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Minnesota Management and Budget Non-Operating

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mn.gov/mmb/

AT A GLANCE

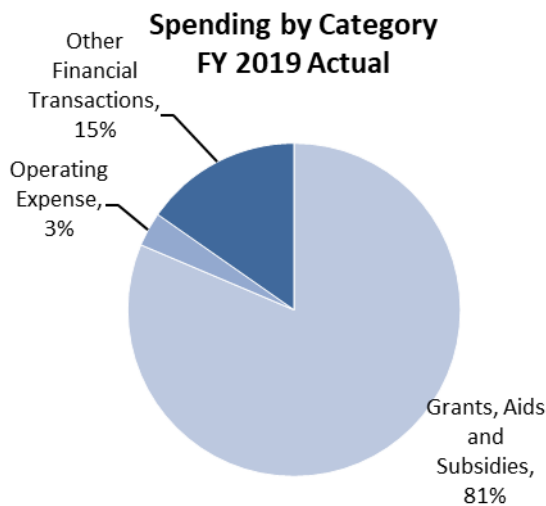
- Maintain more than 125 accounts outside of MMB’s regular statutory operations
- Receive over \$500 million in deposits, transfers, and cancellations to the general fund annually
- Act as fiscal agent for \$8 million in federal funds annually
- Collect over \$100 million in miscellaneous fees, fines, penalties, and surcharges annually
- Provide \$65 million in direct aid to various local and state pension funds annually

PURPOSE

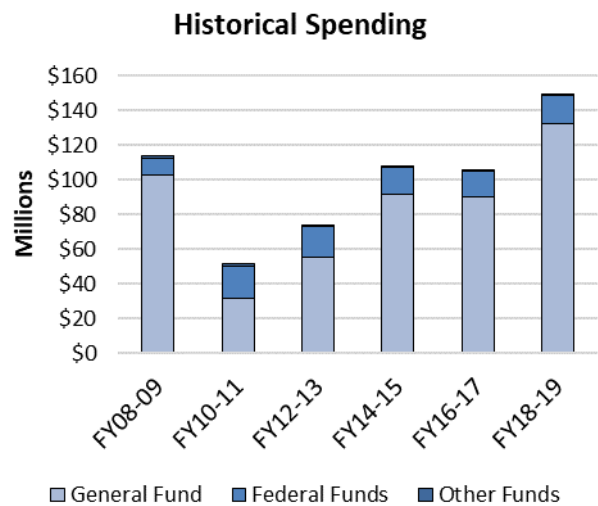
Minnesota Management and Budget (MMB) provides statewide accounting, budgeting, and financial management functions. Because of this role, statute requires MMB to manage a number of accounts and transactions that are outside of our day-to-day operations. This collective work is referred to as MMB’s non-operating activities. These accounts and transactions cover a broad range of financial activities, including tort claims, contingency accounts, pension direct aids, and miscellaneous payments, deposits, and transfers. MMB is also responsible for receiving and depositing the state’s share of various fees, fines, assessments, and surcharges collected by counties and judicial districts. Additionally, MMB acts as a pass-through entity for federal payments in lieu of taxes that we then remit to units of local government where national forests are located.

MMB is driven by our mission to be stewards of the state’s financial and human resources, working together for the people of Minnesota. Our oversight of these non-operating activities is an important aspect of our stewardship of state resources.

BUDGET



Source: Budget Planning & Analysis System (BPAS)



Source: Consolidated Fund Statement

The charts above show the amounts and categories of MMB non-operating expenditures. They do not include debt service payments administered by the agency. Expenditures are just one facet of MMB’s non-operating activities. Our agency also processes a variety of deposits and transfers. MMB’s non-operating activities are described in more detail below.

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

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

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

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

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

Federal Payments in Lieu of Taxes: MMB receives pass-through federal payments in lieu of taxes for national forest lands, like the Chippewa National Forest and Superior National Forest. MMB receives these payments from the federal government and distributes them to the units of local government that are home to these forest lands.

Miscellaneous Fees, Fines, Assessments, Surcharges, and Deposits: The state charges fees and surcharges for various activities, including obtaining marriage licenses or adopting a child, and assesses fines and penalties for violations of the law. These receipts are often dedicated to more than one activity across multiple agencies; therefore, MMB is tasked with acting as an intermediary between the collecting entity and the receiving entity. In other instances, MMB is required to collect certain deposits that contribute to the available balance in the general fund or other funds.

Pension Direct Aids: The state provides direct aid to the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA) to help offset the additional liability those systems assumed when they merged with the Duluth Teachers Retirement Fund (TRA), the Minneapolis Teachers Retirement Fund (TRA), and the Minneapolis Employees Retirement Fund (PERA). The state also provides direct aid to the PERA Police and Fire Fund and St. Paul Teachers' Retirement Fund to help offset unfunded liabilities. These aids are appropriated to MMB for payment to the applicable pension funds.

STRATEGIES

MMB's non-operating activities contribute to the priorities of Fiscal Accountability and Measurable Results. To support these priorities, a key MMB goal is to direct and model responsible and transparent fiscal management. We work to ensure state resources are used effectively, ensure public trust by responsibly managing state finances and maintaining or improving the state's credit ratings, and communicate the state's fiscal priorities and

financial information in a way that is accessible and understandable. These principles extend to both MMB's operating and non-operating functions. We strive to complete our prescribed non-operating duties timely and we conduct this work according to law and accounting principles. We also report our non-operating activities in the Biennial Budget, Enacted Budget, Budget and Economic Forecasts, and financial statements.

Minnesota Statutes, Chapters 16A (<https://www.revisor.mn.gov/statutes/?id=16A>) and 43A (<https://www.revisor.mn.gov/statutes/cite/43A>) provide the general legal authority for MMB. However, MMB's non-operating activities are authorized throughout various sections of Minnesota Statutes as well as Minnesota Session Law.

MMB Non-operating

Agency Expenditure Overview

(Dollars in Thousands)

| | Actual FY18 | Actual FY19 | Actual FY20 | Estimate FY21 | Forecast Base | | Governor's Recommendation | |
|------------------------------------|----------------|----------------|----------------|------------------|----------------|----------------|------------------------------|----------------|
| | | | | | FY22 | FY23 | FY22 | FY23 |
| <u>Expenditures by Fund</u> | | | | | | | | |
| 1000 - General | 61,589 | 70,993 | 70,745 | 196,640 | 82,192 | 84,045 | 81,692 | 85,475 |
| 1201 - Health Related Boards | | | | 800 | 400 | 400 | 400 | 400 |
| 2830 - Workers Compensation | | | | 200 | 100 | 100 | 100 | 100 |
| 3000 - Federal | 7,090 | 8,702 | 7,615 | 7,646 | 7,646 | 7,646 | 7,646 | 7,646 |
| 3700 - Debt Service | 377 | | 45 | | | | | |
| 5000 - Master Lease | 11,866 | 14,399 | 19,123 | 22,207 | 14,101 | 14,101 | 14,101 | 14,101 |
| Total | 80,922 | 94,093 | 97,528 | 227,493 | 104,439 | 106,292 | 103,939 | 107,722 |
| Biennial Change | | | | 150,006 | | (114,290) | | (113,360) |
| Biennial % Change | | | | 86 | | (35) | | (35) |
| Governor's Change from Base | | | | | | | | 930 |
| Governor's % Change from Base | | | | | | | | 0 |

Expenditures by Program

| | | | | | | | | |
|-----------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|
| Contingent | 821 | | 100 | 1,400 | 1,000 | 500 | 1,000 | 500 |
| Teachers Aid | 55,658 | 60,658 | 60,658 | 60,658 | 60,658 | 60,658 | 60,658 | 60,658 |
| Tort Claims | | | | 322 | 161 | 161 | 161 | 161 |
| Federal Funds | 7,090 | 8,702 | 7,615 | 7,646 | 7,646 | 7,646 | 7,646 | 7,646 |
| Administrative | 5,110 | 10,335 | 9,987 | 135,260 | 20,873 | 23,226 | 20,373 | 24,656 |
| Debt Management | 12,243 | 14,399 | 19,169 | 22,207 | 14,101 | 14,101 | 14,101 | 14,101 |
| Total | 80,922 | 94,093 | 97,528 | 227,493 | 104,439 | 106,292 | 103,939 | 107,722 |

Expenditures by Category

| | | | | | | | | |
|-----------------------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|
| Compensation | | | 77 | | | | | |
| Operating Expenses | 3,614 | 3,138 | 2,893 | 2,222 | 1,661 | 3,080 | 1,161 | 4,510 |
| Grants, Aids and Subsidies | 65,448 | 76,560 | 75,473 | 203,064 | 88,677 | 89,111 | 88,677 | 89,111 |
| Other Financial Transaction | 11,861 | 14,396 | 19,085 | 22,207 | 14,101 | 14,101 | 14,101 | 14,101 |
| Total | 80,922 | 94,093 | 97,528 | 227,493 | 104,439 | 106,292 | 103,939 | 107,722 |

