

Fiscal Analysis Department

Minnesota House of Representatives



A SUMMARY OF THE FISCAL ACTIONS OF THE 2019 LEGISLATURE

Money Matters 19.02
August 2019

This document is a summary of 2019 legislation with fiscal implications. Part One describes the overall budget picture while Part Two gives detailed analysis organized by conference committee jurisdiction. Contact information for the Fiscal Analyst who wrote the summary can be found at the end of each section.

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The Overall Budget Picture

As the 2019 Legislature began setting a budget for the FY 2020-21 biennium, the state’s budget situation was positive for that biennium. The February 2019 state budget forecast projected a General Fund balance of \$1.052 billion on June 30, 2021. That forecast was based on the current law level of revenues and expenditures. Of the \$1.052 billion, \$563 million was a projected balance carried forward from the end of the FY 2018-19 biennium.

For the FY 2020-21 biennium, the February 2019 budget forecast projected biennial revenue of \$47.941 billion and spending of \$47.402 billion. For FY 2020-21, the projected revenue of \$47.941 billion plus the projected balance carried forward from FY 2018-19 of \$563 million provided total resources of \$48.504 billion. The reserve account for the Vikings Stadium-related payments is projected to increase by \$48.794 million in FY 2020-21. Those numbers resulted in the projected June 30, 2021, budget balance of \$1.052 billion.

For FY 2022-23, the February 2019 forecast projected that revenues would be \$50.192 billion and spending would be \$50.203 billion. The cumulative balance (which includes the \$1.052 billion balance from FY 2020-21) on June 30, 2023, would be \$946 million. However, if just FY 2022-23 revenues and expenditures are considered, spending exceeds revenue by \$11 million.

Table 1 illustrates the General Fund budget situation as outlined in the February 2019 state budget forecast.

Table 1			
General Fund Budget Situation - February 2019 Forecast			
Dollars in Thousands			
	<u>FY 2018-19</u>	<u>FY 2020-21</u>	<u>FY 2022-23</u>
Beginning Balance	1,352,998	562,914	1,052,328
Revenue/Other Resources	45,212,360	47,941,176	50,191,871
Total Resources Available	46,565,358	48,504,090	51,244,199
Expenditures	45,508,380	47,402,968	50,203,067
Change in Reserves	494,064	48,794	94,781
Balance	562,914	1,052,328	946,351

FY 2018-19 Changes

Most budget changes enacted in the 2019 regular and special session were for the FY 2020-21 biennium, but some changes affected FY 2019 (the current biennium during the 2019 session).

Table 2 shows that General Fund spending decreased by a net \$19.732 million in FY 2019 and revenue increased by \$22.958 million for that year as a result of changes enacted in the 2019 sessions. The FY 2019 spending changes were, in general, either cancellations of previously appropriated amounts or appropriations for deficiencies. The tax revenue change was part of the federal tax conformity package.

Table 2			
Budget Comparisons - FY 2018-19 Biennium,			
February Forecast versus Enacted Budget			
Dollars in Thousands			
General Fund FY 2018-19	Feb. 2019 <u>Forecast</u>	End of 2019 <u>Session Enacted</u>	Percent <u>Change</u>
Balance Forward from FY 2017	1,352,998	1,352,998	
Forecasted Revenue	45,212,360	45,212,360	
Revenue Change	0	22,958	
Net Resources	45,212,360	45,235,318	0.1%
Forecasted Spending	45,508,380	45,508,380	
Spending Changes	0	-19,732	
Net Spending	45,508,380	45,488,648	0.0%
Change in Reserves	494,064	494,064	
Balance	562,914	605,604	

Table 3 shows the FY 2019 changes by committee area and separates spending and revenue changes. Total changes made to FY 2019 resulted in an increased budget balance projected for that year of \$42.7 million.

Table 3	
FY 2019 General Fund Changes	
Dollars in Thousands	
	<u>FY 2019</u>
Revenue Changes	
Tax	22,738
Non-Tax	220
Total Revenue Change	22,958
Spending Changes	
Education	-11,954
Health & Human Services	-49,632
Public Safety & Judiciary	10,400
Transportation	26,414
Environment	-1,000
State Government & Veterans	6,040
Total Spending Change	-19,732
Net Effect of FY 2019 Changes	42,690

FY 2020-21 Budget

For FY 2020-21, bills enacted during the 2019 legislative session and the 2019 first special session increased General Fund spending \$1.067 billion or 2.3 percent above the projected base for that biennium and increased General Fund revenue \$214 million or 0.5 percent above the projected base revenue.

Of the \$1.067 billion in spending changes, \$560 million is in Education, \$150 million is in Higher Education, and \$130 million is in Public Safety and Judiciary. Health and Human Services spending is reduced \$98 million below the projected base level.

Of the \$214 million of increased revenue, \$164 million is in increased transfers to the General Fund from other funds. Tax revenue of all types increases \$61 million. Various other revenue decreases \$11 million.

Table 4 shows the changes in the General Fund budget for FY 2020-21 made during the 2019 legislative sessions as compared to the budget situation in the February 2019 state budget forecast. Columns in the table show spending for FY 2018-19 and FY 2020-21 as enacted in the 2019 sessions.

Table 4			
Budget Comparisons - FY 2020-21 Biennium, February Forecast versus Enacted Budget			
Dollars in Thousands			
General Fund FY 2020-21	Feb. 2019 Forecast <u>FY 2020-21</u>	End of 2019 Session Enacted <u>FY 2020-21</u>	Percent <u>Change</u>
Balance Forward from FY 2019	562,914	605,604	
Forecasted Revenue	47,941,176	47,941,171	
Revenue Change	0	214,432	
Net Resources	48,504,090	48,761,207	0.5%
Forecasted Spending	47,402,968	47,402,968	
Spending Changes	0	1,067,472	
Net Spending	47,402,968	48,470,440	2.3%
Change in Reserves	48,794	48,794	
Balance	1,052,328	241,973	

Table 5 illustrates the revenue and spending information for FY 2022-23 in the February 2019 forecast and in the end of 2019 session information and show changes in revenue and spending.

Table 5			
Budget Comparison - FY 2022-23 Biennium			
End of Session Compared to February 2019 Forecast Projections			
Dollars in Thousands			
General Fund FY 2022-23	Feb. 2019 Forecast <u>FY 2022-23</u>	End of 2019 Session Enacted <u>FY 2022-23</u>	Percent <u>Change</u>
Balance Forward from FY 2021	1,052,328	241,973	
Forecasted Revenue	50,191,871	50,191,871	
Revenue Change	0	484,143	
Net Resources	50,191,871	50,676,014	1.0%
Forecasted Spending	50,203,067	50,203,067	
Spending Changes	0	1,048,913	
Net Spending	50,203,067	51,251,980	2.1%
Change in Reserves	94,781	-396,588	
Balance	946,351	62,595	

For the next biennium, FY 2022-23, the February forecast projected that spending would exceed revenue by \$11 million. That deficit would be more than offset by the \$1.052 billion balance carried forward from FY 2020-21.

In the end of 2019 session projections, FY 2022-23 spending exceeds FY 2022-23 revenue by \$575 million. That deficit is offset by \$242 million carried forward from FY 2020-21 and by \$491 million that is moved from the budget reserve back to the General Fund.

For FY 2022-23, 2019 session actions increased revenue by \$484 million over the amount projected in the February 2019 forecast. Projected spending for FY 2022-23 was increased by \$1.048 billion over the February 2019 estimate.

Table 6 shows the changes in revenue and spending from biennium to biennium after the 2019 legislative changes. As shown on the chart, General Fund revenue in the FY 2018-19 biennium was increased by \$25.6 million and General Fund spending was decreased by \$17.1 million.

For FY 2020-21, General Fund revenue is now projected to be \$48.156 billion, a 6.4 percent increase over General Fund revenue in FY 2018-19. This is a \$214 million increase over the revenue amount projected in the February 2019 forecast. General Fund spending in FY 2020-21 is now projected to be \$48.47 billion, a 6.5 percent increase over spending in FY 2018-19. This is a \$1.067 billion increase over the FY 2020-21 spending projected in the February 2019 forecast.

	<u>FY 2018-19</u>	<u>FY 2020-21</u>	<u>Percent Change</u>	<u>FY 2022-23</u>	<u>Percent Change</u>
Balance Forward	1,352,998	605,604		241,973	
Revenue - Base	45,212,360	47,941,176	6.0%	50,191,871	4.7%
Revenue - Change	25,563	214,427		484,143	
Total Current Resources	45,237,923	48,155,603	6.4%	50,676,014	5.2%
Total Available Resources	46,590,921	48,761,207		50,917,987	
Expenditures - Base	45,508,380	47,402,968	4.2%	50,203,067	5.9%
Expenditures - Change	-17,127	1,067,472		1,048,913	
Total Expenditures	45,491,253	48,470,440	6.5%	51,251,980	5.7%
Balance Before Reserve Changes	1,099,668	290,767		-333,993	
Change in Reserves	494,064	48,794		-396,588	
Balance After Reserves	605,604	241,973		62,595	

For FY 2022-23, General Fund revenue is projected to be \$50.676 billion, a 5.2 percent increase over revenue in FY 2020-21. This is a \$484 million increase over the revenue amount projected

in the February 2019 forecast. General Fund spending in FY 2022-23 is now projected to be \$51.252 billion, a 5.7 percent increase over spending in FY 2020-21. This is a \$1.049 billion increase over the FY 2022-23 spending projected in the February 2019 forecast.

General Fund Revenue for FY 2020-21 is \$214 Million Higher than Forecasted Revenue

General Fund revenue for the FY 2020-21 biennium is projected to be \$48.155 billion, \$214 million more than was projected in the February 2019 budget forecast.

Table 7 shows the major General Fund revenue sources and shows the dollar amounts and percentages of General Fund total revenue for each of those revenue sources.

Table 7			
General Fund Revenue - FY 2020-21 Biennium			
Based on February 2019 Forecast and 2019 Session Changes			
Does not Include Balance Carried Forward from FY 2019			
Dollars in Millions			
<u>Revenue Type</u>	<u>Total Dollars</u>	<u>Percent of Total</u>	<u>Change from Forecast</u>
Individual Income Tax	25,546.5	53.0%	-158.5
Corporate Tax	3,190.5	6.6%	278.1
Sales Tax	11,873.3	24.7%	16.4
Statewide Property Tax	1,560.6	3.2%	-77.5
Estate Tax	283.3	0.6%	0.0
Liquor, Wine & Beer Taxes	191.1	0.4%	0.5
Cigarette & Tobacco Products Taxes	1,244.5	2.6%	2.5
Taconite Occupation Tax	40.2	0.1%	0.0
Mortgage Registry Tax	245.1	0.5%	0.0
Deed Transfer Tax	311.5	0.6%	0.0
Insurance Gross Earnings & Fire Marshall	846.6	1.8%	0.0
Lawful Gambling Taxes	190.0	0.4%	0.0
Medical Assistance Surcharges	610.7	1.3%	0.0
Investment Income	150.0	0.3%	0.0
Lottery Revenue	120.5	0.3%	0.0
Tobacco Settlement	311.1	0.6%	0.0
Fees - Department Earnings	411.3	0.9%	22.5
DHS State Operated Service Collections	187.9	0.4%	15.1
Fines & Surcharges	142.1	0.3%	0.3
Other Revenue Including Refunds	166.6	0.3%	-48.6
Transfers Into the General Fund	468.9	1.0%	163.7
Prior Year Adjustments	63.5	0.1%	-0.1
Total	48,155.6	100.0%	214.4

Individual income tax at 53.0 percent and sales tax at 24.7 percent are projected to make up 77.7 percent of total General Fund revenue for the FY 2020-21 biennium.

Table 8 shows the General Fund revenue changes enacted in the 2019 sessions by committee area. This chart includes fee changes and also includes tax changes. Most of the revenue changes in the Health and Human Services area are additional transfers to the General Fund from other funds. In FY 2020-21, \$142 million is transferred to the General Fund from the Premium Security Plan Account in the Special Revenue Fund. In FY 2022-23, with the re-establishment of a health care provider tax, a transfer from the Health Care Access Fund to the General Fund of \$122 million per year is re-established.

Table 8		
General Fund Revenue Changes by Committee Area		
(Dollars in thousands)		
(A positive number is a gain to the general fund)		
	<u>FY 2020-21</u>	<u>FY 2022-23</u>
Education	4,410	4,330
Higher Education	0	0
Taxes	12,600	193,094
Health & Human Services	179,697	260,172
Environment & Natural Resources	0	0
Agriculture & Housing	-6	-6
Transportation	328	374
Public Safety	7,454	6,825
Jobs & Energy	10,160	19,570
State Government	-216	-216
Capital/Debt Service	0	0
Totals	214,427	484,143

Some changes were made in fees and other charges in the 2019 sessions. Those General Fund changes are incorporated into the amounts listed in Table 8. A list of all 2019 session fee and other changes (General Fund as well as other funds) is included in Appendix 1. Appendix 1 shows estimated change information for each of the four years in the FY 2020-21 and FY 2022-23 biennia. The FY 2020-21 changes total \$118.8 million. Within that amount, General Fund fee and revenue increased \$2.3 million. Most of the fee increases were in the Environment area, where fees were increased for state park admission, hunting and fishing licenses, and snowmobile and ATV registration. Most fee increases are either in the Transportation area and associated with licensure systems or in the Health and Human Services area and associated with opioids.

General Fund Spending for FY 2020-21 is \$1.067 Billion Higher than Forecasted Spending

Total enacted FY 2020-21 General Fund spending is \$48.47 billion, \$1.067 billion or 2.3 percent higher than the base budget for FY 2020-21 as projected in the February 2019 state budget forecast. Table 9 shows General Fund spending in the enacted budget for the FY 2020-21 biennium by committee area. Table 9 also compares FY 2020-21 enacted spending to spending in the FY 2018-19 biennium. The FY 2020-21 enacted spending of \$48.47 billion is a \$2.98 billion or 6.5 percent increase over the spending in the FY 2018-19 biennium.

The largest dollar increase in spending compared to the forecasted amount is in Education, at \$560 million or 2.9 percent. Education spending is \$1.281 billion or 6.8 percent higher than General Fund spending for Education in FY 2018-19.

Table 9 shows the percentage change amounts for each spending program area and compares enacted FY 2020-21 spending to the base for FY 2020-21 and to spending for FY 2018-19.

	FY 2018-19	FY 2020-21	FY 2020-21	\$ Change	% Change	\$ Change	% Change
	EOS 2019	Base	EOS 2019	vs. 2018-19	vs. 2018-19	2020-21 Base	FY 2020-21 vs 2020-21 Base
Education	18,831,943	19,552,783	20,113,272	1,281,329	6.8%	560,489	2.9%
Higher Education	3,290,092	3,255,828	3,406,128	116,036	3.5%	150,300	4.6%
Property Tax Aids & Credits	3,657,822	3,738,896	3,839,657	181,835	5.0%	100,761	2.7%
Health & Human Services	13,322,418	14,874,653	14,776,466	1,454,048	10.9%	-98,187	-0.7%
Environment	355,838	324,229	339,013	-16,825	-4.7%	14,784	4.6%
Agriculture & Housing	234,135	227,848	287,853	53,718	22.9%	60,005	26.3%
Public Safety & Judiciary	2,357,372	2,359,892	2,490,554	133,182	5.6%	130,662	5.5%
Transportation	367,980	247,455	331,475	-36,505	-9.9%	84,020	34.0%
Jobs, Econ Dev & Commerce	454,193	279,861	299,531	-154,662	-34.1%	19,670	7.0%
State Government & Vets	1,226,856	1,089,746	1,150,785	-76,071	-6.2%	61,039	5.6%
Debt Service	1,112,908	1,198,807	1,182,796	69,888	6.3%	-16,011	-1.3%
Capital Projects	294,649	272,970	272,970	-21,679	-7.4%	0	0.0%
Cancellations & Other	-14,953	-20,000	-20,000	-5,047	33.8%	0	0.0%
Total	45,491,253	47,402,968	48,470,500	2,979,247	6.5%	1,067,532	2.3%

Spending amounts in Table 9 include the amounts for the omnibus finance bill for each committee area plus any other bills that affected agencies or programs in the area. Those bills and the committee areas in which they are included are listed in Tables 10 and 11.

The detailed summaries for each committee area that follow provide more specific information on the fiscal actions of the 2019 sessions in those areas.

Table 10		
Fiscal Bills - 2019 Regular Session and 2019 First Special Session		
Major Finance and Revenue Bills		
<u>Chapter Number</u>	<u>Description</u>	<u>Committee</u>
Chapter 64	Higher Education Finance	Higher Education
SS Chapter 1	Agriculture & Housing	Agriculture & Food/Housing
SS Chapter 2	Legacy	Legacy
SS Chapter 3	Transportation	Transportation
SS Chapter 4	Environment	Environment & Natural Resources
SS Chapter 5	Public Safety & Judiciary	Public Safety/Judiciary
SS Chapter 6	Taxes	Taxes
SS Chapter 7	Jobs, Economic Development & Energy	Jobs & Economic Development/Energy
SS Chapter 8	Pensions	State Government
SS Chapter 9	Health & Human Services	Health & Human Services
SS Chapter 10	State Government	State Government
SS Chapter 11	Education	Education

Table 11		
Fiscal Bills - 2019 Regular Session and 2019 First Special Session		
Other Fiscal Bills (other than the major finance bills)		
<u>Chapter Number</u>	<u>Description</u>	<u>Committee</u>
Chapter 1	MNLARS Licensing system	Transportation
Chapter 2	Bonding - From Environmental Trust to General Fund	Capital Investment
Chapter 6	Disaster Assistance Contingency Account	Public Safety
Chapter 11	Cell Phone Use in Motor Vehicles	Transportation
Chapter 12	Children's Residential Treatment Effect Date	Health & Human Services
Chapter 15	Joseph Gomm Memorial Highway	Transportation
Chapter 16	Voluntary Relationship Defense Repealed	Transportation
Chapter 25	EMS Board Guidelines-Patient-Assisted Medications	Health & Human Services
Chapter 39	Pharmacy Benefit Manager Licensure	Health & Human Services
Chapter 34	Argosy University Closure Student Relief	Higher Education
Chapter 37	Captain Jeffrey Vollmer Memorial Highway	Transportation
Chapter 51	Claims	Public Safety
Chapter 53	Governor's Council on Dev Disabilities	Health & Human Services
Chapter 55	Richard J. Ames Memorial Highway	Transportation
Chapter 56	Ryane Clark Memorial Highway	Transportation
Chapter 60	Vulnerable Adults	Health & Human Services
Chapter 63	Opioid Addiction Prevention	Health & Human Services
Chapter 65	Advisory Council on Rare Diseases	Higher Education
SS Chapter 12	Corrections, Revisor's Bill	Various
SS Chapter 13	Housing Bonds	Capital Investment

For more information on General State Budget issues, contact Bill Marx, Chief Fiscal Analyst, at 651-296-7176 or bill.marx@house.mn.

Agriculture, Housing and Rural Development Finance

Minnesota Laws 2019, First Special Session, Chapter 1, as enacted in 2019, appropriates money for the agricultural, housing, and rural development activities of the state. Agencies and programs funded include the Minnesota Department of Agriculture, Board of Animal Health, Agricultural Utilization and Research Institute, Minnesota Housing Finance Agency, and the Department of Employment and Economic Development’s Office of Broadband Development. Laws 2019, First Special Session, Chapter 1 enacts total General Fund appropriations of \$287,853 million for the 2020-21 biennium; it also includes a \$6,000 decrease in General Fund revenue, which needs to be included in establishing the total General Fund impact. The total net General Fund impact is \$287,859 million for the 2020-21 biennium. The amount appropriated, including lost revenue, is \$59.511 million over base level funding. No changes were made to FY 2019 appropriations. The following chart and agency narrative provides details on the appropriations.

Agriculture, Housing and Rural Development Finance						
Total General Fund Spending						
(all dollars in thousands)						
	Forecast Base FY 2020-21	Enacted FY 2020-21	Percentage Change: Enacted FY 2020-21 vs. FY 2018-19 with Changes	Percentage Change: Enacted vs. Base FY 2020-21	Enacted FY 2022-23	
FY 18-19 Forecast						
Department of Agriculture	106,771	103,712	107,617	0.8%	3.8%	107,006
Board of Animal Health	12,182	10,954	11,354	-6.8%	3.7%	11,354
AURI	7,586	7,586	7,786	2.6%	2.6%	7,786
Housing Finance Agency	107,596	105,596	120,596	12.1%	14.2%	115,596
DEED, Office of Broadband	20,500	500	40,500	97.6%	8000.0%	500
Total Expenditures	254,635	228,348	287,853	13.0%	26.1%	242,242
General Fund Revenue			-6			(6)
Net GF Total	254,635	228,348	287,859	13.0%	26.1%	242,248

Department of Agriculture

The Department of Agriculture received \$107.617 million over the biennium in direct General Fund appropriations in Chapter 1. The total biennial appropriation from all funds is \$203.816 million.

Protection Services:

The biennial total direct appropriation from the General Fund for the Protection Services Division is \$37.300 million, with the total direct appropriations from all funds being \$38.098 million. There were a number of changes in the General Fund and other funds (non-General Fund) that contributed to the total appropriation. General Fund changes included:

- A biennial appropriation of \$500,000 for the expansion of the Department of Agriculture’s capacity to respond to plant pathogens and pests.

- A biennial appropriation of \$350,000 to expand the industrial hemp development program.
- A biennial appropriation of \$900,000 for new administration and staffing to address the statewide impact of noxious weeds.
- A biennial appropriation of \$300,000 to hire and train more meat inspectors. Currently, a shortage of meat inspectors has caused increased waiting periods for meat processors and producers. This money will be matched by a \$300,000 grant from the United States Department of Agriculture for the same purpose.
- A biennial appropriation of \$550,000 to update and replace lab equipment that has become outdated.
- A permanent reduction of \$150,000 to remove the prisoner's vocational training program from the Protection Services Division.
- A permanent biennial General Fund revenue loss of \$6,000 due to changes in food license exemptions.

Non-General Fund Changes included:

- A biennial total of \$1.564 million in fee increases, license increases, or transfers from the Agricultural Fund and Special Revenue Fund.
- The following fee, license, or transfer changes were enacted/extended:
 - Grain buyer/seller examination fee increase.
 - Extension of the twenty cents per ton check off fee on bulk purchased fertilizer.

Promotion and Marketing:

The total General Fund appropriation for this division is \$7.992 million for the biennium. This is the only direct appropriation the division receives. Changes to base funding for this division included:

- A biennial appropriation of \$200,000 to improve agricultural trade and marketing of Minnesota produced products.
- A one-time appropriation of \$100,000 to provide farmer mental health outreach services.

Agriculture, Bioenergy, and Bioproduct Advancement:

The General Fund appropriation for the division is \$47.307 million for the biennium. The total amount appropriated for the Agricultural, Growth, Research and Innovation (AGRI) program was increased \$157,000 million for the biennium above the base. Other changes within the division included:

- Of the appropriation for AGRI, four new riders were added specifying one-time funding of \$5 million in Dairy Production Coverage Grants, \$5 million for Innovative Soybean

Processing and Research, \$150,000 for a grant to the Minnesota Turf Seed Council, and \$75,000 for a grant to Greater Mankato Growth.

Administration and Financial Assistance:

Direct biennial appropriations for the division included \$15.018 million from the General Fund. There were a number of changes in the General Fund amounts that contributed to the total appropriation:

- An increase in funding for the Minnesota Agricultural Education Leadership Council of \$30,000 for the biennium.
- An increase in funding for the farm advocates program of \$94,000 for the biennium.
- A one-time appropriation increase of \$100,000 for the Second Harvest Heartland Milk Grants program. Additionally, riders containing two separate Second Harvest Heartland Food Shelf programs were combined into one rider.
- An increase of \$274,000 for the Minnesota State Colleges and Universities farmer mental health grant program for the biennium.
- Chapter 1 also made many pass through grants administered by the department to various agricultural groups one-time. The total amount of grant dollars changed to one-time funding in the 2020-21 biennium is \$516,000.

Board of Animal Health

The Board of Animal Health received an appropriation of \$11.354 million for the biennium from the General Fund. The agency received an operating increase of \$200,000 for the biennium to better prepare the agency to respond to agriculture related emergencies.

Agricultural Utilization and Research Institute (AURI)

The Agricultural Utilization and Research Institute received a General Fund appropriation of \$7.786 million for the biennium. The agency received an operating increase of \$200,000 for the biennium.

Minnesota Housing Finance Agency

The Minnesota Housing Finance Agency received an appropriation of \$120.596 million from the General Fund. The amount appropriated is \$15 million over base level funding. There were a number of changes that contributed to the total appropriation:

- A biennial appropriation of \$500,000 for the workforce homeownership program to support developing communities with workforce housing needs.
- A biennial appropriation of \$2 million for manufactured home grants.
- A biennial appropriation of \$3.5 million for the Homework Starts with Home program.

- An increase in funding for the Bridges program to assist families with housing for those that suffer from a severe mental illness.
- An increase of \$3.5 million for Family Homeless Prevention programming that provides emergency funds to families dealing with sudden homelessness.
- A one-time appropriation increase of \$5 million for the Challenge Program. In total the program received \$30.850 million in FY 2020-21.

MN Department of Employment & Economic Development (DEED), Office of Broadband Development

The DEED Office of Broadband Development received a General Fund appropriation of \$40.500 million for the biennium. Of the amount appropriated, \$500,000 is base funding for administration of the broadband grants. The remaining \$40 million is a one-time appropriation.

For additional information on Agricultural, Housing and Rural Development Finance issues, contact Ken Savary, Fiscal Analyst, at 651-296-7171 or ken.savary@house.mn.

Education Finance

For the FY 2020-21 biennium, the 2019 Legislature passed a budget signed by Governor Tim Walz that includes \$20.1 billion in General Fund state aid for K-12 and early childhood education programs (First Special Session Laws, Chapter 11). This compares with the February 2019 forecast of FY 2020-21 spending of \$19.6 billion. This represents a total spending increase of \$560 million, or 2.9 percent over the forecast base.

Education Finance							
Total General Fund Spending							
(all dollars in thousands)							
	Change	FY 18-19 Forecast	Forecast Base	Enacted	Percentage Change:	Percentage	
	FY 2019	with changes	FY 2020-21	FY 2020-21	Enacted FY 2020-21	Change: Enacted	Enacted
					vs. FY 2018-19	vs. Base	FY 2022-23
					with Changes	FY 2020-21	
General Education	0	14,387,598	14,611,676	15,038,932	4.5%	2.9%	15,318,198
Education Excellence	(2,754)	510,810	553,689	563,356	10.3%	1.7%	597,891
Teachers	(1,400)	188,675	185,957	189,218	0.3%	1.8%	186,516
Special Education	0	2,859,214	3,302,721	3,396,563	18.8%	2.8%	3,945,855
Facilities	0	249,815	272,823	273,186	9.4%	0.1%	275,387
Health & Safety	0	10,681	0	265	-97.5%	-	0
Nutrition	0	54,054	56,988	57,644	6.6%	1.2%	59,825
Libraries	0	35,910	36,140	36,140	0.6%	0.0%	36,140
Early Education	(4,500)	324,437	336,060	344,225	6.1%	2.4%	341,337
Community Education	0	8,604	8,309	9,849	14.5%	18.5%	8,066
Lifelong Learning	0	97,607	101,976	102,216	4.7%	0.2%	108,183
Department of Education	(2,500)	52,258	44,275	54,107	3.5%	22.2%	49,202
PELSB	0	6,963	1,691	5,463	-21.5%	223.1%	5,438
Minnesota State Academies	0	28,368	26,468	27,533	-2.9%	4.0%	27,595
Perpich Center	(800)	14,344	14,010	14,575	1.6%	4.0%	14,582
Spending Total (11,954)		18,829,338	19,552,783	20,113,272	6.8%	2.9%	20,974,215
GF Revenue: Transfer from Special Revenue Fund (BOSA fees)				520			520
GF Revenue: Fee Increase (BOSA)				174			174
GF Revenue: Transfer from Special Revenue Fund (PELSB fees)				3,716			3,636
Revenue/Transfer Total				4,410			4,330
Net GF Total	(11,954)	18,829,338	19,552,783	20,108,862	6.8%	2.8%	20,969,885

The following summarizes Chapter 11, with costs expressed as a biennial total for FY 2020-21 from the General Fund, unless otherwise noted:

General Education Program

- \$384 million for an increase in the basic formula allowance of \$126 per pupil in FY 2020 and an additional \$129 per pupil in FY 2021. The formula allowance for FY 2020 will be \$6,438 and for FY 2021 will be \$6,567. Programs with funding mechanisms linked to changes in the formula allowance will see corresponding increases. These include nonpublic pupil aid, nonpublic pupil transportation, and early childhood and family education (ECFE). The total fiscal impact of the formula allowance increase to these linked programs is \$4.4 million in FY 2020-21.

- \$41 million for the continuation of the FY 2019 voluntary prekindergarten/school readiness plus participation levels. This continuation of funding is for the FY 2020-21 biennium only. There are other program areas that receive additional funding as a result of this change: achievement & integration aid; charter school building lease aid; alternative teacher compensation aid; special education; long-term facilities maintenance aid; school breakfast; school lunch; and the MN Department of Education, for administrative costs. The additional funding for these program areas linked to the change is \$5.7 million.
- \$136,000 for the early middle college program, which allows the program to serve students who are not yet 22 years old. This funding is one-time.
- \$10,000 each year is appropriated so that 10th grade students may participate in the Postsecondary Enrollment Option (PSEO) program, which had previously been offered to 11th and 12th graders.
- \$147,000 in sparsity aid for Karlstad Elementary school. This funding is one-time.
- The Tax bill (Laws 2019, First Special Session, Chapter 6) included a provision for School Operating Referendum Equalization aid with an increase in funding of \$8.99 million in FY 2021 and \$17.55 million over the FY 2022-23 biennium.

Education Excellence

- An estimated \$860,000 of the \$1 million available for the certificate incentive program was not expended in the FY 2018-19 biennium. This \$860,000 appropriation will be cancelled on June 30, 2019, and re-appropriated for use in the FY 2020-21 biennium. This funding is one-time.
- \$150,000 for civic education grants. This funding is one-time.
- \$150,000 for construction and skilled trades counseling and a report, which will be administered through the MN Department of Labor and Industry. This funding is one-time.
- \$250,000 for the Minnesota Center for the Book. This funding is one-time.
- \$1.125 million for the MN Independence Life College & Community, administered through the Office of Higher Education. The funding base for this program in the FY 2022-23 biennium is \$1.25 million.
- \$200,000 for a grant to MacPhail Center for Music to increase access to music in rural MN. This funding is one-time.
- \$1 million for P-TECH schools, a program where schools partner with businesses to provide students with access to jobs in growth industries. The funding base for this program in the FY 2022-23 biennium is \$1.582 million.
- \$50,000 for Race 2 Reduce Water Conservation grants in FY 2020.
- An estimated \$230,000 of the \$500,000 appropriated for Rock 'n' Read (a singing based program to improve student literacy) was not expended in the FY 2018-19 biennium. This \$230,000 appropriation will be cancelled on June 30, 2019, and re-appropriated for use in the FY 2020-21 biennium. This funding is one-time.

- The \$1.35 million appropriation available for the Starbase program was not expended in the FY 2018-19 biennium. This amount will be cancelled on June 30, 2019, and re-appropriated for use in the FY 2020-21 biennium, along with an annual appropriation of \$500,000 to bring the FY 2020-21 total to \$2.35 million.
- \$3.434 million in additional funding for tribal contract schools formula aid. This increase maintains the FY 2019 funding level (\$3,230 per pupil) and ties it to future basic formula increases.

Teachers

- \$99,000 in additional funding for the collaborative urban and greater Minnesota educators of color program. The funding base for the FY 2022-23 biennium is \$2 million.
- \$235,000 for the MN Council on Economic Education. This funding is one-time.
- An estimated \$1 million of the \$2.779 million appropriated for the Northwest Regional Partnership was not expended in the FY 2018-19 biennium. This \$1 million will be cancelled on June 30, 2019, and re-appropriated for use in the FY 2020-21 biennium. This funding is one-time.
- An estimated \$400,000 of the \$750,000 appropriated for the Statewide Concurrent Enrollment Teacher Training Program was not expended in the FY 2018-19 biennium. This \$400,000 appropriation will be cancelled on June 30, 2019, and re-appropriated for use in the FY 2020-21 biennium. This is a one-time appropriation and is in addition to the existing base appropriation of \$375,000 each year.
- \$1.5 million is for a teachers of color initiative, with a focus on mentoring and retention incentive grants. The base amount for the FY 2022-23 biennium is \$1.492 million.

