXPENSES:						TOTAL ASSETS	1,610.5	1,538.1	1,487.9
SALARIES	4,964.0	5,312.2	6,174.6	6,736.1	7,409.7		4,769.4	3,615.4	3,026.4
SUPPLIES & EXPENSES	6,400.9	6,327.4	6,440.6	7,318.1	9,592.5				
INTEREST EXPENSE	320.4	334.4	1,584.5	3,421.3	4,506.0	LIABILITIES & FUND EQUITY			
INDIRECT COSTS	405.0	345.0	394.9	395.0	395.0				
AMORTIZATION & DEPRECIATION	2,041.7	2,064.1	2,326.6	2,679.9	2,886.6	LIABILITIES:			
TOTAL OPERATING EXPENSES	14,132.0	14,383.0	16,921.2	21,151.1	24,789.8	CURRENT LIABILITIES:			
OPERATING INCOME (LOSS)	32.5	(52.1)	(386.1)	(152.0)	(159.8)	DUE GENERAL FUND - CURRENT	6.3	0.0	0.0
NON-OPERATING REVENUES (EXPENSE)	13.5	30.6	0.5	0.0	0.0	MASTER LEASE - CURRENT	126.5	134.3	124.0
NET INCOME (LOSS)	46.1	(21.4)	(385.9)	(152.0)	(159.8)	OTHER CURRENT LIABILITIES	1,093.9	857.9	789.0
BEGINNING RETAINED EARNINGS	1,686.7	1,661.9	1,642.3	1,258.2	1,108.0	TOTAL CURRENT LIABILITIES	1,226.8	992.1	913.0
PRIOR PERIOD ADJUSTMENT	(70.9)	1.8	1.8	1.8	1.8	NON-CURRENT LIABILITIES:			
ENDING RETAINED EARNINGS	1,661.9	1,642.3	1,258.2	1,108.0	950.0	DUE GENERAL FUND - NON-CURRENT	5.3	0.0	0.0
FOOTNOTES TO STATEMENTS:						MASTER LEASE - NON-CURRENT	303.7	175.7	75.4
Projections assume completions and rental of History Center in Dec. 1991.						OTHER NON-CURRENT LIABILITIES	115.6	148.9	125.3
Rate increase percentages exclude Judicial Bldg and History Center.						TOTAL NON-CURRENT LIABILITIES	430.6	324.6	200.7
Rate Increase/(Decrease):						TOTAL LIABILITIES	1,657.4	1,316.8	1,113.7
Leases	0.00%	1.60%	(1.37%)	6.00%	6.00%	FUND EQUITY:			
Material Transfer	0.53%	5.43%	2.46%	12.00%	12.00%	CONTRIBUTED CAPITAL	1,450.1	656.3	654.5
Revolving Repair	3.87%	1.01%	(0.64%)	10.00%	10.00%	RETAINED EARNINGS	1,661.9	1,642.3	1,258.2
Five year average Increase/(Decrease):						TOTAL FUND EQUITY	3,112.0	2,298.6	1,912.8
Leases	2.45%					TOTAL LIABILITIES & FUND EQUITY	4,769.4	3,615.4	3,026.4
Material Transfer	6.50%								
Revolving Repair	5.10%								

* Difference due to rounding to the nearest dollar.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: ADMINISTRATIVE MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
FISCAL & PERSONNEL SERVICES	1,242	1,274	1,088	1,109	1,143	1,143	1,108	1,159	1,159
EXECUTIVE SUPPORT	809	646	737	707	677	677	705	687	687
PUBLIC BROADCASTING	1,986	3,202	2,063	2,271	2,271	1,150	2,271	2,271	1,150
MINNESOTA PUBLIC RADIO		226		100	100	50	100	100	50
TWIN CITIES REGIONAL CABLE CHANNEL	40								
OIL OVERCHARGE	8,369	2,980	350	350	350	350	350	350	350
TOTAL EXPENDITURES BY ACTIVITY	12,446	8,328	4,238	4,537	4,541	3,370	4,534	4,567	3,396
DETAIL BY CATEGORY:									
STATE OPERATIONS	2,049	1,915	1,821	1,812	1,816	1,816	1,809	1,842	1,842
LOCAL ASSISTANCE	10,397	6,413	2,417	2,725	2,725	1,554	2,725	2,725	1,554
TOTAL EXPENDITURES BY CATEGORY	12,446	8,328	4,238	4,537	4,541	3,370	4,534	4,567	3,396
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,675	5,053	3,816	4,115	4,119	2,948	4,112	4,145	2,974
STATUTORY APPROPRIATIONS:									
GENERAL	45								
STATE GOVT SPEC REV		2,980	350	350	350	350	350	350	350
SPECIAL REVENUE	8,369								
AGENCY	3	2							
GIFTS AND DEPOSITS	354	293	72	72	72	72	72	72	72
TOTAL FINANCING	12,446	8,328	4,238	4,537	4,541	3,370	4,534	4,567	3,396