MMB Non-operating

Agency Financing by Fund

(Dollars in Thousands)

| | Actual FY18 | Actual FY19 | Actual FY20 | Estimate FY21 | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|----------------|----------------|----------------|------------------|---------------|---------------|------------------------------|---------------|
| | | | | | FY22 | FY23 | FY22 | FY23 |
| 1000 - General | | | | | | | | |
| Balance Forward In | | 661 | | 561 | | | | |
| Direct Appropriation | 153,503 | 182,080 | 506,180 | 226,559 | 73,480 | 72,980 | 73,480 | 74,910 |
| Open Appropriation | 20,682 | 10,586 | 22,536 | 13,166 | 8,673 | 11,026 | 8,673 | 11,026 |
| Transfers In | 10,539 | 8,787 | 8,544 | 278,088 | 9,664 | 10,074 | 9,164 | 20,990 |
| Transfers Out | 109,813 | 120,092 | 454,995 | 49,907 | 6,222 | 6,222 | 6,222 | 6,222 |
| Net Loan Activity | (7,947) | (8,177) | (8,261) | | | | | |
| Cancellations | 4,714 | 2,853 | 2,699 | 271,827 | 3,403 | 3,813 | 3,403 | 15,229 |
| Balance Forward Out | 661 | | 561 | | | | | |
| Expenditures | 61,589 | 70,993 | 70,745 | 196,640 | 82,192 | 84,045 | 81,692 | 85,475 |
| Biennial Change in Expenditures | | | | 134,803 | | (101,148) | | (100,218) |
| Biennial % Change in Expenditures | | | | 102 | | (38) | | (37) |
| Governor's Change from Base | | | | | | | | 930 |
| Governor's % Change from Base | | | | | | | | 1 |

1201 - Health Related Boards

| | | | | | | | | |
|-----------------------------------|-----|-----|-----|------------|------------|------------|------------|------------|
| Balance Forward In | | 400 | | 400 | | | | |
| Direct Appropriation | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 |
| Transfers In | | | | 5 | | | | |
| Cancellations | | 800 | | 5 | | | | |
| Balance Forward Out | 400 | | 400 | | | | | |
| Expenditures | | | | 800 | 400 | 400 | 400 | 400 |
| Biennial Change in Expenditures | | | | 800 | | 0 | | 0 |
| Biennial % Change in Expenditures | | | | | | | | |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |

1250 - Health Care Response

| | | | | | | | | |
|----------------------|--|--|---------|--------|--|--|--|--|
| Direct Appropriation | | | | 10,000 | | | | |
| Transfers In | | | 150,000 | | | | | |
| Transfers Out | | | | 10,000 | | | | |
| Cancellations | | | 150,000 | | | | | |

1251 - COVID-19 Minnesota

MMB Non-operating

Agency Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|---------------|--------|--------|---------|----------|---------------|------|---------------------------|------|
| | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY22 | FY23 |
| Transfers In | | | 200,000 | | | | | |
| Cancellations | | | 200,000 | | | | | |

2000 - Restrict Misc Special Revenue

| | | | | | | | | |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Balance Forward In | 123 | | | 3,656 | | | | |
| Receipts | 8,088 | 7,323 | 6,579 | 3,126 | 3,081 | 3,081 | 3,081 | 3,081 |
| Transfers Out | 8,210 | 7,323 | 2,923 | 6,782 | 3,081 | 3,081 | 3,081 | 3,081 |
| Balance Forward Out | | | 3,656 | | | | | |

2001 - Other Misc Special Revenue

| | | | | | | | | |
|---------------|-----|-----|-----|-----|-----|-----|-----|-----|
| Transfers In | 340 | 340 | 340 | 340 | 340 | 340 | 340 | 340 |
| Transfers Out | 340 | 340 | 340 | 340 | 340 | 340 | 340 | 340 |

2200 - Game and Fish (Operations)

| | | | | | | | | |
|---------------------|--|-----|-----|-----|-----|-----|-----|-----|
| Balance Forward In | | 134 | 134 | 134 | 134 | 134 | 134 | 134 |
| Balance Forward Out | | 134 | 134 | 134 | 134 | 134 | 134 | 134 |

2300 - Outdoor Heritage

| | | | | | | | | |
|---------------|-----|-----|--|--|--|--|--|--|
| Transfers In | 338 | 368 | | | | | | |
| Cancellations | 338 | 368 | | | | | | |

2301 - Arts & Cultural Heritage

| | | | | | | | | |
|---------------|-----|-----|--|--|--|--|--|--|
| Transfers In | 202 | 220 | | | | | | |
| Cancellations | 202 | 220 | | | | | | |

2302 - Clean Water

| | | | | | | | | |
|---------------|--------|-----|--|--|--|--|--|--|
| Transfers In | 22,338 | 368 | | | | | | |
| Cancellations | 22,338 | 368 | | | | | | |

2303 - Parks and Trails

| | | | | | | | | |
|---------------|-----|-----|--|--|--|--|--|--|
| Transfers In | 146 | 159 | | | | | | |
| Cancellations | 146 | 159 | | | | | | |

MMB Non-operating

Agency Financing by Fund

(Dollars in Thousands)

| | Actual FY18 | Actual FY19 | Actual FY20 | Estimate FY21 | Forecast Base | | Governor's Recommendation | |
|----------------------------------|----------------|----------------|----------------|------------------|---------------|---------|------------------------------|---------|
| | | | | | FY22 | FY23 | FY22 | FY23 |
| 2360 - Health Care Access | | | | | | | | |
| Direct Appropriation | 322,750 | 322,000 | 122,000 | 122,000 | 122,000 | 122,000 | 122,000 | 122,000 |
| Transfers In | | | 7,200 | | | | | |
| Transfers Out | 322,750 | 322,000 | 122,000 | 122,000 | 122,000 | 122,000 | 122,000 | 122,000 |
| Cancellations | | | 7,200 | | | | | |

2700 - Trunk Highway

| | | | | | | | | |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Transfers In | 3,959 | 4,761 | 3,936 | 4,291 | 4,291 | 4,291 | 4,291 | 4,291 |
| Cancellations | 3,959 | 4,761 | 3,936 | 4,291 | 4,291 | 4,291 | 4,291 | 4,291 |

2830 - Workers Compensation

| | | | | | | | | |
|-----------------------------------|-----|-----|-----|------------|------------|------------|------------|------------|
| Balance Forward In | | 100 | | 100 | | | | |
| Direct Appropriation | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Transfers In | | | | 14 | | | | |
| Cancellations | | 200 | | 14 | | | | |
| Balance Forward Out | 100 | | 100 | | | | | |
| Expenditures | | | | 200 | 100 | 100 | 100 | 100 |
| Biennial Change in Expenditures | | | | 200 | | 0 | | 0 |
| Biennial % Change in Expenditures | | | | | | | | |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |

3000 - Federal

| | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Balance Forward In | 38 | 43 | 51 | 59 | 66 | 73 | 66 | 73 |
| Receipts | 7,095 | 8,709 | 7,623 | 7,653 | 7,653 | 7,653 | 7,653 | 7,653 |
| Balance Forward Out | 43 | 51 | 59 | 66 | 73 | 80 | 73 | 80 |
| Expenditures | 7,090 | 8,702 | 7,615 | 7,646 | 7,646 | 7,646 | 7,646 | 7,646 |
| Biennial Change in Expenditures | | | | (531) | | 31 | | 31 |
| Biennial % Change in Expenditures | | | | (3) | | 0 | | 0 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |

3700 - Debt Service

MMB Non-operating

Agency Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|------------|--------|-----------|----------|---------------|------|---------------------------|------|
| | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY22 | FY23 |
| Balance Forward In | | 349 | | 15 | 15 | 15 | 15 | 15 |
| Receipts | 398 | | 60 | | | | | |
| Transfers Out | | 349 | | | | | | |
| Balance Forward Out | 21 | | 15 | 15 | 15 | 15 | 15 | 15 |
| Expenditures | 377 | | 45 | | | | | |
| Biennial Change in Expenditures | | | | (331) | | (45) | | (45) |
| Biennial % Change in Expenditures | | | | | | | | |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | |

3800 - Permanent School

| | | | | | | | | |
|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Balance Forward In | 8,047 | 8,450 | 9,622 | 9,417 | 10,641 | 10,738 | 10,641 | 10,738 |
| Receipts | 33,426 | 37,167 | 38,885 | 39,396 | 39,685 | 39,974 | 39,685 | 39,974 |
| Transfers Out | 33,023 | 35,996 | 39,090 | 38,172 | 39,588 | 39,877 | 39,588 | 39,877 |
| Balance Forward Out | 8,450 | 9,622 | 9,417 | 10,641 | 10,738 | 10,835 | 10,738 | 10,835 |

4901 - 911 Revenue Bond Debt Service

| | | | | | | | | |
|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Balance Forward In | 274 | 535 | 807 | 1,069 | 1,332 | 1,595 | 1,332 | 1,595 |
| Transfers In | 23,261 | 23,261 | 23,261 | 23,261 | 23,261 | 23,261 | 23,261 | 23,261 |
| Transfers Out | 23,000 | 22,989 | 22,998 | 22,998 | 22,998 | 22,998 | 22,998 | 22,998 |
| Balance Forward Out | 535 | 807 | 1,069 | 1,332 | 1,595 | 1,858 | 1,595 | 1,858 |

4925 - Paid Family Medical Leave

| | | | | | | | | |
|----------------------|--|--|--|--|--|--|--|--------|
| Direct Appropriation | | | | | | | | 11,416 |
| Transfers Out | | | | | | | | 11,416 |

5000 - Master Lease

| | | | | | | | | |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Balance Forward In | 0 | 0 | 0 | | | | | |
| Transfers In | 11,866 | 14,399 | 19,123 | 22,207 | 14,101 | 14,101 | 14,101 | 14,101 |
| Transfers Out | 0 | | | | | | | |
| Balance Forward Out | 0 | 0 | 0 | | | | | |
| Expenditures | 11,866 | 14,399 | 19,123 | 22,207 | 14,101 | 14,101 | 14,101 | 14,101 |
| Biennial Change in Expenditures | | | | 15,065 | | (13,128) | | (13,128) |
| Biennial % Change in Expenditures | | | | 57 | | (32) | | (32) |
| Governor's Change from Base | | | | | | | | 0 |

MMB Non-operating

Agency Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|-------------------------------|--------|--------|--------|----------|---------------|------|---------------------------|------|
| | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY22 | FY23 |
| Governor's % Change from Base | | | | | | | | 0 |

6000 - Miscellaneous Agency

| | | | | | | | | |
|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Balance Forward In | 9,520 | 10,548 | 10,651 | 12,021 | 12,665 | 13,309 | 12,665 | 13,309 |
| Receipts | 1,679 | 816 | 2,664 | 1,512 | 1,512 | 1,512 | 1,512 | 1,512 |
| Transfers In | 67 | 52 | 91 | 67 | 67 | 67 | 67 | 67 |
| Transfers Out | 720 | 764 | 1,385 | 935 | 935 | 935 | 935 | 935 |
| Balance Forward Out | 10,548 | 10,651 | 12,021 | 12,665 | 13,309 | 13,953 | 13,309 | 13,953 |

8000 - Housing Finance Agency

| | | | | | | | | |
|---------------------|-----|-----|-----|-----|-----|-----|-----|-----|
| Balance Forward In | 71 | 136 | 150 | 20 | | | | |
| Receipts | 523 | 527 | 508 | 550 | 550 | 550 | 550 | 550 |
| Transfers Out | 458 | 513 | 638 | 570 | 550 | 550 | 550 | 550 |
| Balance Forward Out | 136 | 150 | 20 | | | | | |

MMB Non-operating

Agency Change Summary

(Dollars in Thousands)

| | FY21 | FY22 | FY23 | Biennium 2022-23 |
|--|----------------|----------------|----------------|---------------------|
| Direct | | | | |
| Fund: 1000 - General | | | | |
| FY2021 Appropriations | 226,559 | 226,559 | 226,559 | 453,118 |
| Base Adjustments | | | | |
| One-Time Capital Appropriations | | (38,779) | (38,779) | (77,558) |
| All Other One-Time Appropriations | | (114,800) | (114,800) | (229,600) |
| Biennial Appropriations | | 500 | | 500 |
| Forecast Base | 226,559 | 73,480 | 72,980 | 146,460 |
| Change Items | | | | |
| Paid Family And Medical Leave Insurance (DEED) | | | 1,930 | 1,930 |
| Total Governor's Recommendations | 226,559 | 73,480 | 74,910 | 148,390 |
| Fund: 1201 - Health Related Boards | | | | |
| FY2021 Appropriations | 400 | 400 | 400 | 800 |
| Forecast Base | 400 | 400 | 400 | 800 |
| Total Governor's Recommendations | 400 | 400 | 400 | 800 |
| Fund: 1250 - Health Care Response | | | | |
| FY2021 Appropriations | 10,000 | | | |
| Forecast Base | 10,000 | | | |
| Total Governor's Recommendations | 10,000 | | | |
| Fund: 2360 - Health Care Access | | | | |
| FY2021 Appropriations | 122,000 | 122,000 | 122,000 | 244,000 |
| Forecast Base | 122,000 | 122,000 | 122,000 | 244,000 |
| Total Governor's Recommendations | 122,000 | 122,000 | 122,000 | 244,000 |
| Fund: 2830 - Workers Compensation | | | | |
| FY2021 Appropriations | 100 | 100 | 100 | 200 |
| Forecast Base | 100 | 100 | 100 | 200 |
| Total Governor's Recommendations | 100 | 100 | 100 | 200 |
| Fund: 4925 - Paid Family Medical Leave | | | | |
| Change Items | | | | |
| Paid Family And Medical Leave Insurance (DEED) | | | 11,416 | 11,416 |
| Total Governor's Recommendations | | | 11,416 | 11,416 |
| Open | | | | |
| Fund: 1000 - General | | | | |

MMB Non-operating

Agency Change Summary

(Dollars in Thousands)

| | FY21 | FY22 | FY23 | Biennium 2022-23 |
|---|---------------|---------------|---------------|---------------------|
| FY2021 Appropriations | 15,882 | 15,882 | 15,882 | 31,764 |
| Base Adjustments | | | | |
| Forecast Open Appropriation Adjustment | | (4,552) | (4,008) | (8,560) |
| November Forecast Adjustment | (2,716) | (2,657) | (848) | (3,505) |
| Forecast Base | 13,166 | 8,673 | 11,026 | 19,699 |
| Total Governor's Recommendations | 13,166 | 8,673 | 11,026 | 19,699 |
| <i>Dedicated</i> | | | | |
| Fund: 3000 - Federal | | | | |
| Planned Spending | 7,646 | 7,646 | 7,646 | 15,292 |
| Forecast Base | 7,646 | 7,646 | 7,646 | 15,292 |
| Total Governor's Recommendations | 7,646 | 7,646 | 7,646 | 15,292 |
| Fund: 5000 - Master Lease | | | | |
| Planned Spending | 22,207 | 14,101 | 14,101 | 28,202 |
| Forecast Base | 22,207 | 14,101 | 14,101 | 28,202 |
| Total Governor's Recommendations | 22,207 | 14,101 | 14,101 | 28,202 |
| <i>Revenue Change Summary</i> | | | | |
| <i>Dedicated</i> | | | | |
| Fund: 2000 - Restrict Misc Special Revenue | | | | |
| Forecast Revenues | 3,126 | 3,081 | 3,081 | 6,162 |
| Total Governor's Recommendations | 3,126 | 3,081 | 3,081 | 6,162 |
| Fund: 3000 - Federal | | | | |
| Forecast Revenues | 7,653 | 7,653 | 7,653 | 15,306 |
| Total Governor's Recommendations | 7,653 | 7,653 | 7,653 | 15,306 |
| Fund: 3800 - Permanent School | | | | |
| Forecast Revenues | 39,396 | 39,685 | 39,974 | 79,659 |
| Total Governor's Recommendations | 39,396 | 39,685 | 39,974 | 79,659 |
| Fund: 6000 - Miscellaneous Agency | | | | |
| Forecast Revenues | 1,512 | 1,512 | 1,512 | 3,024 |
| Total Governor's Recommendations | 1,512 | 1,512 | 1,512 | 3,024 |
| Fund: 8000 - Housing Finance Agency | | | | |
| Forecast Revenues | 550 | 550 | 550 | 1,100 |
| Total Governor's Recommendations | 550 | 550 | 550 | 1,100 |