Special Education Programs

- \$90.691 million in additional funding for adjustments to the special education formula, including a new category called cross subsidy reduction aid.

Health & Safety

- \$265,000 in FY 2020 is for a grant to provide suicide prevention training for teachers.
- Up to \$30 million in FY 2020 is for safe schools aid, but it is contingent on the state's FY 2019 General Fund closing balance being higher than projected at the end of the 2019 session.

Early Childhood Education and Family Support

- \$500,000 is for a college savings account pilot program. This is a matching grant to the city of St. Paul to provide a college savings account for every child born to a St. Paul resident. This funding is one-time.

- An estimated \$4.5 million of the \$140 million appropriation for the early learning scholarship program was not expended in the FY 2018-19 biennium. This amount will be cancelled on June 30, 2019, and re-appropriated for use in the FY 2020-21 biennium. This is a one-time appropriation, in addition to the ongoing base amount of \$141.418 million for each biennium. This appropriation will be transferred annually to a Special Revenue Fund account.
- \$150,000 in FY 2020-21 is for Reach Out and Read MN, a program to promote early childhood development through the distribution of books at well-child visits. This funding is one-time.

Community Education & Lifelong Learning

- \$1.54 million in additional funding for the education partnership program Tier 2 implementing grants. This increase is one-time, and the base funding for FY 2022-23 is \$960,000.
- \$240,000 in additional funding for high school equivalency test reimbursement. This increase allows for full reimbursement of the test fee, rather than the previous 60 percent reimbursement rate. This increase is one-time, and the base funding for FY 2022-23 is \$250,000.

Minnesota Department of Education (MDE)

- \$2.934 million for an agency operating increase.
- \$638,000 increase for the Board of School Administrators. A portion of this (\$174,000) is due to a \$25 increase in the licensing fee, up from \$75. Funding for the board was moved from the Special Revenue Fund back to the General Fund.
- An estimated \$2.5 million of the \$4 million appropriation for litigation fees was not expended in the FY 2018-19 biennium. This amount will be cancelled on June 30, 2019, and re-appropriated for use in the FY 2020-21 biennium. This is in addition to a one-time appropriation of \$2.2 million, which brings the total FY 2020-21 funding level to \$4.7 million.
- \$880,000 for a mainframe update.

Professional Educator Licensing and Standards Board (PELSB)

- \$3.772 million for the Professional Educator Licensing and Standards Board. Funding for the board was moved from the Special Revenue Fund back to the General Fund.

Minnesota State Academies for the Deaf and Blind (MSA)

- \$1.065 million for an agency operating increase.

Perpich Center for Arts Education

- \$485,000 for an agency operating increase.
- An estimated \$800,000 of the \$1.2 million appropriation for severance payments to the employees at Crosswinds school was not expended in the FY 2018-19 biennium. This amount will be cancelled on June 30, 2019, and \$80,000 of it is re-appropriated for use in the FY 2020-21 biennium. This funding is one-time.

For further information on Education Finance issues contact Emily Adriaens, Fiscal Analyst, at 651-296-4178 or emily.adriaens@house.mn.

Environment and Natural Resources Policy and Finance

Minnesota Laws 2019, First Special Session, Chapter 4, Article 1, as enacted by the 2019 Legislature and Governor, appropriates money for the environment and natural resources activities of the state. Agencies and programs funded include the Pollution Control Agency, Department of Natural Resources, Minnesota Conservation Corps, Metropolitan Council Parks, Minnesota Zoo, Board of Water and Soil Resources, Science Museum of Minnesota, and one appropriation to the Board of Animal Health. Chapter 4, Article 1 enacts \$339.013 million in total appropriations from the General Fund for the 2020-21 biennium. The net impact to the General Fund from environment and natural resource appropriations is \$338.013 million, due to a \$1 million cancellation in FY 2019. The amount appropriated is \$14.784 million over base level funding. The following chart and agency narratives provide details on the appropriations.

Environment and Natural Resources Finance and Policy Committee								
Total General Fund Spending								
(all dollars in thousands)								
	FY 2018-19		FY 2020-21		Enacted	Percentage Change:	Percentage	
	Change	Forecast	Forecast Base	Enacted	Enacted FY 2020-21	vs. FY 2018-19	Change: Enacted	
	FY 2019	with changes	FY 2020-21	FY 2020-21		with Changes	vs. Base	
							FY 2020-21	
							Enacted Base	
							FY 2022-23	
Pollution Control Agency	0	14,490	13,414	13,339		-7.9%	-0.6%	12,396
Department of Natural Resources	-1,000	175,619	170,783	182,453		3.9%	6.8%	176,977
Firefighting and Treaty Payments (OPEN)	0	53,421	54,618	54,618		2.2%	0.0%	54,620
Transfer to Mining and Env Regulatory Acnt	0	1,641	1,834	1,834		11.8%	0.0%	1,933
Board of Water and Soil Resources	0	32,289	28,378	30,079		-6.8%	6.0%	29,744
Metropolitan Council	0	5,080	5,080	5,080		0.0%	0.0%	5,080
Conservation Corps of Minnesota	0	910	910	910		0.0%	0.0%	910
Zoological Board	0	18,230	18,366	19,474		6.8%	6.0%	19,618
Science Museum	0	2,158	2,158	2,158		0.0%	0.0%	2,158
Explore Minnesota Tourism	0	30,000	28,688	28,748		-4.2%	0.2%	28,688
Transfer Out to Clean Water Fund	0	22,000	0	0		-100.0%		0
Department of Revenue	0	0	0	0				0
General Fund Revenue Changes	0	0	0	0				0
Net General Fund Total	-1,000	355,838	324,229	338,693		-4.8%	4.5%	332,124

Pollution Control Agency (PCA)

Appropriations to the PCA from the General Fund total \$13.339 million for the biennium. Total direct appropriations from all funds are \$211.271 million. A number of changes are made within the agency as listed below. Structurally, the appropriations for the current biennium follow the changes that were made in 2017, where appropriations were made to the agency under the agency operating divisions instead of the five programs as has been done in the past: Water, Air, Land, Environmental Assistance/Cross-Media, and Administrative Support.

Environmental Analysis and Outcomes Division:

The total General Fund appropriation for the PCA's Environmental Analysis and Outcomes Division is \$410,000. The direct appropriation from all funds is \$26.585 million. Funding changes that were made in the Environmental Analysis and Outcomes Division came from the Environmental Fund. These changes include:

- A portion of the appropriation for air permit fees increase was appropriated to the division. This amounted to \$90,000 in FY 2020 and \$180,000 in FY 2021. These amounts are in addition to the amounts listed under the other divisions.
- A new Environmental Fund appropriation was made for \$200,000 in FY 2020 only, for enhanced environmental education related to lead.
- Starting in FY 2021, \$141,000 per year is from Environmental Fund for the agency's work related to the passage of the prohibition on the use of flame-retardant chemicals.

Industrial Division:

PCA's Industrial Division does not receive any General Fund appropriations. The direct appropriation for the Industrial Division comes from the Environmental Fund and the Remediation Fund; these appropriation total \$31.079 million, of which \$29.077 million is from the Environmental Fund. The change items for the Industrial Division are:

- An increased appropriation for a portion of the air permit fees increase is \$133,000 in FY 2020 and \$266,000 in FY 2021 from the Environmental Fund. These amounts are in addition to the amounts listed under the other divisions.
- In order to better understand and reduce the health risks of Trichloroethylene (TCE) to communities, \$393,000 per year is appropriated from the Environmental Fund to the division.
- As in past years, a onetime General Fund appropriation is to the Department of Natural Resources for legal support costs. The appropriation language allows up to \$700,000 to be transferred to the PCA for the agency's associated legal costs.

Municipal Division:

The Municipal Division within PCA only receives one General Fund appropriation for \$328,000. The primary funding source for the division is from the Environmental Fund. The total direct appropriations from all funds are \$16.091 million. There was only one change made to the funding of the Municipal Division for the FY 2020-21 biennium.

- The agency had an appropriation for funding increased technical assistance and review of municipal water infrastructure projects. This appropriation was set to expire on June 30th, 2019. The legislation canceled the remaining \$373,000 in FY 2019 and re-appropriated the same amount in FY 2020.

Operations Division:

General Fund appropriations for this division are \$4.980 million. Total direct appropriations from all funds are \$16.663 million. There are two changes that were made in the divisions.

- \$800,000 per year is appropriated from the Environmental Fund for business friendly data services. These funds allow the agency to develop and maintain systems to support

permitting and regulatory business processes and to maintain and efficiently utilize agency data. This was an increase to the \$400,000 of onetime money in each year of the last biennium.

- An increased appropriation for a portion of the air permit fees increase is \$11,000 in FY 2020 and \$22,000 in FY 2021 from the Environmental Fund. These amounts are in addition to the amounts listed under the other divisions.

Remediation Division:

The Remediation Division receives one General Fund appropriation for FY 2020-21 totaling \$216,000. The direct appropriations from all funds total \$27.461 million for the biennium. Changes include:

- \$484,000 in FY 2021 and \$363,000 per year thereafter is from the Environmental Fund for work in the St. Louis River Area of Concern. These funds are used to supplement other state and federal funds used to clean up contaminated sites on the river. Some of the other state and federal funds may not be used for staff to plan, obtain permits and implement the project.
- A one-time appropriation from the Closed Landfill Investment Fund of \$1.622 million is to settle obligations with the federal government, remedial investigations, feasibility studies, engineering, and cleanup-related activities at a priority qualified facility. The purposes of the funds are for use under Minnesota Statutes 2017, Chapters 115B.406 and 115B.407. This amount was offset by a cancelation in FY 2019 of the same amount from a FY 2017 appropriation of \$3 million that was set to expire and had not been fully spent.
- An ongoing appropriation increase of \$605,000 per year is from the Remediation Fund for the agency to conduct additional assessments and work related to vapor intrusion and contaminants of emerging concern.
- A statutory appropriation increase of \$250,000 per year is from the Special Revenue Fund for reinstatement of the agency's work related to railroad and pipeline safety.
- \$1.8 million is transferred from the Remediation Fund for the purposes of dry cleaner environmental response and reimbursement. There are three parts to the transfer: 1) \$600,000 is transferred immediately to the Dry Cleaner Environmental Response and Reimbursement Account to reimburse past claims. 2) \$600,000 is transferred to the account to reimburse more claims if legislation is enacted in 2020 to address the insolvency in the account. 3) \$600,000 is for the agency to conduct an assessment of the possibility of recovering damages from the insurance held by the facilities.

Resource Management and Assistance Division:

General Fund appropriations for this division are \$1.325 million. Total direct appropriations from all funds are \$71.374 million. There was one General Fund reduction and five new or increased appropriations in the division.

- The competitive recycling grant program created in 2015, in Minnesota Statutes 115A.565, is reduced by \$75,000 per year from the General Fund and increased by \$75,000 per year from the Environmental Fund. In total, the program will continue to receive \$1 million per year for grants of up to \$250,000 for cities of less than 45,000 people outside the seven county metro area.
- The appropriation for SCORE grants was increased by \$500,000 per year from the Environmental Fund. This brings the total annual appropriation to \$17.750 million.
- An increased appropriation for a portion of the air permit fees increase is \$24,000 in FY 2020 and \$48,000 in FY 2021 from the Environmental Fund. These amounts are in addition to the amounts listed under the other divisions.
- An appropriation of \$400,000 per year is from the Environmental Fund for grants to develop and expand recycling markets for Minnesota businesses.
- \$750,000 per year is from the Environmental Fund for reducing and diverting food waste. This includes redirecting edible food for consumption and removing barriers to collecting and recovering organic waste. Of this amount \$500,000 is for grants to increase food rescue and waste prevention.

Watershed Division:

General Fund appropriations for this division are \$3.918 million. Total direct appropriations from all funds are \$18.970 million. There is one change being made to the appropriations in the Watershed Division for FY 2020 and FY 2021.

- A onetime appropriation of \$300,000 is from the Environmental Fund for a grant to the Minnesota Association of County Feedlot Officers to develop an online training curriculum related to animal feedlot requirements. The work must be completed in coordination with the PCA and the University of Minnesota Extension program.

Environmental Quality Board:

General Fund appropriations for the Environmental Quality Board are \$2.162 million. Total direct appropriations from all funds are \$3.048 million.

- A onetime appropriation of \$300,000 from the Remediation Fund is for the Environmental Quality Board to study the potential to deploy solar photovoltaic devices on closed landfill program sites.
- \$200,000 is a onetime appropriation from the Environmental Fund to begin to develop and assemble the material required under the federal regulations for the state of Minnesota to assume the section 404 permitting program under the Federal Clean Water Act.

Department of Natural Resources (DNR)

Minnesota Laws 2019, First Special Session, Chapter 4, Article 1 enacts a General Fund appropriation of \$238.905 million to the department for the biennium. Of this amount, \$182.443 million are direct appropriations, with the remainder coming from the open appropriations the agency oversees. Total agency spending from all sources included in Chapter 4 is anticipated to be \$911.557 million for the biennium, of which \$619.968 million are direct appropriations. There are also a few revenue changes, primarily from fee increases. These revenues are listed after the Pass Through section at the end of the DNR summary. Specific changes from the base budget to each division include:

Operating Adjustment:

The Department of Natural Resources received operating adjustments from the General Fund as well as a number of other funds and accounts. The operating adjustments listed below were directly appropriated to each of the relevant divisions. For simplicity, they are shown here for the agency as a whole. They are also included in the total appropriation numbers for each division, but not as change items within each division. The operating adjustments from each fund are:

- A General Fund increase of \$4.819 million for the biennium.
- \$825,000 from the Water Recreation Account in the Natural Resources Fund.
- \$315,000 from the Snowmobile Account in the Natural Resources Fund.
- \$305,000 from the All-Terrain Vehicle Account in the Natural Resources Fund.
- \$15,000 from the Off-Highway Motorcycle Account in the Natural Resources Fund.
- \$24,000 from the Off-Road Vehicle Account in the Natural Resources Fund.
- \$899,000 from the State Park Account in the Natural Resources Fund.
- \$287,000 from the State Parks Lottery in Lieu Account in the Natural Resources Fund.
- \$44,000 from the Nongame Wildlife Account in the Natural Resources Fund.
- \$151,000 from the Aquatic Invasive Species Account in the Natural Resources Fund.
- \$841,000 from the Forest Management Investment Account in the Natural Resources Fund.
- \$159,000 from the Mineral Management Account in the Natural Resources Fund.
- \$3,000 from the Cross Country Ski Account in the Natural Resources Fund.
- \$11,000 from the State Land and Water Conservation Fund Account in the Natural Resources Fund.
- \$273,000 from the Water Management Account in the Natural Resources Fund.
- \$6.328 million from the Operations Account in the Game and Fish Fund.
- \$559,000 from the Heritage Enhancement Account in the Game and Fish Fund.
- \$4,000 from the Remediation Fund.
- \$9,000 from the Permanent School Fund.
- \$44,000 from the Reinvest in Minnesota Resources Fund, which is statutorily appropriated.

Land and Minerals Management:

The division receives \$3.671 million from direct General Fund appropriations and \$56,000 from the General Fund as an open appropriation for the Consolidated Conservation Areas. Direct biennial appropriations from all funds totaled \$12.730 million for the division. The only change items for the division were the operating adjustments previously listed for the agency as a whole.

Ecological and Water Resources:

The General Fund appropriation for the division is \$37.740 million. Total direct appropriations from all funds are \$73.235 million for the biennium. Changes being made in this division include:

- A couple of changes are being made under the governor's recommendation of *Protecting Our Public Waters*. This includes a General Fund increase of \$400,000 per year. It also includes \$358,000 per year from the Water Management Account in the Natural Resources Fund. The increase in expenditures from the Water Management Account come from the increased fees for public water permit application fees. The bill increases the current fee range of \$150-\$1,000 to \$300-\$3,000. These funds are used to provide assistance to those seeking to use public waters while also protecting the water resources for others.
- The legislation passed this year included an increase to the invasive species surcharge charged to watercraft registrations. The current surcharge is \$5 for a three year permit, the increase will bring the surcharge to \$10.60 for a three year permit. These fees allow for an increased appropriation to the division of \$880,000 per year from the Invasive Species Account in the Natural Resources Fund and revenue to bring the account back to a structural balance.
- A grant to the Minnesota Aquatic Invasive Species Research Center at the University of Minnesota is increased by \$100,000 in FY 2020 and FY 2021 from the Heritage Enhancement Account in the Game and Fish Fund to prioritize, support, and develop research based solutions that can reduce the effects of aquatic invasive species in Minnesota. The first year of the appropriation is for early detection.
- A onetime General Fund appropriation of \$100,000 is for a grant for storm debris removal in Roberds Lake.
- A onetime General Fund appropriation of \$50,000 is for a grant for storm debris removal in Lake Elysian.

Forest Management:

The Forestry Division's direct General Fund appropriation is \$66.951 million for the biennium. An additional open appropriation of \$35.010 million for the biennium from the General Fund for firefighting is accounted for in the division. Total direct appropriations from all funds are \$101.271 million. In addition to the operating adjustments for the division, three additional changes are being made.

- A one-time General Fund appropriation of \$700,000 is for grants to local units of government for emerald ash borer quarantine related work. These grants are to help develop community ash management plans, and to remove and replace ash trees.
- An increase of \$1 million per year is from the Forest Management Investment Account in the Natural Resources Fund for additional forestry work. These funds will be used to help the agency achieve the 10 year sustainable timber harvest goal of 870,000 cords of wood with an additional 30,000 cords of ash and tamarack to be offered for sale. The timber harvest goal can help to create diverse and resilient forests to help slow the spread of invasive pests.
- The use of the balsam bough buyer's permit was also expanded this year to include spruce tops and birch poles. The cost for the permit is \$25 and it is anticipated to bring in an additional \$2,000, which will be statutorily appropriated. By including this item in the permit, the intent is to help reduce the amount of illegal harvest of these products, especially on state lands.

Parks and Trails:

The Parks and Trails Division is appropriated \$54.198 million from the General Fund for the biennium. The total direct appropriations for the division are \$179.052 million. Changes include:

- A onetime General Fund appropriation of \$75,000 for signage to name state park assets after Walter F. Mondale.
- Increased appropriations from the All-Terrain Vehicle Account in the Natural Resources Fund were included for \$500,000 per year for work at the department as well as an additional \$300,000 per year starting in the second year for the grant in aid program.
- Appropriations were increased from the Off-Road Vehicle Account in the Natural Resources Fund from by \$200,000 per year.
- \$600,000 in FY 2020 only was appropriated from the Off-Road Vehicle Account in the Natural Resources Fund for off-road vehicle touring routes and trails.
- A onetime appropriation of \$1.3 million from the All-Terrain Vehicle Account in the Natural Resources Fund is for a grant to Lake County to develop Prospectors Loop Trail system.
- A \$1.1 million onetime appropriation from the All-Terrain Vehicle Account in the Natural Resources Fund is for acquisition, design, environmental review, permitting and construction of the Taconite State Trail.
- \$950,000 in FY 2020 and \$950,000 in FY 2021 are from the All-Terrain Vehicle Account in the Natural Resources Fund for Grants to St. Louis County for the Quad Cities ATV Club Trail.
- \$600,000 in FY 2020 only is from the All-Terrain Vehicle Account in the Natural Resources Fund for a grant to develop the Voyageur Country ATV Trail system.

- The appropriation for local trail grants was reduced by \$115,000 per year from the Local Trail Grants Lottery In-Lieu Account in the Natural Resources Fund in order to bring the account into a structural balance.
- A onetime grant from the All-Terrain Vehicle Account in the Natural Resources Fund for \$150,000 is for a multipurpose bridge on the Mississippi River Northwoods Trail.
- \$75,000 from the Off-Highway Motorcycle Account in the Natural Resources Fund is to complete a statewide master plan.
- Increases to the cross country ski pass fee were included. The fees went from: \$5 daily to \$9, \$19 annually to \$24, and the three year pass went from \$54 to \$69. This results in increased appropriations to the department of \$35,000 per year and an additional \$35,000 per year for the grant in aid program.

Fish and Wildlife Management:

The Fish and Wildlife Division is appropriated \$2,052 million from the General Fund. Total direct appropriations for the division are \$157.380 million, which come from the Game and Fish Fund and the Natural Resource Fund. A number of new appropriations were made in the division in addition to the operating adjustments shown earlier.

- A General Fund appropriation of \$1.595 million in FY 2020 and \$275,000 per year thereafter is for sustaining Minnesota's white-tailed deer through the chronic wasting disease work at the department. Additionally, \$1.125 million in FY 2020 and \$1.675 million each year thereafter is from the Game and Fish Fund for similar work.
- \$810,000 for the biennium is from the Game and Fish Fund for the department to conduct angler surveys in order to better manage the state's fisheries.
- \$100,000 from the Heritage Enhancement Account in the Game and Fish Fund in FY 2020 and FY 2021 only is for shooting sports facilities grants.
- A onetime appropriation of \$50,000 from the Deer Feeding and Wild Cervidae Health Account in the Game and Fish Fund is for the "adopt a dumpster" program in chronic wasting disease infected areas. The dumpsters will be used to dispose of deer carcasses and reduce the risk of the disease spreading through this vector.
- A onetime appropriation of \$182,000 from the General Fund and \$318,000 from the Heritage Enhancement Account in the Game and Fish Fund is for the "no child left inside" grant program to provide natural-resource-based education and recreation programs.
- \$500,000 from the Game and Fish Fund in FY 2020 only is for grants to schools to increase firearm safety, trap shooting, archery, hunting, and angling activities in courses.
- A onetime grant of \$200,000 is from the Heritage Enhancement Account in the Game and Fish Fund is for nonprofits to operate high school fishing leagues.
- Changes were made to where the revenue from deer licenses is deposited. The legislation increased the amount of each license being deposited into the Deer Management Account in the Game and Fish Fund. The account had been receiving \$2 per license but is now

receiving \$16 per license. The additional money had been going into the Game and Fish Operations Account. The legislation also removed the statutory appropriation on the account and directly appropriated \$8.546 million annually out of the account.

Enforcement:

The General Fund appropriation for the Enforcement Division is \$14.757 million for the biennium. Total direct appropriations are \$91.866 million from all funds. In addition to the operating adjustments, four other appropriation changes were made:

- Appropriations from the All-Terrain Vehicle Account in the Natural Resources Fund and the Off-Road Vehicle Account in the Natural Resources Fund were both increased by \$125,000 per year to provide for more enforcement of these activities.
- \$176,000 per year is from the Game and Fish Fund for the department to create a comprehensive outreach and education program focused on ice safety.
- \$60,000 in FY 2020 only is from the Game and Fish Fund for education materials related to the trade in prohibited animal parts.

Operations Support:

Most of the work of the Operations Support Division is internally billed to the other divisions for the services provided to those divisions. The total General Fund direct appropriation is \$2.7 million, which is comprised of the one change listed below.

- Of the one-time appropriation of \$2.7million from the General Fund to be used for the agency's legal support costs, up to \$700,000 may be transferred to the Pollution Control Agency.

Pass Through:

Total General Fund direct appropriations in this area are \$374,000 with total direct appropriations from all funds being \$1.734 million. Additionally, \$19.562 million in General Fund open appropriations are accounted for here. Changes being made are:

- The Office of School Trust Lands is being moved from the Department of Administration to the Natural Resources Department. This results in appropriations of \$187,000 from the General Fund and \$300,000 from the Permanent School Fund being annually appropriated. These are the same amounts appropriated from previous years but appropriated in a different area.
- Grants to the Como Zoo and Lake Superior Zoo were both increased by \$30,000 annually from the Lottery in-Lieu Account in the Natural Resources Fund.

Board of Water and Soil Resources (BWSR)

BWSR General Fund appropriations totaled \$30.079 million for the biennium. The General Fund is the only fund from which BWSR receives direct appropriations. There were three changes made to the Board of Water and Soil Resources Budget.

- The General Fund operating adjustment for BWSR is \$748,000 in FY 2020 and \$563,000 in FY 2021 and beyond. The operating adjustment is for BWSR administration and is not included for the pass through and grant funding programs.
- A \$150,000 onetime appropriation from the General Fund is for critical IT repairs and cybersecurity for aging systems used by the board.
- A base adjustment increase for fiscal services of \$120,000 per year from the General Fund will help the board with the increasing number of appropriations being passed through as grants.

Metropolitan Council Parks

The Metropolitan Council parks appropriation is \$5.080 million from the General Fund. Metropolitan Council Parks also received an appropriation of \$13.2 million from the Natural Resources Fund. Changes enacted in 2019 include:

- The Natural Resources Fund appropriation from the Metropolitan Parks and Trails Lottery in Lieu Account was increased by \$600,000 per year.

Minnesota Conservation Corp

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

Minnesota Zoo

The General Fund appropriation to the zoo is \$19.474 million for the biennium. There is an additional \$380,000 appropriation from the Natural Resources Fund. Total expenditures for the zoo are anticipated to be \$58.864 million with the non-direct expenditures coming from the Special Revenue Fund and the Gift Fund. There were two changes made to the Minnesota Zoo funding listed below.

- The General Fund appropriation to the Minnesota Zoo was increased by \$482,000 in FY 2020 and \$626,000 in FY 2021.
- An increase of \$30,000 annually from the Lottery In-Lieu Account in the Natural Resources Fund.

Science Museum

The Science Museum receives \$2.158 million from the General Fund for the biennium. There were no changes made to the funding for FY 2020 or FY 2021.

Explore Minnesota Tourism

Total General Fund appropriations to Explore Minnesota Tourism for the biennium are \$28.748 million. There was one change in the appropriation made to Explore Minnesota Tourism.

- A one-time appropriation of \$60,000 from the General Fund is to secure major new events in Minnesota. State funding would be available for up to one-third of the cost of a bid or event operation.

Board of Animal Health

Typically the Board of Animal Health is funded through the agricultural finance bill. However, in 2019 appropriations made for work related to Chronic Wasting Disease were included in the environment finance bill. Total General Fund appropriations carried in the environment finance bill to the board are \$320,000 for the biennium.

- An appropriation of \$120,000 in FY 2020 and \$200,000 in FY 2021 and every year thereafter is from the General Fund for the board's regulatory responsibilities and oversight of farmed Cervidae.
- Changes were also made to the fee structure for farmed Cervidae facilities. These fees are statutorily appropriated to the Board of Animal Health. These fee increases are estimated to raise \$115,000 annually in revenue to the Special Revenue Fund and the same amount of annual spending.

Legislative Citizen Commission on Minnesota Resources

Appropriations for the Environment and Natural Resources Trust Fund were also made in Minnesota Laws 2019, First Special Session, Chapter 4, and comprise Article 2 of the law. The appropriations made totaled \$64.476 million, including \$2.94 million in FY 2019 and \$149,000 from FY 2016 being transferred from previously authorized projects. There are a total of 82 appropriations from the fund. The Environment and Natural Resources Trust Fund is typically appropriated on an annual basis. The FY 2019 appropriations are a result of funds that are available based on the repeal of Laws 2018, Chapter 214, Article 6, Section 4 which provided for appropriation bonds from the Environment and Natural Resources Trust Fund. The \$2.94 million being appropriated is the debt service on the bonds that were repealed.

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

Omnibus Lands Bill

Minnesota Laws 2019, 1st Special Session, Chapter 4, Article 4 is the omnibus lands bill. It includes a number of parcels of land to be offered for sale. The majority of these parcels have no fiscal impact to the state. The revenues from the parcels typically benefit the county in which the land is located. This year there are five parcels with a state held interest with the potential for revenue from the sale. The parcels with a state interest are located in Carlton County, Cass County, Kanabec County, Otter Tail County and Wabasha County. The Cass County parcel is not expected to be put up for sale until 2023 and has an estimated value of \$232,000. The other four parcels will be offered for sale in FY 2020 and have an estimated value of \$174,000.

For additional information on Environment and Natural Resources Finance issues, contact Brad Hagemeyer, Fiscal Analyst, at 651-296-7165 or brad.hagemeyer@house.mn.

Health & Human Services Finance

Overview

In the 2019 Legislative regular and special sessions, six bills passed that appropriated money in the Health and Human Services (HHS) jurisdiction or had a substantial impact on revenues or available funding for HHS programs. This includes the tax bill (2019 First Special Session Laws, Chapter 6) which had major implications for the Health Care Access Fund (HCAF) and Temporary Assistance for Needy Families (TANF) spending. In total, these Acts appropriated \$14.597 billion from the General Fund for the FY 2020-21 biennium. This represents an increase of 9.2 percent over the FY 2018-19 biennium but a 1.9 percent reduction from the forecast base. General Fund tails for these appropriations are \$16.141 billion in the FY 2022-23 biennium. In addition, \$368,000 was appropriated for FY 2019.

The chart below details total General Fund appropriations, revenues, and transfer changes by agency for all enacted HHS legislation.

Health and Human Services Finance Legislation							
Total General Fund Spending by Department							
(all dollars in thousands)							
	Change FY 18-19	Forecast With Changes FY 18-19	Forecast Base FY 20-21	Enacted FY 20-21	Enacted Base FY 22-23	Percentage Change: Enacted FY 20-21 vs. FY 18-19 Forecast	Percentage Change: Enacted FY 20-21 vs. FY 20--21 Base
APPROPRIATIONS							
<u>2019 Session Direct - All Chapters</u>							
Human Services Department	368	13,161,204	14,696,996	14,559,417	16,300,458	10.6%	-0.9%
Health Department	-	214,493	231,666	271,017	264,715	26.4%	17.0%
Emergency Medical Services Bd	-	7,546	7,206	7,556	7,552	0.1%	4.9%
Council on Disability	-	1,786	1,718	2,020	2,012	13.1%	17.6%
Ombudsman for Families	-	926	934	1,437	1,446	55.2%	53.9%
Ombudsman for Mental Health/DD	-	5,034	4,876	4,876	4,876	-3.1%	0.0%
Mnsure	-	-	-	8,000	-	-	-
Board of Pharmacy	-	-	-	370	-	-	-
Commerce Department	-	-	-	932	1,080	-	-
Minnesota Management and Budget	-	-	-	1,296	996	-	-
Public Safety Department	-	-	-	672	-	-	-
<u>Standing Appropriations</u>							
Compulsive Gambling Funds	-	2,093	1,900	1,900	2,176	-9.2%	0.0%
Indian Child Welfare Act (ICWA)	-	-	780	780	780	-	-
<u>General Fund Transfers</u>							
To Health Care Access Fund	-	50,000	-	-	-	-	-
From Opioid Response Fund	-	-	-	(5,439)	-	-	-
REVENUES							
DHS Forecast FFP	-	(70,664)	(71,423)	(71,423)	(71,532)	1.1%	0.0%
Change in FFP	-	-	-	(12,384)	(13,548)	-	-
Change in Non-FFP Revenue	(50,000)	-	-	(173,758)	(359,672)	-	-
Net HHS GF Total*	(49,632)	13,372,418	14,874,653	14,597,269	16,141,339	9.2%	-1.9%

*Includes all appropriations and revenues in enacted HHS bills regardless of department jurisdiction. No comparison to base or prior biennium where there is no base or the department base is in a different jurisdiction.