ACTIVITY: Public Broadcasting/MPR
PROGRAM: Administrative Management
AGENCY: Administration, Department of

1992-93 Biennial Budget

DECISION ITEM: Reduce Public Broadcasting/MPR Grants

	Dollars in Thousands			
	E.Y. 1992	E.Y. 1993	E.Y. 1994	E.Y. 1995

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ (1,171)	\$ (1,171)	\$ (1,171)	\$ (1,171)
Revenues				
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Requires statutory change: Yes X No
Statutes Affected:

ITEM SUMMARY:

Reduce BASE level funding for public broadcasting operational and equipment grants which will result in a remaining base of \$1,150,000 for Public Broadcasting and \$50,000 for Minnesota Public Radio.

BACKGROUND:

This program provided direct matching, operational and equipment grants to those noncommercial television and radio stations which meet the criteria set forth in the statutes M.S.139.16-19.

Operational grants are used to offset the ongoing costs associated with providing public broadcast services. Equipment grants are used to replace worn out and obsolete equipment and to acquire new equipment.

RATIONALE/OPTIONS:

Support for this type of activity should be dependent upon public contributions.

<u>BASE:</u>	E.Y. 1990	E.Y. 1991	E.Y. 1992	E.Y. 1993
General Fund Expenditures (000's)				
Public Broadcasting	\$ 3,102	\$ 1,963	\$ 2,271	\$ 2,271
MPR Grants	\$ 100	\$ 100	\$ 100	\$ 100
Total	\$ 3,202	\$ 2,063	\$ 2,371	\$ 2,371

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: INFORMATION POLICY OFFICE

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
INFORMATION PLANNING AND RESOURCE	1,009	1,536	1,343	1,362	1,397	1,397	1,360	1,412	1,412
DATA PRIVACY	45	54	93	94	98	98	94	100	100
INTERGOVERNMENTAL INFORMATION SYST	167	140	219	187	191	191	187	192	192
TOTAL EXPENDITURES BY ACTIVITY	1,221	1,730	1,655	1,643	1,686	1,686	1,641	1,704	1,704
DETAIL BY CATEGORY:									
STATE OPERATIONS	1,007	1,555	1,557	1,578	1,621	1,621	1,576	1,639	1,639
LOCAL ASSISTANCE	214	175	98	65	65	65	65	65	65
TOTAL EXPENDITURES BY CATEGORY	1,221	1,730	1,655	1,643	1,686	1,686	1,641	1,704	1,704
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,152	1,654	1,655	1,643	1,686	1,686	1,641	1,704	1,704
STATUTORY APPROPRIATIONS:									
GENERAL	50	76							
SPECIAL REVENUE	17								
FEDERAL	2								
TOTAL FINANCING	1,221	1,730	1,655	1,643	1,686	1,686	1,641	1,704	1,704

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION,DPT OF
PROGRAM: MANAGEMENT ANALYSIS

ACTIVITY RESOURCE ALLOCATION:	FY 1989			FY 1992			FY 1993		
	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
MANAGEMENT ANALYSIS	1,174	1,390	1,342	1,350	1,311	1,311	1,349	1,319	1,319
TOTAL EXPENDITURES BY ACTIVITY	1,174	1,390	1,342	1,350	1,311	1,311	1,349	1,319	1,319
DETAIL BY CATEGORY:									
STATE OPERATIONS	1,174	1,390	1,342	1,350	1,311	1,311	1,349	1,319	1,319
TOTAL EXPENDITURES BY CATEGORY	1,174	1,390	1,342	1,350	1,311	1,311	1,349	1,319	1,319
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	769	827	617	625	586	586	624	594	594
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	405	530	725	725	725	725	725	725	725
GIFTS AND DEPOSITS		33							
TOTAL FINANCING	1,174	1,390	1,342	1,350	1,311	1,311	1,349	1,319	1,319