MMB Non-operating

Agency Change Summary

(Dollars in Thousands)

| | FY21 | FY22 | FY23 | Biennium 2022-23 |
|--|----------------|----------------|----------------|---------------------|
| Non-Dedicated | | | | |
| Fund: 1000 - General | | | | |
| Forecast Revenues | 281,372 | 262,112 | 266,309 | 528,421 |
| Change Items | | | | |
| Payment Plus (MMB) | | 336 | 671 | 1,007 |
| Total Governor's Recommendations | 281,372 | 262,448 | 266,980 | 529,428 |
| Fund: 1200 - State Government Special Rev | | | | |
| Forecast Revenues | 2,468 | 2,468 | 2,468 | 4,936 |
| Total Governor's Recommendations | 2,468 | 2,468 | 2,468 | 4,936 |
| Fund: 1250 - Health Care Response | | | | |
| Forecast Revenues | 88 | | | |
| Total Governor's Recommendations | 88 | | | |
| Fund: 2212 - Peace Officer Training Account | | | | |
| Forecast Revenues | 104 | 104 | 104 | 208 |
| Total Governor's Recommendations | 104 | 104 | 104 | 208 |
| Fund: 2300 - Outdoor Heritage | | | | |
| Forecast Revenues | 4,984 | 4,984 | 4,984 | 9,968 |
| Total Governor's Recommendations | 4,984 | 4,984 | 4,984 | 9,968 |
| Fund: 2301 - Arts & Cultural Heritage | | | | |
| Forecast Revenues | 330 | 330 | 330 | 660 |
| Total Governor's Recommendations | 330 | 330 | 330 | 660 |
| Fund: 2302 - Clean Water | | | | |
| Forecast Revenues | 2,613 | 2,613 | 2,613 | 5,226 |
| Total Governor's Recommendations | 2,613 | 2,613 | 2,613 | 5,226 |
| Fund: 2303 - Parks and Trails | | | | |
| Forecast Revenues | 841 | 841 | 841 | 1,682 |
| Total Governor's Recommendations | 841 | 841 | 841 | 1,682 |
| Fund: 2340 - Renewable Development | | | | |
| Forecast Revenues | 15,044 | 20,165 | 30,399 | 50,564 |
| Total Governor's Recommendations | 15,044 | 20,165 | 30,399 | 50,564 |

MMB Non-operating

Agency Change Summary

(Dollars in Thousands)

| | FY21 | FY22 | FY23 | Biennium 2022-23 |
|---|--------------|--------------|--------------|---------------------|
| Fund: 2360 - Health Care Access | | | | |
| Forecast Revenues | 6,800 | 5,410 | 2,880 | 8,290 |
| Total Governor's Recommendations | 6,800 | 5,410 | 2,880 | 8,290 |
| Fund: 3010 - Coronavirus Relief | | | | |
| Forecast Revenues | 1,797 | | | |
| Total Governor's Recommendations | 1,797 | | | |

Minnesota Management and Budget Non-Operating

FY 2022-23 Biennial Budget Change Item

Change Item Title: Debt Service for Capital Investments

| Fiscal Impact (\$000s) | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | 10,364 | 10,364 | 14,364 | 18,364 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 10,364 | 10,364 | 14,364 | 18,364 |
| FTEs | 0 | 0 | 0 | 0 |

Recommendation:

The Governor recommends \$20.728 million in FY 2022-23 from the general fund to support recommended capital investments.

In addition, the Governor is holding the general fund cash required to finance the debt service for \$240 million in general obligation bonds, which is the level assumed in the November 2020 forecast and thus has no fiscal impact compared to forecast levels.

Rationale/Background:

The Governor recommends \$250 million in Appropriation Bonds: \$100 million in Housing Infrastructure Bonds at Minnesota Housing and \$150 million in Redevelopment Appropriation Bonds at the Department of Employment and Economic Development. General fund cash is required to finance debt service for these projects.

Proposal:

This recommendation includes two authorizations for Appropriation Bonds.

1. Minnesota Housing: Housing Infrastructure Bonds

Annual Impact (in thousands): FY 2022: \$0, FY 2023: \$0, FY 2024: \$4,000, FY 2025: \$8,000

The Governor recommends authorizing the Minnesota Housing Finance Agency to sell \$100 million in Housing Infrastructure Bonds and recommends a corresponding appropriation of up to \$8 million annually for 20 years from the general fund to pay the debt service on the bonds. This resource is critical to preserving and building new housing opportunities across the state. Housing Infrastructure Bonds are the largest state source of development resources. Funds will be awarded through a competitive request for proposal process to private for-profit and non-profit developers for supportive housing, preservation, homeownership development including community land trusts, senior housing, and manufactured home park infrastructure.

2. Department of Employment and Economic Development: Redevelopment Appropriation Bonds

Annual Impact (in thousands): FY 2022: \$10,364, FY 2023: \$10,364, FY 2024: \$10,364, FY 2025: \$10,364

The Governor recommends authorizing \$150 million in Redevelopment Appropriation Bonds and recommends a corresponding appropriation of up to \$10.364 million annually for 20 years from the general fund to pay the debt service on the bonds. This resource will support rebuilding efforts in the cities of Minneapolis and St. Paul arising from the damage and destruction to small businesses and other private property that occurred in response to the killing of George Floyd and compounded by long-standing structural systems of inequality and racism within the cities, state, and nation. The financing provided by these appropriation bonds will serve a public purpose and redevelop the areas damaged by

civil unrest. These redevelopment efforts will support enterprise development and wealth creation for persons adversely affected by long-standing structural racial discrimination and poverty, and prevent displacement of small businesses owned by people of color and Indigenous people.

Impact on Children and Families:

The resources made available by Housing Infrastructure Bonds will impact children and families by increasing affordable housing and creating new supportive housing opportunities for the most vulnerable families and youth experiencing homelessness. People in families accounted for over 40% of the total number of people experiencing homelessness in 2020. 9,060 students experiencing homelessness were enrolled in Minnesota schools on October 1, 2019. These students were in 1,172 schools and 309 school districts in 77 of Minnesota’s 87 counties. Housing stability is proven to increase family incomes and improve school attendance.

The resources made available by Redevelopment Appropriations Bonds will impact children and families by building generational wealth and employment opportunities in neighborhoods that currently have high poverty rates resulting from structural racism.

Equity and Inclusion:

The resources made available by Housing Infrastructure Bonds will increase affordable housing and create new housing for individuals, families, and youth experiencing homelessness, which disproportionately impacts certain populations, such as African Americans, American Indians, people with disabilities, and lesbian, gay, bisexual, transgender, or questioning/queer (LGBTQ) people. Black, Indigenous and people of color are more likely to pay a higher percentage of their income on housing, be evicted, experience homelessness and sleep outside.

The resources made available by Redevelopment Appropriations Bonds include a focus on equity. The damage and destruction from these incidents were primarily focused in areas of the cities with a high proportion of people of color and Indigenous people. The redevelopment efforts that these Redevelopment Appropriations Bonds will support will help persons adversely affected by long-standing structural racial discrimination and poverty to build wealth, start or maintain businesses, and stabilize these impacted neighborhoods.

Minnesota Management and Budget Non-Operating

FY 2022-23 Biennial Budget Change Item

Change Item Title: Transfer from Budget Reserve

| Fiscal Impact (\$000s) | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--|-------------|----------|----------|----------|
| General Fund | | | | |
| Transfer from Reserve | 1,000,000 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | (1,000,000) | 0 | 0 | 0 |
| FTEs | 0 | 0 | 0 | 0 |

Request:

The Governor recommends reducing the general fund budget reserve balance in FY 2022 by \$1 billion. This action results in \$1 billion falling to the bottom line of the general fund in FY 2022.

Rationale/Background:

The COVID-19 Pandemic and resulting economic impacts have dampened revenue projections in the general fund while at the same time adding spending pressures for pandemic response and economic stability. The existence of the general fund budget reserve allows state government to maintain operations without a significant reduction in services until the economy and revenues return to pre-pandemic levels.

Proposal:

The budget reserve balance in the November forecast for FY 2022 is \$1.866 billion, \$491 million lower than the current biennium due a provision in Chapter 6 from the 2019 special session that stipulated that the balance of the budget reserve account be reduced by \$491 million on the first day of FY 2022. This proposal reduces the budget reserve balance to \$886 billion beginning in FY 2022.

In addition to this proposal, the budget reserve is reduced \$39 million in FY 2023 to account for the Blue Ribbon Commission on Health and Human Services (BRC) strategies not recommended in this budget. Laws 2019, Special Session 1, Chapter 9, requires the commissioner to reduce the budget reserve balance by the difference between \$100 million and the net savings from the BRC included in this budget. Starting in FY 2023, the budget reserve balance is \$847 million under this proposal, after accounting for changes related to the Blue Ribbon Commission.