The following chart shows the information above by the specific piece of legislation:

2019 Session Health and Human Services Finance			
Total General Fund Spending by Chapter			
(all dollars in thousands)			
	Enacted FY 18-19	Enacted FY 20-21	Enacted FY 22-23
APPROPRIATIONS			
<u>2019 Chapter 12 - Children's IMD Extension</u>			
Human Services Department	368	-	-
<u>2019 Chapter 39 - Pharmacy Benefit Manager Licensure</u>			
Commerce Department	-	723	850
<u>2019 Chapter 60 - Vulnerable Adult Protection</u>			
Human Services Department	-	14,547	16,295
Health Department	-	19,072	11,169
<u>2019 Chapter 63 - Opioids</u>			
Human Services Department	-	2,809	-
Health Department	-	1,288	-
Board of Pharmacy	-	370	-
Minnesota Management and Budget	-	300	-
Public Safety Department	-	672	-
<u>2019 1st SS, Chapter 9</u>			
Human Services Department	-	14,542,061	16,284,163
Health Department	-	250,657	253,546
Emergency Medical Services Bd	-	7,556	7,552
Council on Disability	-	2,020	2,012
Ombudsman for Families	-	1,437	1,446
Ombudsman for Mental Health/DD	-	4,876	4,876
Minnesota Management and Budget	-	996	996
Commerce Department - Direct Appropriation	-	54	54
Commerce Department - Open Appropriation	-	155	176
Mnsure	-	8,000	-
<u>Standing Appropriations</u>			
DHS - Compulsive Gambling Funds	-	2,680	2,956
REVENUES			
DHS Forecast Federal Funds Participation Base	-	(71,423)	(71,532)
<u>2019 Chapter 39 - Pharmacy Benefit Manager Licensure</u>			
Fees	-	(723)	(850)
<u>2019 Chapter 60 - Vulnerable Adult Protection</u>			
Change in FFP	-	(2,770)	(3,254)
<u>2019 Chapter 63 - Opioids</u>			
Transfer from Opioid Epidemic Response Account	-	(5,439)	-
<u>2019 1st SS, Chapter 9</u>			
Change in FFP	-	(9,614)	(10,294)
Change in Non-FFP Revenue	-	(173,035)	(358,822)
Cancel Transfer from General Fund to HCAF	(50,000)		
Net GF Total	(49,632)	14,597,269	16,141,339

Department of Health

Three acts, 2019 Laws, Chapter 60; 2019 Laws, Chapter 63; and 2019 First Special Session Laws, Chapter 9 appropriate a General Fund total of \$271.02 million to the Department of Health for FY 2020-21. This is an increase of \$39.4 million (17 percent) over base and \$54.5 million (26.4 percent) over FY 2018-19 forecast spending. Chapter 9 has General Fund tails for the Department of Health of \$264.7 million for FY 2022-23. Individually, the Vulnerable Adults Protection Act (Chapter 60) includes new General Fund appropriations of \$19.1 million in FY 2020-21 and \$11.2 million in FY 2022-23. The Opioid Epidemic Response Act (Chapter 63) has new, one-time General Fund appropriations of \$1.3 million in FY 2020-21. The Omnibus HHS Finance Bill (2019 First Special Session Laws, Chapter 9) has new General Fund spending of \$18.99 million in FY 2020-21 and \$20.88 million in FY 2022-23. Specific appropriations (General Fund, 2019 First Special Session Laws, Chapter 9 unless otherwise noted) changes for the Department of Health include:

New ongoing appropriations:

- \$5.4 million for the biennium to implement a comprehensive suicide prevention program. Funding provides for grants and program administration. This initiative has General Fund tails in the FY 2022-23 biennium of \$7.46 million.
- \$4.346 million for the biennium to develop a statewide tobacco cessation program. This initiative has General Fund tails in the FY 2022-23 of \$5.756 million.
- \$1.62 million for costs related to a prescription drug price transparency program. This initiative has General Fund tails in the FY 2022-23 of \$1.382 million.
- \$1 million in new, on-going appropriations for the Safe Harbor program for sexually exploited youth.
- \$1 million in new, on-going appropriations for Community Solutions for Healthy Child Development grants.
- \$4.949 million in FY 2020-21 and \$6.936 million in FY 2022-23 for increased costs for agency operations.

New one-time appropriations:

- \$1.495 million to purchase new equipment for the public health laboratory.
- \$100,000 for grants to educate minority communities about safety concerns related to skin lightening creams.
- \$750,000 for domestic violence prevention grants.

Vulnerable Adults

- \$11.74 million is appropriated for the biennium from the General Fund for improvements in MDH's current operations for protection of vulnerable adults (2019 Laws, Chapter 60). This appropriation anticipates tails of \$11.2 million in the FY 2022-23 biennium.
- \$7.3 million is appropriated one-time from the General Fund to implement regulatory reforms including a licensure system for assisted living facilities (2019 Laws, Chapter 60).

Opioids

- \$1.288 million is appropriated one-time from the General Fund for non-narcotic pain management and program administration (2019 Laws, Chapter 60).

Department of Human Services

Altogether, the enacted 2019 legislation directly appropriates a General Fund total of \$14.559 billion to the Department of Human Services for the FY 2020-21 biennium. This is a reduction of \$137.6 million (0.9 percent) from the directly appropriated base and an increase of \$1.398 billion (10.6 percent) over FY 2018-19 forecast spending. Counting standing allocations, the General Fund total for all Department of Human Services appropriations is \$14.562 billion for the biennium. When the expenditure offset for federal financial participation (FFP) is included, net General Fund spending for the department is \$14.478 billion in FY 2020-21, a (net) decrease of \$149.96 million (-0.1 percent) from the FY 2020-21 base. Total (net) tails for the Department of Human Services are \$16.118 billion for FY 2022-23. This figure includes assumed savings of \$100 million in the tails from budget reductions to be identified by a Blue Ribbon Commission on Human Services Spending created in Laws 2019, First Special Session, Chapter 9. The Commission is charged with identifying \$100 million in spending reductions in the FY 2022-23 biennium, however, if less than \$100 million in savings are identified, the difference (up to \$100 million) is covered by the budget reserve. One act passed with appropriations in the FY 2018-19 biennium. 2019 Laws, Chapter 12 appropriates \$368,000 to cover the non-federal share of costs for children in an Institution of Mental Disease (IMD) for the last two months of the current biennium until the children's intensive services reform initiative begins (see below). Major budget changes (General Fund unless otherwise noted) initiatives and the Department of Human Services include:

Chemical/Mental Health – Chapter 9 includes several funding initiatives in the area of chemical/mental health. \$4.699 million is appropriated in FY 2020-21 to expand the certified community behavioral health clinics program. This is an expansion of a prior pilot program. The base for this appropriation in the FY 2022-23 biennium is \$18.2 million. \$7.9 million in FY 2020-21 and \$18.2 million in the tails is for reforming children's intensive mental health services. This initiative is to reform services to children that the state lost federal matching funds for because of the federal IMD rule. Reforms to the way behavioral health services financing (previously the consolidated chemical dependency treatment fund) creates a General Fund savings of \$18 million in FY 2020-21 with costs of \$1.1 million in FY 2022-23. \$16,000 in FY 2020-21 and \$28,000 in the tails is for an initiative to increase timely access to substance use disorder treatment. \$1 million in FY

2020-21 and in the tails is to increase fetal alcohol syndrome grants. \$1.2 million in FY 2020-21 is for expanding the school-linked mental health grants program. This appropriation has tails of \$9.6 million in FY 2022-23. Additional funding of \$2.5 million is appropriated in FY 2020-21 for mobile crisis services. This appropriation has tails in the FY 2022-23 biennium of \$9.8 million. \$100,000 in FY 2020 only is for a community based children's mental health grant. Also, \$400,000 in FY 2020 only is for a specialized mental health community supervision pilot project. \$3 million in FY 2020-21 only is additional funding for emergency services grants. Finally, an initiative to create a new substance use disorder waiver has anticipated savings of \$16.1 million in FY 2020-21 and \$73.3 million in FY 2022-23.

Nursing Homes/Long-Term Care/Elderly/Disabled/Waivers – 2019 First Special Session Laws, Chapter 9 includes funding changes related to multiple initiatives in this policy area. \$41,000 is appropriated in FY 2020-21, with tails of \$831,000 in FY 2022-23, to cover the Medical Assistance (MA) cost of exceptions to the nursing facility construction moratorium. \$81,000 is appropriated in FY 2020-21 with tails of \$167,000 for rate adjustments for certain nursing facilities in cities that border North Dakota. The MA excess income standard for elderly and disabled persons (the MA spenddown) is eliminated on July 1, 2022. This will have a cost in the tails of \$22.3 million. \$2.6 million is appropriated in FY 2020-21 with tails of \$5.9 million for an initiative to simplify home and community based waivers. \$1 million is appropriated in FY 2020-21 and carried in the tails for a rate increase in the elderly waiver (EW) program for facilities that have more than 50 percent EW residents. \$400,000 is appropriated in FY 2020-21 only for transition grants to day training and habilitation (DT&H) providers to assist them as rate banding ends. \$2.5 million was appropriated in FY 2020-21 with tails of \$3.1 million to reduce parental fees for child eligibility (TEFRA) in the Medical Assistance program. A major issue for the 2019 legislature was reforming the Disability Waiver Rate Systems (DWRS) methodology in statute after the federal government disallowed a portion of the rate set by the previous legislature. A new competitive workforce factor was enacted as part of the DWRS model. \$34.2 million was appropriated in FY 2020-21 for the workforce factor with anticipated tails of \$30.3 million in FY 2022-23. Chapter 9 requires DHS to implement an electronic visit verification (EVV) system. \$908,000 is appropriated in FY 2020-21 for this initiative with anticipated savings in the tails of \$7.4 million. Lastly in this area, Chapter 9 appropriates \$36.5 million in FY 2020-21 for the self-directed worker contract (Personal Care Attendants). This item has anticipated tails of \$38.9 million. This was a Governor's initiative and Chapter 9 appropriated the amount that the executive branch used in their budget. However, after the legislative session adjourned and the bill was signed, the legislature was informed that a different interpretation was being used to determine the base for the contract and that the cost would be greater than the budget had reported. The additional costs will show up in the November 2019 General Fund forecast and will need to be considered by the 2020 legislature.

Direct Care and Treatment (DCT) – An increase of \$16 million is appropriated in FY 2020-21 and in the tails for the Minnesota Sex Offender Treatment Program (MSOP). An increase of \$5.3 million with tails of \$7.5 million is for the Minnesota State Operated Services Program (MSOCS). Chapter 9 authorizes an increase in the bed capacity of the DCT health services programs. Because of additional revenue from other sources, this initiative creates General Fund savings of \$16.4 million in FY 2020-21 and \$3.4 million in FY 2022-23. \$136,000 is appropriated in FY 2020-21 only for a competency restoration task force. Finally for DCT, \$582,000 is appropriated in FY

2020-21 and in the tails for agency hearings for county disputes of charges for discharges from DCT facilities.

Child Care, Child Protection, Child Welfare, Foster Care, and Families – Chapter 9 appropriates \$659,000 in FY 2020-21 with tails of \$452,000 for costs related to federal compliance in the state Child Care Assistance Program (CCAP). This does not update program payment rates. \$4.1 million is appropriated in FY 2020-21 with tails of \$5.8 million to start a child welfare training academy. \$15.4 million is appropriated in FY 2020-21 with tails of \$25 million to expand the tribal child welfare initiative. \$81,000 in FY 2020-21 only is for a task force on family child care. \$1.9 million is appropriated in FY2020-21 with tails of \$1.4 million to implement the federal Family First Prevention Services Act. Chapter 9 increases the MFIP cash grant maximum by \$100 dollars. While the cost of this increase is mostly covered by changes to spending of federal Temporary Assistance for Needy Families (TANF) funds (see TANF section), this initiative has General Fund tails of \$7.9 million. \$300,000 in FY 2020-21 only is for the Parent Support for Better Outcomes grant. \$1 million in FY 2020-21 and in the tails is an increase for the DHS portion of the Safe Harbor for Sexually Exploited Youth program. \$850,000 is appropriated in FY 2020-21 with tails of \$1.8 million in FY 2022-23 to close gaps in health care coverage for children in foster care.

Program Integrity/Fraud Prevention – Chapter 9 includes several initiatives related to program integrity. General Fund savings of \$2.1 million in FY 2020-21 and \$2.8 million in FY 2022-23 are assumed from a Governor’s initiative for program integrity in the CCAP program. \$153,000 is appropriated in FY 2020-21 only to implement CCAP provider registration. \$206,000 is appropriated in FY 2020-21 with tails of \$70,000 for IT system costs related to eliminating capitation payments and going to fee for service for MA enrollees absent from the state for more than a 30 day period. This initiative does not have any assumed savings. General Fund Savings of \$904,000 in FY 2020-21 and \$2.1 million in FY 2022-23 are assumed from program integrity improvements to the non-emergency medical transport (NEMT) program. Savings of \$74,000 in FY 2020-21 and \$200,000 in the tails is assumed from expansion of the Surveillance and Integrity Review System (SIRS) and CCAP fraud investigation capacity. \$261,000 is appropriated in FY 2020-21 with tails of \$322,000 to make required federal compliance changes to the background study system. \$2.1 million is appropriated in FY 2020-21 with tails of \$2.4 million for an initiative to strengthen oversight of the CCAP program. Funding is primarily for increased staffing and a contract with the Bureau of Criminal Apprehension. Savings of \$2.8 million in FY 2020-21 and \$4.9 million in FY 2022-23 are assumed for an initiative to eliminate duplicate personal identification numbers in the MA program. Finally, savings of \$188,000 are assumed in FY 2020-21 with savings of \$346,000 in the tails for an initiative to prevent fraud in various programs. This initiative includes increased funding to counties for their fraud prevention efforts.

Savings/Balance Transfers – Chapter 9 includes several savings items or other changes to bring spending within agreed upon targets. As previously mentioned, a blue ribbon commission will attempt to identify \$100 million in spending reductions in the FY 2022-23 biennium. The \$100 million figure is backed up by transfers from the state budget reserve for any amount of the \$100 million which cannot be achieved. See Health Care Access Fund section for commission operating appropriation. Also, \$135 million per year is saved in the General Fund by refinancing that amount to the HCAF. Savings of \$2 million in FY 2020-21 and \$328,000 in the tails is saved by

revising the payment methodology for durable medical equipment. Chapter 9 recoups \$8.9 million in FY 2020 in CCAP General Fund underspending. Similarly, \$3.4 million in General Fund savings are caused by transferring a balance for the Long-Term Care Options Account. In the area of managed care, Chapter 9 requires the department to achieve \$29.6 million in savings in FY 2020-21 and \$115.6 million in FY 2022-23 by reducing the managed care payment trend assumption to 0.8 percent growth. Assumed savings for this item are backed up by a contingent transfer of funding from the Minnesota Premium Security Account (reinsurance account) for any assumed savings not achieved.

Other specific appropriation (General Fund unless otherwise noted) changes in Chapter 6 for the Department of Human Services include:

- \$158,000 in FY 2020-21 with tails of \$210,000 are the MA cost for coverage of Pediatric Autoimmune Neuropsychiatric Disorders. See Commerce Department section for additional costs.
- \$7.2 million is appropriated in FY 2020-21 with tails of \$7.9 million for compliance with the federal outpatient pharmacy rule.
- \$4.4 million is appropriated in FY 2020-21 with tails of \$5.2 million to repeal volume purchasing of incontinence products.
- \$20 million is appropriated in FY 2020-21 only for IT systems operating costs and planning for system modernization.

Vulnerable Adults

- \$2.4 million is appropriated for the biennium from the General Fund to expand the Office of the Ombudsman for Long-Term Care. This appropriation has tails of \$3.4 million in the FY 2022-23 biennium (2019 Laws, Chapter 60).
- \$4.5 million is appropriated from the General Fund to improve civil and criminal protection of vulnerable adults. This appropriation has tails of \$5.6 million in the FY 2022-23 biennium (2019 Laws, Chapter 60).
- \$3.7 million is appropriated from the General Fund to develop an assisted living report card. This appropriation has tails of \$3.5 million in the FY 2022-23 biennium (2019 Laws, Chapter 60).

Opioids

- \$2.3 million is appropriated one-time from the General Fund for the program and administration of the Opioid Epidemic Response Act (2019 Laws, Chapter 63).

Council on Disability

Chapter 9 appropriates \$2.02 million for the FY 2020-21 biennium to the Council on Disability from the General Fund. This is an increase of \$302,000 (17.6 percent) over the forecast base and \$234,000 (13.1 percent) over the FY 2018-19 biennium. The increased appropriation includes the Governor's recommended operating adjustment and technology enhancements. Chapter 9 has General Fund tails for the council of \$2.012 million in FY 2022-23.

Emergency Medical Services Regulatory Board (EMS Board)

Chapter 9 appropriates \$7.56 million to the EMS Board for the FY 2020-21 biennium from the General Fund. This is an increase of \$350,000 (4.9 percent) over base and \$10,000 (0.1 percent) over the FY 2018-19 biennium. The increased appropriation includes the Governor's recommended operating adjustment as well as funding for additional staffing. Chapter 9 has General Fund tails for the EMS Board of \$7.55 million in FY 2022-23.

Ombudsperson for Families

Chapter 9 appropriates \$1.44 million to the Ombudsperson for Families for the FY2020-21 biennium from the General Fund. This is an increase of \$503,000 (53.9 percent) over base and \$511,000 (55.2 percent) over the FY 2018-19 biennium. The increased appropriation is the Governor's recommended staffing increase. Chapter 9 has General Fund tails for the Ombudsperson of \$1.45 million in FY 2021-22.

Ombudsman for Mental Health and Developmental Disabilities

Chapter 9 appropriates \$4.88 million to the Ombudsman for Mental Health/DD for the FY 2020-21 biennium from the General Fund. This is the base amount and a reduction of \$158,000 (-3.1 percent) below the FY 2018-19 biennium. This appropriation is the Governor's recommended level. Chapter 9 has General Fund tails for the ombudsman of \$4.88 million in FY 2022-23 biennium.

MNSure

Chapter 9 appropriates \$8 million to MNSure from the General fund for the FY 2020-21 biennium. This is a one-time appropriation to replace non-General Fund revenue losses resulting from the extension of reinsurance. MNSure does not have any General Fund base.

Board of Pharmacy

Chapter 63 appropriates \$380,000 to the Board of Pharmacy from the General Fund in FY 2020-21 biennium for costs related to administering fees on opioid manufactures and wholesalers. This is a one-time appropriation, the board does not have any General Fund base.

Department of Commerce

2019 Laws, Chapter 39 appropriates \$723,000 for the biennium from the General Fund to the department to implement licensure of pharmacy benefit managers. This initiative has General Fund tails of \$850,000 in the FY 2022-23 biennium.

In addition, 2019 First Special Session Laws, Chapter 9, directly appropriates \$54,000 from the General Fund for the biennium for administration of costs related to requiring insurance coverage of pediatric neuropsychiatric immune disorders. This expenditure continues in the FY 2022-23 biennium at the same level. Also, Chapter 9 creates an open appropriation for costs related to this coverage mandate. The General Fund costs for the open appropriation are projected to be \$155,000 in FY 2020-21 and \$176,000 in FY 2022-23.

Department of Public Safety

2019 Laws, Chapter 63 appropriates \$672,000 from the General Fund to the Department of Public Safety on a one-time basis to cover the cost of new agents at the Bureau of Criminal Apprehension. In future years this cost will be covered from fees on opioid manufactures and wholesalers.

Minnesota Management and Budget

Laws 2019, Chapter 63 appropriates \$300,000 from the General Fund to the department on a one-time basis to cover the cost of evaluations of drug treatment strategies.

In addition, 2019 First Special Session Laws, Chapter 9 includes \$996,000 for the FY 2020-21 biennium and thereafter for evaluation activities through the MMB Results First program.

2019 First Special Session Laws, Chapter 9 also directs that \$142 million be transferred in FY 2020-21 from the Premium Security Account to the General Fund.

Non General Fund Items

Health Care Access Fund

The table below summarizes the changes to the Health Care Access Fund. The most significant change was the permanent extension of the provider tax at 1.8 percent in the omnibus tax bill, 2019 First Special Session Laws, Chapter 6. Going into session, the existing 2 percent provider tax was scheduled to sunset on December 31, 2019. The extension of the provider tax at 1.8 percent will provide \$873 million in new revenue to the fund in FY 2020-21 and \$1.422 billion in new revenue in the FY 2022-23 biennium. Chapter 9 eliminated a FY 2019 transfer of \$50 million from the HCAF to the General Fund, as well as new expenditures to DHS and MDH as outlined in the chart below.

Health Care Access Fund Changes*					
(all dollars in thousands)					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
ISS Ch 9 - DHS Changes		147,961	426,815	678,727	852,655
ISS Ch 9 - MDH Changes		427	1,001	1,575	2,149
ISS Ch 10 - Legislature Changes		(128)	(128)	(128)	(128)
ISS Ch 6 - Taxes - New Revenue		(213,140)	(659,900)	(693,710)	(728,330)
ISS Ch 9 - Transfer Changes	50,000	0	0	122,000	294,000
Ending Balance After Changes	620,233	617,098	456,693	298,683	227,829

Specific expenditure and transfer changes to the Health Care Access Fund include:

- \$115 million in FY 2020-21 and \$72 million in FY 2022-23 in additional state costs for the Basic Health Plan (MinnesotaCare) from extending reinsurance due to loss of federal funding from lower insurance rates.
- \$35.2 million in FY 2020-21 and \$76.7 million in FY 2022-23 to pay for increasing provider rates 1.8 percent in public programs to eliminate provider impact.
- \$135 million per year ongoing in new Medical Assistance costs from the HCAF.
- \$4.3 million in FY 2020-21 and \$4.8 million in FY 2022-23 to comply with the federal outpatient drug rule.
- \$1.4 million in FY 2020-21 and \$1.8 million in FY 2022-23 for modernizing payments to safety net providers.
- \$450,000 per biennium ongoing for the Minnesota Health Access Survey.
- \$551,000 in FY 2020-21 and 698,000 in FY 2022-23 for the Department of Health operating adjustment.
- \$510,000 one-time in FY 2020-21 to operate a blue ribbon commission to find budget savings in HHS.
- \$122 million per year in transfers out to the General Fund beginning in FY 2022. The fund would not have had enough resources to make these transfers if the provider tax had sunset. With the continuation of the tax, the fund will be able to make these transfers as required by statute.

State Government Special Revenue Fund (SGSR)

For all agencies, Chapter 9 includes increased appropriations from the SGSR of \$7.4 million in FY2020-21 and \$6.7 million in FY 2021-22. At the Department of Health, there are new appropriations of \$3.835 million in FY2020-21 and 4.224 million in FY 2021-22. For the Health Related Boards, Chapter 9 includes new SGSR appropriations of \$3.569 million in FY 2020-21 and \$2.476 million in FY 2021-22.

In addition, the Vulnerable Adults bill, Chapter 60, includes SGSR appropriations increases at the Department of Health of \$2.838 million in FY 2020-21 and decreased SGSR spending of \$234,000 in FY 2022-23.

Temporary Assistance for Needy Families (TANF)

Two significant changes passed that have an impact on TANF funds. First, the omnibus tax bill, 2019 First Special Session Laws, Chapter 6, refinanced approximately \$24 million per year of the working family credit from TANF funds to the General Fund. Second, the omnibus HHS finance bill, 2019 First Special Session Laws, Chapter 9, increased the Minnesota Family Investment Program (MFIP) cash grant maximum by \$100 per month per household. This increased MFIP spending by the amount of the tax refinancing, \$3.9 million of additional TANF funding refinance out of the child care program and an additional \$7.9 million of General Fund spending.

Health Related Boards

The 16 health licensing boards are all fee supported through the SGSR and do not receive any General Fund support (with the one time exception of \$370,000 at the Board of Pharmacy to implement the new opioid fee). Chapter 9 appropriations from the SGSR funding the boards include the Governor's recommended operating adjustments for most of the boards, as well as for the Administrative Services Unit (ASU, housed at the Board of Nursing Home Administrators) and the Health Professional Services Program (housed at the Board of Medical Practice) for the FY 2020-21 biennium.. All other Governor's board recommendations for fee increases, retirement costs, AG costs, staffing, and IT enhancements were also funded. The Governor's recommendation for an opioid stewardship fee was not enacted as proposed and an initiative at the Board of Pharmacy to start a drug repository program that was not recommended by the Governor was enacted.

For more information on health and human services issues, contact Doug Berg, Fiscal Analyst, at 651-296-5346 or doug.berg@house.mn.

Higher Education

The 2019 higher education finance bill (Laws 2019, Chapter 64) includes total General Fund appropriations of \$3.405 billion for the Mayo Medical School and Family Practice Residency Program, the Minnesota State Colleges and Universities, the Office of Higher Education, and the University of Minnesota. A separate higher education finance bill (Laws 2019, Chapter 65) included an additional \$300,000 appropriation for the University of Minnesota. General Fund appropriations for both bills total \$3.406 billion. No changes were made to FY 2019 appropriations.

The enacted General Fund budget is \$150.3 million, or 4.6 percent, above the February 2019 forecast base funding levels for FY 2020-21 for these accounts in total. Compared to forecast spending in the prior biennium (FY 2018-19) this represents a General Fund increase of \$116.036 million, or 3.5 percent. The following table summarizes the Chapters 64 and 65 General Fund appropriations by account.

Higher Education						
Total General Fund Spending						
(all dollars in thousands)						
	Forecast Base	Enacted	Percentage Change	Percentage Change	Enacted	
FY 18-19 Forecast	FY 2020-21	FY 2020-21	vs. FY 2018-19 with Changes	Enacted vs. Base FY 2020-21	FY 2022-23	
Laws 2019 Chapter 65	0	0	300	N/A	N/A	300
Office of Higher Ed	524,630	513,016	538,016	2.6%	4.9%	535,546
Mayo Foundation	2,702	2,702	2,702	0.0%	0.0%	2,702
MN State Colleges and Universities	1,452,938	1,442,838	1,524,338	4.9%	5.6%	1,525,068
University of Minnesota	1,309,822	1,297,272	1,340,772	2.4%	3.4%	1,342,512
Net GF Total	3,290,092	3,255,828	3,406,128	3.5%	4.6%	3,406,128

Mayo Foundation

The Mayo Foundation receives a General Fund appropriation of \$2.702 million for the Medical School Capitation Grant program and the Family Practice Residency program. This is the full General Fund base level for FY 2020-21 and represents no change over the FY 2018-19 biennium.

Minnesota State Colleges and Universities (MnSCU)

For MnSCU, Chapter 64 appropriates a General Fund total of \$1.524 billion for the FY 2020-21 biennium. This represents an increase of \$82.230 million (5.6 percent) from the FY 2020-21 General Fund forecast base. Compared to forecast spending in the prior biennium (FY 2018-19), this represents a General Fund increase of \$71.400 million or 4.9 percent.

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

- University students at MnSCU campuses will see tuition increase no more than 3 percent in the 2019-20 academic year from the 2018-19 academic year level. Tuition increases in the 2020-21 academic year likewise may not exceed 3 percent.
- Biennial funding of \$64.5 million for general operations and maintenance costs in operating all colleges and universities.
- Annual funding of \$3 million in supplemental aid for non-metro colleges.
- Annual funding of \$8 million to upgrade the Integrated Statewide Record System utilized by the central administration and various MnSCU campuses.
- Annual funding of \$300,000 for transfer to the Cook County Higher Education Board for various higher education programmatic initiatives in northeast Minnesota. This represents a \$100,000 increase in the appropriation.
- Biennial funding of \$8 million for the Workforce Development Scholarship program targeted at high demand fields. \$250,000 is designated for the administration of the program.
- One-time funding of \$250,000 for mental health services.
- One-time funding of \$500,000 for the zero cost textbook program.
- One-time funding of \$1 million for skilled workforce partnerships, which help to address labor shortages in expanding fields.
- One-time funding of \$500,000 for the leveraged equipment program.

Office of Higher Education (OHE)

For OHE, Chapter 64 includes General Fund appropriations of \$538.016 million for the FY 2020-21 biennium. This represents an increase of \$25 million (4.9 percent) over the FY 2020-21 General Fund forecast base. Compared to forecast spending in the prior biennium (FY 2018-19) this represents a General Fund increase of \$13.386 million, or 2.6 percent.

New spending for OHE will be used for changes in eligibility for the state grant program. The cost of all the changes to the grant program in the FY 2020-21 biennium is \$18.162 million. The specifics of the state grant changes include the following:

- Sets the living and miscellaneous expense allowance equal to 106 percent of the federal poverty level.
- Reduces the Assigned Family Responsibility by two percent for all student types.

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

- \$8.904 million in annual funding for agency administration. \$750,000 represents additional funding for a college cost awareness campaign.
- Annual funding of \$250,000 for the summer academic enrichment program, a \$125,000 annual increase.

- Annual funding of \$1.782 million, a \$900,000 increase, for the statewide longitudinal educational data system.
- Annual funding of \$200,000 to establish a statewide student loan counseling program.
- Annual funding of \$269,000 for emergency assistance for postsecondary programs. This is a one-time increase of \$188,000 above the base.
- \$500,000 of annual funding for the College Possible program. This represents a \$250,000 increase above the base on an annual basis.
- Annual funding of \$1.250 million for the Grants to Teacher Candidates program. This represents a \$750,000 increase on an annual basis.

University of Minnesota (U of M)

For the U of M, Chapters 64 and 65 appropriate a General Fund total of \$1.341 billion for the FY 2020-21 biennium. This represents a General Fund increase of \$43.8 million (3.4 percent) from the FY 2020-21 General Fund forecast base. Compared to forecast spending in the prior biennium (FY 2018-19), this represents a General Fund increase of \$31.250 million or 2.4 percent.

The specifics of the appropriation changes noted above from Chapters 64 and 65 include the following:

- The legislature requests that the Board of Regents hold tuition increases to no more than three percent in each of the two upcoming academic years.
- \$150,000 in FY 2020 and FY 2021 to establish a rare disease council at the University of Minnesota Medical School. This funding originated from Laws 2019, Chapter 65.
- \$43.5 million in the FY 2021-21 biennium to address the general operations and maintenance of the University of Minnesota system.

If you have any questions on higher education finance issues, please contact Ken Savary, House Fiscal Analysis Department, at 651-296-7171 or ken.savary@house.mn.

Jobs, Economic Development, Energy, and Commerce

Chapter 7 of the First 2019 Special Legislative Session contains the FY 2020-21 appropriations for the jobs and economic development, energy, and commerce policy areas. Not including Broadband appropriations, which were appropriated to DEED but included in the Agriculture and Housing area, the Legislature approved \$299.531 million in direct and statutory appropriations from the General Fund, which represents a 7.2 percent increase over the General Fund base budget for FY 2020-21. Total General Fund revenue change for the biennium is \$10.17 million more than the forecasted base, resulting in the bill having a net General Fund impact of \$289.361 million, a 3.6 percent increase over base budget. Compared to the forecasted 2018-2019 spending for comparable policy areas, and not including reinsurance appropriations, which now would be tracked in the Health and Human Services area, the enacted budget is 0.8 percent lower with revenue changes.

Tables 1 and 2 summarize the General Fund changes enacted in the 2019 First Special Legislative Session. Table 1 shows the full Chapter 7 appropriations, as well as the percent change from base budget and the past biennium. It also includes the enacted base budget for fiscal years 2022-2023. Table 2 highlights change from base in dollar amounts for fiscal years 2020-2021 and fiscal years 2022-2023.

General Fund

Table 1 – Jobs, Economic Development, Energy, and Commerce						
Total General Fund Spending						
(Dollars in Thousands)						
	FY 18-19 Forecast	FY 20-21 Forecast Base	FY 20-21 Enacted	% Change: Enacted v. FY 18-19	% Change: Enacted v. Base	Enacted Base FY 22-23
Dept. Employment & Economic Development*	206,119	166,298	176,524	-14.4%	6.1%	169,052
Department of Labor & Industry	3,970	3,596	7,688	93.7%	113.8%	8,488
Bureau of Mediation Services	4,942	5,058	5,282	6.9%	4.4%	5,282
Department of Commerce – Chapter 7	46,819	46,568	51,596	10.2%	10.8%	51,780
Public Utilities Commission	14,942	14,986	15,586	4.3%	4.0%	15,586
Public Facilities Authority	900	0	0	-100.0%	0%	0
Dept. of Iron Range Resources & Rehabilitation	5,026	5,788	5,788	15.1%	0%	5,790
Destination Medical Center	8,975	37,067	37,067	313.0%	0%	55,004
General Fund Revenue Changes	0	0	10,170			19,580
Total General Fund Spending	291,693	279,361	289,361	-0.8%	3.6%	291,402

*Minus Broadband appropriations, which were appropriated to DEED but included in the Agriculture and Housing area.

Table 2 – Jobs, Economic Development, Energy, and Commerce						
(Dollars in Thousands)						
	FY2020	FY2021	FY20-21	FY2022	FY2023	FY22-23
General Fund Changes						
Chapter 7 Expenditure Changes						
Dept. Employment & Economic Development	7,888	2,338	10,226	1,377	1,377	2,754
Department of Labor & Industry	2,046	2,046	4,092	2,446	2,446	4,892
Bureau of Mediation Services	112	112	224	112	112	224
Department of Commerce	2,750	2,278	5,028	2,932	2,278	5,210
Public Utilities Commission	300	300	600	300	300	600
Public Facilities Authority	0	0	0	0	0	0
Dept. of Iron Range Resources & Rehabilitation	0	0	0	0	0	0
Destination Medical Center	0	0	0	0	0	0
Subtotal Expenditure Changes:	13,096	7,074	20,170	7,167	6,513	13,680
Chapter 7 Revenue Changes						
Dept. Employment & Economic Development	1,630	0	1,630	0	0	0
Department of Commerce	(1,550)	9,490	7,940	9,490	9,490	18,980
Public Utilities Commission	300	300	600	300	300	600
Subtotal Revenue Changes:	380	9,970	10,170	9,970	9,970	19,580
Net General Fund Changes:	12,716	(2,716)	10,000	(2,623)	(3,277)	(5,900)

Workforce Development Fund

A second significant funding source in the jobs and economic development policy area is the Workforce Development Fund. Revenue into this fund comes from a 0.1 percent assessment fee Minnesota employers pay on each employee's taxable wages (60 percent of the state's average annual wage, e.g. \$33,000 in 2018). Projected revenue into the fund for FY 2020-21 is \$121.269 million. The Legislature approved \$73.842 million in direct appropriations from the fund for FY 2020-21, which represents a 45.2 percent increase over the base budget of \$50.842 million. Money in the fund that is not directly appropriated by the Legislature is statutorily appropriated to the Department of Employment and Economic Development for the dislocated worker program. The 2015 Legislature amended this part of statute to include incumbent worker training as a possible use of the fund.