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRADE & ECONOMIC DEVELOPMENT
PROGRAM: BUSINESS DEVELOPMENT & ANALYSIS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
BUSINESS DEVELOPMENT & ANALYSIS	5,476	6,979	7,406	5,963	5,863	5,863	5,957	6,057	6,057
CELEBRATE MN 1990 (HISTORICAL ONLY)	250	200	136						
TOTAL EXPENDITURES BY ACTIVITY	5,726	7,179	7,542	5,963	5,863	5,863	5,957	6,057	6,057
DETAIL BY CATEGORY:									
STATE OPERATIONS	4,256	4,894	4,689	4,474	4,557	4,557	4,468	4,801	4,801
LOCAL ASSISTANCE	1,470	2,285	2,853	1,489	1,306	1,306	1,489	1,256	1,256
TOTAL EXPENDITURES BY CATEGORY	5,726	7,179	7,542	5,963	5,863	5,863	5,957	6,057	6,057
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	4,495	5,445	5,918	4,431	4,331	4,331	4,426	4,526	4,526
ENVIRONMENTAL		204	283	215	215	215	214	214	214
MOTOR VEHICLE TRANS		180							
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	132	106	150	140	140	140	140	140	140
FEDERAL	276	1,382	1,150	1,150	1,150	1,150	1,150	1,150	1,150
GIFTS AND DEPOSITS	10	42	41	27	27	27	27	27	27
ENERGY ECONOMIC DEVL	633								
TOTAL FINANCING	5,726	7,179	7,542	5,963	5,863	5,863	5,957	6,057	6,057

ACTIVITY:
PROGRAM: Business Development and Analysis
AGENCY: Trade and Economic Development, Department of
DECISION ITEM: General Fund Reductions

1992-93 Biennial Budget

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
AGENCY PLAN:				
Expenditures				
General Fund				
Phase Out Grant to the Minnesota Motion Picture Board	\$ (66)	\$ (116)	\$ (166)	\$ (166)
Eliminate Grant to Minnesota Project Innovation	(117)	(117)	(117)	(117)
Reduce Business Development and Analysis Operations	(167)	(167)	(167)	(167)
Total Business Development and Analysis	\$ (350)	\$ (400)	\$ (400)	\$ (400)
Revenues				
General Fund	\$	\$	\$	\$

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ (350)	\$ (400)	\$ (400)	\$ (400)

Revenues				
General Fund	\$	\$	\$	\$

Requires statutory change: Yes X No
 Statutes Affected:

ITEM SUMMARY:

The Business Development and Analysis Division is continually seeking internal efficiencies to maintain and enhance client services, while meeting budget constraints.

The division is responsible for several pass-through grant programs to non-profit organizations. The Minnesota Motion Picture Board has received a state subsidy since 1985. The purpose of the program is to attract out-of-state film production.

The division also provides matching funds to Minnesota Project Innovation (MPI), a non-profit corporation designed to provide services to Minnesota businesses seeking federal research grants.

RATIONALE:

The emphasis of the Business Development and Analysis Division should be on promoting Minnesota businesses and providing information for those businesses to aid in efforts of expansion and job creation. Subsidies, such as the Motion Picture Board will take a lower priorities due to budget constraints.

Minnesota Project Innovation currently receives funding through the Small Business Development Centers (SBA money) and state money. In addition to the funds it receives from legislative appropriations, Minnesota Project Innovation receives federal dollars as a Small Business Development Center (SBDC). The amount of those federal dollars is negotiated each calendar year with the department in its role as administer of the SBDC program in Minnesota. For calendar year 1991, MPI is scheduled to receive \$85,545 as a SBDC. It must match that award dollar-for-dollar, with half the match in cash.

MPI should continue to receive its SBDC funding and it is recommended that MPI secure additional funding (including any match) by contracting to sell its services to other SBDCs (there are 29 sites in Minnesota) and other public and private organizations like the Greater Minnesota Corporation, Minnesota Project Outreach, or the Minnesota High Technology Corridor.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. The Governor also recommends that the Greater Minnesota Corporation (GMC) consider funding for Minnesota Project Innovation.



State of Minnesota Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
(612) 296-5900

May 9, 1991

To: Senator Gene Merriam, Chairman
Senate Finance Committee

Representative Wayne Simoneau, Chairman
House Appropriations Committee

Fr: John Gunyou *AG*
Commissioner of Finance

Re: Error in the Governor's 1992-93 Biennial Budget Recommendation - Change Order # 7

We have identified the following error in the Governor's Budget Recommendations for the Indian Affairs Council - page 272:

In the "Sources of Funds" section, the \$90,000 base amount for each fiscal year shown as "Statutory Appropriation - General" should have been included under "Direct Appropriations - General."

This error results in a direct appropriation request for each fiscal year which is \$90,000 less than required to support base activities of the Agency--specifically, the Indian Reburial Program (Laws of 1990, Ch. 565, Sec. 18). Our staff incorrectly understood that this appropriation was based on specific statutory language.

The increase of \$180,000 for the biennium is more than offset by earlier reductions in the Governor's recommendations for other Human Development programs.

cc: Governor Carlson
Lieutenant Governor Dyrstad
Senator Roger Moe
Representative Robert Vanasek
Representative Terry Dempsey
Senator Duane Benson
Senate and House Division Chairs
Senior I.R. House and Senate Members
Lyall Schwarzkopf
Patsy Randell
David Doth
Dick Pfutzenreuter
Peggy Ingison
Team Leaders
Executive Budget Officers
Jean Danaher
Dan Wolf
Roger Head

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