Minnesota Management and Budget Non-Operating

FY 2022-23 Biennial Budget Change Item

Change Item Title: Cap Stadium Reserve Balance at \$100 million

| Fiscal Impact (\$000s) | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Allocation from Reserve | 50,319 | 79,343 | 89,519 | 99,491 |
| Net Fiscal Impact = (Expenditures – Revenues) | (50,319) | (79,343) | (89,519) | (99,491) |
| FTEs | 0 | 0 | 0 | 0 |

Request:

The Governor recommends capping the balance of the stadium reserve account in the general fund at \$100 million. Capping the balance of the stadium reserve at \$100 million will result in balance over \$100 million accruing to the bottom line of the general fund. Given that the stadium reserve is projected to grow year over year in the November forecast, capping the reserve results in additional resources in the general fund in each year beginning in FY 2022.

Rationale/Background:

The stadium reserve exists to retain funds when revenues designated as part of the statutory stadium reserve formula exceed spending identified in law as part of the stadium reserve formula. Revenues include lawful gambling revenue receipts exceeding \$36.9 million each year and sales tax revenues collected to fund the portion of costs covered by the city of Minneapolis. Spending includes debt service on US Bank Stadium, payments for city of Minneapolis stadium obligations, St. Paul Sports Facilities Grants, and appropriations for problem gambling programs. In FY 2022, it's projected that revenue will exceed spending by \$69 million, the annual excess grows to \$99 million by FY 2025 under the current forecast.

Capping the stadium reserve at \$100 million retains resources to cover approximately two and half years of stadium related expenditures. This proposal does not change any state appropriations for stadium related expenses, those appropriations remain in current law and are paid from the general fund regardless of the balance of the stadium reserve account.

Minnesota Management and Budget Non-Operating

FY 2022-23 Biennial Budget Change Item

Change Item Title: Public Defender Payment Distribution Change

| Fiscal Impact (\$000s) | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--|----------|----------|----------|----------|
| MMB Non-Operating | | | | |
| General Fund | | | | |
| Expenditures | (500) | (500) | (500) | (500) |
| Revenues | 0 | 0 | 0 | 0 |
| Board of Public Defense | | | | |
| General Fund | | | | |
| Expenditures | 500 | 500 | 500 | 500 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | 0 | 0 | 0 |
| FTEs | 0 | 0 | 0 | 0 |

Recommendation:

The Governor recommends the responsibility for distributing public defender expense reimbursements be transferred from Minnesota Management and Budget (MMB) to the Minnesota Board of Public Defense. Certain public defender expense reimbursements are paid using a portion of the county program aid appropriation. This proposal simplifies the payment process for vendors by ensuring that the Board of Public Defense, which approves the expenses under current law, is also the entity that processes the expense payments. The Governor also recommends removing the requirement that certain public defender costs must be authorized by court order.

Rationale/Background:

As authorized by Minnesota Statutes Section 611.27, the \$500,000 annual transfer from county program aid can be used for two broad purposes. First, to pay for appellate public defenders’ transcript costs and other necessary expenses in appeal and postconviction cases when the Board of Public Defense’s own \$500,000 annual allocation has been exhausted. Second, for the costs of alternative counsel in district court cases when a district public defense office indicates it is unable to provide adequate representation. For both types of costs, the expenses must be authorized by the Board of Public Defense. For district-level costs, the appointment of alternative counsel must also be approved by the district court. All expenses are then received by the Board of Public Defense and forwarded to MMB for payment.

MMB processed 927 invoices forwarded from the Board of Public Defense in FY 2020, 1,196 in FY 2019, 1,091 in FY 2018, and 679 in FY 2017.

Proposal:

The proposal moves the \$500,000 annual transfer of county program aid from MMB to the Board of Public Defense. Under current law, the Minnesota Department of Revenue (DOR) transfers this amount from the county program aid account to MMB every July. Under this proposal, DOR will transfer the funds to the board instead, which removes MMB from the process. The proposal also contains related clean-ups to statutory language to clarify how the process works.

These changes streamline the business process by ensuring that the entity approving these public defender expenses—the Board of Public Defense—is the same entity that is consistently processing the payments. These changes will improve processing times and simplify the process for the vendors seeking payment. These vendors

have relationships with the Board of Public Defense and submit their invoices to the board. And in the case of appellate transcripts costs, vendors receive payment from the board during certain months of the fiscal year and from MMB during other months. This proposal ensures that vendors will only need to interact with one agency during all times of the year.

This proposal also contains policy changes requested by the Board of Public Defense that removes the requirement that certain public defender costs must ultimately be authorized by court order. When a district public defense office believes it cannot provide representation for a case, the office contacts the Board of Public Defense. As required by law, the board must approve requests for outside counsel, and if it does, current law also requires court order approval from the district court. This is achieved by the board estimating costs, and the state public defender drafting a court order to be signed by the chief district court judge. The board indicates that it is unaware of any instance when a judge has denied a request. By removing the requirement of court order approval, it further streamlines the process by ensuring that one agency receives the county program aid transfer, reviews and approves requests for outside counsel, and monitors expenses in the account.

Statutory Change(s):

Minnesota Statutes, Sections 477A.03 and 611.27

Minnesota Management and Budget Non-Operating

FY 2022-23 Biennial Budget Change Item

Change Item Title: 2AM Permit Fee Fund Change

| Fiscal Impact (\$000s) | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--|---------|---------|---------|---------|
| General Fund - DPS | | | | |
| Expenditures | (90) | 194 | 194 | 194 |
| Revenues | 500 | 500 | 500 | 500 |
| Special Revenue Fund - DPS | | | | |
| Expenditures | (194) | (194) | (194) | (194) |
| Transfer Out to GF | (500) | (500) | (500) | (500) |
| Revenues | (500) | (500) | (500) | (500) |
| General Fund – MMB Non-Op | | | | |
| Transfer In from DPS SR | (500) | (500) | (500) | (500) |
| Net Fiscal Impact = (Expenditures – Revenues) | (284) | 0 | 0 | 0 |
| FTEs | | | | |

Recommendation:

The Governor recommends depositing 2AM Permit revenue as nondedicated revenue in the general fund, and providing an ongoing annual appropriation of \$194,000 from the general fund to Alcohol and Gambling Enforcement (AGE). Currently the fee revenue and operating appropriation is in the special revenue fund. This recommendation includes eliminating an annual \$500,000 transfer from the special revenue fund to the general fund and the direct appropriation to AGE from the special revenue fund.

Rationale/Background:

Minnesota Statutes Chapter 340A regulates alcohol enforcement and liquor control, and MS 340A.504 oversees the hours and days of sale, including the permit and fee for sales after 1AM. The permit fee is set by statute according to gross receipts of the applicant, and permit fee revenue is deposited in the alcohol enforcement account in the special revenue fund. AGE receives a \$694,000 direct appropriation from this account for (1) operating costs and (2) to transfer \$500,000 to the general fund.

Revenues from the 2am permit fee have declined in recent years and continue to decline as fewer bars and restaurants apply for the permit. The annual revenue does not support the base budget appropriation and fund balance in the account has been used in recent years to make up for the gap. There is insufficient fund balance to maintain the base budget in FY 2022-2023.

Proposal:

The Governor recommends moving the revenue and appropriation related to the 2AM Permit from the special revenue fund to the general fund. This will provide ongoing, reliable funding for Alcohol and Gambling Enforcement. This proposal has a net general fund savings of \$90,000 in FY 2022 and net general fund cost of \$194 thousand annually starting in FY 2023. The savings in FY 2022 is due to repealing laws of 2020, special session 7, chapter 2, article 2, section 4(b), which provided a transfer from the general fund to the alcohol enforcement account to backfill lost fee revenue due to the waiver of the 2AM fee in calendar year 2021. The estimated cost of this transfer in FY 2022 is \$284,000 – this transfer will no longer be necessary when the revenue and appropriation are shifted to the general fund starting in FY 2022.

Impact on Children and Families:

N/A

Equity and Inclusion:

N/A

IT Related Proposals:

N/A

Minnesota Management and Budget Non-Operating

FY 2022-23 Biennial Budget Change Item

Change Item Title: Uniform Administration of Pharmacy and Dental Benefits

| Fiscal Impact (\$000s) | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--|---------|----------|---------|---------|
| General Fund | | | | |
| Expenditures | 0 | (15,874) | 39,374 | 9,207 |
| Revenues | 0 | 0 | 0 | 0 |
| Health Care Access Fund | | | | |
| Expenditures | 0 | (2,747) | (731) | (3,836) |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | (18,621) | 38,643 | 5,371 |
| FTEs | 0 | 3 | 3 | 3 |

Recommendation:

Effective January 2023, the Governor recommends streamlining the administration of the pharmacy benefit in the Medical Assistance program and the dental benefit in the Medical Assistance and MinnesotaCare programs. This approach focuses on the immediate challenges of affordability and access related to prescription drugs and dental care. This proposal has a net savings to the General Fund and Health Care Access Fund of \$18.6 million in the FY 2022-23 biennium and a cost of \$44 million in the FY 2024-2025 biennium. This proposal assumes the net general fund savings in FY 2022-23 is applied against the \$100 million Blue Ribbon Commission (BRC) reduction target enacted in 2019.