Table 3 summarizes Workforce Development Fund changes.

Table 3 – Jobs, Economic Development, Energy, and Commerce						
(Dollars in Thousands)						
	FY2020	FY2021	FY20-21	FY2022	FY2023	FY22-23
Workforce Development Fund Changes						
Chapter 7 Expenditure Changes						
<i>Change from Base</i>						
Dept. Employment & Economic Development	11,600	9,800	21,400	0	0	0
Department of Labor & Industry	800	800	1,600	0	0	0
Net Change from Base:	12,400	10,600	23,000	0	0	0
<i>Change from FY18-19</i>						
Dept. Employment & Economic Development	102	(2,420)	(2,318)	0	0	0
Department of Labor & Industry	1,329	180	1,509	0	0	0
Net Change from FY18-19:	1,431	(2,240)	(809)	0	0	0

Renewable Development Account

The Renewable Development Account (RDA), initially administered by Xcel Energy as the Renewable Development Fund, was transferred by statute to the state of Minnesota on July 1, 2017. The creation of this account was, in part, a response to the Office of the Legislative Auditor’s 2010 report regarding the RDF (<http://www.auditor.leg.state.mn.us/ped/2010/rdf.htm>). Chapter 7 included one funding change above base in FY 2019, which was an appropriation of \$150,000 to the Department of Commerce for a Cost-Benefit Analysis (CBA) on Energy Storage.

Table 4 shows the Renewable Development Account change, base funding, and projected account balance.

Table 4 – Jobs, Economic Development, Energy, and Commerce							
(Dollars in Thousands)							
	FY2019	FY2020	FY2021	FY20-21	FY2022	FY2023	FY22-23
Renewable Development Account							
Expenditures							
Made in MN Solar Incentive Payments	-	4,440	4,440	8,880	4,440	4,440	8,880
Made in MN Solar Admin	-	100	100	200	100	100	200
Third Party Evaluator	-	500	500	1,000	500	500	1,000
FY19 Energy Storage CBA	150	-	-	-	-	-	-
Subtotal Expenditures:	150	5,040	5,040	10,080	5,040	5,040	10,080
Revenue							
Transfer in from Xcel Energy	12,567	14,296	16,934	31,230	28,500	29,750	58,250
Investment Income	1,014	1,202	1,430	2,632	1,803	2,309	4,112
Subtotal Revenue:							
Account Balance before Expenditures and Revenue	43,367	56,798	67,256	67,256	80,580	105,843	105,843
Account Balance:	56,798	67,256	80,580	80,580	105,843	132,862	132,862

Department of Employment and Economic Development (DEED)

General Fund Changes

DEED's enacted General Fund budget for FY 2020-21 is \$176.524 million (see Table 1). The change represents a \$10.2 million or 6.1 percent increase from current law base. The funding base for the FY 22-23 biennium is \$169.052 million.

The Legislature approved the following increases to existing and new programs:

- \$2.5 million was appropriated in each FY 2020 and FY 2021 for Launch Minnesota, a new DEED program to encourage and support the development of new private sector technologies and support the science and technology policies under Minnesota Statutes, section 3.222 (H.F. 2449). These are onetime appropriations.
- The Hmong Chamber of Commerce received \$125,000 in FY 2020 and the same in FY 2021 for training business owners in better business practices. These are onetime appropriations.
- Rondo Community Land Trust received \$250,000 in FY 2020 for improvements to the Selby Milton Victoria Project that will create long-term affordable space for small and new businesses (H.F.2413). This is a onetime appropriation.

- \$750,000 was appropriated in FY 2020 to increase the supply of quality of quality child care providers to promote economic development. 60 percent of funds must go to areas outside of the 7-county metro area as defined under Minnesota Statute 473.121. This is a onetime appropriation.
- \$750,000 was appropriated in FY 2020 to the Minnesota Initiative Foundations for planning, investment, and support of quality child care to promote economic development. (H.F. 422). This is a onetime appropriation.
- Of the \$23.940 million appropriated to the Minnesota Investment Fund for the biennium, \$2 million in FY 2020 is for the Verso Paper Mill in Duluth (H.F. 1533). This is a onetime appropriation.
- \$700,000 was appropriated in FY 2020 for the Airport Infrastructure Renewal (AIR) grant program under Minnesota Statutes, section 116J.439, which was created in Chapter 7, article 2. This is a onetime appropriation.
- \$100,000 was appropriated in FY 2020 for a grant to FIRST in Upper Midwest to support competitive robotics teams. This is a onetime appropriation.
- \$188,000 was appropriated each year to AccessAbility to provide job skills training to individuals released from incarceration after a felony-level offense. These are onetime appropriations.
- The Vocational Rehabilitation Program received an increase of \$3.5 million each year for a total appropriation of \$28.6 million for the biennium (H.F. 2522).
- \$3 million in FY 2020 was appropriated to DEED for transfer to the commissioner of agriculture for financial assistance to eligible dairy farmers under the Dairy Assistance, Investment, & Relief Initiative. This is a onetime appropriation.

The legislature approved the following reductions to existing programs:

- The Minnesota Investment Fund was appropriated \$23.94 million for the biennium, a \$1.06 million reduction from the current law base. The base for FY 2022-23 is \$24.74 million, a reduction of \$260,000 from current law base.
- Pathways to Prosperity was appropriated \$2.188 million from the General Fund for the biennium, a \$5.890 million reduction from current law base. The program retained its Workforce Development Fund base funding of \$9.208 million for the biennium. The base for FY 2022-23 is \$5.092 million, a reduction of \$2.986 million from the current law base.
- The Capacity Building Grants in General Support Services received no funding, a reduction of \$1 million for the biennium from the current law base.

The Legislature approved the following revenue-generating policy:

- Article 2, section 7 approves a onetime exception to restrictions on the use of the Minnesota Investment Fund local government loan repayments. Any city, county, or town that has received funds awarded under Minnesota Statutes, section 116J.8731, may choose to transfer 20 percent of the balance of that money to the state General Fund before June 30, 2020 and then may use the remaining 80 percent of the uncommitted money as a general purpose aid for any lawful

expenditure. The estimated fiscal impact of this policy is \$1.630 million in additional revenue to the General Fund in FY 2020.

Workforce Development Fund Changes

The Legislature approved the following increases to existing and new programs:

- \$650,000 was appropriated each year to the Neighborhood Development Center for small business programs (H.F. 363/786). These are onetime appropriations.
- \$400,000 was appropriated each year to the Metropolitan Economic Development Association (MEDA) for statewide business development and assistance services, with an emphasis on serving minority-owned businesses (H.F. 2137). These are onetime appropriations.
- \$125,000 was appropriated each year to White Earth Nation for their Integrated Business Development System (H.F. 1989). These are onetime appropriations.
- \$450,000 was appropriated each year to Enterprise Minnesota, Inc. for the small business growth acceleration program under Minnesota Statutes, section 116O.115 (H.F. 2430). These are onetime appropriations.
- \$500,000 was appropriated each year to Youthprise to give grants to community organizations that enhance long-term economic self-sufficiency in communities with concentrated East African populations. To the extent possible, Youthprise must make at least 50 percent of these grants to organizations serving communities outside the seven-county metro area (H.F. 985). These are onetime appropriations.
- Propel Nonprofits (formerly the Nonprofits Assistance Fund) received an appropriation of \$250,000 each year (H.F. 2425). These are onetime appropriations.
- The Minnesota Grocer's Association received \$50,000 each year of the FY 2020-21 biennium for its "Carts to Careers" program. These are onetime appropriations.
- \$500,000 was appropriated each year to the American Indian Communities Opportunities Industrialization Center (H.F. 2408). These are onetime appropriations.
- \$250,000 was appropriated each year to EMERGE Community Development for services targeting Minnesota communities with the highest concentrations of African and African-American joblessness (H.F. 2567). These are onetime appropriations.
- \$400,000 was appropriated each year to the Minneapolis Foundation for a strategic intervention program designed to target and connect program participants to meaningful, sustainable living-wage employment (H.F. 2567). These are onetime appropriations.
- \$375,000 was appropriated each year to the Construction Careers Foundation for the construction career pathway initiative to provide educational and experiential learning opportunities for teens and young adults under the age of 21 that lead to careers in the construction industry (H.F. 2567). These are onetime appropriations.
- \$625,000 was appropriated each year to Latino Communities United in Service (CLUES) to expand culturally tailored programs that address employment and education skill gaps for working parents and underserved youth. At least 50 percent must be used for greater Minnesota (H.F. 1803). These are onetime appropriations.

- \$700,000 was appropriated each year to Twin Cities R!SE to provide job skills training for hard-to-train individuals (H.F. 851). These are onetime appropriations.
- \$100,000 was appropriated each year to Minnesota Diversified Industries, Inc. to provide progressive development and employment opportunities for people with disabilities (H.F. 620). These are onetime appropriations.
- \$875,000 was appropriated each year to the Minnesota High Tech Association to support SciTechsperience, a program that supports STEM internship opportunities for students. At least 200 students must be matched in the first year and 200 in the second year. No more than 15 percent of the hires may be graduate students. Companies shall receive from the grant 50 percent of the wages paid to the intern, capped at \$2,500 per intern. The program must work toward increasing the participation among women or other underserved populations (H.F. 955). These are onetime appropriations.
- \$250,000 was appropriated each year to Bridges to Healthcare to provide career education, wraparound support services, and job skills training in high-demand health care fields to low-income parents, nonnative speakers of English, and other hard-to-train individuals (H.F. 63). These are onetime appropriations.
- \$250,000 was appropriated each year to Avivo (formerly Resource, Inc.) to provide low-income individuals with career education and job skills training that is fully integrated with chemical and mental health services (H.F. 605). These are onetime appropriations.
- \$150,000 was appropriated each year to Better Futures Minnesota to provide job skills training to individuals who have been recently released from incarceration for a felony-level offense (H.F. 678). These are onetime appropriations.
- \$500,000 was appropriated each year to the Hmong American Partnership for services targeting Minnesota communities with the highest concentrations of Southeast Asian joblessness to provide employment readiness training, credentialed training placement, job placement and retention services, supportive services for hard-to-employ individuals, and a GED fast track and adult diploma program (H.F. 2208). These are onetime appropriations.
- \$100,000 was appropriated each year for displaced homemaker programs under Minnesota Statutes, section 116L.96 (H.F. 1012). These are onetime appropriations.
- \$1 million was appropriated each year to Summit Academy OIC to expand their contextualized GED and employment placement program and STEM program (H.F. 1505). These are onetime appropriations.
- \$250,000 was appropriated each year to Big Brothers Big Sisters of the Greater Twin Cities for workforce readiness, employment exploration, and skills development for youth ages 12 to 21 (H.F. 954). These are onetime appropriations.
- \$500,000 was appropriated each year to Ujamaa Place for job training, employment preparation, internships, education, training in vocational trades, housing, and organizational capacity building (H.F. 1155). These are onetime appropriations.
- \$125,000 was appropriated each year to grant to the YWCA of Minneapolis to provide economically challenged individuals the jobs skills training, career counseling, and job placement assistance necessary to secure a child development associate credential (H.F. 1594). These are onetime appropriations.

- \$125,000 was appropriated each year to the YWCA of St. Paul to provide job training services and workforce development programs and services (H.F. 1932). These are onetime appropriations.
- \$150,000 was appropriated each year to the Regional Center for Entrepreneurial Facilitation. Funds must be used to provide entrepreneur and small business development and direct professional business assistance services in these counties: Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Watonwan, and Waseca (H.F. 2151). These are onetime appropriations.
- \$150,000 was appropriated each year to Hennepin County for the Cedar Riverside Partnership (H.F. 2120). These are onetime appropriations.
- \$1.8 million was appropriated in FY 2020 from the Workforce Development Fund for grants to programs that provide employment support services to persons with mental illness under Minnesota Statutes, sections 268A.13 and 268A.14. This onetime appropriation is available until June 30, 2023, and may be used to expand existing programs or expand geographically. The program also retained its General Fund base funding of \$2,555,000 each year.

Department of Labor and Industry (DLI)

DLI's enacted General Fund budget for FY 2020-21 is \$7.688 million (see Table 1). The change represents a \$4.092 million or 113.8 percent increase from current law base. The funding base for the FY 22-23 biennium is \$8.488 million.

General Fund Changes

The Legislature approved the following increases to existing and new programs:

- The Wage Theft Prevention Initiative received an increase of \$1.546 million in both FY 2020 and FY 2021. It received a total appropriation of \$4.092 million for the biennium.
- DLI received \$500,000 each year of the FY 2020-21 biennium for IT system upgrades. The base amount for FY 2022-23 was set at \$1.8 million for the biennium.

Workforce Development Fund Changes

The Legislature approved the following increases to existing and new programs:

- \$200,000 in FY 2020 and the same in FY 2021 was appropriated for grants to the Construction Careers Foundation for the Helmets to Hard Hats Minnesota initiative. These are onetime appropriations.
- The youth skills training program under Minnesota Statute 175.46 received an increase of \$600,000 for current base law in FY 2020 and FY 2021 for a total appropriation of \$2.2 million for the biennium. Of this amount, \$100,000 each year is for administration of the program.

Other Fund Changes

The Legislature approved the following increases to existing and new programs:

- \$3 million in FY 2020 was appropriated from the Workers' Compensation Fund for workers' compensation system upgrades. This is a onetime appropriation.
- The commissioner of labor and industry was authorized to conduct a statewide consumer awareness campaign highlighting the importance of hiring licensed contractors and the consequences of hiring unlicensed contractors, for which the commissioner may spend up to \$500,000 in FY 2020 and the same in FY 2021 from the Contractor Recovery Fund. These are onetime allowances from the Contractor Recovery Fund.

Bureau of Mediation Services (BMS)

The BMS' enacted General Fund budget for FY 2020-21 is \$5.282 million (see Table 1). The change represents a \$224,000 or 4.4 percent increase from current law base. The funding base for the FY 22-23 biennium is also \$5.282 million.

- The BMS received a General Fund operating increase of \$224,000 for the FY 2020-21 biennium.

Department of Commerce

The Commerce Department's enacted General Fund budget for FY 2020-21 is \$51.596 million (see Table 1). The change represents a \$5.028 million or 10.8 percent increase from current law base. The funding base for the FY 22-23 biennium is \$51.780 million.

General Fund Changes

The Legislature approved the following increases to existing and new programs:

- The Energy Resources Division received a \$138,000 operating increase for the FY 2020-21 biennium and a \$208,000 operating increase for the FY 2022-23 biennium.
- \$417,000 was appropriated in FY 2020 for litigation expenses incurred from the North Dakota v. Heydinger case.
- The Telecommunications Division received a \$46,000 operating increase for the FY 2020-21 biennium and a \$76,000 operating increase for the FY 2022-23 biennium.
- The Administrative Services Division received an \$82,000 operating increase for the FY 2020-21 biennium and a \$154,000 operating increase for the FY 2022-23 biennium.
- \$760,000 was appropriated in FY 2020 for the litigation expenses incurred from the Safelite Group, Inc. and Safelite Solutions LLC v. MN Department of Commerce case.
- \$208,000 was appropriated in FY 2021 for IT system modernization. In fiscal year 2022, the base amount is \$832,000, and in fiscal year 2023, the base amount is \$208,000. The base amount in fiscal year 2024 and beyond is \$0.
- \$230,000 in FY 2020 and \$564,000 in FY 2021 were appropriated for additional operations of the unclaimed property program. The base for FY 2022 and beyond is \$564,000.
- \$475,000 in FY 2020 and \$350,000 in FY 2021 were appropriated for system modernization and cybersecurity upgrades for the unclaimed property program.

- \$5,000 each year was appropriated for the Real Estate Advisory Board compensation pursuant to Minnesota Statutes, section 82B.073, subdivision 2a.
- The Enforcement/Market Assurance Division received a \$1.406 million operating increase for the FY 2020-21 biennium and a \$1.496 million operating increase for the FY 2022-23 biennium.
- The Insurance Division received a \$1.218 million operating increase for the FY 2020-21 biennium and a \$1.274 million operating increase for the FY 2022-23 biennium.
- \$30,000 was appropriated in FY 2020 for the National Council of Insurance Legislators membership. The base for this appropriation is \$0 for FY 2021, \$30,000 for FY 2022, and \$0 for FY 2023 and beyond.

The Legislature approved the following revenue-related policies:

- Articles 1 and 10 include appropriation and policy changes to the unclaimed/abandoned property program, which current estimates indicate will result in revenues of \$11.04 million in FY 2020-21 and \$22.08 million in FY 2022-23.
- Article 10 amends M.S. 345.41 to require “a description of the property, including whether the property is interest-bearing, and, if so, the rate of interest.” It also repeals M.S. 345.45 and creates M.S. 345.451 in order to comply with the Hall v. State of Minnesota ruling. Current estimates indicate that this change will result in a \$2 million revenue reduction for the FY 2020-21 biennium.
- Article 10 also includes language redirecting certain Commerce-related earnings away from the General Fund and to the financial institutions account in M.S. 46.131, subdivision 11. The Financial Institutions Division of Commerce now draws its operating budget from this account as opposed to a direct appropriation. This is estimated to result in a -\$1.1 million revenue impact on the General Fund. The financial institutions account (a Special Revenue Fund account) is estimated to increase by \$1.1 million, and the spending authority of this \$1.1 million lies with the Financial Institutions Division of the Commerce Department.

The Legislature approved the following reductions to existing programs:

- The Financial Institutions Division was appropriated \$0 for operating costs, a reduction of \$840,000 from current law base. It now may draw its operating budget from the Financial Institutions Account mentioned above.
- The Administrative Services Division received \$0 for MNVest Rulemaking, a decrease of \$66,000 for the FY2020-21 biennium. Rulemaking for MNVest was deemed complete, making the appropriation unnecessary.

Other Fund Changes

- The legislature appropriated a \$900,000 operating increase for the FY 2020-21 biennium to the Commission of Deaf, DeafBlind, and Hard-of-Hearing Minnesotans from the Telecommunications Access Minnesota (TAM) Fund.
- In article 11, section 6, the Energy Resources Division was authorized to revive and reenact its utility grid reliability assessment (M.S. 216B.623b), which allows it to assess and spend “up to

\$500,000 per fiscal year” for performing its regional and national duties (operating costs). This authorization sunsets June 30, 2021.

Public Utilities Commission (PUC)

The PUC’s enacted General Fund budget for FY 2020-21 is \$15.586 million (see Table 1), with the same in the tails. The change represents a \$600,000 or 4.0 percent increase from current law base. The funding base for the FY 22-23 biennium is also \$15.586 million.

The Legislature approved the following increase:

- The PUC received a General Fund operating increase of \$600,000 for the FY 2020-21 biennium in order to “enhance the commission's decision-making capability” with additional FTEs. The PUC will assess an additional \$600,000 for the FY 2020-21 biennium so that the net General Fund impact is \$0.

Workers’ Compensation Court of Appeals

The Workers’ Compensation Court of Appeals’ enacted budget from the Workers’ Compensation Fund is \$4.505 million for FY20-21 with \$4.566 million in the tails. These values reflect an operating increase from the Worker’s Compensation Fund of \$601,000 for the FY 2020-21 biennium and \$662,000 for the FY 2022-23 biennium.

Department of Iron Range Resources & Rehabilitation (IRRR)

The IRRR’s statutory General Fund appropriation for FY 2020-21 is \$5.788 million (see Table 1). This amount reflects no change from FY 2020-21 base funding but a \$762,000 or 15.1 percent increase from the FY 2018-19 statutory appropriation. This appropriation is for pass-through grants to Iron Range counties and school districts.

Destination Medical Center (DMC)

The DMC’s statutory General Fund appropriation for FY 2020-21 is estimated to be \$37.067 million (see Table 1). This amount reflects no change from FY 2020-21 base funding but a \$28.092 million or 313.0 percent increase from the FY 2018-19 statutory appropriation.

For additional information on Jobs, Economic Development, Energy, and Commerce Finance issues, contact Solveig Beckel, Fiscal Analyst, at 651-296-4162 or solveig.beckel@house.mn.

Legacy Finance

Laws 2019, First Special Session, Chapter 2 appropriates \$529.561 million in FY 2020-21 from the four funds established under the constitutional amendment passed by voters in November 2008. The total appropriations by fund and fiscal year are shown below. Each of the four funds maintained a five percent reserve based on the February 2019 forecast.

<i>First Special Session Laws 2019, Chapter 2</i>			
Clean Water, Land, and Legacy Constitutional Amendment			
<i>(Dollars in thousands)</i>			
	FY 2020	FY 2021	Total
Outdoor Heritage Fund	\$ 127,127	\$ 565	\$ 127,692
Clean Water Fund	134,518	126,743	261,261
Parks & Trails Fund	50,052	51,205	101,257
Arts & Cultural Heritage Fund	69,254	70,518	139,772
Total	\$380,951	\$249,031	\$629,982

Outdoor Heritage Fund

Chapter 2 provided appropriations totaling \$127.692 million from the Outdoor Heritage Fund. The appropriations fall into five categories consistent with the constitutional language creating the fund.

- | | | |
|-------------------------------------|---------------|-------|
| • <i>Prairies</i> | \$ 38,303,000 | 30.0% |
| • <i>Forests</i> | \$ 17,032,000 | 13.3% |
| • <i>Wetlands</i> | \$ 20,753,000 | 16.3% |
| • <i>Habitat</i> | \$ 50,119,000 | 39.2% |
| • <i>Administration & Other</i> | \$1,485,000 | 1.2% |

The following table shows the legislative appropriations by agency, category, and project description. The Outdoor Heritage Fund is the only fund out of the four funds that makes appropriations one year at a time. Appropriations for FY 2021 will be made by the 2020 Legislature. The legislature receives recommendations from the Lessard-Sams Outdoor Heritage Council and will receive FY 2021 recommendations by January of 2020. The administration budget for the second year is appropriated for FY 2021; typically this is the only appropriation in the second year.

Outdoor Heritage Fund	MN Laws 2019, 1st SS Chapter 2		
	FY 2020	FY 2021	FY20-21
Subd. 2 Prairies			
DNR WMA and SNA Acquisition, Phase XI	2,519	-	2,519
Accelerating the WMA Program, Phase XI	6,060	-	6,060
Minnesota Prairie Recovery Project, Phase IX	3,058	-	3,058
Northern Tallgrass Prairie NWR Land Acquisition, Phase X	2,383	-	2,383
Lower Wild Rice Corridor Habitat Restoration, Phase II	225	-	225
Lower Wild Rice Corridor Habitat Restoration, Phase II	2,750	-	2,750
Martin County DNR WMA Acquisition, Phase III	3,650	-	3,650
RIM Grasslands Reserve	2,276	-	2,276
Prairie Chicken Habitat Partnership of Southern Red River Valley, Phase V	2,558	-	2,558
DNR Grassland Enhancemnet, Phase XI	8,861	-	8,861
Anoka Sandplain Habitat Restoration and Enhancement, Phase VI	2,573	-	2,573
Fairmont Chain of Lakes Habitat Restoration Plan, Phase I	1,390	-	1,390
Subtotal	38,303	-	38,303
Subd. 3 Forests			
Protecting Strategic Forestlands Near Camp Ripley Partnership, VIII	3,348	-	3,348
Southeast Minnesota Protection and Restoration, Phase VII	5,741	-	5,741
Minnesota Forests for the Future, Phase VII	4,573	-	4,573
Mississippi River Floodplain Forest Enhancement, Phase III	1,357	-	1,357
Enhance Public Land Open Landscapes, Phase I	955	-	955
Minnesota Forest Recovery Project, Phase I	1,058	-	1,058
Subtotal	17,032	-	17,032
Subd. 4 Wetlands			
Accelerating the Waterfowl Production Area Acquisition Program, Phase XI	5,631	-	5,631
Shallow Lake and Wetland Protection Program, Phase VIII	6,150	-	6,150
Wetland Habitat Protection Program, Phase IV	2,129	-	2,129
Wild Rice Shoreland Protection, Phase VI	937	-	937
Wild Rice Shoreland Protection, Phase VI	250	-	250
Shallow Lakes and Wetlands Enhancements, Phase XI	3,541	-	3,541
Restoration of Non-Native Cattail Dominated Wetlands in Border Waters	1,270	-	1,270
Big Rice Lake Wild Rice Enhancement	845	-	845
Subtotal	20,753	-	20,753
Chart continued on next page			

Subd. 5 Habitats			
St. Croix Watershed Habitat Protection and Restoration, Phase I	3,751	-	3,751
Metro Big Rivers, Phase IX	4,163	-	4,163
Dakota County Habitat Protection/Restoration, Phase VII	3,516	-	3,516
Fisheries Habitat Protection on Strategic North Central Minnesota Lakes, Phase V	3,365	-	3,365
Sauk River Watershed Habitat Protection and Restoration	2,946	-	2,946
Minnesota Trout Unlimited Coldwater Fish Habitat Enhancement and Restoration, Phase I	2,359	-	2,359
DNR Aquatic Habitat Restoration and Enhancement, Phase II	3,208	-	3,208
St. Louis River Restoration Initiative, Phase VI	3,777	-	3,777
Knife River Habitat Rehabilitation, Phase IV	891	-	891
Shell Rock River Watershed Habitat Restoration Program, Phase VIII	2,046	-	2,046
Pine River Fish Passage Project	1,246	-	1,246
Sauk River Dam Fish Passage	737	-	737
Restoration of Norway Brook Connectivity to Pine River	2,267	-	2,267
Pig's Eye Lake Islands Habitat Restoration and Enhancement	4,337	-	4,337
Restoring the Upper Mississippi River at Lake Pepin	750	-	750
Conservation Partners Legacy Grant Program: Statewide and Metro Habitat, Phase XI	10,760	-	10,760
Metro Habitat	[3,000]	-	[3,000]
Personnel Costs	[445]	-	[445]
Subtotal	50,119	-	50,119
Subd. 6 Administration			
Contract Management	210	-	210
Legislative Coordination Commission (LSOHC Budget)	555	560	1,115
Technical Evaluation Panel	150	-	150
Legacy Website	5	5	10
Subtotal	920	565	1,485
TOTAL	127,127	565	127,692

Adjusted Carryforward	16,016	5,670	
Revenues	113,409	117,736	
Investment income	3,372	3,372	
Recommendations	127,127	565	127,692
Balance	5,670	126,213	
Percent Reserve	5.00%	107.20%	
Amount Needed For 5% Reserve	5,670	5,887	
Difference From 5% Reserve	(0)	120,326	

Based on February 2019 Consolidated Fund Statement

Clean Water Fund

The 2019 Legislature appropriated \$134.518 million in FY 2020 and \$126.743 million in FY 2021 from the Clean Water Fund. A number of changes were made to the recommendations presented by the Governor and the Clean Water Council. The changes that were made helped to accommodate one large appropriation that was made to soil and water conservation districts in the amount of \$12 million per year. This appropriation was not in the recommendations of the Governor or the Clean Water Council. The appropriations by agencies and programs are summarized in the table.

Clean Water Fund	MN Laws 2019, 1st SS Chapter 2		
	FY 2020	FY 2021	FY20-21
Department of Agriculture			
Monitoring for Pesticides in Surface Water and Groundwater	350	350	700
Nitrate in Groundwater	2,585	2,585	5,170
AgBMP Loan Program	75	75	150
Technical Assistance	1,500	1,500	3,000
Academic Research/Evaluation	-	-	-
Research Inventory Database	50	50	100
MN Agricultural Water Quality Certification Program	3,000	3,000	6,000
Irrigation Water Quality Protection	150	150	300
Forever Green Agriculture Initiative	2,300	2,000	4,300
Pesticide Testing of Private Wells	1,000	1,000	2,000
Vegetative Cover and Soil Health	-	-	-
Subtotal	11,010	10,710	21,720
Public Facilities Authority			
Point Source Implementation Grants	10,000	8,000	18,000
Small Community Wastewater Treatment Program	125	125	250
Subtotal	10,125	8,125	18,250
Pollution Control Agency			
Continue river and lake monitoring & assessment efforts to meet the 10-year cycle and determine pollutant	8,150	8,150	16,300
Red River Water Management Board (Riverwatch Program)	[150]	[150]	[300]
Watershed Restoration and Protection Strategies (includes TMDL development)	7,550	7,550	15,100
Groundwater Assessment	1,182	1,182	2,364
Great Lakes Restoration Project	750	750	1,500
Wastewater/Storm water (NPDES) TMDL Implementation	900	900	1,800
Enhanced County Inspections/SSTS Corrective Actions	3,375	3,375	6,750
Accelerated Implementation of Municipal Storm water (MS4) Permit Requirements	200	200	400
National Park Water Quality Protection Program *	775	775	1,550
Chloride Reduction Program	250	250	500
Public Information Campaign*	-	-	-
Clean Water Council Budget	110	110	220
Subtotal	23,242	23,242	46,484
Department of Natural Resources			
Stream Flow Monitoring	2,000	2,000	4,000
Lake IBI assessment	1,250	1,250	2,500
Fish Contamination Assessment	135	135	270
Watershed Restoration and Protection Strategies	1,900	1,900	3,800
Aquifer Monitoring for Water Supply Planning	2,075	2,075	4,150
Nonpoint Source Restoration and Protection Activities	1,000	1,000	2,000
Applied Research and Tools	700	700	1,400
County Geologic Atlases	150	150	300
Buffer Map Maintenance	100	100	200
Color Infrared Imagery Analysis	-	-	-
Forests for the Future	-	-	-
Subtotal	9,310	9,310	18,620
Chart continued on next page			

Board of Water and Soil Resources			
Grants to Watersheds with Multiyear Plans (Targeted Watershed Program)	13,591	13,375	26,966
Surface and Drinking Water Protection/Restoration Grants (Projects and Practices)	16,000	16,000	32,000
Accelerated Implementation	4,000	4,000	8,000
Measures, Results and Accountability	1,000	1,000	2,000
Shoreland Buffer Compliance Program	2,500	2,500	5,000
Riparian Buffer-Permanent Conservation Easements	4,750	4,750	9,500
Targeted Wellhead/Drinking Water Protection	2,000	2,000	4,000
Technical Evaluation	84	84	168
One Watershed One Plan Planning (Water Management Transition)	2,000	2,000	4,000
Conservation Drainage Management and Assistance	850	850	1,700
Conservation Reserve Enhancement Program (CREP)	11,250	6,000	17,250
Critical Shore land Protection-Permanent Conservation Easements	1,500	1,500	3,000
Tillage and Erosion Transects	425	425	850
Water Legacy Grants Program	-	-	-
Enhancing Landowner Adoption of Cover Crops	-	-	-
SWCD Administration Grants	12,000	12,000	24,000
Statewide Watershed Monitoring Activities in Schools	-	-	-
Subtotal	71,950	66,484	138,434
Minnesota Department of Health			
Drinking Water Contaminants of Emerging Concern Program	1,700	1,700	3,400
Source Water Protection	2,747	2,747	5,494
Well Sealing Cost Share	-	-	-
Groundwater Restoration and Protection Strategies	550	550	1,100
Private Well Water Supply Protection	750	750	1,500
Groundwater Virus Monitoring Plan	250	250	500
Drinking Water Protection	250	250	500
Water Reuse	250	250	500
Subtotal	6,497	6,497	12,994
Metropolitan Council			
Metropolitan Area Water Supply Sustainability Support	1,000	1,000	2,000
Water Demand Reduction Grant Program Pilot	375	375	750
Inflow and Infiltration Grant Program	-	-	-
Subtotal	1,375	1,375	2,750
University of Minnesota			
County Geologic Atlases*	250	250	500
Storm water BMP Performance Evaluation and Technology Transfer*	750	750	1,500
Clean Water Return on Investment Pilot*	-	-	-
Carp Management*	-	-	-
Subtotal	1,000	1,000	2,000
Legislative Coordinating Commission			
Legislative Coordinating Commission*	9	-	9
Subtotal	9	-	9
TOTAL	134,518	126,743	261,261
<i>*intended to be part of the Governor's Recommendations but not included in budget documents</i>			
Adjusted Carryforward	32,363	13,074	
Revenues	113,409	117,736	
Investment income	1,820	1,820	
Recommendations	134,518	126,743	261,261
Balance	13,074	5,887	
Percent Reserve	11.53%	5.00%	
Amount Needed For 5% Reserve	5,670	5,887	
Difference From 5% Reserve	7,404	0	
<i>Based on February 2019 Consolidated Fund Statement</i>			

Parks and Trails Fund

The 2019 Legislature appropriated \$50.052 million in FY 2020 and \$51.205 million in FY 2021 from the Parks and Trails Fund. The appropriation followed a split of 40 percent for the state parks and trails, 40 percent for the metropolitan parks and trails, and 20 percent for the greater Minnesota regional parks and trails. Prior to the percent allocations listed above, \$500,000 the first year and \$512,000 the second year were appropriated for collaboration among the three partners. The respective fiscal year appropriations by agencies and programs are summarized in the following table.

Parks and Trails Fund	MN Laws 2019, 1st SS Chapter 2		
	FY 2020	FY 2021	FY20-21
Department of Natural Resources			
State Park Trails and Recreation Areas	19,819	20,277	40,096
Grants to Parks and Trails of Regional and Statewide Significance Outside the Metro	9,910	10,139	20,049
Great Minnesota Regional Parks and Trails Commission	[446]	[456]	[902]
Parks and Trails Collaboration Among Partners	500	512	1,012
Subtotal	30,229	30,928	61,157
Metropolitan Council			
Distributed to Implementation Agencies by Minnesota Statute 85.53, Subd. 3	19,819	20,277	40,096
Subtotal	19,819	20,277	40,096
Legislative Coordinating Commission			
Legislative Coordinating Commission Website	4	-	4
Subtotal	4	-	4
TOTAL	50,052	51,205	101,257
Adjusted Carryforward	3,076	2,452	
Revenues	48,972	50,841	
Investment income	456	456	
Appropriations	<u>50,052</u>	<u>51,205</u>	
Balance	2,452	2,544	
Percent Reserve	5.01%	5.00%	
Amount Needed For 5% Reserve	2,449	2,542	
Difference From 5% Reserve	3	2	
<i>Based on February 2019 Consolidated Fund Statement</i>			

Arts and Cultural Heritage Fund

The legislature appropriated \$139.772 million from the Arts and Cultural Heritage Fund for programs throughout the state. As required by statute, 47 percent of the spending from the fund must be appropriated for projects through the Minnesota State Arts Board which received \$65.650 million for grants and programs. The balance of the funds were provided to other agencies to promote cultural and educational programs, and to assist in financing public broadcasting. The allocations are provided in the table below.

Arts & Cultural Heritage Fund	MN Laws 2019, 1st SS Chapter 2		
	FY 2020	FY 2021	FY20-21
MN State Arts Board			
Arts and Arts Access Initiatives	26,000	26,600	52,600
Arts Education	4,900	4,950	9,850
Arts & Cultural Heritage	1,600	1,600	3,200
Subtotal	32,500	33,150	65,650
MN Historical Society			
Statewide Historic and Cultural Grants	5,846	7,004	12,850
Women's Suffrage Commemoration Commission	-	-	-
Statewide History Programs	5,846	7,004	12,850
Legacy Book for Elementary School Students	[250]	[250]	[500]
Development of Second 10-Year Plan	-	-	
History Partnerships	2,500	2,500	5,000
Statewide Survey of Historical and Archaeological Sites	500	500	1,000
Digital Library	375	375	750
Grants			
Litchfield Opera House	-	-	-
MN Military Museum	200	-	200
Gen John Vessey Catalog	115		115
Isanti Co. Moody School & Grandy Union Church	40		40
Grindstone River Dam at Hinckley, Grant to DNR to Maintain History	150		150
Subtotal	15,572	17,383	32,955
MN Department of Education			
Regional Public Libraries	2,550	2,550	5,100
Water Safety Grant Program	50	50	100
Subtotal	2,600	2,600	5,200
Department of Administration			
Minnesota Public Radio	1,700	1,775	3,475
AMPERS Public Radio	1,775	1,700	3,475
Veterans Voices Korean War	[75]		[75]
Minnesota Public Television	4,895	4,025	8,920
Twin Cities Public Television, MN Journey	[950]		[950]
Wilderness Inquiry Canoemobile	375	375	750
Como Zoo	1,350	1,350	2,700
Science Museum of Minnesota	650	650	1,300
Lake Superior Center & Great Lakes Aquarium	75	75	150
Lake Superior Zoo	75	75	150
Midwest Outdoors Unlimited	25	25	50
Phalen Park China Garden	400	-	400
Green Giant Museum	141	-	141
Martin County Veterans Memorial	100		100
Subtotal	11,561	10,050	21,611
Minnesota Zoo			
Zoo Programs	1,750	1,750	3,500
Subtotal	1,750	1,750	3,500

Chart continued on next page

Minnesota Humanities Center			
Humanities Center Programs	1,000	1,100	2,100
Fiscal Agent			
Minnesota Children's Museum	525	525	1,050
Rochester STEM - MN Children's Museum	50	50	100
Duluth Children's Museum	-	-	-
Grand Rapids Children's Museum			-
Southern Minnesota Children's Museum			-
Great River Children's Museum			-
Wheel and Cog Children's Museum			-
Region 5 Children's Museum			-
Children Museums Startup and Expansion Grants	625	625	1,250
American Indian Legacy Grant Program			-
Hmong Cultural Events and Programming Grants			-
Somali Community and Museum Cultural Grants			-
Community Identity and Heritage Grants	850	850	1,700
Hmong Heritage Grants	[250]		[250]
Somali Heritage Grants	[250]		[250]
Civic Education Competitive Grants	100	100	200
Subtotal	3,150	3,250	6,400
Indian Affairs Council			
Grants to MN Tribal Nations to preserve Dakota & Ojibwe languages	600	660	1,260
Dakota & Ojibwe Indian Language Immersion Educational Institutions	345	445	790
Dakota & Ojibwe Indian Educational and Immersion Efforts	600	660	1,260
Dakota & Ojibwe Indian Language Working Group	50	50	100
Protection of Indian Graves - Duties under Public Law 101-601	70	70	140
Subtotal	1,665	1,885	3,550
University of Minnesota Board of Regents			
Bell Museum of Natural History	50	50	100
Subtotal	50	50	100
Department of Agriculture			
County Fair Grants	400	400	800
Subtotal	400	400	800
Legislative Coordinating Commission			
Legislative Coordinating Commission*	6	-	6
Subtotal	6	-	6
TOTAL	69,254	70,518	139,772
<i>*intended to be part of the Governor's Recommendations but not included in budget documents</i>			
Adjusted Carryforward	4,590	3,394	
Revenues	67,874	70,463	
Investment income	184	184	
Recommendations	69,254	70,518	139,772
Balance	3,394	3,523	
Percent Reserve	5.00%	5.00%	
Amount Needed For 5% Reserve	3,394	3,523	
Difference From 5% Reserve	0	(0)	
<i>Based on February 2019 Consolidated Fund Statement</i>			

For additional information on the Outdoor Heritage Fund, Clean Water Fund, and Parks and Trails Fund, contact Brad Hagemeyer, Fiscal Analyst, at 651-296-7165 or at brad.hagemeyer@house.mn.

For additional information on the Arts & Cultural Heritage Fund, contact Helen Roberts, Fiscal Analyst, at 651-296-4117 or helen.roberts@house.mn.

Public Safety and Judiciary Finance

Public Safety and Judiciary Finance

Laws 2019 First Special Session, Chapter 5 included an increase of \$123.6 million over forecast base to programs in the Public Safety and Judiciary area of the state budget. The legislation sets budgets for several agencies for the FY 2020-21 biennium which begins July 1, 2019. Because of the committee structure in the House, this issue area comprises two different finance committees, and the increased spending was divided between a \$65.7 million increase for agencies in the Judiciary Finance and Civil Law committee and a \$57.9 million increase for agencies in the Public Safety and Criminal Justice Reform committee. The summaries below detail the budget priorities of the conference committee and policy changes made by the omnibus bill. All appropriations are from the General Fund unless otherwise indicated.

Public Safety and Judiciary Finance Total General Fund Spending (all dollars in thousands)							
	Changes 2019	FY 18-19 Forecast plus changes	Forecast Base FY 2020-21	Enacted FY 2020-21	Percentage Change: Enacted FY 2020-21 vs. FY 2018-19 with Changes	Percentage Change: Enacted Enacted FY 2020-21	Enacted Base FY 2022-23
Supreme Court		105,535	107,166	113,862	7.9%	6.2%	113,004
Court of Appeals		24,957	25,056	25,944	4.0%	3.5%	26,326
District Courts		590,330	599,432	626,204	6.1%	4.5%	634,404
Guardian Ad Litem		32,906	33,568	43,386	31.8%	29.2%	44,000
Tax Court		3,358	3,364	3,615	7.7%	7.5%	3,616
Sentencing Guidelines Commission		1,325	1,342	1,366	3.1%	1.8%	1,374
Uniform Laws Commission		186	186	196	5.4%	5.4%	196
Judicial Standards Board		1,250	978	1,044	-16.5%	6.7%	1,018
Board of Public Defense		175,382	177,272	197,552	12.6%	11.4%	202,356
Human Rights		8,980	9,190	10,042	11.8%	9.3%	10,262
Private Detectives Board		383	384	554	44.6%	44.3%	554
POST Board		12,000	12,000	20,692	72.4%	72.4%	8,692
Department of Corrections	9,200	1,171,358	1,188,202	1,235,723	5.5%	4.0%	1,263,384
Department of Public Safety	1,696	208,100	208,830	209,394	0.6%	0.3%	207,944
Transfer to Disaster Contingency Account	10,000	20,000		20,000			0
Transfer to Community Justice Account		922	922	922			922
Net GF Total	20,896	2,356,972	2,367,892	2,510,496	6.5%	6.0%	2,518,052

Judiciary Finance and Civil Law Committee

Supreme Court

Funding for the Supreme Court was increased by \$4.6 million for the biennium, most of which will be used for employee compensation increases and health insurance costs. Employees will receive a 2.5 percent increase in each year of the biennium. In addition to personnel costs, the court received \$750,000 for additional information technology security resources.

An additional \$1 million annual increase was provided to Civil Legal Services to hire additional staff and reduce caseloads for those assisting the indigent with legal issues.

Court of Appeals

The Court of Appeals staff and judges received the same budgetary increase for salary as the Supreme Court. Employees and judges will receive a 2.5 percent increase in each year of the biennium, as well as funding for health insurance cost increases totaling \$938,000.

District Courts

The budget for the district courts contained similar provisions for pension, salary, and health insurance costs as the other courts. Employees and judges will receive a 2.5 percent increase in each year of the biennium. Total cost of these employee related items is \$23 million for the biennium.

The district courts were also granted an additional \$306,000 annually for treatment courts. Treatment courts, sometimes referred to as “problem solving courts,” are institutions that have a narrow focus and deal with issues and people who make frequent appearances before the court. Drug courts, veteran’s courts, and mental health courts are examples of specialty courts that deal with people who may have chronic ongoing issues that may bring them before the judiciary more frequently than the average person. The specialty courts focus on giving more support, attention, and expertise at dealing with these specific issues in an attempt to achieve better long-term outcomes for the individual and the public.

The district courts also received an additional \$1.07 million annually for mandated psychological examinations. Funding was also provided for one additional judge position in the 7th district.

Tax Court

The budget for the tax court included a \$125,000 annual increase for an E-filing and remote help line.

Guardian Ad Litem Board

The Guardian Ad Litem Board was given an additional \$1.7 million for the biennium to cover employee salary and health insurance cost increases. They also received \$4 million for the biennium to increase services statewide.

Uniform Laws Commission

The Uniform Laws Commission was granted an additional \$5,000 per year for operating expenses.

Board on Judicial Standards

The Board on Judicial Standards was appropriated \$61,000 for the biennium for additional operating expenses and \$5,000 for an update to the online complaint website.

Board of Public Defense

The Board of Public Defense was budgeted an additional \$20.25 million for the biennium for various purposes. The Legislature provided \$6 million for 30 additional public defender attorney positions. Funds will be used for caseload reductions per attorney as well as additional public defender availability at defendant court appearances.

The omnibus bill also provided \$14 million for salary and insurance cost increases and \$248,000 for public defense corporations.

Department of Human Rights

The department was appropriated an increase of \$561,000 for the biennium for salary and benefit increases and \$314,000 for a civic engagement position.

Public Safety and Criminal Justice Reform Committee

Department of Public Safety

The Office of Homeland Security and Emergency Management received just over \$1.3 million for new projects this session. The Minnesota School Safety Center was granted \$500,000 for additional personnel, the City of Rapidan was given \$340,000 for disaster expenditure reimbursement, and \$450,000 was included for supplemental security grants.

The Legislature provided \$10 million for the Disaster Contingency Account in fiscal year 2019, plus up to an additional \$10 million in each year of the 2020-21 biennium if the closing balance in the General Fund for FY 2019 exceeds the amount forecasted at the end of the legislative session.

The Bureau of Criminal Apprehension (BCA) was granted \$6.6 million over base funding for the 2020-21 biennium. The automated fingerprint system is to be replaced with new equipment at a cost of \$1.5 million per year in ongoing money to lease and maintain the system.

Also included in the increased funding was \$1.3 million for additional staff at the BCA. The funding will add additional positions at the BCA for drug agents and forensic scientists. The remaining portion of the funding increase will be used for cybersecurity and IT enhancements at the agency.

Office of Justice Programs received just over \$600,000 over base funding for the biennium. Dollars were provided for a task force on murdered and missing indigenous women at \$150,000, a criminal sexual conduct working group for \$34,000, and \$400,000 for a veteran's domestic abuse prevention program.

Peace Officer Standards and Training (POST) Board

The only major change for the POST Board this year was to switch their source of funding from a dedicated account to the General Fund. The funding for the POST Board was derived from fines and fees paid in criminal and traffic court and had been declining in recent years. The fee revenue for the board was diverted to, and new appropriations made from the General Fund for operation of the agency to prevent any future shortfalls due to declining fine revenue.

The board was also given an additional \$100,000 per year to fund a new staff position to aid in rulemaking duties.

Minnesota Department of Corrections

The Department of Corrections was appropriated an additional \$47.5 million over base funding for the biennium to deal with agency needs. Of this funding, \$28.3 million will go toward current personnel costs such as salary increases and health insurance costs.

To address staffing shortages, the DOC was also appropriated \$7.6 million to add up to 78 new correctional officer positions by the end of fiscal year 2022. In addition, \$2.6 million was provided for staff recruitment and retention.

The department also received \$6.1 million for inmate health related expenditures. The Legislature provided \$5.3 million to fully fund the current health care contract with the provider, and \$793,000 to transition from paper to electronic health records.

Included in the legislation was \$1.3 million to reinstate the office of the Ombudsman for Corrections and \$1 million for Juvenile Justice Reform initiatives.

Sentencing Guidelines Commission

The Legislature provided \$24,000 for the biennium for salary and insurance cost increases.

For questions regarding Public Safety and Judiciary Finance issues, contact John Walz, Fiscal Analyst, at 651-296-8236 or john.walz@house.mn.

State Government Finance

The omnibus state government finance bill (Laws 2019, First Special Session, Chapter 10) authorizes General Fund spending totaling \$1.15 billion. This amount is an increase of \$60.75 million, or 6 percent, from the forecast base. The tails for the FY 22-23 biennium are also \$1.15 billion.

State Government Finance: Total General Fund Spending							
(all dollars in thousands)							
	Change FY 2019	FY 18-19 Forecast with changes	Forecast Base FY 2020-21	Enacted FY 2020-21	Percentage Change: Enacted FY 2020-21 vs. FY 2018-19 with Changes	Percentage Change: Enacted vs. Base FY 2020-21	Enacted FY 2022-23
Legislature	5,000	191,407	163,990	187,351	-2.1%	14.2%	190,583
Governor		7,216	7,244	7,244	0.4%	0.0%	7,244
Attorney General		44,171	44,396	46,341	4.9%	4.4%	47,026
Secretary of State	1,290	21,672	17,072	20,390	-5.9%	19.4%	14,584
State Auditor		19,805	20,158	20,942	5.7%	3.9%	21,208
Accountancy Board		1,295	1,302	1,369	5.7%	5.1%	1,350
Administration Department		44,118	44,907	46,765	6.0%	4.1%	45,460
Historic Preservation Grants*		5,959	1,837	1,837	-69.2%	0.0%	1,452
Administrative Hearings		797	800	800	0.4%	0.0%	800
Amateur Sports Commission		608	612	647	6.4%	5.7%	612
Architecture etc. Board		1,604	1,612	1,706	6.4%	5.8%	1,702
Arts Board		15,074	15,082	15,782	4.7%	4.6%	15,082
Asian Pacific Council		922	930	1,025	11.2%	10.2%	1,030
Barber Examiners Board		684	686	686	0.3%	0.0%	686
Campaign Finance Board		2,082	2,096	2,246	7.9%	7.2%	2,246
Public Subsidy		2,535	2,508	2,508	-1.1%	0.0%	2,508
CAAP Board		710	702	702	-1.1%	0.0%	702
Cosmetologist Examiners Board		5,549	5,586	5,839	5.2%	4.5%	5,870
Historical Society		46,853	45,636	46,486	-0.8%	1.9%	47,036
Humanities Center		1,900	1,400	1,400	-26.3%	0.0%	750
Indian Affairs Council		1,165	1,172	1,699	45.8%	45.0%	1,692
Investment Board (SBI)		278	278	278	0.0%	0.0%	278
Military Affairs		53,440	46,240	48,756	-8.8%	5.4%	48,756
MN Council on Latino Affairs		971	990	1,044	7.5%	5.5%	1,050
MN.IT Services		8,710	5,358	15,358	76.3%	186.6%	15,358
MN Management & Budget		54,188	51,892	53,071	-2.1%	2.3%	52,942
MMB Non-Operating*		116,330	21,070	21,211	-81.8%	0.7%	15,058
Indirect Costs Receipts		-43,062	-40,454	-40,454	-6.1%	0.0%	-40,454
MNs of African Heritage Council		809	814	1,063	31.4%	30.6%	1,064
Public Broadcasting		5,638	5,238	5,638	0.0%	7.6%	5,638
Revenue Department		310,418	314,868	325,365	4.8%	3.3%	328,312
Pension Aids		150,848	145,078	145,078	-3.8%	0.0%	149,735
Veterans Affairs	-350	152,162	158,646	159,405	4.8%	0.5%	159,628
Total Expenditures:	5,940	1,226,856	1,089,746	1,149,578	-6.3%	5.5%	1,146,988
Appropriation Savings / Reductions							
Revenue Changes:	220	220		-216			-216
Net GF Total	5,720	1,226,636	1,089,746	1,149,794	-6.3%	5.5%	1,147,204

Constitutional Offices

Attorney General's Office (AGO)

The AGO receives \$46.3 million in direct appropriations from the General Fund, which is a \$1.95 million or four percent increase over base. The Attorney General had requested increased funding to maintain and stabilize the experienced staff in the office and for assistance to rural counties and prosecution of economic crimes.

In addition to the direct General Fund appropriation for the AGO, the office also receives funding through partner agreements with state agencies. Total budgeted expenditures for partner agencies are estimated at \$22.7 million for the biennium.

Other Funds

\$4.99 million is appropriated from the State Government Special Revenue Fund for services provided to health related licensing boards. This is a \$165,000 increase over the base to maintain staff who provided investigation and enforcement activities for the boards. The AGO also received \$290,000 from the Environmental Trust Fund and \$500,000 from the Remediation Fund for investigating and prosecuting environmental crime and for responsibilities associated with insurance claims settlements and recovery associated with landfills in the landfill cleanup program.

Governor's Office

The Governor receives \$7.2 million to fund his own office, which is base level funding.

The Governor's office also receives contributions from executive branch agencies for personnel costs for several policy advisors in the Governor's office that have a portion of their salary paid by other executive branch agencies. Estimated agency contributions for FY 2020-21 are \$4.2 million.

Secretary of State

The Secretary of State (SOS) receives \$16.6 million in direct appropriations from the General Fund for the biennium, an increase of \$3.3 million over base. The increase includes four change items:

- \$905,000 for an operating adjustment to maintain current operations of the office
- \$250,000 increase for the Safe at Home Program
- \$2 million for one-time funding of election equipment grants to local governments.
- \$163,000 in one-time funds for a match to the federal Help America Vote Act (HAVA) election security funds.

In addition to the General Fund match for HAVA, Chapter 10 appropriates \$6.6 million from the HAVA account in the Special Revenue Fund from the federal funds already received for election security efforts. The funds are to be used to improve the administration and security of elections and the appropriation is limited to specific activities outlined in the law. Chapter 10 also retroactively credits \$167,000 in previous state election expenditures towards the required state

match for the federal funds.

The projected spending for the SOS also includes \$3.76 million from an open appropriation to cover the state and local costs of administering the presidential primary in 2020.

Chapter 10 also includes an appropriation of \$1.29 million in FY 2019 to pay attorney's fees awarded against the state in the case challenging the state law regulating campaign apparel in polling places. In 2018 the U.S. Supreme court declared the law unconstitutional.

State Auditor (OSA)

The OSA is funded at \$20.9 million from the General Fund. This level is a \$784,000 or four percent increase. The increase was requested by the State Auditor to maintain the current operating levels of the office.

Legislature

Chapter 10 appropriates a total of \$187.4 million in FY 20-21 for the operations of the Legislature. This is an increase of \$23.4 million over the base. The chart below shows the funding changes for the House, Senate and Legislative Coordinating Commission (LCC).

Legislature: FY 20-21 General Fund Appropriations				
(dollars in thousands)				
Program / Activity	Base	Appropriation	\$ Change	% Change
House	64,766	76,277	11,511	17.8%
Senate				
Operating Base	48,140	54,450	6,310	13.1%
Building Costs	<u>16,070</u>	<u>16,070</u>	0	0.0%
total Senate	64,210	70,520	6,310	9.8%
Leg. Coordinating Cmsn.				
Legislative Auditor	13,128	14,801	1,673	12.7%
Revisors Office	12,186	13,975	1,789	14.7%
Legislative Reference Library	2,890	3,439	549	19.0%
Legislative Budget Office	1,636	2,387	751	45.9%
Pension Commission	1,064	1,146	82	7.7%
General Operations / Fiscal Agent	<u>4,110</u>	<u>4,806</u>	<u>696</u>	<u>16.9%</u>
total LCC	35,014	40,554	5,540	15.8%
total Legislature	163,990	187,351	23,361	14.2%

In addition to the general operating increases, specific changes include:

- \$5 million in one-time additional funding for the Senate in FY 2019.
- \$751,000 increase to the Legislative Budget Office to increase staffing.
- Elimination of \$256,000 in funding from the Health Care Access Fund to the LCC for expenses of the Health Care Access Commission.

State Agencies

Department of Administration

The department's total General Fund appropriation is \$52.4 million for the biennium. This is an increase of \$2.3 million, or five percent, from base. Funding for the operations of the department totals \$45.4 million. The remaining General Fund amounts are \$5.6 million for grants to Public Broadcasting and \$324,000 for the state's Workers Compensation Reinsurance Premium (WCRA).

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

Government & Citizen Services

The Government & Citizen Services program provides funding for a wide variety of activities in the department, including state procurement, facilities management, real estate and construction services, the data practices office, and the state demographer. Other services include the state archaeologist, the office of grants management, and the small agency resource team (SmART).

Chapter 10 authorizes total direct General Fund spending of \$20.5 million, a net increase of \$1.6 million from base for this program. The increase is one-time funding provided for activities related to the 2020 census.

The department also administers, through the State Historic Preservation Office (SHPO), an estimated \$1.8 million for the grant-in-lieu-of credit program for preserving historic structures. SHPO was transferred from the Historical Society to Administration by the 2017 Legislature.

Non-General Fund activities:

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

Fund	Purpose	Projected FY 2020-21 Expenditures
Fleet Services	Provides long-term rental vehicles and support services	\$19 million
Surplus Property	Manages the disposal of state and federal surplus property	\$2.95 million
Cooperative Purchasing	Makes various state contracts available to local government units	\$55.1 million
MN Bookstore	Centralized publishing for state agency materials and operation of the MN mailing list service	\$2.6 million
Plant Management	Building and grounds operations for buildings under the custodial control of the department	\$118.1 million
Central Mail	Metering and processing of mail in the Capitol complex	\$19.1 million
Risk Management	Self-insurance company for the state's property and casualty insurance coverage	\$27.3 million

Source: Biennial Budget Pages, Agency Expenditure Overview

Strategic Management Services

The Legislature approved total General Fund spending of \$5.3 million, a reduction of \$242,000 from base. This program includes the executive support, financial management, and human resources functions for the department. The funding reduction is a net of two changes:

- \$132,000 increase for an operating adjustment primarily intended to fund anticipated retirements
- \$374,000 reduction for the transfer of the Office of School Trust Lands to the Department of Natural Resources.

Fiscal Agent

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

The in-lieu-of-rent appropriation funds space costs for the Legislature's portion of the State Office Building, the governor's residence, Veterans Services organizations in the capitol complex, and ceremonial spaces in the Capitol and the Capitol mall. Chapter 10 appropriates \$19.3 million for this activity, an increase of \$500,000 beginning in FY 21.

Public Broadcasting

State grant funds for public broadcasting are administered by the Department of Administration. Chapter 10 appropriates \$5.6 million for these grants, which is an increase of \$400,000 or eight percent, from base. The increase is for a grant to Minnesota Public Radio for upgrades to the Emergency Alert and AMBER alert systems.

Public Broadcasting: FY 20-21 General Fund Appropriations				
(dollars in thousands)				
Program	Base	Appropriation	\$ Change	% Change
Public TV Matching Grants	3,100	3,100	0	0%
Public TV Equipment Grants	<u>500</u>	<u>500</u>	<u>0</u>	<u>0%</u>
total Public TV:	3,600	3,600	0	0%
AMPERS Public Radio Community Grants	784	784	0	0%
AMPERS Public Radio Equipment Grants	<u>234</u>	<u>234</u>	<u>0</u>	<u>0%</u>
total AMPERS	1,018	1,018	0	0%
MN Public Radio Equipment Grants	620	1,020	400	65%
total Public Broadcasting:	5,238	5,638	400	8%

Chapter 10 also includes \$324,000 in funding to be transferred to the Minnesota Film and Television Board for the FY 2020-21 biennium. Language in this section specifies that these amounts are to be transferred to the base of the Department of Employment and Economic Development (DEED) beginning in FY 2022.

Minnesota Historical Society

Chapter 10 authorizes total direct General Fund appropriations of \$46.5 million, a 1.9 percent increase from base.

Minnesota Historical Society: FY 20-21 General Fund Appropriations				
(dollars in thousands)				
Program	Base	Appropriation	\$ Change	% Change
Operations & Programs	44,994	45,844	850	1.9%
Fiscal Agents	642	642	0	0%
Total General Fund	45,636	46,486	850	1.9%

MN State Arts Board

Chapter 10 appropriates \$15.1 million from the General Fund to the State Arts Board. This is a \$700,000 one-time increase from base to be used for the Board's relocation to new space.

Minnesota Arts Board: 2020-21 General Fund Appropriations				
(dollars in thousands)				
Program	Base	Appropriation	\$ Change	% Change
Operations & Services	1,204	1,904	700	58%
Grants Program	9,600	9,600	0	0%
Regional Arts Council	<u>4,278</u>	<u>4,278</u>	<u>0</u>	<u>0%</u>
total Arts Board	15,082	15,782	700	4.6%

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

MN.IT Services

Chapter 10 authorizes a direct General Fund appropriation of \$15.4 million for this office, an increase of \$10 million from the office's General Fund base. MN.IT's General Fund appropriation is used to support the state Chief Information Officer, enterprise security, and the Minnesota Geospatial Information Office. The increased funding is for enhancements to cybersecurity activities across the state enterprise.

Non-General Fund Activities

The majority of MN.IT's funding is from the Enterprise Technology Fund and the Special Revenue Fund. As a result of the consolidation mandated by the 2011 Legislature, most information technology services for the executive branch are now provided by MN.IT. These centrally provided services are funded through the Enterprise Technology Fund, with revenues coming from charge-backs to agency IT budgets. Estimated expenditures for the FY 2020-21 biennium are \$401 million for these central services.

The Special Revenue Fund expenditures are for agency pass-through IT expenses, primarily for agency applications and projects. Estimated expenditures for the FY 2020-21 biennium are \$503.7 million from this fund.

MN.IT is authorized to seek cash flow assistance of up to \$50 million from the Special Revenue Fund, or other statutory General Fund money, in order to manage the revenue and expenditure differences during the continued implementation of IT consolidation. Any funds used must be repaid with interest by the end of the fiscal year 2021 closing period.

Minnesota Management & Budget (MMB)

MMB received a direct General Fund appropriation of \$53.5 million for the biennium, an increase of \$1.8 million, or three percent, from current law.

The increased funding includes

- \$929,000 for a general operating increase.
- \$141,000 in one-time funds to reimburse Wright and Becker counties for legal fees incurred in defense of a lawsuit brought by the former state auditor.
- \$250,000 in one-time funds to study the state's enterprise IT systems
- \$457,000 to expand the Results First program.

Department of Revenue

The Department of Revenue received a direct General Fund appropriation of \$323.3 million for the biennium, an increase of \$10.5 million, or three percent over the base. The department also has a statutory appropriation for collections, seized property and recording fees with estimated expenditures of \$2 million for the biennium.

The \$10.5 million increase is for a general operating increase to maintain current service levels and improve services to taxpayers.

Department of Military Affairs

The Legislature approved a direct General Fund appropriation of \$48.4 million for the biennium, an increase of \$2.5 million or five percent over base. \$2 million of the increase is funding to maintain the current enlistment incentive and retention bonus programs, and the remaining \$516,000 is for ongoing funding for the reintegration programs for deployed service members and their families.

Department of Military Affairs: FY 2020-21 General Fund Appropriations				
(dollars in thousands)				
Program	Base	Appropriation	\$ Change	% Change
Maintenance - Training Facilities	19,402	19,402	0	0%
General Support	6,248	6,764	516	8%
Enlistment Incentives	20,228	22,228	2,000	10%
Emergency Services / Active Duty (Open)	362	362	0	0%
total Military Affairs	46,240	48,756	2,516	5%

In addition to this direct General Fund appropriation, the department has an open and standing appropriation for emergency services. Projected expenditures from this appropriation are \$362,000 for the biennium.

Department of Veterans Affairs

The Legislature approved a direct General Fund appropriation of \$151.9 million for this department, an increase of \$1 million, or one percent, over base. Estimated spending for the Minnesota GI bill is \$7.8 million, bringing total spending to \$159.7 million.

Department of Veterans Affairs: FY 2020-21 General Fund Appropriations				
(dollars in thousands)				
Program	Base	Appropriation	\$ Change	% Change
Veterans Services	34,264	36,333	2,069	6%
Veterans Health Care (Homes)	116,582	115,522	-1,060	-1%
MN GI Bill (open GF)	7,800	7,800	0	0%
total Veterans Affairs	158,646	159,655	1,009	1%

The funding changes are:

- \$544,000 for an operating adjustment for the Programs and Services program.
- \$775,000 increase for the three state veterans cemeteries.
- \$500,000 for expansion of the CORE service program, a 50 percent increase. CORE partners with Lutheran Social Services to provide services including individual and family counseling, financial counseling, addiction counseling, and disability.
- \$100,000 in one time funds for renovation of the Armed Forces Service Center at the Minneapolis / Saint Paul Airport.
- \$150,000 in one time funds for the Medal of Honor Memorial on the Capitol grounds. This funding must be matched by non-state funding.
- \$1.1 million reduction to the direct appropriation for the Veterans Homes based on a realignment of medical service providers.

Small Agencies/Boards

Office of Administrative Hearings (OAH)

This agency is supported mainly by the Workers' Compensation Special Fund and revolving fund revenues. Chapter 10 includes direct appropriations of \$15.6 million for the biennium from the Workers' Compensation Fund. This amount includes an increase of \$18,000 to support salary parity for the assistant chief administrative law judge and supervisory judges.

OAH also receives General Fund appropriations for three smaller activities. The Legislature authorized \$800,000 for these activities. These activities are the Municipal Boundaries Adjustment unit, Fair Campaign complaint hearings, and data practices hearings.

Campaign Finance and Public Disclosure Board

The Legislature approved a General Fund operating budget of \$2.21 million, which is an increase of \$150,000, or seven percent, from base funding. The increase is for the Governor's requested operating increase.