Rationale/Background:

Many factors contribute to the increasing costs of healthcare, including the rapid increase of prescription drug prices. In Medical Assistance, these increases have been substantial, with pharmacy service spending per enrollee increasing by 9.7 percent between 2018 and 2021. These increases have been significantly more rapid in the managed care pharmacy benefit than in the fee-for-service (FFS) benefit.

Access to dental care is another major problem in Minnesota, especially in areas of greater Minnesota. While Minnesotans served by public health care programs have dental coverage, that coverage has not always translated into access to care, as 60 percent of children in the Medical Assistance program did not see a dentist in 2017 and 2018. Studies performed by DHS in 2014 and 2015 showed that due to administrative complexity, overall low reimbursement rates, and uneven and disparate rate structures that go to only a small number of providers that are already well beyond capacity to serve additional patients, many dentists, and particularly small clinics in rural areas of the state, are discouraged from serving public program enrollees. Minnesota is currently under a corrective action order from the Center for Medicaid and Medicare Services (CMS) due to substandard dental access rates for children.

Without dental coverage, people access care in the emergency room and are often prescribed drugs to manage pain without resolution of the dental issue. A comprehensive approach that restructures both the administrative and payment structure for dental services is needed to address the lack of dental care access.

Proposal:

This proposal seeks to address the issue of rising costs for health coverage and the lack of access to dental services by:

- Establishing a uniform system for managing pharmacy benefits across Medical Assistance in order to reduce prescription drug prices while ensuring access to a comprehensive pharmacy benefit.
- Restructuring payments and administration of dental benefits across both Medicaid Assistance and MinnesotaCare to support providers and to increase and ensure access to dental services.

Reduce prescription drug prices statewide:

Under this proposal, the Department of Human Services (DHS) will administer the pharmacy benefit for Medical Assistance beginning in 2023. Currently, pharmacy benefits are either administered by DHS or the Managed Care Organizations (MCOs) through their Pharmacy Benefit Managers (PBMs). By moving management of the pharmacy benefit to DHS, the state will have greater visibility and transparency into drug pricing and operations. This new pharmacy program will rely on the state's preferred drug list process, which is established and maintained transparently with consumer and provider input.

Improving Access to Dental Care:

This proposal establishes a simpler and more efficient model for purchasing dental benefits through a common administrative structure, updated payment methodology, and increased provider rates. Implementing a streamlined structure for dental services will result in increased administrative efficiencies for providers, and improve the consumer experience.

Additionally, this proposal will equalize payment rates by providing a 54 percent rate increase over the current Medical Assistance fee schedule for adult dental services and a 24.4 percent rate increase for children's dental services. The rate increase for children's dental services is lower because children's dental services rates are currently higher than the rates for adults. This investment is made possible by repurposing both the critical access and rural dental add-on payments for an across-the-board increase that will remove the payment disparities among dental providers across the state.

Administrative simplification combined with repurposing current rate add-ons received by a limited number of providers allows for an equitable rate structure that pays all dentists the same rates for providing the same services. This helps to create an environment where dental practices throughout Minnesota, including rural areas, can serve all people in their communities. Accessible local dental care also reduces the long distances people on state health care programs currently must travel to receive dental care, if they are able to find a provider that will see them.

Lastly, this proposal will create a quality incentive program in partnership with the Dental Services Advisory Committee to recognize dental practices who are meeting and exceeding quality standards. This incentive program will help offset the additional investments made by clinics and recognize practices going above and beyond in advancing the health outcomes of their patients.

Equity and Inclusion:

Minnesotans served by Medical Assistance and MinnesotaCare have had a persistent challenge in accessing dental services. More than 60 percent of children serviced by the program did not see a dentist in 2017 and 2018. This proposal aims to increase dental access rates to those found among individuals served by private insurance. Making dental care accessible to people in their local communities strengthens those communities by helping to reduce inequities that exist across racial, ethnic, and socio-economic groups. The combination of these two initiatives allows for the state to administer the pharmacy benefit more efficiently and reinvest the savings from administrative costs and PBM profits into the Medical Assistance dental benefit. The investment in Minnesotans served by public programs, rather than administrative costs and PBM profits, strongly supports the administration's commitment to the Minnesota Health Care Program enrollees serve rather than preserving existing administrative structures.

IT Related Proposals:

This proposal will require IT changes to implement the new rates and administrative structure for dental. This proposal also relies on the modernization of the pharmacy claims processing system, but this modernization work is already prioritized and occurring independently of this legislative proposal.

Fiscal Detail:

| Net Impact by Fund (dollars in thousands) | | | FY22 | FY23 | FY22-23 | FY24 | FY25 | FY24-25 |
|--|--------------|--------------------------------------|-------------|-------------|----------------|-------------|-------------|----------------|
| General Fund | | | | (15,874) | (15,874) | 39,374 | 9,207 | 48,581 |
| HCAF | | | | (2,747) | (2,747) | (731) | (3,836) | (4,567) |
| Federal TANF | | | | | | | | |
| Other Fund | | | | | | | | |
| Total All Funds | | | | (18,621) | (18,621) | 38,643 | 5,371 | 44,014 |
| Fund | BACT# | Description | FY22 | FY23 | FY22-23 | FY24 | FY25 | FY24-25 |
| GF | 33ED | MA Grants | 0 | (4,550) | (4,550) | 4,693 | (1,060) | 3,633 |
| GF | 33AD | MA Grants | 0 | (1,382) | (1,382) | 4,047 | 1,227 | 5,274 |
| GF | 33FC | MA Grants | 0 | (13,440) | (13,440) | 24,391 | 2,355 | 26,746 |
| HCAF | 31 | MNCare Grants | 0 | (3,176) | (3,176) | (2,028) | (4,712) | (6,740) |
| GF | 33 | MA Grants (Dental Administrator) | 0 | 2,691 | 2,691 | 5,389 | 5,402 | 10,791 |
| HCAF | 31 | MNCare Grants (Dental Administrator) | 0 | 429 | 429 | 868 | 876 | 1,744 |
| GF | 13 | HCA FTEs (0,3,3,3) | 0 | 429 | 429 | 386 | 386 | 772 |
| GF | 13 | HCA Admin (Prior Auth Contract) | 0 | 750 | 750 | 1,500 | 1,500 | 3,000 |
| GF | TRI | HCAF to GF Transfer | 0 | 0 | 0 | (429) | 0 | (429) |
| HCAF | TRO | HCAF to GF Transfer | 0 | 0 | 0 | 429 | 0 | 429 |
| GF | REV1 | FFP @ 32% | 0 | (377) | (377) | (604) | (604) | (1,208) |
| GF | 11 | Systems State Share (MMIS @ 29%) | 0 | 5 | 5 | 1 | 1 | 2 |
| Requested FTE's | | | | | | | | |
| Fund | BACT# | Description | FY22 | FY23 | FY22-23 | FY24 | FY25 | FY24-25 |
| | | DHS FTEs | | 3 | | 3 | 3 | |

Statutory Change(s):

Minnesota Statutes §§ 256B.76, subd. 2; 256B.0625, subd. 9; 256L.11, subd. 6a and 7

Minnesota Management and Budget Non-Operating

FY 2022-23 Biennial Budget Change Item

Change Item Title: Information and Telecommunications Account Funds Cancellation

| Fiscal Impact (\$000s) | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--|----------|----------|----------|----------|----------|
| General Fund | | | | | |
| Expenditures | 0 | 0 | 0 | 0 | 0 |
| Transfer In | 179 | 0 | 0 | 0 | 0 |
| Workers Compensation Fund | | | | | |
| Expenditures | 0 | 0 | 0 | 0 | 0 |
| Transfer In | 14 | 0 | 0 | 0 | 0 |
| Health-Related Boards Fund | | | | | |
| Expenditures | 0 | 0 | 0 | 0 | 0 |
| Transfer In | 5 | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Transfers In) | 198 | 0 | 0 | 0 | 0 |
| FTEs | 0 | 0 | 0 | 0 | 0 |

Recommendation:

The Governor recommends cancelling funding remaining from several IT projects that have been completed and no longer require funding. With this recommendation, the money will cancel to the fund from which the resources were originally appropriated and, therefore, create savings in those funds.

Rationale/Background:

There are a number of technology projects funded from the Information and Telecommunications Account (ITA), often known as the “Odyssey Fund,” which have been completed but have funding remaining in the account. The remaining funds are no longer needed, and this proposal would cancel the money to the funds from which it originally came, thus creating savings in those funds.