Public Subsidy Program:

The Legislature did not make any changes to this program. Estimated funding for this program is \$2.5 million for the biennium.

Capitol Area Architectural Planning Board (CAAPB)

Chapter 10 includes a direct appropriation of \$702,000 for the CAAPB in the FY 2020-21 biennium. This is base level funding.

Contingent Accounts

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

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

Humanities Commission

The Humanities Commission receives \$1.4 million from the General Fund for the biennium, which is base level funding. Chapter 10 directs that funding for the Healthy Eating Here at Home program funded through the commission at \$650,000 for the biennium be transferred to the Department of Agriculture beginning in FY 2022.

MN Amateur Sports Commission (MASC)

The MASC receives \$647,000 for the biennium, which is a one-time increase of \$35,000 to cover the costs of anticipated retirements.

State Board of Investment (SBI)

The SBI is primarily funded through charges to each retirement plan for its share of the board's operations. The expected expenditures for this activity are \$13.9 million for the biennium. A small General Fund appropriation (\$278,000) is used to fund the board's investment activities directly related to the General Fund itself.

Ethnic Councils

Chapter 10 includes \$4.8 million from the General Fund for the four ethnic councils. The increases shown in the chart below represent the operational adjustments requested by each council.

Ethnic Councils: 2020-21 General Fund Appropriations				
(dollars in thousands)				
Program	Base	Appropriation	\$ Change	% Change
Asian-Pacific Affairs	930	1,025	95	10%
African Heritage Council	814	1,063	249	31%
Latino Affairs Council	990	1,044	54	5%
Indian Affairs	1,172	1,699	527	45%
Total General Fund	3,906	4,831	925	24%

Occupational Licensing Boards

The Legislature appropriated \$9.6 million for the four occupational licensing boards under the committee's jurisdiction.

Occupational Boards: 2020-21 General Fund Appropriations				
(dollars in thousands)				
Program	Base	Appropriation	\$ Change	% Change
Accountancy	1,302	1,369	67	5%
Architectural / Engineering, etc	1,612	1,706	94	6%
Barber Examiners	686	686	0	0%
Cosmetologist Examiners	5,586	5,839	253	5%
Total General Fund	9,186	9,600	414	5%

The changes from base funding include:

- The Governor's requested operating increase for all of the boards.
- \$140,000 to the Cosmetology Examiners board for information technology services.

Gambling Related Agencies

Lawful Gambling Control Board

The Gambling Control Board receives a direct Special Revenue Fund appropriation of \$6.9 million for the biennium. The board's activities are funded from a fee of 0.125 percent of gross receipts on charitable gambling and license/permit fees for manufacturers and distributors.

Lottery

The Legislature approved total operating expenses for the lottery of \$71.5 million for the biennium, with total sales estimated at \$1.2 billion. Total state proceeds are projected to be \$271.4 million for the biennium, with \$146.7 million in estimated General Fund payments. These total payments include the net proceeds, in-lieu-of-sales tax, and unclaimed prizes.

Minnesota Racing Commission

The Racing Commission receives a direct Special Revenue Fund appropriation of \$1.8 million for the biennium. The commission's activities are directly funded through racetrack, racing, and occupational license fees, as well as reimbursements from the racetracks for the cost of stewards, veterinarians, and laboratory services.

Public-Local Employees Retirement

Four public retirement programs under the State Government Finance committee's jurisdiction receive either direct or open General Fund appropriations. The appropriations in Chapter 10 are

detailed in the following table.

Pension Aids: 2020-21 General Fund Appropriations				
(dollars in thousands)				
Program	Base	Appropriation	\$ Change	% Change
MSRS: Pre 97 Legislators & Const. Officers	30,262	30,262	0	0%
PERA: MERF Merger Aid*	12,000	12,000	0	0%
PERA: Police & Fire Aid	13,500	13,500	0	0%
Teachers Retirement Association				
Minneapolis Merger Aid	30,908	30,908	0	0%
Duluth Merger Aid	28,754	28,754	0	0%
St. Paul Teachers	29,654	29,654	0	0%
Total General Fund	145,078	145,078	0	0%

*See tax summary for discussion of additional PERA / MERF aid.

Chapter 10, the omnibus State Government Finance bill, did not make any changes to the pensions aids under its jurisdiction. However, the omnibus Tax bill (Laws 2019, First Special Session, Chapter 6) included an additional \$10 million per year to the Public Employees Retirement Association (PERA) for aid for the former Minneapolis Employees Retirement Fund, which was merged with PERA in 2015. This change brings total funding for the MERF aid to \$16 million each year.

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

Transportation Finance

2019 Laws, First Special Session, Chapter 3 appropriates money from the state General Fund, Trunk Highway Fund, Highway User Tax Distribution Fund, Airports Fund, Municipal and County State Aid Highway Funds, and Special Revenue Fund for transportation over the FY 2020-21 biennium. Below is a summary table of state General Fund spending in the Transportation Finance Committee area. For more detail on state General Fund and other transportation funds spending, please see the House session tracking sheet for transportation at: <https://www.house.leg.state.mn.us/Fiscal/Download/2145>.

Transportation Committee Total General Fund Spending (all dollars in thousands)							
	Change FY19 FY 18-19	with changes FY 20-21	Base FY 20-21	Enacted FY 20-21	Percentage Change	Percentage Change	
					Enacted FY 20-21 vs. FY 18-19 with Changes	Enacted vs. Base	Enacted
						FY 2020-21	FY 22-23
MnDOT	(160)	56,031	38,750	41,249	-26%	6%	38,750
Metropolitan Council	-	250,851	179,640	203,010	-19%	13%	177,700
Dept. of Public Safety (Part)(1)	26,574	60,998	29,065	86,966	43%	199%	30,546
Office of the Legislative Auditor (1)		100	-	200	100%	100%	-
Subtotal Spending	26,414	367,880	247,455	331,425	-10%	34%	246,996
General Fund Tax Changes	-	-	-	50	100%	100%	1,340
Net General Fund Total	26,414	367,880	247,455	331,475	-10%	-10%	248,336
(1) DPS and OLA appropriations include 2019 Ch. 1 MNLARS appropriations							
(2) The OLA amount in FY 2018-19 was also tracked in the State Government Bill Area							

Totals in the table are net figures for the agencies, and include one-time spending increases and reductions.

During the 2019 regular session, two bills with transportation appropriations traveled through the legislative process. The first, which was signed into law as 2019 Chapter 1 (H.F. 861), provided additional FY 2019 appropriations for the development of the MNLARS/FAST DS driver and vehicle computer system, as well as additional staffing for Driver and Vehicle Services.

The second, H.F. 1555, was the omnibus transportation finance bill in the House, and the unofficial engrossment in the Senate, as referred to conference committee. The conference committee did not complete a report, however, despite a number of sections being adopted (which were later reflected in Laws 2019, First Special Session, Chapter 3). The House version of H.F. 1555 contained various transportation tax provisions, metropolitan sales tax provisions, and the removal of a statutory dedication of general sales taxes to transportation. The Senate version of H.F. 1555

contained appropriations increases for State Road Construction and a number of Office of Legislative Auditor appropriations.

Transportation Budget Highlights

The following narrative will highlight the change items enacted in Chapter 3. Spending items that did not change from the forecast base budget can be seen on the Transportation Tracking sheet at the link provided at the beginning of this section. Change items fall into two general categories:

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

Department of Transportation

Appropriation Changes

Aeronautics

- Chapter 3 increases the appropriation for airport development assistance by \$3.3 million in each FY 2020 and FY 2021 for a total of \$18.598 million per year, all out of the State Airports Fund. Chapter 3 also increased the annual appropriation out of the Airports Fund for Aviation Support and Services by \$1.4 million a year over the annual base of \$5.254 million a year.
- As part of a number of agency operating increases out of the Trunk Highway Fund, the Aeronautics Support and Services appropriation increased by \$12,000 in FY 2020 and \$27,000 in FY 2021 over the base Trunk Highway portion of the appropriation of \$1.623 million a year.

Transit/Freight

- As part of a number of agency operating increases out of the Trunk Highway Fund, the Transit appropriation increased by \$25,000 in FY 2020 and \$55,000 in FY 2021 over the base Trunk Highway portion of the appropriation of \$877,000 a year.
- Chapter 3 included a \$650,000 General Fund rider in the MnDOT Transit appropriation for the study of an extension of the North Star Commuter Rail to St. Cloud. This is a onetime appropriation.
- As part of a number of agency operating increases out of the Trunk Highway Fund, the Freight appropriation increased by \$108,000 in FY 2020 and \$242,000 in FY 2021 over the base Trunk Highway portion of the appropriation of \$1.546 million a year.
- Chapter 3 cancelled an unspent FY 2018-19 General Fund appropriation of \$160,000 for Port Development Assistance and re-appropriated it for Port Assistance in FY 2020. While the net

effect of this cancellation and appropriation is zero cost, it does allow the City of Winona more time to carry out port projects.

State Roads

- Chapter 3 increases the direct appropriations for the three categories of state road spending. The increases in the Trunk Highway Fund appropriation for the biennium for state roads are:
 1. \$98.034 million for operations and maintenance
 2. \$25.117 million for program and delivery
 3. \$150 million for state road construction
- Chapter 3 includes a one-time General Fund \$1.062 million rider within the Planning and Research appropriation for Corridor and Bridge Improvement Studies.
- As part of a number of agency operating increases out of the Trunk Highway Fund, the Statewide Communications appropriation increased by \$138,000 in FY 2020 and \$308,000 in FY 2021 over the base Trunk Highway portion of the appropriation of \$5.848 million a year.

Local Roads

- Chapter 3 increases the resources to the Highway User Tax Distribution Fund slightly, so formula based local aid formulas increased as well:
 1. County State Aid Highway increased \$783,000 over the FY 2020-21 biennium.
 2. Municipal State Aid Streets increased \$206,000 over the FY 2020-21 biennium.

The slight increase in HUTD formula distribution was the result of eliminating an appropriation from the HUTD for Public Safety administrative support. Appropriations directly from the HUTD reduce the amount available for constitutional distribution, so the appropriation elimination increases the amount available for distribution to Trunk Highway, County State Aid, and Municipal State Aid.

Agency Management

- As part of a number of agency operating increases out of the Trunk Highway Fund, the Agency Services appropriation increased by \$8.332 million in FY 2020 and \$8.838 million in FY 2021 over the base Trunk Highway portion of the appropriation of \$45.447 million a year.
- Chapter 3 contains rider language within the Agency Services appropriation for Tribal Training that MnDOT provides to other state agencies relating to integrations with Tribal Nations. The appropriation for Tribal Training includes \$100,000 a year from the Trunk Highway Fund, which is ongoing, and \$627,000 in one-time spending for the biennium, from the General Fund.
- As part of a number of agency operating increases out of the Trunk Highway Fund, the Buildings appropriation increased by \$128,000 in FY 2020 and \$287,000 in FY 2021 over the base Trunk Highway portion of the appropriation of \$29.407 million a year.

- Beyond the operating increase, Chapter 3 increases the Building appropriation by an additional \$31.98 million above base for the FY 2020-21 biennium and sets base funding for FY 2022-23 at \$39.694 million a year from the Trunk Highway Fund and \$54,000 a year from the General Fund.

Metropolitan Council

Appropriation Changes

- Chapter 3 changes the structure of the General Fund appropriation to the Metropolitan Council by removing the single General Fund appropriation for all transit operations and splitting it into two separate appropriations with new bases.
 - One appropriation is to the Metropolitan Council for general transit operations, citing the statutes authorizing all the Council's transit services, at \$65.308 million over the FY 2020-21 biennium from the General Fund. In addition, a \$200,000 onetime rider from the General Fund in FY 2020 is for the Minnesota Valley Transit Authority to provide service on Route 495.
 - A new appropriation is for just Metro Mobility, the Council's federally- and state-mandated ADA paratransit service, at \$80.336 million from the General Fund in FY 2020, and \$57.166 million in FY 2021. The base for Metro Mobility is \$56.416 million in FY 2022 and \$55.976 million in FY 2023.
- In addition to the Metro Mobility direct General Fund appropriations, Chapter 3 contains a contingent General Fund appropriation for Metro Mobility in FY 2021. If there is a balance in the General Fund at the close of FY 2019 that is in excess of the balance forecasted for the close of FY 2019 at the end of the 2019 session by at least \$33 million, then \$13 million of that excess will be appropriated to Metro Mobility in FY 2021, and \$20 million will be appropriated to the Disaster Assistance Contingency Account. If the close of the FY 2019 balance over forecast is less than \$33 million, then the contingent appropriations to Metro Mobility and the Disaster Assistance Contingency Account will receive a proportional amount of the FY 2019 balance (60.6% to the Disaster Assistance Contingency Account, and 39.4% to Metro Mobility). This would be a onetime contingent appropriation.

Revenue Changes

- Chapter 3 includes an allowance for the Metropolitan Council to issue up to \$92.3 million in regional transit bonds for bus replacement and system upkeep, which would be supported by property taxes applied to properties in cities within the Transit Taxing District. Because of this property tax increase, there would be property tax refund interactions including \$50,000 in estimated costs in the FY 2020-21 biennium from the General Fund, and \$1.34 million in the FY 2022-23 biennium. In addition to the property tax aid interactions, there is an estimated income tax interaction impacting the General Fund for the FY 2020-21 biennium at \$20,000 and the FY 2022-23 biennium at \$718,000.

Department of Public Safety (DPS)

Appropriation Changes

Communications, Administrative Support, and Technology

- Chapter 3 increases the General Fund appropriation for Public Safety Support by \$131,000 over the base of \$2.476 million in FY 2020-21 and increases the Trunk Highway appropriation by \$405,000 over the base of \$2.732 million in FY 2020-21. Along with these increases, Chapter 3 eliminates a Highway User Tax Distribution Fund appropriation for Public Safety Support, which will lower HUTD spending by \$2.732 million each biennium.
- Chapter 3 makes increases in the Soft Body Armor reimbursement appropriation, which repays peace officer costs of purchasing soft body armor. Chapter 3 makes a onetime General Fund appropriation increase in FY 2019 of \$374,000 because of a deficiency in the prior appropriation for reimbursements. Chapter 3 also increases the biannual General Fund Appropriation for soft body armor reimbursement by \$90,000 a biennium starting in FY 2020-21 over the base of \$600,000 a biennium.
- Chapter 3 increases the Technology and Support Services appropriation from the Trunk Highway Fund by \$4.97 million a biennium over the Trunk Highway base of \$4.86 million a biennium. Chapter 3 also includes a onetime increase in the Technology and Support Services appropriation specific to rider language for application service migration. The server migration one time appropriation includes \$982,000 for the FY 2020-21 biennium from the General Fund, \$522,000 from the Trunk Highway Fund, and \$224,000 from the HUTD.

State Patrol

- Chapter 3 increases the State Patrol Capitol Security appropriation from the General Fund by \$1 million a biennium over the base of \$17.371 million a biennium.
- Chapter 3 increases the HUTD appropriation for the State Patrol Vehicle Crimes Unit by \$103,000 for the FY 2020-21 biennium over the base of \$1.595 million a biennium. The HUTD increase in the base is \$110,000 from the HUTD in the FY 2022-23 biennium.

Driver and Vehicle Services (DVS)

- Chapter 3 makes a number of appropriations and fee changes relating to the operations of Driver and Vehicle Services, replacing the computer system supporting DVS known as MNLARS (Minnesota License and Registration System) with a new system known as VTRS (Vehicle Titling and Registration System) and filing fee changes affecting the Deputy Registrars.
 - Appropriations Changes:
 - Chapter 3 increases the Vehicle Services appropriation out of the Special Revenue Fund by \$7.27 million for the biennium over a base of \$45.98 million for the FY 2020-21 biennium and by \$16.472 million from the

HUTD. The base for the FY 2022-23 biennium for Vehicle Services is set so that in FY 2022 the Special Revenue Fund appropriation increase is \$3.747 million over the annual base of \$22.990 million, and \$2.562 in FY 2023.

- Chapter 3 increases the Driver Services appropriation out of the Special Revenue Fund by \$8.067 million over the biennium over a base of \$65.684 million for the FY 2020-21 biennium. The base for the FY 2022-23 biennium is set so that in FY 2022, the Special Revenue Fund appropriation increase is \$4.157 million over the annual base of \$32.842 million, and \$3.323 in FY 2023.
 - Chapter 3 makes a onetime appropriation of \$13 million from the General Fund in FY 2019 for reimbursing Deputy Registrars for costs associated with the 2017 rollout of MNLARS.
 - Chapter 3 makes two appropriations for the development of DVS systems, including \$3 million to finish development of the Driver Services System that has been in development by the contractor FAST DS since 2017, and \$52.669 million for the replacement of the vehicle system (currently known as MNLARS) with a new contractor provided system. Both appropriations are one time in FY 2020 and out of the General Fund.
 - In addition to the direct appropriation changes for DVS operations, MNLARS replacement, and Deputy Registrars, Chapter 3 also includes re-establishment of a fee for DVS systems maintenance and operations that is statutorily appropriated in the Special Revenue Fund. The estimated fee revenue from the technology fee re-establishment would be about \$16.5 million in FY 2020 and \$18 million in FY 2021 and each year thereafter.
- Fee Changes:
- Chapter 3 re-establishes a technology fee that applies to all driver and vehicle transactions at a rate of \$2.25 on each transaction. The prior technology fee was at a rate of \$1.75 per transaction from FY 2009 to FY 2011, and \$1 from FY 2012 to FY 2016. This fee revenue is statutorily appropriated.
 - Chapter 3 increases the filing fee on all vehicle transactions by \$1. The filing fee is retained by the office providing the service, so if a customer uses a Deputy Registrar office, the filing fee is retained by the Deputy Registrar office, and if the transaction is completed via mail or conducted in a DVS office, the filing fee is retained by the state.
 - Chapter 3 increases the item fee for various vehicle plates and driver's licenses/identification cards. The rate increases for the vehicle plates and other items would be in two tiers. The first and larger increase would be for items from August 2019 to July 2022, and then a slightly smaller increase over current law would be effective after July 2022. The fee increases would increase resources to the Special Revenue Fund, specifically in the Driver and Vehicle Service Accounts. This increase in resources would allow for

the additional driver and vehicle service appropriations noted in the appropriations section above.

Department of Public Safety Contingent Appropriations

- Chapter 3 makes a number of contingent appropriations in addition to the contingent appropriation to the Metropolitan Council for Metro Mobility. The contingent appropriations under the Department of Public Safety include the Disaster Assistance Contingency Account (conditioned on a higher than anticipated General Fund balance close of FY 2019) and a series of cancellations for FY 2019 and appropriations for FY 2020 of up to the same amount cancelled for the Minnesota Law Enforcement Association contract funding, including:

- \$150,000 from the General Fund for Capitol Security
- \$361,000 from the General Fund for the Bureau of Criminal Apprehension
- \$31,000 from the General Fund for the Alcohol Gambling Enforcement

In addition to these General Fund conditional cancellations and appropriations are a number of Trunk Highway carryforwards from FY 2019 to FY 2020:

- \$2.3 Million from the Trunk Highway Fund for Patrolling Highways
- \$211,000 from the Trunk Highway Fund for Commercial Vehicle Enforcement

Office of the Legislative Auditor

- Chapter 3 makes two appropriations to the Office of the Legislative Auditor. The first is a onetime General Fund appropriation of \$200,000 for audits of MnDOT and the Department of Public Safety. The second appropriation is \$50,000 a year for both FY 2020 and 2021 from the Data Security Account in the Special Revenue Fund and is for data security audits relating to the MNLARS replacement requirements in Chapter 3. This additional \$50,000 appropriation is supported by an increase of one cent for the bulk data record subscription services fee that will increase from one cent to two cents.

If you have further questions on Transportation Finance issues, please contact Andrew Lee, Fiscal Analyst, at 651-296-4181 or at andrew.lee@house.mn.

Taxes - Tax Revenue

The 2019 Legislature passed an omnibus tax bill, H.F. 5, enacted in the First Special Session of 2019 as Chapter 6. Chapter 6 is the first tax act enacted since 2017 and contains various tax law changes, including Minnesota’s response to federal tax reform enacted in Public Law 115-97, the Tax Cuts and Jobs Act (TCJA). Relative to the February 2019 forecast base, the sum of all the enacted state tax revenue changes to the General Fund for the FY 2020-21 biennium is estimated to increase tax revenue by \$36.5 million or 0.1 percent as shown in Table 1. This summary will highlight major fiscal provisions enacted in Chapter 6. Tables with the corresponding fiscal impact detail of major change provisions are also included for reference.

TABLE 1. ALL STATE TAX REVENUE					
General Fund Fiscal Changes Compared to Base (dollars in thousands)					
MN Laws of 2019, 1st Special Session, Chapter 6	FY 2018-19 Actual/Forecast	FY 2020-21 Forecast Base	FY 2020-21 * Enacted Budget	Change: Enacted v. FY 2018-19	Change: Enacted v. Forecast Base
Tax Type					
Individual Income Tax (includes conformity)	23,730,700	25,705,000	25,566,780	1,836,080	(138,220)
Corporate Franchise Tax (includes conformity)	2,833,401	2,912,383	3,195,763	362,362	283,380
Sales Tax	11,123,572	11,856,960	11,873,325	749,753	16,365
Statewide Property Tax	1,620,484	1,638,057	1,560,557	(59,927)	(77,500)
Estate Tax	407,116	283,300	283,300	(123,816)	-
Cigarette and Tobacco Products Tax	1,181,461	1,242,030	1,244,530	63,069	2,500
Liquor, Wine and Beer Tax	183,998	190,540	191,050	7,052	510
Deed Transfer Tax	259,591	311,493	311,493	51,902	-
Mortgage Registry Tax	234,481	245,086	245,086	10,605	-
Lawful Gambling Tax	159,021	190,000	190,000	30,979	-
Insurance Gross Earnings/Fire Marshall tax	802,256	846,637	846,637	44,381	-
Medical Assistance Surcharges	578,031	610,705	610,705	32,674	-
Other Tax Revenue	21,763	29,504	(21,013)	(42,776)	(50,517)
Total for General Fund	43,135,875	46,061,695	46,098,213	2,962,338	36,518
Biennial Percentage Change				6.9%	0.1%

* Notes: (1) Positive dollar amounts show revenue increase. (2) The FY 2020-21 Enacted Budget Biennial Total includes the sum of FY 2019 change provisions (FY 2019: \$22.738 million).

FEDERAL CONFORMITY:

Article 1 of Chapter 6 updates Minnesota income tax and corporate tax law to the following federal acts: (1) Tax Cuts and Jobs Act (TCJA); (2) Bipartisan Budget Act of 2018; (3) Disaster Tax Relief Act and Airport and Airway Extension Act.¹ Summary totals of the estimated General Fund impact of federal conformity changes to TCJA and all other federal conformity acts are highlighted in Table 2. For simplicity, the fiscal impact of TCJA is summarized by type of taxpayer: individuals - non business, individuals – business and corporate. The fiscal impact of other federal conformity acts is summarized by income tax and corporate tax.

¹ Chapter 6 also conformed to the Consolidated Appropriations Act. Conformity to this act had no state fiscal impact.

TABLE 2. ALL FEDERAL CONFORMITY GENERAL FUND (dollars in thousands)		
MN Laws 2019, First Special Session, Chapter 6 Changes:	Estimated Revenue Effect	
	FY 2019-21	FY 2022-23
Tax Cuts & Jobs Act (TCJA):		
Net, Individual Income - Non Business	(120,040)	30,490
Net, Individual Income - Business	433,860	549,300
Net, Corporate Tax	196,420	108,600
Other (interaction with Property Tax Refunds)	1,100	5,300
TCJA Conformity Subtotal	511,340	693,690
Other Federal Acts:		
Net, Individual Income Tax	(12,330)	(215)
Net, Corporate Tax	(1,230)	475
Other Federal Acts Subtotal	(13,560)	260
TOTAL CHANGES:	497,780	693,950

Notes: (1) Positive dollar amounts show revenue increase. (2) Other Federal Acts include Bipartisan Budget Act and Disaster Relief Act and Airports and Airways Extension Act.

TCJA – Individual Income Tax, Non Business Provisions

Minnesota's conforming changes to TCJA individual income tax, non business provisions are estimated to reduce General Fund tax revenue by \$120 million from FY 2019 to FY 2021 but increase revenue by \$30.5 million in the FY2022-23 biennium. Federal tax conformity restructures Minnesota tax liability for individual non business taxpayers. This restructuring of tax liability is evident in the pattern of fiscal impact. With individual income tax federal conformity changes, total tax is estimated to be reduced in one biennium and estimated to increase in another biennia showing the mix of federal conformity tax law changes that either narrow and broaden the tax base. Major individual income tax –non business tax change provisions include but are not limited to the following:

Starting Point for Calculating Minnesota Individual Income Tax:

Before the enactment of Chapter 6, Minnesota was a "static date" conformity state with an income tax system that relied on federal calculations and definitions. With the enactment of Chapter 6, Minnesota's starting point for calculating Minnesota tax liability changes from federal taxable income (FTI) to federal adjusted gross income (FAGI). This switch is expected to reduce General Fund revenue by \$3.6 million each biennia and is an on-going provision.

Minnesota Standard Deduction, Dependent Exemption, and Other Itemized Deductions:

Prior to the enactment of TJCA, federal law determined the amount of the standard deduction, dependent exemption, and personal exemption because Minnesota's starting point was FTI and linked to Internal Revenue Code (IRC). Effective tax year 2019, Minnesota's standard deduction and dependent exemption are determined by Minnesota. The Minnesota Standard Deduction amount is to match the amounts allowed federally under TCJA at \$24,400 for married joint filers; and the Minnesota dependent exemption amount changes are set to equal the amount allowed under pre-TCJA law. For other itemized deductions, Minnesota conforms to the \$10,000 limit in taxes paid including property taxes, home equity interest up to \$750,000, and charitable contributions at the 60 percent limit on adjusted gross income. Minnesota retains and does not conform to the repeal of unreimbursed employee expenses in excess of two percent of adjusted gross income. Relative to the February 2019 forecast, these on-going changes at the state level are estimated to reduce General Fund revenue by \$164.9 million and \$81.9 million in the FY 2020-21 and FY 2022-23 biennia, respectively.

Indexing/Cost-of-Living Provisions:

Under prior law, all indexed individual income tax amounts relied on the consumer price index for all urban consumers (CPI-U). Effective tax year 2020, all indexed individual income tax amounts will be based on the Chained Consumer Price Index for all urban consumers (C-CPI-U). Since C-CPI-U increases more slowly than CPI-U, all indexed individual income tax provisions will grow more slowly affecting income tax brackets, the size of the Minnesota standard deduction and Minnesota subtractions and credits. The fiscal impact of this change is estimated to be a revenue gain because it is expected that more taxpayer income will move into higher tax brackets and the value of indexed deductions will be reduced over time. Relative to the February 2019 forecast, this permanent change is estimated to increase General Fund revenue by \$43.2 million and \$95.7 million in the FY 2020-21 and FY 2022-23 biennia respectively.

Moving Expense Reimbursement by Employers:

Under prior law, employers could reimburse employees for moving expenses and reimbursed moving expenses could be excluded from income. Effective tax year 2019 to tax year 2025, the exclusion of moving expenses reimbursed by employers is disallowed (only deductible for members of the armed forces on active duty). This change is estimated to broaden the income tax base and increase General Fund revenue by \$9.5 million and \$7.8 million in the FY 2020-21 and FY 2022-23 biennia respectively.

College Athletic Seating Payments – Charitable Deduction:

Before the enactment of TCJA, amounts paid for college athletic event seating could be claimed as a charitable deduction if certain requirements are met. Effective tax year 2019, TJCA disallows the charitable deduction for amounts paid for college athletic event seating rights. Relative to the February 2019 forecast, by conforming to this change at the state level, the income tax base is broadened and General Fund tax revenue is estimated to increase by \$3.1 million and \$2.4 million for the biennia in the budget window.

Medical Expense Deduction:

Under prior law, the threshold for deducting medical expenses is 10 percent of adjusted gross income. Effective for tax year 2017 only, Minnesota conforms to the 7.5 percent threshold for deducting medical expenses. Relative to the February 2019 forecast, conformity to this provision for tax year 2017 only is estimated to reduce General Fund tax revenue by \$13 million in FY 2020. Minnesota did not conform to the lower 7.5 percent of adjusted gross income threshold for deducting medical expenses in tax year 2018. See Box 1 for more background.

TCJA – Individual Income Tax, Business Provisions

Business income is often earned by individuals with any taxes filed and remitted as a partnership, sole proprietor or pass through by means of an individual income tax return. Federal conformity to TCJA contains numerous changes to individual income tax, business provisions. At the state level, conformity to these provisions is estimated to broaden the General Fund tax base and increase General Fund tax revenue by \$433.8 million from FY 2019 to FY 2021 and by \$549.3 million in the FY2022-23 biennium. Enacted changes impacting individual income tax, business taxpayers include but are not limited to the following:

Disallow Certain Active Pass Through Losses:

Under prior law, the Internal Revenue Code had limits on deducting passive losses. These limits had to do with preventing taxpayers from deducting passive losses from non – passive income. Those limitations remain the same. In TCJA, however, new limitations to the deduction of passive losses are added. In Chapter 6 effective tax years 2019 to 2026, Minnesota conforms to the dollars limitations for the use of active losses from one business to reduce other income. The dollar limitation is \$500,000 for married joint filers and \$250,000 for other filers. Conformity to this provision is expected to broaden the tax base and is estimated to increase General Fund tax revenue by \$94.1 million in FY2020-21 and \$82.0 million in FY 2022-23.

Modify the NOL Deduction:

Prior to TCJA, individual income - business taxpayers with a net operating loss (NOL) for a taxable year that exceeded their taxable income could file an amended return and apply any remaining losses to those years with the intent of receiving a state refund. Any remaining losses could be carried forward up to 20 years. Starting in tax year 2019, Chapter 6 conforms to the limitation for the amount of NOL available to 80 percent of taxable income in a tax year by a corporation. TCJA also eliminated NOL carrybacks. Minnesota corporations did not have the authority to carry back net operating losses even before TCJA. Conformity to the NOL limitation change is estimated to increase General Fund tax revenue by \$78.9 million and \$161.3 million in the FY 2020-21 and FY 2022-23 biennia. This is an on-going provision with a corresponding tax law change also made for corporate taxpayers.

Limit Net Interest Deduction to 30 percent of income:

Before the enactment of TCJA, taxpayers could deduct business interest that was paid or accrued on indebtedness allocated to a trade or business. TCJA amended this section of law to

include a new limitation equal to 30 percent of a taxpayer's adjusted gross income. This limitation applies to all taxpayers except certain small businesses. Conforming to this provision in tax year 2019 at the state level is estimated to increase General Fund tax revenue by \$182.1 million and \$247.1 million for the biennia in the budget window. This change is permanent.

Limit Deduction for Employer Provided Meals and Transportation Benefits:

Prior law allowed the deduction of compensation provided to employees for various employment related expenses such as meals, lodging and certain transportation (parking) costs. Minnesota conforms to the TCJA limitations that disallows these business expense deductions effective tax year 2019. Conformity to the disallowance of these deductions is estimated to increase General Fund tax revenue by \$13.5 million and \$9.8 million for the biennia in the budget window.

Repeal Deferred Gain on Like-Kind Exchanges:

In prior law, personal property qualified for like-kind exchange treatment in tax law. Effective tax year 2018, Minnesota conforms to the TCJA's treatment of like-kind exchange that limits the treatment to exchanges of real property that are not held for sale. The estimated revenue gain for conforming to this change is \$8.0 million and \$9.8 million in the FY 2020-21 and FY 2022-23 biennium.

Maximum Section 179 Expensing Amounts Increased:

Section 179 expensing allows individual business taxpayers to treat the cost of qualifying business property as a business expense in the year the property is placed in service. The amount that may be expensed at the federal and state level has differed. Under prior law, for the year a property is placed in service, Minnesota's cap for Section 179 expensing was at \$25,000 with an investment limit of \$200,000. With conformity to TCJA, the maximum amount of Section 179 expensing is increased to an annually indexed amount of \$1.0 million with an investment limit (or phase-out) increased to \$2.5 million. While Minnesota conforms to the increased expensing amounts effective tax year 2018, it still requires 80 percent of the expensed amount (difference between \$1.0 million and \$25,000) to be added back in the first year with a 5-year recovery of the remaining amount (80 percent/5-years = 16 percent deduction). General fund revenue is estimated to increase with this conformity change at the state level by \$5.4 million in the FY 2020-21 biennium and \$2.8 million in the FY2022-23 biennium. These patterns of revenue reductions are expected to turn to revenue increases and balance out or net to zero over the life of the property.