Proposal:

As noted above, the cancellation of this funding would result in a savings of \$179,000 to the general fund, as well as smaller savings in several other funds. The largest portion of the savings would come from the MMB enterprise budget systems project, but there are several other projects from which savings would come as well. In addition to the general fund, \$5,000 would cancel to the Health-Related Boards fund and \$14,000 would cancel to the Workers Compensation fund.

Statutory Change(s):

No statutory changes are necessary.

Minnesota Management and Budget Non-Operating

FY 2022-23 Biennial Budget Change Item

Change Item Title: Minnesota Premium Security Plan Transfer

| Fiscal Impact (\$000s) | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--|----------|----------|-----------|----------|
| General Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 120,470 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | (120,470) | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | 0 | 0 | 0 |
| FTEs | 0 | 0 | 0 | 0 |

Recommendation:

The Governor recommends transferring approximately \$120.5 million remaining in the Premium Security Plan Account (PSPA) to the general fund in FY 2024.

Rationale/Background:

The Minnesota Premium Security Plan (MPSP) was created by the 2017 legislature to provide reinsurance payments to health insurers, to help cover the cost of high claims in the individual market. The program was created to stabilize the state’s individual health insurance market and reduces health insurance premiums from what they otherwise would be absent the program’s existence. The Minnesota Comprehensive Health Association (MCHA) administers the program, and the Department of Commerce serves as the fiscal agent for state appropriations directed to the program.

\$543 million in state resources were appropriated for FY 2018-19. The state resources are from \$142 million in transfers from the General Fund, \$401 million in transfers from the Health Care Access Fund, and \$42 million in remaining operating funds from MCHA. Minnesota received \$301.5 million in federal funds for the program for plan years 2018 – 2020, and the state should receive the final federal amount in spring 2021.

Proposal:

This request utilizes assumptions from the November 2020 Forecast regarding total MPSP program size in both 2020 and 2021. This request assumes the MPSP will end after plan year 2021, with final payments to eligible health insurers for that plan year occurring by the end of FY 2023. This request assumes that approximately \$120.5 million will be available for transfer after final payment obligations are fulfilled for the MPSP, including \$247 million in transfers to the general fund enacted in 2019 and 2020.

Statutory Change(s):

Laws 2017, chapter 13, article 1, section 15, as amended
Transfer language within appropriations article.

Minnesota Management and Budget Non-Operating

FY 2022-23 Biennial Budget Change Item

Change Item Title: Paid Family and Medical Leave Insurance

| Fiscal Impact (\$000s) | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--|-----------|-----------|------------|------------|
| General Fund | | | | |
| Expenditures | | | | |
| DEED | 10,828 | 0 | 0 | 0 |
| MMB | 28 | 0 | 0 | 0 |
| MMB Non-Operating | 0 | 1,930 | 3,727 | 3,727 |
| DLI | 528 | 0 | 0 | 0 |
| Supreme Court | 20 | 0 | 0 | 0 |
| Legislature-LCC | 11 | 0 | 0 | 0 |
| Transfer In | 0 | 11,416 | 0 | 0 |
| Paid Family Medical Leave Fund | | | | |
| Expenditures | | | | |
| DEED | 0 | 23,880 | 51,671 | 50,755 |
| MMB | 0 | 23 | 13 | 13 |
| DLI | 0 | 518 | 468 | 618 |
| DHS | 0 | 574 | 0 | 115 |
| Court of Appeals | 0 | 0 | 0 | 5,600 |
| Benefits | 0 | | 780,569 | 780,569 |
| Revenues | 0 | 446,199 | 862,769 | 880,024 |
| Transfer Out | 0 | 11,416 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 11,416 | (419,848) | (26,321) | (38,626) |
| FTEs | 14 | 75 | 301 | 326 |

Recommendation:

The Governor recommends \$11.416 million from the general fund in FY 2022 only and applying a 0.6% employer premium rate to employee wages beginning in calendar year 2023 to establish a Paid Family and Medical Leave Insurance program. The Governor recommends allowing employees to pay for one-half of the premium rate. In FY 2023 only, the Governor recommends a transfer of \$11.416 million from the Paid Family and Medical Leave fund to the general fund to reimburse agencies' startup costs. State appropriations will support the development of an IT system for collecting premiums and paying benefits, as well as initial staffing and administrative resources required to implement and operate this program at the Department of Employment and Economic Development, Minnesota Management and Budget, Department of Labor and Industry, the Supreme Court, Court of Appeals and the Legislative Coordinating Commission.

Rationale/Background:

Paid Family and Medical Leave is a program that most employees will need at one point but approximately 26 percent of all family and medical leaves do not include any wage replacement. According to the "Paid Family & Medical Leave Insurance: Options for Designing and Implementing a Minnesota Program" released in February 2016, around 10% of Minnesota workers take a family or medical leave in any given year. Fifty-nine percent (59%) of current leaves in Minnesota are for own-health reasons (other than pregnancy), 17 percent are for bonding/parental leave (including pregnancy disability), and 24 percent of leaves are for caretaking a seriously ill family member.

Low-wage employees, certain minority groups, younger workers, and less educated populations are much more likely to manage leaves without any pay. Minnesota workers are less likely to receive compensation during leave for their own serious health condition or family care than for pregnancy or parental (bonding/maternity/paternity) leave. For many low-income Minnesotans, taking leave with little or no pay can create significant economic instability for their families, often during some of the most challenging times.

Without a comprehensive state paid family and medical leave program, Minnesotans are missing out on the economic stability and economy-boosting effects of keeping people employed while welcoming a new family member, caring for a sick loved one, or recovering from an illness or injury.

Proposal:

The Governor recommends creating a new Minnesota Family and Medical Leave Program administered by DEED. This program will provide wage replacement for family and medical leaves and will provide job protections for recipients, so they are assured of continued employment with their employer upon their return. Premiums collected will fund program benefits and ongoing administrative costs. Appropriations from the general fund and the new Paid Family and Medical Leave Fund will allocate:

- \$34.708 million in FY 2022-23 and \$102.426 million in FY 2024-25 for the Department of Employment and Economic Development will support the creation of a premium collection system, benefits payment system, user interface development, and program administration.
- \$1.930 million in FY 2022-23 and \$7.454 million in FY 2024-25 will be provided to Minnesota Management and Budget Non-Operating to offset employer-paid premium costs in the general fund for state executive and judicial branch agencies and offset the costs to agencies for obtaining notice acknowledgments from employees.
- \$51 thousand in FY 2022-23 and \$26 thousand in FY 2024-25 for Minnesota Management and Budget will fund state executive branch employee workplace notice costs as well as upgrades to the state's payroll system necessary for the collection of premiums.
- \$1.046 million in FY 2022-23 and \$1.086 million in FY 2023-25 for the Department of Labor and Industry will fund oversight and compliance costs related to the program as well as IT systems upgrades.
- \$20 thousand in FY 2022-23 for the Supreme Court will fund a onetime update to the existing case management system that would calculate interest on judgments against employers.
- Starting in FY 2025, \$5.6 million per year would fund costs related to appeals filed with the Court of Appeals for denied benefit claims.
- \$11 thousand in FY 2022-23 for the Legislature-LCC will support onetime payroll system updates.
- \$574 thousand in FY 2023 and \$115 thousand ongoing starting in FY 2025 for the Department of Human Services to make systems modifications necessary for the implementation of the program. Income generated by individuals through participation in the family and medical leave program will be considered in eligibility determinations for MFIP, DWP, SNAP, Housing Support, MSA, GA, RCA, MA, MinnesotaCare, and CCAP.

Impact on Children and Families:

Similar programs in other states have shown improvements in economic stability for families and positive impacts for children. Societal benefits include retaining more women in the labor force, reductions in the need and associated costs for nursing home and other institutional care, reductions in the need for public assistance when a new baby arrives, and less infant care shortages.

Equity and Inclusion:

According to the 2016 report, while almost three-quarters of Minnesota workers received at least some pay when they were out of work for family or medical reasons, low-wage (46%); black (42%); or Hispanic (39%); younger (39%); part-time (38%) or less educated (38%) workers are much more likely to manage leaves without any pay.

This proposal is intended to help address that inequality and the economic impacts that that inequality has on these workers.

IT Related Proposals:

This recommendation includes funding for IT costs to create a system for collecting premiums from employers and paying program benefits to recipients. The development of the Paid Family and Medical Leave system will be a multi-year project. The total cost to build the system between FY 2022-2026 is \$67.841 million, including \$5.973 million for staff costs.