100 Percent – Bonus Depreciation:

TCJA allows bonus depreciation for assets placed in service for tax year 2018 through 2026. The eligible percentage of qualifying property is reduced to 80 percent, 60 percent, 40 percent and 20 percent from tax year 2023 through 2026 with a phase-out in tax year 2027. The definition of qualifying property is expanded to include used property and property used in film, television, and theatrical productions. Similar to Section 179 expensing at the state level, Minnesota conforms to the increased depreciation amount but still requires 80 percent of the depreciation amount to be added back in the first year with a 5-year recovery of the remaining

amount (80 percent/5-years = 16 percent deduction). With conformity at the state level and the 80 percent addback requirement in the first year, the pattern of fiscal impact shows an estimated revenue gain of \$19.4 million and \$14.2 million for the first two biennia in the budget window of the February 2019 forecast. These pattern of revenue reductions are expected to turn to revenue increases and balance out or net to zero over the life of the property. This provision is effective for tax year 2018 to 2026.

Box 1. Special Limited Adjustment

Article 1, Section 61 authorizes a Special Limited Adjustment to individual income tax filers for tax year 2018 in Minnesota Statute 290.993. This provision has the following effects: (1) allows taxpayers to either itemize their deductions for state tax purposes without regard to how they filed their federal taxes; and (2) holds the taxpayer harmless for any differences with any retroactive federal conformity tax law changes. By holding the taxpayer harmless, the burden for most taxpayers of having to file any amended tax returns is also alleviated. Those changes are not estimated to have a fiscal impact. However, the special limited adjustment only applies to tax year 2018. It should be noted that Chapter 6 adopts a lower AGI floor for the medical expense deduction for tax year 2017 and tax year 2018. The special limited adjustment removes the estimated fiscal impact to tax year 2018 only and has a zero general fund impact. The estimated fiscal impact of the lower AGI floor for the medical expense deduction in tax year 2017, on the other hand, is estimated to reduce tax revenue by \$13.0 million.

Minnesota Statute 290.993 lists all of the TCJA and Bipartisan Budget Act of 2018 sections where the special limited adjustment does not apply. These sections are mostly expensing provisions such as bonus depreciation and section 179 expensing and the fiscal impact of these provisions are separately stated on the legislative tracking sheet for additional reference.

TCJA – Corporate Tax, Business Provisions

Corporations, like individual income taxpayers, earn business income but file and remit taxes on corporate tax returns. TCJA corporate tax, business provisions conformed to at the state level are estimated to broaden the General Fund tax base and increase General Fund tax revenue by \$196.4 million from FY 2019 to FY 2021 and by \$108.6 million in the FY2022-23 biennium. Enacted changes impacting corporate tax, business taxpayers include but are not limited to the following:

Conform to Modified Historic Rehabilitation Credit:

The federal historic rehabilitation tax credit is available to corporate taxpayers that have made qualified improvements to a historic property. If a federal historic rehabilitation tax credit is awarded to a taxpayer, that taxpayer may also qualify for a state historic rehabilitation refundable credit. At the state level, the credit is available for projects that the State Historic Preservation Office certifies before July 1, 2021. Effective tax year 2018, Minnesota conformed to TCJA's modification of the credit allocation from being allocated in the year the

project was placed in service to being allocated in equal installments over five years. This change is estimated to increase General Fund tax revenue by \$56.3 million in FY 2020-21 and decrease General Fund tax revenue by \$9.0 million in FY 2022-23.

Exclusion of Repatriated Foreign Income (Section 965 income):

Before TCJA, foreign source dividends distributed to a U.S. shareholder were includable in FTI. The Minnesota share of these dividends from a controlled foreign corporation were taxable under Minnesota law if they were included in FTI. Chapter 6 did not conform to TCJA's taxation of foreign income (Repatriated Income, Global Intangible Low Tax Income and Foreign Derived Intangible Income). However, the tax law in Chapter 6 is changed in such a way that it affects Minnesota's ability to tax the actual repatriated income. The tax law made all repatriated income non-taxable by providing a subtraction for the income for individuals and corporations. With this change, General Fund tax corporate tax revenue is estimated to be reduced by \$42.6 million in the FY 2020-21 biennium and \$24.9 million in the FY 2022-23 biennium.

Other Conformity Provisions:

Like individual income taxpayers, corporate taxpayers are also impacted by federal conformity to the following provisions summarized in the individual income tax, business section of this summary. Table 3 below shows the effective date for each provision and its corresponding fiscal impact to corporate tax revenue:

Table 3. Corporate Tax – Other Conformity Provisions	Effective Date	FY 2020-21 Biennium	FY 2022-23 Biennium
Limit Net Interest Deduction to 30 Percent of Income	Tax Year 2018	\$47.0 million	\$42.0 million
Limit Deduction for Employer Provided Meals & Transportation Benefits	Tax Year 2018	\$42.0 million	\$26.6 million
Repeal Deferred Gain on Like-Kind Exchanges	Tax Year 2018	\$10.1 million	\$12.5 million
Section 179 Expensing	Tax Year 2018	\$ 2.1 million	\$ 1.1 million
Bonus Depreciation	Tax Year 2018	\$40.9 million	\$29.9 million

All Other Conformity Acts

In addition to conformity to TCJA, Chapter 6 also includes conformity to the extender provisions in the Bipartisan Budget Act of 2018; Disaster Tax Relief Act and Airport and Airway Extension Act. Conformity to these other federal acts is estimated to reduce General Fund income tax revenue by \$12.3 million from FY 2019 to FY 2021 and by \$215,000 in the FY 2022-23 biennium. Most of the income tax revenue reduction is from conformity to:

- (1) Bipartisan Budget Act – the exclusion of discharge of principal residence in tax year 2017 with a revenue reduction of \$6.7 million in FY 2020 for tax year 2017; and
- (2) Bipartisan Budget Act – the expansion of the foreign income exclusion for armed forces in combat zones in tax year 2018 with a revenue reduction of \$1.4 million in FY2020-21 and \$800,000 in FY 2022-23 biennium.

- (3) Disaster Relief Act – Modification to the casualty loss deduction for damage in disaster areas effective tax year 2017 with a revenue reduction of \$1.4 million in FY 2020.

Conformity to other federal acts is also estimated to reduce General Fund revenue for corporate tax by \$1.2 million from FY 2019 to FY 2021 and increase revenue by \$475,000 in the FY 2022-23 biennium. Most of the provisions estimated to reduce General Fund revenue are related to expensing or the temporary suspension of limits on charitable contributions.

INDIVIDUAL INCOME TAX AND CORPORATE TAX

Also enacted in Chapter 6, article 1 and separate from federal conformity changes are additional tax policy modifications to individual income tax and corporate tax. On the individual income tax side, tax law changes related to subtractions, credits and rate modifications are estimated to reduce General Fund tax collections by over \$400 million for the two biennia in the forecast window. These reductions are offset by changes to corporate tax law. On the corporate tax side, changes to deductions and definitions are estimated to broaden the corporate tax base and increase General Fund tax collections by \$88.1 million and \$70.5 million in the FY 2020-21 and FY 2022-23 biennia. These nonfederal conformity tax law change provisions are summarized with the estimated General Fund fiscal impact of each provision shown in Table 4.

TABLE 4. INDIVIDUAL INCOME AND CORPORATE TAX (NON FEDERAL CONFORMITY)		
GENERAL FUND (dollars in thousands)		
	Estimated Tax Revenue Effect	
	FY 20-21	FY 22-23
MN Laws 2019, First Special Session, Chapter 6 Changes:		
INDIVIDUAL INCOME TAX:		
Tax Rate Reduction - Second Tier, Fourth Tier Income Bracket Starting Point Modified (TY 19)	(360,800)	(318,300)
Credit Modified, Working Family Credit Expansion (TY 19)	(61,100)	(62,800)
Credit Sunset Modified and Allocation Added, Business Investment Credit Funding (TY19,TY21)	(10,000)	(10,000)
Credit Modified, Section 529 Credit Phase-out Threshold Revised	(Negli.)	(5)
Subtraction Modified, Social Security Subtraction Increased and Other Changes (TY19)	(9,100)	(10,200)
Subtraction Authorized, Medical Cannabis Business Expenses (TY19)	(400)	(400)
Interactions with Property Tax, Aids and Credit Provisions in Chapter 6	590	1,370
Subtotal	(440,810)	(400,335)
CORPORATE TAX:		
Deduction Modified, Net Operating Loss (TY18)	71,000	43,000
Apportionment Modified, Mutual Fund Manager (TY18)	15,300	25,000
Dividend Received Deduction Modified, Debt-financed Stock Excluded (TY18)	230	200
Definition Modified, Captive Insurance (TY18)	-	(800)
Interactions with Property Tax, Aids and Credit Provisions in Chapter 6	1,660	3,150
Subtotal	88,190	70,550
TOTAL INCOME TAX & CORPORATE TAX CHANGES:	(352,620)	(329,785)

Note: Positive dollar amounts show revenue increase.

Second Tier Rate Reduction – Individual Income Tax

Prior Law – Minnesota enacted an individual income tax system with a graduated tax rate structure in 1933. Four tax rates are applied to income bracket thresholds that vary by filing status. These income brackets are annually adjusted for inflation based on CPI-U. The tax rate structure was last modified in 2013 when the fourth bracket with a tax rate of 9.85 percent was added to the structure.

Chapter 6 – Three substantive changes were made to the tax rate/taxable income bracket structure. First, the second tier tax rate was reduced from 7.05 percent to 6.80 percent effective tax year 2019. Second, the starting point of the income bracket for the fourth tier rate (9.85 percent) was lowered, which has the effect of widening the amount of income that is taxable at the highest tier rate. Third, effective in tax year 2020, the income brackets will be indexed using chained CPI-U. These changes are on-going. With the rate and income bracket changes enacted in Chapter 6, the Minnesota Department of Revenue (DOR) estimates that 1.3 million tax returns will be affected and have an average reduction in tax of \$101 in tax year 2019.

Working Family Credit

Prior Law – Originally enacted in 1991, the Working Family Credit is a refundable credit against the individual income tax allowed for taxpayers that qualify for the federal earned income tax credit (EITC). Despite having the same eligibility requirements as the EITC, the calculations for the working family credit and the EITC differ. The calculation of the working family credit is based on the amount of eligible earned income. The amount of eligible earned income increases for taxpayers with children. A credit rate is applied to the eligible earned income to derive the maximum credit. All dollar amounts are annually adjusted for inflation based on CPI-U.

Chapter 6 – Effective tax year 2019, the working family credit is expanded to provide for families with no qualifying children and for families with three or more children. The amount of eligible earned income used to calculate the credit is increased for taxpayers with three or more children from \$19,600 to \$20,000 with the credit rate increasing from 11.0 percent to 12.5 percent. The phase-out threshold taxpayers is also adjusted for all tiers. Finally, all dollar amounts are annually adjusted for inflation based on chained CPI-U after tax year 2019. These changes are on-going and DOR estimates that, in tax year 2019, that 274,800 returns will be affected by these changes with an estimated average reduction of tax of \$110.

Business Investment Credit - Angel Investment Credit

Prior Law – Originally enacted in 2010, the credit provides a 25 percent refundable credit to investors or investment funds for qualifying investments in startup companies focused on high technology, or a new proprietary product, process or service in specified fields. The maximum credit is \$125,000 per investor per year or \$250,000 for joint filers. The law imposes an annual funding cap on the total amount of credits. Annual funding for the credit allocations began in tax year 2010 and expired for investments made after tax year 2017. The average annual funding allocation available for tax credits during that eight year period (TY2010 to TY 2016) was \$12.7 million.

Chapter 6 – Annual funding for credit allocations has been reinstated for tax year 2019 at \$10 million and again for tax year 2021 at \$10 million. Changes are also made to the type of individual investors and businesses that could benefit from the credit. The penalty for later filed annual reports are also reduced from \$500 to \$100.

Social Security Subtraction

Prior Law – Enacted in 2017, a subtraction from federal taxable income is allowed for certain social security income. For married joint filers in tax year 2019, the maximum subtraction is \$4,700 and begins to phase-out for qualifying social security income also known as provisional income over \$80,430. The maximum subtraction and the income threshold are annually adjusted for inflation based on CPI-U.

Chapter 6 – Effective tax year 2019, the maximum social security subtraction is increased by 10 percent to \$5,150 and decreases the phase-out income thresholds by three percent to \$78,180 for married joint filers. After tax year 2019, the maximum subtraction and the income thresholds will also be indexed based on chained CPI-U. DOR estimates that 178,300 returns will be affected by these changes in tax year 2019 with an average reduction in tax of \$24. These changes are on-going.

Medical Cannabis Manufacturer Subtraction

A new subtraction is authorized from Minnesota taxable income, effective tax year 2019, equal to the amount of expenses that would have been deductible but are not allowed for federal income tax purposes for businesses providing medical cannabis. DOR estimates that two returns will be affected by these changes in tax year 2019. This is an on-going provision.

Net Operating Loss (NOL) Deduction

Prior Law – Corporate taxpayers with a net operating loss (NOL) for a taxable year that exceeded their taxable income could file an amended return and apply any remaining losses to those years with the intent of receiving a state refund. Any remaining losses could be carried forward up to 20 years. Minnesota corporations did not have the authority to carry back net operating losses.

Chapter 6 – Effective retroactively to tax year 2018, corporate tax law is modified to limit the amount of NOL available for use in a tax year by a corporation to 80 percent of taxable net income. NOL generated prior to the enactment of the federal TCJA may exceed the 80 percent limit. This is an on-going provision with a corresponding law change made for corporate taxpayers.

Mutual Fund Manager Consistent Apportionment

Prior Law – Mutual funds apportioned income based on where the shareholders are located. Other entities such as a partnership or limited liability corporation apportioned income based on where the mutual fund is located.

Chapter 6 – Mutual fund service providers (MFSP) will be apportioned to Minnesota based on the portion of the mutual fund's assets owned by Minnesota residents (non-corporate, pass through entities). This is an on-going provision.

Reduce Dividend Received Deduction for Debt-Financed Stock

Prior Law – The dividend received deduction was originally enacted in 1947 and major changes have been made to this provision since its enactment. The state dividend received deduction is 80 percent of the dividends received from another corporation if the recipient owns 20 percent or more stock of the paying corporation and 70 percent if the recipient owns less than 20 percent.

Chapter 6 – Effective tax year 2018, the dividend received deduction is reduced if the purchase of stock is debt financed. The dividend received deduction is reduced by the average indebtedness percentage. This is an on-going provision.

Captive Insurance

Prior Law – Insurance companies generally pay gross premium tax and in some instances pay corporate tax. Laws of 2017, First Special Session, Chapter 1 modified the requirements for qualifying as an insurance company for the purposes of being subject to either the gross premium tax or the corporate tax.

Chapter 6 – Effective for tax year 2017, two types of insurance companies are created that pay either gross premium tax or corporate tax. Captive insurance companies are treated like traditional insurance companies if they derive less than 50 percent of total premiums from outside the unitary business. The other type of insurance company created is the disqualified captive insurance. The disqualified captive insurance pays less than 0.5 percent of its total premiums in premium tax or receives less than 50 percent of its gross receipts from gross premiums. Disqualified captive insurance companies are subject to corporate taxes. These changes are not temporary.

SALES AND USE TAXES

Relative to the February 2019 Forecast, sales and use tax policy changes in Chapter 6, Article 3 are estimated to increase General Fund tax revenue by \$16.3 million in the FY 2020-21 biennium and reduce General Fund revenue by \$12.3 million in the FY 2022-23 biennium. These sales tax law change provisions are summarized with the estimated General Fund fiscal impact of each major provision shown in Table 5 and the corresponding total impact to the Legacy funds shown in Table 8.

TABLE 5. SALES AND USE TAX GENERAL FUND (dollars in thousands)		
MN Laws of 2019, 1st Special Session, Chapter 6 Changes	Estimated Tax Revenue Effect	
	FY 2020-21	FY 2022-23
Modify Marketplace Provider Collection Requirements/Remote Seller Threshold Change	580	700
Modify June Acceleration Payment Requirement, June 2020 and June 2022	20,790	(9,610)
Upfront Exemption, Sales by County Agricultural Societies at County Fairs	(2,700)	(3,000)
Upfront Exemption, Sales of Herbicides Aquatic Invasive Species	(270)	(280)
Upfront Exemption, Sales to Non Profit Ice Arena	(20)	(20)
Upfront Exemption, Non Profit Agricultural Society Organizations	(20)	(20)
Exemptions by Refund, Public Safety Facilities and School Facility	(1,995)	(20)
	-	-
TOTAL SALES AND USE TAX CHANGES:	16,365	(12,250)

Notes: (1) Positive dollar amounts show revenue increase; (2) All change provisions interact with the Legacy Funds. Fiscal Impact to the Legacy Funds is shown in Table 8.

Market Place Provider Collection Requirements Updates Post Wayfair

Prior Law – First Special Session, Laws of 2017, and Chapter 1 provides a definition for a marketplace provider. It established that a retailer with total taxable sales in Minnesota of less than \$10,000 a year would not be required to collect and remit tax if the retailer is maintaining a place of business in Minnesota solely because it has sales through marketplace multiple provider.

Chapter 6 – Effective for sales and purchases made after September 30, 2019, several marketplace provider definitions, penalty and collection requirements are modified. Of these changes, the provisions with a fiscal impact include the removal of the \$10,000 sales threshold amount. Remote sellers (retailers and marketplace providers) are required to collect and remit sales tax on behalf of retailers if: (1) all remote sellers have sales totaling more than \$100,000 over a 12-month period; or (2) have 200 or retail more sales from outside the state into Minnesota over a 12-month period. These changes are permanent.

Accelerated June Payments for Sales Tax

It is current law for sales tax and excise tax to be paid to the state on the 20th day of the following month in which a sale is made. However, there is an accelerated June payment requirement for those who collect sales and excise tax payments in excess of \$250,000 or more tax liability in a prior state fiscal year to remit 81.4 percent of estimated June tax liability by June 28. Under prior law, the accelerated percentage payment requirement due in June is 81.4 percent. The remaining (settlement) payment and return for June is due in late August. Basically, this shift moves about \$270 million in sales tax revenue collected by the state forward by one month for budgeting purposes (based on the February 2019 state forecast). Since the 1980s, the required percentage of accelerated June tax liability has oscillated from as low as 50 percent in 1981 to as high as 90 percent in 2013.

Chapter 6 – To shift an additional \$20.1 million General Fund tax revenue into the FY 2020-21 biennium, the percentage amount businesses are required to accelerate starting June 2020

increases to 87.5 percent. After the FY 2020-21 biennium, the percentage amount required for the shift is reduced to 84.5 percent for businesses. This reduction will decrease General Fund tax revenues. DOR estimates that 2,900 sales tax (and excise taxes) returns will be affected by these changes.

Upfront Business Exemption Expanded

Effective FY 2020, the upfront business exemption was expanded to include certain herbicides for use on invasive aquatic plants that are purchased by lakeshore property owners, an association of lakeshore property owners, or a contractor. These changes are on-going.

Upfront Government and Nonprofit Exemption

Prior Law – Sales to organizations that exist primarily for operating ice arenas or rinks that are part of the Duluth Heritage Sports Center and are used for youth and high school programs are exempt under current law. This exemption was originally enacted in Minnesota Laws of 2017, First Special Session, and Chapter 1.

Chapter 6 – This exemption is expanded to include certain ice arenas or rinks to include the David M. Thaler Sports Center in Mound, Minnesota. This change is on-going.

Chapter 6 legislation also adds the following new upfront government and nonprofit exemptions:

Effective FY 2020, all sales made by a county agricultural society on fairgrounds during its regular scheduled fair are exempt. The amount of forgone sales tax receipts authorized with the exemption must be used to maintain, improve and expand the society-owned fairground buildings and facilities. This is a permanent exemption.

Effective May 31, 2019, tickets or admissions to a performance or event on the premises of a 501c3 tax-exempt nonprofit that preserves Minnesota's rural agricultural heritage are exempt. This is a permanent exemption.

Construction Exemptions by Refund

Chapter 6 authorizes several exemptions by refund for materials and supplies used in the construction or improvement of the following facilities sponsored by a school district and local governments:

- New Construction of Fire Station - City of Monticello.
Effective for purchases after January 31, 2019 to December 31, 2021.
- New Construction of Fire Station - City of Inver Grove Heights.
Effective for purchases after June 30, 2018 to January 1, 2021.
- Improvement of an existing Fire and Police Station – City of Minnetonka.
Effective for purchases after between 23, 2019 to January 1, 2021. The allocation of refunds is capped.
- Improvement of an existing Fire Station – City of Mendota Heights.
Effective for purchases after January 1, 2019 to December 31, 2020.
- Improvement of an existing School Building – Minnesota, ISD #414

Effective for purchases made after January 1, 2018 to December 31, 2020.

- New Dakota County Enforcement Collaboration Center.
Effective for purchases after June 30, 2019 to June 30, 2020.

Chapter 6 also provides an exemption by refund for sales tax paid on building materials, supplies used in, and equipment incorporated into the construction or replacement of the following properties destroyed by fire:

- Properties destroyed by a fire on September 8, 2016 in the City of Melrose.
An extension of an existing exemption is effective for sales and purchases after December 31, 2018 to June 30, 2018.
- A real property affected by a fire on March 11, 2018 in the City of Mazeppa.
This exemption also includes sales tax paid on durable equipment in a restaurant for food storage, preparation and serving. Effective March 11, 2018 to December 31, 2021.

EXCISE TAX

Tax policy changes related to excise taxes in Chapter 6, article 11 are due to changes in the Accelerated June Payment Requirement. In addition to sales taxes, this requirement also affects excise taxes including cigarette tax, tobacco tax and alcohol tax. This excise tax law change provision is summarized with the estimated General Fund fiscal impact shown in Table 6.

TABLE 6. EXCISE TAX		
GENERAL FUND (dollars in thousands)		
MN Laws of 2019, 1st Special Session, Chapter 6 Changes	Estimated Tax Revenue Effect	
	FY 2020-21	FY 2022-23
Cigarette/Tobacco Taxes, June Accelerated Payment Requirement	2,500	(1,200)
Alcohol Tax, June Accelerated Payment Requirement	510	(190)
TOTAL ESTATE TAX CHANGES:	3,010	(1,390)

Note: Positive dollar amounts show revenue increase.

Accelerated June Payments for Excise Taxes

It is current law for sales tax and excise tax to be paid to the state on the 20th day of the following month in which a sale is made. However, there is an accelerated June payment requirement for those who collect sales and excise tax payments in excess of \$250,000 or more tax liability in a prior state fiscal year to remit 81.4 percent of estimated June tax liability by June 28. Under prior law, the accelerated percentage payment requirement due in June is 81.4 percent. The remaining (settlement) payment and return for June is due in late August. Essentially, this shift moves about \$39.8 million in excise tax revenue (cigarette, tobacco and alcohol taxes) collected by the state forward by one month for budgeting purposes (based on the February 2019 state forecast). Since the 1980's, the required percentage of accelerated

June tax liability has oscillated from as low as 50 percent in 1981 to as high as 90 percent in 2013.

Chapter 6 – To shift an additional \$3.0 million General Fund tax revenue into the FY 2020-21 biennium, the percentage amount businesses are required to accelerate starting June 2020 increases to 87.5 percent. After the FY 2020-21 biennium, the percentage amount required for the shift is reduced to 84.5 percent for businesses. This reduction will decrease General Fund tax revenues. DOR estimates that 2,900 sales and excise taxes returns will be affected by these changes.

OTHER TAX AND NON TAX REVENUE

Relative to the February 2019 forecast, total tax policy changes in Chapter 6 to other tax and non tax revenue provisions are estimated to reduce General Fund revenue by over \$50 million in the first biennium of the budget. Of the total General Fund revenue reduction, most of the impact is due to the repeal of a transfer. Other tax and non tax revenue law change provisions are summarized with the estimated General Fund fiscal impact of each major provision shown in Table 7. The Border city aid (Table 7) and the statewide property tax (in Table 1) provisions are included in the total for state tax revenue but the impact of these provisions is summarized in the Property tax, Aids and Credits Section of this summary.

TABLE 7. OTHER TAX AND NON TAX REVENUE GENERAL FUND (dollars in thousands)		
MN Laws of 2019, 1st Special Session, Chapter 6 Changes	Estimated Tax Revenue Effect	
	FY 2019-21	FY 2022-23
Working Family Credit, Repeal TANF Transfer to General Fund	(48,815)	(50,006)
Modify Funding, Border City Allocation	(750)	(1,500)
Tax Penalties Waived: Special TCJA Waiver - TY17 and TY18	(947)	-
Modify Deed Tax, Deed Value Threshold Change	(5)	(15)
TOTAL - Other Tax	(50,517)	(51,521)

Note: Positive dollar amounts show revenue increase.

Repeal TANF Transfer for Working Family Credit (WFC)

Prior Law – To finance the refundable portion of the expansion of the WFC, Temporary Assistance to Needy Families (TANF) funds were annually transferred to the General Fund based on an estimated amount. This transfer has been taking place since 2000.

Chapter 6 – Effective July 1, 2009, this transfer is repealed. With this repeal, the General Fund will pay for the refundable portion of the expansion of the WFC credit. Stated another way, the General Fund will pay for 100 percent of working family credit expenses with the repeal of this transfer. This change is permanent.

Border City Allocation

Prior Law – The Border City allocation provides tax credits against individual income tax and corporate tax and tax reductions for sales tax and property tax to qualified new or expanding businesses located in a Border City Enterprise Zone located on Minnesota’s western border. The most recent allocation was \$3.0 million in FY 2017.

Chapter 6 – Beginning in FY 2021, an on-going allocation of \$750,000 each fiscal year is provided to Border Cities. This allocation will be apportioned among the cities of Dilworth, East Grand Forks, Moorhead, Ortonville, and Breckenridge.

Tax Penalties Waived

Prior Law – An additional tax charge or penalty was imposed for underpayment of estimated tax if the tax was less than \$500.

Chapter 6 – Effective retroactively to tax years 2017 and 2018, the penalty is waived if the underpayment of estimated tax is less than \$1000 and the taxpayer attests that the underpayment of the estimated tax was due to uncertainties in tax planning from the enactment of the TCJA.

Modify Deed Tax Thresholds

Prior Law – The deed tax is imposed when real property is transferred or conveyed from one party to another. The tax rate is 0.0033 of the net consideration unless a minimum tax applies. A minimum tax applies to many situations including if the net consideration associated with the transfer is less than or equal to \$500.

Chapter 6 – Effective for deeds recorded after December 31, 2019, the application of the minimum tax is modified in the situation when the net consideration associated with the transfer is less than or equal to \$3,000. This change is permanent.

NON GENERAL FUND TAX REVENUE

Several on-going fiscal tax policy changes affecting non General Fund accounts are enacted in Chapter 6, Articles 1, 3, 9 and 11. These tax law change provisions are summarized with the estimated non General Fund fiscal impact of each major provision shown in Table 8.

TABLE 8. ALL NON GENERAL FUND VARIOUS FUNDS (dollars in thousands)			
MN Laws of 2019, 1st Special Session, Chapter 6 Changes	Estimated Tax Revenue Effect		
	FY 2018-19	FY 2020-21	FY 2022-23
Provider Tax (Health Care Access Fund)	(Negli.)	873,040	1,422,040
Working Family Credit - Repeal TANF transfer to General Fund (TANF)		48,815	50,006
Modifications to Sales Tax Laws, Net Changes (Legacy Funds)		1,110	(740)
Production Tax, Taconite Municipal Aid Distribution @ 100 Percent Maximum Guarantee, Indexed Allocation		424	896
Production Tax, Increased Distribution to Municipalities (Taconite Municipal Aid Distribution)		(424)	(896)
Taconite Environment Protection Fund (due to Taconite Municipal Aid Distribution increase)		(232)	(551)
Douglas J. Johnson Economic Protection Fund (due to Taconite Municipal Aid Distribution increase)		(192)	(345)
Angel Tax Credit Administration (Special Revenue Fund)		9	(266)
Total	(Negli.)	922,550	1,470,144

Note: Positive dollar amounts show revenue increase.

Provider Taxes – Health Care Access Fund (Article 9)

Prior Law – MinnesotaCare taxes are also known as “Provider Taxes.” Originally enacted in 2002, the tax base for MinnesotaCare taxes is gross revenues on patient services from health care providers, hospitals and surgical centers with a tax imposed at a rate of two percent. Revenues from MinnesotaCare tax are deposited into the Health Care Access Fund. Minnesota Laws of 2011, first special session, Chapter 9 enacted a sunset for this tax on gross revenues received after December 31, 2019. Due to that sunset, the February 2019 forecast estimated that the MinnesotaCare taxes would generate \$459.4 million in receipts for the FY 2020-21 biennium with no receipts in the FY 2022-23 biennium. Finally, MinnesotaCare taxes are remitted by hospital and surgical centers, providers and wholesale drug distributors. When the tax is remitted by these taxpayers, if there is an overpayment, interest is accrued on day one of the due date of the return.

Chapter 6 – Several tax policy changes to the MinnesotaCare tax are enacted. First, the sunset of the MinnesotaCare tax is repealed effective May 31, 2019. Second, the tax rate is reduced to 1.8 percent effective for gross revenues received after December 31, 2019. With this rate change and its effective date, the 1.8 percent rate will be in effect for almost 18 months out of the 24 months in the FY 2020-21 biennium. Receipts collected at the 1.8 percent rate will be added to the \$459.4 million estimated to be collected at the two percent rate under prior law. Third, the date that triggers interest on overpayments of MinnesotaCare taxes is changed. Effective for overpayments made after January 1, 2020, interest will be paid 90 days after the due date of the return or the date on which the return is filed whichever is later. These changes are on-going.

Repeal TANF Transfer for WFC (Article 1)

Prior Law – To finance the refundable portion of the expansion of the WFC, Temporary Assistance to Needy Families (TANF) funds were annually transferred to the General Fund based on an estimated amount. This transfer had been taking place since 2000.

Chapter 6 – Effective July 1, 2019, this transfer is repealed. With this repeal, the General Fund will pay for the refundable portion of the expansion of the WFC credit with zero funding coming from TANF. This change is permanent.

Minerals (Article 10-11)

Prior Law – Previously, the guarantee for Taconite Municipal Aid was the lower of a variable percentage or 100 percent of the 1983 distribution without indexing for inflation.

Chapter 6 – Modifies taconite production tax distributions by changing the guarantee for the taconite municipal aid account to 100 percent of the 1983 distribution. Also for distributions beginning in calendar year 2020, the cents per ton distribution rate is annually adjusted for inflation. The increased distribution to 29 cities and 16 townships in Crow Wing, Itasca, Lake and St. Louis Counties trigger reduced distributions to the Taconite Environmental Protection Fund (2/3 incremental change amount) and the Douglas J. Johnson Economic Fund (1/3 incremental change amount). Article 11 also makes the change to include the city of Iron Junction (\$5,000) and Breitung Township in St. Louis County (\$15,000) in the distribution of Taconite Municipal Aid beginning with distribution made in 2020.

Angel Tax Credit – Special Revenue (Article 1)

Prior Law – Originally enacted in 2010, the credit provides a 25 percent refundable credit to investors or investment funds for qualifying investments in startup companies focused on high technology, or a new proprietary product, process or service in specified fields. Administered by the Minnesota Department of Economic Development (DEED), there are application fees and report filing fees associated with the tax credit. The revenue earned from these fees is deposited into the Special Revenue Fund for the administration of the program.

Chapter 6 – General fund tax credit allocations were enacted in tax year 2019 and 2021. With these allocations, taxpayers must submit required applications and fees to DEED to qualify and obtain certification for tax credits. It is expected that the revenue from these fees affecting the Special Revenue Fund will result in a small revenue gain in the FY2020-21 biennium and result in a revenue loss in the FY 2022-23 biennium.

If you have further questions on state tax issues, please contact Cynthia Templin, Fiscal Analyst, at 651-297-8405 or at cynthia.templin@house.mn.

Property Tax, Aids and Credits

Changes in General Fund Property Tax Aids and Credits

Enacted in the 2019 First Special Session, Chapter 6 (the omnibus tax act) made numerous changes to Minnesota law governing property taxes, refunds, and local aids. As shown in Table 1, General Fund appropriations for Property Tax Aids and Credits total \$3.84 billion in FY 2020-21, an increase of \$101.9 million or 2.7 percent above the February 2019 forecast base of \$3.74 billion. In FY 2022-23 the appropriations base grows to \$4.17 billion, reflecting an increase of \$222.63 million or 5.6 percent above the forecasted amount of \$3.94 billion. However, included in the act are two notable appropriations for activities in other committees—Education Finance and State Government Finance. Adjusting for these provisions, General Fund appropriations for *only* Property Tax Aids and Credits activities reflect a base-level increase of \$72.9 million (+ 2.0 percent) in FY 2020-21 and an increase of \$174.9 million (+4.4 percent) in FY 2022-23.