Results:

Department of Employment and Economic Development will track the following:

- Amount of leave taken
- Amount of benefit payments made to recipients
- Employer opt-outs
- Employee opt-ins
- Program tax collections and balance
- Customer satisfaction

Minnesota Management and Budget Non-Operating

FY 2022-23 Biennial Budget Change Item

Change Item Title: Capitol Complex Parking Fund Shortfall

| Fiscal Impact (\$000s) | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--|---------|---------|---------|---------|---------|
| General Fund | | | | | |
| Transfers In | (993) | (993) | 0 | 0 | 0 |
| Expenditures | | | | | |
| Revenues | 0 | 0 | 0 | 0 | 0 |
| Other Funds | | | | | |
| Expenditures | 0 | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 993 | 993 | 0 | 0 | 0 |
| FTEs | 0 | 0 | 0 | 0 | 0 |

Recommendation:

The Governor recommends temporarily relieving the state parking fund of a statutory requirement to make certain transfers to the general fund. This will reduce transfers into the general fund by \$993,000 in FY 2021 and \$993,000 in FY 2022.

Suspending these transfers will help address the revenue shortfall in the parking fund, which is managed by the Department of Administration (Admin). This shortfall is the result of significant parking contract cancellations and decreased use of state meters as a result of the pandemic. Revenue reductions began during the state’s work-from-home period and are continuing as employees continue to work remotely. In addition, since the public is not visiting the Capitol complex, meter revenue has been significantly reduced. State parking facilities and state employee transit pass programs are user-financed.

Rationale/Background:

Expenses for parking facilities on the Capitol Complex are funded by user fees paid by state employees who contract to park and users of state parking meters. The Capitol Complex has seen a dramatic decline in the number of parking contracts since the start of the pandemic (1,700 cancellations as of mid-November), as well as a significant decrease in meter usage, which has resulted in a steep reduction in revenue.

Since the start of the pandemic, Admin has worked to control the fund’s expenses, including through salary reductions, postponing repairs and general maintenance, and minimizing overtime expenses associated with snow removal. But more than 40 percent of the fund’s annual expenses are for mandatory debt service payments.

Even with controlling expenses, the revenue loss is expected to result in a deficit in the parking fund during FY 2021 resulting in the need for relief prior to June 30, 2021. Admin anticipates it will take multiple years for the fund to recover.

Proposal:

The Governor recommends amending Laws 2014, chapter 287, section 25 (as amended by Laws 2015, Chapter 77, Section 78) to remove – for FY 2021 and FY 2022 – the requirement that an amount equivalent to the required debt service payment on the Minnesota Senate Garage be transferred from the state parking fund to the general fund. This, along with other initiatives, will help ensure the parking fund is able to meet its obligations and provide safe, convenient parking for all users.

Minnesota Management and Budget Non-Operating

FY 2022-23 Biennial Budget Change Item

Change Item Title: Payment Plus

| Fiscal Impact (\$000s) | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--|------------|----------|----------|----------|
| Minnesota Management and Budget Non-Operating | | | | |
| General Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 336 | 671 | 671 | 671 |
| Minnesota Management and Budget | | | | |
| Special Revenue Fund | | | | |
| Expenditures | 36 | 73 | 73 | 73 |
| Revenues | 36 | 73 | 73 | 73 |
| Net Fiscal Impact = (Expenditures – Revenues) | (336) | (671) | (671) | (671) |
| FTEs | 0.5 | 1 | 1 | 1 |

Recommendation:

The Governor recommends the establishment of Payment Plus, a rebate program that allows state vendors to receive payments by a virtual credit card. Through this program, the state will receive a percentage of the payment in the form of a rebate. The Governor recommends the rebates, less program administrative costs, be credited to the general fund, except where prohibited by federal regulations or where funds are dedicated by the Minnesota Constitution.

Payment Plus is anticipated to generate general fund revenue of approximately \$336,000 in FY 2022 and \$671,000 each year thereafter.

Rationale/Background:

Payment Plus provides state vendors the option of a new – and faster – way to receive payments. Currently, vendors receive payments within 30 days in accordance with Minnesota’s Prompt Payment Law. Payment Plus provides immediate payments through a virtual credit card from U.S. Bank, the state’s purchasing card service provider. Rather than issuing individual checks, the state would make a monthly credit card payment to U.S. Bank. This maximizes cash flow for both the state and the vendor.

Proposal:

When a vendor opts to receive a payment through Payment Plus, the state receives 2.1375% of the purchase as a rebate. The rebate, less a 0.15% administrative fee retained by Minnesota Management and Budget (MMB), will be credited as non-dedicated revenue to the general fund, except where prohibited by federal regulations or where funds are dedicated by the Minnesota Constitution.

Based on FY 2019 and FY 2020 state agency spending and estimated participation rates, MMB and U.S. Bank anticipate \$48.427 million in state agency purchases will be paid through Payment Plus each year, resulting in approximately \$1.035 million in annual rebates. MMB will retain approximately \$73,000 each year to administer the program in coordination with U.S. Bank, state agency finance staff, and the state’s vendors. This leaves a balance of \$962,000.

MMB estimates \$671,000 of this balance would be deposited to the general fund as non-dedicated revenue each year. Another \$291,000 of the total rebates would occur in funds protected by federal regulations or the Minnesota Constitution and be returned to the accounts where the spending occurred.

MMB anticipates it will launch Payment Plus on October 1, 2021. Rebates will be credited on a quarterly basis with the final quarter credited in the subsequent fiscal year. For these reasons, the FY 2022 estimate reflects a 50% reduction in rebate revenues.

Results:

MMB intends to track the following measures to evaluate the performance of the Payment Plus program.

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|---|-------------------|-------------------|-------------------|
| Quality | Number and percentage of state vendors participating in Payment Plus | N/A (new program) | N/A (new program) | Measured annually |
| Quality | Number and percentage of state government expenditures processed via Payment Plus | N/A (new program) | N/A (new program) | Measured annually |

Statutory Change(s):

This proposal requires an amendment to Minnesota Statutes, Chapter 16A.

Minnesota Management and Budget Non-Operating

FY 2022-23 Biennial Budget Change Item

Change Item Title: State Government Special Revenue Fund Solvency

| Fiscal Impact (\$000s) | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--|----------|----------|----------|----------|----------|
| General Fund | | | | | |
| Expenditures | 0 | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 | 0 |
| Transfers In | 0 | (77) | (77) | (77) | (77) |
| Other Funds | | | | | |
| Expenditures | (2,209) | (2,500) | (2,500) | (2,500) | (2,500) |
| Revenues | 0 | 0 | 0 | 0 | 0 |
| Transfers Out | 0 | (77) | (77) | (77) | (77) |
| Net Fiscal Impact = (Expenditures – Revenues) | (2,209) | (2,577) | (2,577) | (2,577) | (2,577) |
| FTEs | 0 | 0 | 0 | 0 | 0 |

Recommendation:

The Governor recommends the cancellation of appropriations and transfers to address a structural deficit in the state government special revenue fund. The changes do not have an impact on the department’s programs or operations.

The proposed change is a 3.6% decrease to the department’s base in the state government special revenue fund in fiscal year 2022.

Rationale/Background:

The 2020 November economic forecast projects negative budgetary balance in the state government special revenue fund by the end of fiscal year 2025.

Proposal:

The proposed cancellation of \$2,209,000 in fiscal year 2021 is unbudgeted roll forward from fiscal year 2020 in the state government special revenue fund.

The proposed cancellation of \$2,500,000 in ongoing appropriations beginning in fiscal year 2022 is due to the anticipated transition of home care providers to assisted living providers, resulting in a smaller ongoing home care program.

A \$77,000 annual transfer from the state government special revenue fund to the general fund has been required by the Laws of 2008 ([chapter 364, section 17b](#)). The transfer does not support any general fund activity and it has cancelled to the bottom line of the general fund each year. This proposal is to permanently cancel this transfer.

Minnesota Management & Budget Non-Operating

Federal Funds Summary

(Dollars in Thousands)

| Federal Agency and CFDA # | Federal Award Name and Brief Purpose | New Grant | FY 2020 Actuals | FY 2021 Budget | FY 2022 Base | FY 2023 Base | Required State Match or MOE? | FTEs |
|---------------------------|--------------------------------------|-----------|-----------------|-----------------|-----------------|-----------------|------------------------------|-------------|
| US Dept of Forestry 10665 | Chippewa National Forest | N | \$ 619 | \$ 709 | \$ 709 | \$ 709 | N | 0.00 |
| US Dept of Forestry 10665 | Superior National Forest | N | \$ 1,208 | \$ 1,185 | \$ 1,185 | \$ 1,185 | N | 0.00 |
| US Dept of Forestry 10665 | Superior National Forest | N | \$ 5,787 | \$ 5,752 | \$ 5,752 | \$ 5,752 | N | 0.00 |
| | Federal Fund – Agency Total | | \$ 7,615 | \$ 7,646 | \$ 7,646 | \$ 7,646 | | 0.00 |

Narrative

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