**Table 1: Summary of 2019 Tax Changes
General Fund Tax Refunds, Aids & Credits**

Dollars in 000's	FY 2020	FY 2021	FY 20-21	FY 2022	FY 2023	FY 22-23
1 February 2019 Forecast - Tax Aids & Credits	1,816,676	1,922,220	3,738,896	1,955,697	1,988,397	3,944,094
2 Tax Refunds, Aids & Credits Changes <i>Positive numbers reflect an increase in spending and negative numbers reflect cost savings.</i>						
3 Special Session 1, Chapter 6 (HF 5) General Fund	18,891	82,970	101,861	107,460	115,170	222,630
4 Subtotal Tax Aids, Credits & Appropriations	8,891	63,980	72,871	88,060	86,850	174,910
5 Subtotal Appropriations for Other Committees	10,000	18,990	28,990	19,400	18,150	37,550
6 Education -School Operating Referendum Equalization Aid	0	8,990	8,990	9,400	8,150	17,550
7 State Government - PERA - MERF aid increase	10,000	10,000	20,000	10,000	10,000	20,000
7 Total General Fund Forecast + SSI-CH 6 Changes (lines 1 + 3)	1,835,567	2,005,190	3,840,757	2,063,157	2,103,567	4,166,724
Total % Change Forecast + SSI-CH 6 Changes (lines 1 + 3)			2.72%			5.64%
8 Total General Fund Forecast + Tax Aids & Credits Changes only (lines 1 + 4)	1,825,567	1,986,200	3,811,767	2,043,757	2,075,247	4,119,004
9 Total % Change Forecast + Tax Aids & Credits Changes only (lines 1 + 4)			1.95%			4.43%

2019 First Special Session, Chapter 6 (H.F. 5) Omnibus Tax Act

	FY 2020-21	FY 2022-23
Tax Refunds, Aids & Credits changes	\$101.9 mil	\$222.6 mil

Table 2 provides a detailed summary of Tax Refunds, Aids & Credits spending changes. It compares actual and anticipated spending for the six-year period, FY 2018-2023. Biennial appropriations of \$3.841 billion in FY 2020-21 reflect a 2.2 percent increase above FY 2018-19 base spending levels of \$3.658 billion. Then in FY 2022-23, appropriations rise to \$4.167 billion, an increase of about 2.7 percent above projected FY 2020-21 spending.

A closer look at categories of spending—Tax Refunds, Local Aids, Property Tax Credits, Taconite Tax Relief, Local Pensions, Other Expenditures and Appropriations—reveals mostly enhanced FY 2020-21 appropriation levels when compared to actual FY 2018-19 spending. When FY 2020-21 appropriations are compared to forecasted, base-level funding for the biennium, only one program (Fire/EMS Volunteer Retention Stipend Aid) was allowed to sunset, one program was created (Duluth Regional Exchange Debt Service Aid), and several were notably increased (Local Government Aid, County Program Aid, School Building Bond Agricultural Credit). Also, the Other Expenditures & Appropriations category reflects two appropriations for existing activities in other committees and a handful of administrative appropriations beginning in FY 2020. Additional information for this and other budget activities is provided in the detailed analysis that follows.

Table 2: 2019 Session - Tax Aids, Credits and Other Expenditures
Dollars in Millions

	February 2019 Forecast		Appropriations	% Change	% Change	SS1-CH 6
	Closing FY 2018-19	Base FY 2020-21	SS1-CH 6 FY 2020-21	FY 20- 21 base vs FY 2018-19	FY 2020-21 vs FY 20-21 Base	
Property Tax Refunds	\$1,416.9	1,553.6	1,551.7	9.7%	-0.1%	1,662.3
Political Contribution Refund	6.7	7.5	7.5	12.0%	0.0%	8.5
Tax Refund Interest	20.6	21.2	21.2	2.7%	0.0%	22.8
Local Aids	1,682.1	1,572.0	1,630.3	-6.5%	3.7%	1,775.3
Local Government Aid (LGA)	1,131.9	990.8	1,017.9	-12.5%	2.7%	1,134.2
County Program Aid (CPA)	442.5	469.3	500.5	6.1%	6.6%	529.3
County Aquatic Invasv Spec (AIS)	20.0	20.0	20.0	0.0%	0.0%	20.0
Township Aid	20.2	20.0	20.0	-0.9%	0.0%	20.0
Disparity Reduction Aid	36.1	36.3	36.3	0.6%	0.0%	36.3
Other Local Aids	31.4	35.6	35.6	13.2%	0.0%	35.5
Property Tax Credits	133.1	185.1	195.1	39.0%	5.4%	236.3
Agricultural Market Value Credit	75.9	77.3	77.5	1.9%	0.3%	77.8
School Building Bond Ag Credit	32.4	80.0	89.8	146.7%	12.3%	129.5
Border City Disparity Credit	23.5	27.0	27.0	14.6%	0.0%	28.1
Other Credits	1.3	0.8	0.8	-39.1%	0.0%	0.9
Taconite Tax Relief Area Aids & Credits	26.4	28.5	28.5	8.2%	0.0%	29.2
Local Pensions Aids	285.2	289.3	289.3	1.4%	0.0%	294.6
Other Expenditures	86.8	81.7	117.2	-5.9%	43.4%	137.6
PILT Payments - DNR	67.9	72.2	72.2	6.3%	0.0%	73.1
Performance Measurement	0.9	0.9	0.9	-3.0%	0.0%	0.9
Local Option Abtmt/Disaster Asst	0.0	0.2	0.2	6500.0%	0.0%	0.2
Border City Reimbsmt	0.2	0.2	0.2	-3.7%	0.0%	0.2
Bloomington Infrastructure Projects	9.6	0.0	0.0	-100.0%	-	0.0
City Mpls Library debt service aid	8.2	8.2	8.2	0.0%	0.0%	8.2
School Operating Ref Equalization	0.0	0.0	9.0	-	-	17.6
PERA MERF aid increase	0.0	0.0	20.0	-	-	20.0
Duluth Regional Exchg Debt Serv	0.0	0.0	0.0	-	-	11.1
DOR administration tax act	0.0	0.0	6.0	-	-	6.0
Other Expenditures	0.0	0.0	0.5	-	-	0.4
Total General Fund	\$3,658	\$3,739	\$3,841	2.2%	2.7%	\$4,167

2019 First Special Session, Chapter 6 - Detailed Analysis	FY 2020-21	FY 2022-23
Local Aids - Local Government Aid (LGA)	+\$26.0 mil	+\$60.0 mil

Local Government Aid (LGA) provides general-purpose funding annually to 762 of Minnesota's 855 cities. LGA has been funded by a standing appropriation (\$534.4 million in FY 2019), distributed according to "need factors"—measured differently for small cities (629 of which have a population less than 2,500 residents) versus large cities (226 cities with populations of 2,500 or more)—minus the "ability to pay" measured by cities' tax base.

Chapter 6 makes two changes to LGA provisions, effective for CY 2020/FY 2021. First, it permanently increases the LGA appropriation by \$26 million in CY 2020, and then by an additional \$4 million beginning in CY 2021. Appropriations will total \$560.4 million in CY 2020 and \$564.4 million in each year thereafter, returning funding almost to its program height in CY 2002. Second, the act includes a one-year hold harmless provision to ensure that no city's 2020 LGA payment is less than its 2019 LGA payment.

Table 3
Local Government Aid (LGA) by Region and City Cluster
Certified CY 2019, Forecasted CY 2020, and SS1-Ch 6 CY 2020

	LGA 2019 Certified CY 19 / FY 20	LGA 2020 Forecasted CY 20 / FY 21	LGA 2020 SS1-Ch 6 CY 20 / FY 21	% State Total
Metro				
Center Cities	144,566,834	144,970,771	150,907,123	27%
Established Cities	12,586,871	12,442,448	14,129,911	
Large Cities	2,845,801	2,590,388	3,031,930	
Fast Growing Suburbs	2,444,383	2,456,867	2,779,228	
Growing High Income	3,027,292	2,865,731	3,366,215	
High Income Suburbs	1	0	1	
Small Residential	17,911,069	17,736,877	19,092,998	
Metro Region total	183,382,251	183,063,082	193,307,406	
Greater MN				
Major Cities	49,714,069	49,803,658	51,120,258	17%
Regional Centers	93,913,890	93,960,168	97,241,457	
Sub-Regional Centers	12,265,744	12,182,844	12,904,757	
Urban Fringe	8,849,029	8,696,266	9,921,623	
High Growth	6,794,812	6,832,927	7,393,064	
Residential Comm.	46,267,368	46,364,420	49,183,912	
Rural	118,256,187	118,557,005	123,752,251	22%
Cities < 500 ppl	14,954,662	14,937,642	15,573,284	
Greater MN Region total	351,015,761	351,334,930	367,090,606	66%
State Total	\$534,398,012	\$534,398,012	\$560,398,012	100%
Change \$ 2020 SS1- Ch 6	—————→		\$26,000,000	

Source: LGA run lga20specsess, House Research, May 22, 2019

Notes:

¹In calendar year 2019, 762 of Minnesota's 855 cities received an LGA payment.

²In calendar year 2020, 75 cities will benefit from the hold harmless provision, .e.g. no city's 2020 LGA is less than its 2019 LGA payment.

³In calendar year 2021 and thereafter, the LGA appropriation will reflect an additional \$4 million increase making the annual total \$564,398,012.

Table 3 shows an extension of the enhanced LGA payment levels from CY 2019 into CY 2020 by city cluster within the Metro and Non-Metro regions. Note that in CY 2020/FY 2021, \$193.3 million or 34 percent of LGA payments will be made to cities in the Metro while \$367.0 million or 66 percent of LGA payments will be made to cities in Greater Minnesota.

One-time LGA Penalty Forgiveness - City of Waubun

Contingent upon the filing of 2017 financial reports to the State Auditor prior to May 31, 2019, up to \$56,822 of 2018 LGA and up to \$3,771 in Small Cities Assistance payments are available until June 30, 2019.

	FY 2020-21	FY 2022-23
County Program Aid	+\$26.0 mil	+\$60.0 mil

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

Chapter 6 makes one change to CPA provisions: it permanently increases the CPA appropriation by \$26 million in CY 2020/FY 2021, and then by an additional \$4 million beginning in CY 2021/FY 2022 for a total appropriation of \$260.0 million in CY 2020 and \$264.0 million in each year thereafter. Table 4, CPA by Region, shows that when total CPA funding reaches \$260 million, \$143.7 million (or 55.3 percent) will go to counties in greater Minnesota and \$116.3 million (or 44.7 percent) will go to metropolitan counties.

Table 4
County Program Aid (CPA) by Region
Certified CY 2019, Estimated CY 2020, and SS1-Ch 6 CY 2020

	2019 Certified CY 19 / FY 20	2020 Estimated CY 20 / FY 21	SS1-Ch 6 CY 20 / FY 21	SS1 % Chg vs CY 19	% State Total
Metro¹ Counties	104,303,000	104,157,864	116,253,559	11.5%	44.7%
Greater MN Counties	<u>129,655,085</u>	<u>129,800,197</u>	<u>143,704,502</u>	<u>10.8%</u>	<u>55.3%</u>
State Total	\$233,958,085	\$233,958,061	\$259,958,061	11.1%	100.0%
Change \$ 2020 SS1-Ch 6			\$26,000,000		

Source: CPA 2019 and 2020, base vs omnibus tax bill, House Research, May 22, 2019

Notes:

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

²In calendar year 2019, all of Minnesota's 87 counties received a CPA payment.

³In calendar year 2020, absent SS1-CH 6, 55 counties (or 63%) would have received an estimated CPA payment less than its 2019 LGA payment.

⁴In calendar year 2021 and thereafter, the CPA appropriation will reflect an additional \$4 million increase making the annual total \$263,958,061.

	FY 2020-21	FY 2022-23
One-time Local Aids	+\$ 6.3 mil	+\$ 5.4 mil

Chapter 6 makes a number of specific purpose grants to individual counties and cities over the three-year period, FYs 2020-2022, as exhibited in Table 5 below. Almost all of these local government grants will be used to pay for unusually high human services costs or infrastructure replacement costs.

**Table 5: 2019 SS1, CH 6 (HF 5) Omnibus Tax Act
Local Government Grants
Payments by July 15, 2019 unless otherwise specified**

County	Purpose	FY 2020	FY 2021	FY 2022
Beltrami County	Out of Home placement costs	\$3,000,000	0	0
Mahnomen County for distribution to: \$250,000 to Mahnomen Health Center \$250,000 for White Earth Band of Ojibwe	Health care services Child welfare services	500,000	0	0
Otter Tail County	Debt service on residential treatment building in Fergus Falls	500,000	0	0
Wadena County	Human services costs; payments on Aug 1, 2019 and Aug 1, 2020	600,000	600,000	0

City	Purpose	FY 2020	FY 2021	FY 2022
Lilydale	Infrastructure upgrades and associated bond payments related to Highway 13 construction	\$275,000	0	0
Austin	Reimbursement of 2016 state fire aid and 2016 supplemental police and fire aid	129,000	0	0
Flensburg	Compensation for lost local government aid and small cities assistance	38,400	0	0
Mazeppa \$2,600 to City of Mazeppa and \$2,400 for Wabasha County	Compensation for property tax abatements and other costs from fire damage on March 11, 2018	5,000	0	0
Melrose	Extension of reimbursement grants used for fire damage on Sept 8, 2016; payments from Commisisoner of Public Safety available until June 30, 2021	643,729	0	0
Virginia	Repayment of debt service for costs of utility relocation for U.S. Highway 53; payment to be made by Aug 1, 2021	0	0	5,400,000
TOTAL - All Grants to Local Governments		\$5,691,129	\$600,000	\$5,400,000

Property Tax Refunds (PTR)	FY 2020-21	FY 2022-23
Homestead Credit State Refund (PTR) – Manufactured Cooperatives Home	+\$ 0.2 mil	+\$ 0.2 mil

Chapter 6 modifies property tax refund calculations for residents living in a manufactured home park cooperative, allowing them to include 17 percent of the rent paid for site rental when determining property taxes payable for their property tax refund.

Property Tax Interactions from 2019 Laws, First Special Session, Chapter 1 Changes

2019 law changes	(\$2.2 mil)	(\$2.6 mil)
2019 TCJA changes	(\$1.1 mil)	(\$5.3 mil)

Property tax refund interactions in the FY 2020-21 biennium arise from a variety of aid increases: Local Government Aid interactions (-\$0.63 million), County Program Aid (-\$0.63 million), Homestead Exclusion for Veterans with a Disability (-\$0.60 million), School Operating Referendum Equalization Aid (-0.45 million) and from various property tax changes including determination of homesteads for business entities (+0.06 million), and from 2019 Laws, First Special Session, Chapter 3, the transportation finance act, Metro-area transit/paratransit capital expenditure bonds (+\$0.05 million). In addition, changes to Minnesota income taxes attributable to Tax Cut Job Act (TCJA) conformity also trigger interactions with property tax refunds (-\$1.1 million). For the FY 2022-23 biennium, the full impact of property tax interaction changes create a savings of (\$7.9 million).

Property Tax Credits	FY 2020-21	FY 2022-23
School Building Bond Agricultural Credit	+\$ 9.8 mil	+\$43.8 mil

Recognizing the continuing need to upgrade school facilities and the related property tax challenges for agricultural property, Chapter 6 enhances the School Building Bond Agricultural Credit created just two years ago. The new law gradually increases a property's eligible net tax capacity used to calculate the credit. Currently, agricultural properties (class 2a, 2b and 2c property less the house, garage and surrounding one acre) can receive a credit equal to *40 percent* of the property's eligible net tax capacity multiplied by the school debt tax rate (the portion of a school district's levy dedicated to retiring capital debt). The credit will increase to 50 percent for taxes payable in 2020/FY 2021, 55 percent in 2021/FY 2022, 60 percent in 2022/FY 2023 and 70 percent in 2023/FY 2024 and thereafter.

The Minnesota Department of Education estimates that in 2019, school debt service levies statewide will total approximately \$998 million. Of this amount, \$100 million (about 10 percent) is estimated to be paid by class 2a, 2b and 2c property. Increasing a school building bond credit from 40 percent to 50 percent would increase program costs by about \$11 million in taxes payable

2020/FY 2021, \$18 million in payable 2021/FY 2022 and \$27 million in payable 2022/FY 2023. These fiscal year credit estimates account for the 90/10 school levy recognition shift.

Table 6 provides examples of how this increased credit would work for a 300-acre farm with a homestead valued at \$125,000, located in three different school districts with construction project debt levies. The farm in Township A would see an increase in its credit from \$313 in pay 2019 to \$391 in pay 2020, the farm in Township B would see a credit increase from \$459 to \$574, and the farm in Township C would see an increase from \$956 to \$1,195.

Table 6

**Payable Year 19 and Enhanced (Pay 20) School Building Bond Agricultural Credit Calculations
Sample 300-Acre Farm with Home Value \$125,000 Located in 3 Townships**

Township	School District Bond		Current Net Tax with Ag MV Credit and SBB Credit @ 40%										With Increased SBB Credit @ 50%	
	Debt Levy	Debt Rate	Ag land Value	HMV Exclusion	HGA taxable	HGA NTC	Ag land NTC	Pay19 Gross Tax	Pay19 Ag MVC	Pay 19 FY 20 Net Tax	SBB Credit @ 40%	Pay 19 FY 20 Net Tax	SBB Credit @ 50%	Pay 20 FY 21 Net Tax
Township A	\$704,771	13.03%	\$1,200,000	\$25,990	\$99,010	\$990	\$6,000	\$5,461	490	\$4,971	\$313	\$4,658	\$391	\$4,267
Township B	\$1,229,000	12.75%	\$1,800,000	\$25,990	\$99,010	\$990	\$9,000	\$8,874	490	\$8,384	\$459	\$7,925	\$574	\$7,351
Township C	\$2,215,708	31.87%	\$1,500,000	\$25,990	\$99,010	\$990	\$7,500	\$8,449	490	\$7,959	\$956	\$7,003	\$1,195	\$5,807

Source: S. Hinze, House Research with modifications by K. Schill, House Fiscal Analysis

Other Tax Aids and Appropriations to the Department of Revenue

	FY 2020-21	FY 2022-23
Administration of Tax Act law changes Department of Revenue (DOR)	\$ 6.00 mil	\$ 6.00 mil
DOR Volunteer Income Tax Assistance grants	\$ 0.40 mil	\$ 0.40 mil
Senior Property Tax Deferral (Net Loan Activity)	\$ 0.06 mil	\$ negligible

DOR administration – Beginning in FY 2020, Chapter 6 appropriates \$3 million per year to the commissioner of revenue to pay additional administration costs generated by the implementation of this 2019 tax act.

DOR Volunteer Income Tax Assistance grants – Beginning in FY 2020, an additional \$200,000 per year is available for grants to non-profit organizations to provide volunteer taxpayer assistance services to Minnesotans who are low-income, elderly and disadvantaged. For FY 2020, a total of \$600,000 will be available for this program.

Senior Property Tax Deferral – Chapter 6 changes the Senior Deferral program application deadline from July 1 to November 1. This delay allows applicants to be eligible for program benefits an additional four-months during the transition, and thus the act appropriates an additional \$60,000 in FY 2021 for these costs.

Other Expenditures	FY 2020-21	FY 2022-23
Appropriations for other agencies		
School Operating Referendum Equalization Aid	\$ 8.99 mil	\$17.55 mil
State Government - PERA – MERF Aid increase	\$20.00 mil	\$ 20.00 mil
DEED - Duluth Regional Exchange District Debt Service	\$ -0- mil	\$ 11.10 mil

School Operating Referendum Equalization Aid - In addition to the base appropriation in 2019 Laws, First Special Session, Chapter 11, the Education Finance Act, Chapter 6 provides \$10 million per year in School Operating Referendum Equalization Aid. Pursuant to MS 127A.45, this aid to school districts is distributed 90 percent in the current year and 10 percent (final adjustment) in the ensuing year. The fiscal impact of this provision is \$8.99 million in FY 2021 and \$17.55 million in the FY 2022-23 biennium.

PERA – MERF (Public Employees Retirement Association, Minneapolis Employees Retirement Fund) – Chapter 6 carries an additional \$10 million per year for PERA/MERF that was originally in the State Government Finance bill. This funding, which is different from the PERA Aid to local governments that is scheduled to sunset June 30, 2020, will help to pay off the unfunded liability that existed when MERF was consolidated into PERS in 2010.

DEED Duluth Regional Exchange District debt service aid – Chapter 6, Article 10, creates the Duluth Regional Exchange District based around the city’s two medical centers - St. Luke’s Hospital in the east and Essentia in the west - and provides state funding to help pay for specific public infrastructure costs related to the district’s development. As a component of the city’s redevelopment plan, the district will last through June 30, 2055.

When the City and the medical centers satisfy the terms of this law¹, including the \$50 million matching requirement for qualified expenditures per medical entity, the city may request the commissioner of management and budget (MMB) to sell 25-year appropriation bonds, not to exceed \$97.72 million net of costs of issuance, the proceeds of which will pay for grants for specific public infrastructure projects, debt service and other associated costs permitted in this article.

Article 10 appropriates from the General Fund up to \$3.66 million in fiscal year 2022 and up to \$8.1 million each year thereafter, through fiscal year 2055, for appropriation support payments to help with the financing of \$97.72 million in infrastructure projects. The City of Duluth may 1) elect to directly receive this debt service aid for its bond payments or, 2) in the event that the state issues appropriation bonds for these purposes, choose to receive a lesser amount so that the commissioner of MMB may pay the debt service cost.

¹Article 10 also allows the City of Duluth to increase its local sales tax by an additional one-half of one percent, provided that at least \$10 million in combined revenue from the tax increase or the city’s utility fund is used for road improvements in the Regional Exchange District.

Reports and Studies – Chapter 6 contains no study provisions.

State General Levy

Building on the notable changes made during the 2017 legislative session, e.g. freezing the levy, removing the inflation factor and excluding the first \$100,000 of market value from commercial/industrial property, Chapter 6 makes two additional changes to the statewide general property tax levy.

- First, it reduces the state general levy by a total of \$50 million, decreasing the commercial-industrial property component by \$47.5 million and decreasing the seasonal recreational property portion by \$2.5 million. For taxes payable in 2020, the new levy for commercial-industrial property is set at \$737,090,000 and the new levy for seasonal recreational property is set at \$41,690,000.
- Second, contingent upon meeting certain qualifications, the law provides for an abatement from the state general levy for up to 12 years for personal property that is part of an intrastate natural gas or distribution pipeline system. To be eligible, the construction of the pipeline system must have started after January 1, 2018, be located outside the seven-county metropolitan area, and be located in an area in which households or businesses lacked access to natural gas distribution systems before January 1, 2018. State revenues will be reduced by less than \$5,000 (a negligible impact) in FYs 2021 and 2022 and by \$10,000 in FY 2023.

The estimated revenue reductions for the state general levy plus their related interactions impacting both income and corporate taxes total \$76.13 million in the FY 20-21 biennium and \$97.26 million in FY 22-23. See additional detail in the table below. Note that while the state general levy is collected on a calendar year basis, the table presentation is by fiscal year.

Statewide General Levy Changes - SS1, CH 6, 2019 Omnibus Tax bill Dollars in Thousands

Note: Positive numbers reflect revenue gains, negative numbers are revenue losses

General Fund	FY '20	FY '21	FY 20-21 Biennium	FY '22	FY '23	FY 22-23 Biennium
1 <i>State General Levy - February 2019 forecast</i>	\$820,843	\$817,214	\$1,638,057	\$817,157	\$817,172	\$1,634,329
2						
3 State General Levy (SGL) changes	(\$27,500)	(\$50,000)	(\$77,500)	(\$50,000)	(\$50,010)	(\$100,010)
4 Reduce Statewide Levy amount on CI and SRR	(27,500)	(50,000)	(77,500)	(50,000)	(50,000)	(100,000)
5 Natural gas pipeline property tax abatement for intrastate natural gas transport or distribution pipeline system outside metro	0	(negligible)	(negligible)	(negligible)	(10)	(10)
6 Income tax interactions due to SGL changes	0	1,370	1,370	1,370	1,370	2,740
7 Total SGL changes + interactions (lines 3 + 6)	(\$27,500)	(\$48,630)	(\$76,130)	(\$48,630)	(\$48,640)	(\$97,270)
8 Total Modified State General Levy Revenues February 2019 forecast + SGL changes (lines 1 + 3)	\$793,343	\$767,214	\$1,560,557	\$767,157	\$767,162	\$1,534,319

Public Finance provisions – No state fund impact

State Agricultural Society Bonding Authority, *Effective July 1, 2019.*

Chapter 6 modifies the bonding authority limit for the State Agricultural Society (which oversees the Minnesota State Fair) from \$20 million to \$30 million and repeals the expiration date of the bonding authority.

Bond Allocation Act Modified, *Effective July 1, 2019.*

Previously, for purposes of the Minnesota Bond Allocation Act, any publicly owned facility, or a facility owned by a nonprofit organization that is used for district heating or cooling, was eligible to be financed with public facilities bonds. Chapter 6 modifies the ownership requirements to allow public or privately owned facilities used for district heating or cooling to qualify for public facilities bonds.

Drainage Lien Principle Interest Rate Modification, *Effective July 1, 2019*

Drainage liens, a type of local special assessment, can include interest as part of the bill sent to a property owner. Previously, the maximum interest rate on a drainage lien matched those rates set by the State Court Administrator for judgments and awards. Chapter 6 changes the maximum interest rate allowed for drainage liens, not to exceed the rate set by the State Court Administrator, or six percent, whichever is greater.

Property Tax Changes, Local Option Tax Changes – No state fund impact

For a list of other, no-cost property tax changes, including local option sales taxes, local lodging/food and beverage taxes, tax increment financing, please see [2019 Appendix B](#) (pages 17-18) of the 2019 spreadsheet entitled Taxes – First Special Session Chapter 6 .

For questions on state Tax Aids and Credits issues, please contact Katherine Schill, Fiscal Analyst, at 651-296-5384 or at katherine.schill@house.mn.

Appendix 1 - Page 1 - Information by Committee
Changes in Fees, Fines, Assessments and Third Party Reimbursements - 2019 Legislation

<u>Committee</u>	<u>Agency</u>	<u>Change</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2020-21</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022-23</u>	<u>Fund</u>
Education									
	MDE	Increase School Administrators License Fee (\$75 to \$100)	87	87	174	87	87	174	GF
	DHS	Headstart Background Checks	51	8	59	8	8	16	SR
Health & Human Services									
	DHS	Family First Prevention Services - Background Checks	605	605	1,210	605	605	1,210	SR
	DHS	TEFRA Parental Fee	-719	-719	-1,438	-719	-719	-1,438	GF
	DHS	TEFRA Parental Fee	98	200	298	205	211	416	GF
	DHS	Dispute Resolution for County Costs - Cost of Care Collections	-291	-291	-582	-291	-291	-582	GF
	DHS	Sex Offender Program - Cost of Care Collections	1,758	1,758	3,516	1,758	1,758	3,516	GF
	MDH	Vulnerable Adults - Assisted Living Licensure Fees (Ch 60)	0	0	0	8,352	8,352	16,704	SGSR
	MDH	Vulnerable Adults - Assessment Fines (Ch 60)	1,629	1,629	3,258	0	0	0	SR
	MDH	Wells & Borings Fee Revenue	68	68	136	68	68	136	SGSR
	MDH	Safe Drinking Water Fee (\$6.36 to \$9.72 per connection)	2,117	4,234	6,351	4,234	4,234	8,468	SGSR
	MDH	Security Screening - Ionizing Radiation	4	5	9	6	6	12	SGSR
	Den Bd	Board of Dentistry Fee Increase	12	12	24	12	12	24	SGSR
	Nur Hom Ad	Board of Nursing Home Administrators Fee Increase	41	41	82	75	75	150	SGSR
	Pharm Bd	Board of Pharmacy Fee Increase	651	651	1,302	651	651	1,302	SGSR
	Pharm Bd	Opioid Fees (Ch 63)	20,940	20,940	41,880	20,940	20,940	41,880	SGSR
	Phsy Bd	Psychology Board Fee Increases	13	13	26	13	13	26	SGSR
	Soc Wk Bd	Social Work Board Fee Change	463	471	934	470	478	948	SGSR
	Occ Th Bd	Occupational Therapy Board Fee Increase	103	114	217	103	113	216	SGSR
	Optm Bd	Optometry Board Fee Increase	75	75	150	75	75	150	SGSR
	Optm Bd	Optometry Board - Optometry Education Tracker	22	22	44	22	22	44	SGSR
Agriculture									
	BAH	Cervidae Inspection Fee	185	185	370	185	185	370	SR
	MDA	Pesticide Penalty	1	1	2	1	1	2	Ag
	MDA	Food License Exemptions	-3	-3	-6	-3	-3	-6	GF
	MDA	Extend AFREC Fee	1,270	1,270	2,540	1,270	1,270	2,540	Ag
Environment									
	DNR	Boating Registration - AIS Surcharge	1,600	1,600	3,200	1,600	1,600	3,200	Nat Res
	DNR	Water Permit Application Fees	358	358	716	358	358	716	Nat Res
	DNR	Cross Country Ski Pass Fee Increase	70	70	140	70	70	140	Nat Res
	DNR	Taking of Turtles Provision Modified	-5	-5	-10	-5	-5	-10	G&F
	PCA	Air Permits	258	516	774	516	516	1,032	Env
Jobs, Economic Development & Energy									
	PUC	Assessment for Decision-making Capability	300	300	600	300	300	600	GF
	DOC	Utility Grid Reliability Assessment Extension	500	500	1,000	500	500	1,000	SR
	DOC	Financial Institutions Fee - Change Fund	-550	-550	-1,100	-550	-550	-1,100	GF
	DOC	Financial Institutions Fee - Change Fund	550	550	1,100	550	550	1,100	SR
	DOC	Licensing Pharmacy Benefit Managers (\$8,500) (Ch 39)	340	383	723	425	425	850	GF
	DOC	Manufactured Home Dealers Exempt from Originator License (Ch 58)	-5	-5	-10	-5	-5	-10	GF
	DOC	Manufactured Home Dealers Exempt from Originator License (Ch 58)	-1	-1	-2	-1	-1	-2	SR
	DEED	Angel Tax Credit Application & Reporting Fees (SS Ch 6 Taxes)	190	30	220	190	60	250	SR
	DOLI	Combative Sports Fee Reductions	-2	-2	-4	-2	-2	-4	SR
	DOLI	Manufactured Home Assembler License Fee (SS Ch 1)	0	-6	-6	0	0	0	Con Code
Public safety & Judiciary									
	Courts	Cell Phone Use While Driving Fee Revenue (Chapter 11)	141	187	328	187	187	374	GF
State Government									
	Cosmet Bd	Hair Braiders Exempt from Licensing	-3	-3	-6	-3	-3	-6	GF
	Acct Bd	CPA Licensing Modified	-105	-105	-210	-105	-105	-210	GF
Transportation									
	DPS	DVS Staffing - Plate Fee Increase	2,459	2,683	5,142	2,683	1,387	4,070	SR
	DPS	DVS Staffing - Driver's License/ID Fee Increase	3,910	4,265	8,175	4,265	3,554	7,819	SR
	DPS	DVS Staffing - Filing Fee Increase	1,114	1,216	2,330	1,216	1,216	2,432	SR
	DPS	MNLARS Technology Fee at \$2.25	16,500	18,000	34,500	18,000	18,000	36,000	SR
	DPS	Bulk Data Fee Change	329	359	688	359	359	718	SR

Appendix 1 - Page 2 - Summary Information
Changes in Fees, Fines, Assessments and Third Party Reimbursements - 2019 Legislation

Total Changes	57,128	61,716	118,844	68,675	66,562	135,237	All Funds
Subtotals by Fund							
General Fund	1,048	1,239	2,287	1,286	1,292	2,578	GF
Special Revenue	28,019	30,027	58,046	28,558	26,421	54,979	SR
State Government Special Revenue Fund	24,509	26,646	51,155	35,021	35,039	70,060	SGSR
Agricultural Fund	1,271	1,271	2,542	1,271	1,271	2,542	Ag
Natural Resources Fund	2,028	2,028	4,056	2,028	2,028	4,056	Nat Res
Game & Fish Fund	-5	-5	-10	-5	-5	-10	G&F
Environmental Fund	258	516	774	516	516	1,032	Env
Construction Codes Fund	0	-6	-6	0	0	0	Con Code