



Minnesota State Budget: Components, Overview and Status

February 11-12, 2021

Presented by:

Minnesota Senate Fiscal Staff

Minnesota Senate, Office of Counsel, Research and Fiscal Analysis

Presentation Outline



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

- Role of Legislative Fiscal Staff
- Budget Development Process
 - Constitution, Statute, Legislative Rules
 - Timelines
 - Legislative Process
 - Committees, Budget Targets, Information Sources, Important Terms, Budget Rules
- Appropriations
- Fiscal Notes and Revenue Estimates
- Recap the November 2020 State Budget Forecast
- Budget Overview
 - “All Funds”
 - General Fund
 - Overview of individual budget areas

Unless otherwise noted, all figures reflect FY 2022-23 projections, based on the 2020 7th Special Session End of Session numbers.

Presentation Schedule



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Thursday, February 11 (3:00-5:30pm)

- Overall Budget, Process, Fiscal Notes, Timelines – Eric Nauman
- Taxes – Jay Willms
- Aids and Credits – Jay Willms
- E-12 Education – Jenna Hofer
- State Government – Andrew Erickson
- Veterans and Military Affairs – Andrew Erickson

Thursday, February 12 (10:00am – 1:30pm)

- Health and Human Services – Dennis Albrecht
- Jobs, Commerce, and Energy – Casey Muhm
- Capital Investment – Casey Muhm
- Environment and Natural Resources; Legacy Funds – Daniel Mueller
- Housing – Daniel Mueller
- Agriculture and Rural Development – Hannah Grunewald
- Higher Education – Hannah Grunewald
- Judiciary and Public Safety – Chris Turner
- Transportation and Public Safety – Krista Boyd
- Wrap-Up – Eric Nauman

Role of Legislative Fiscal Staff



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

- Analyze spending and revenue proposals, including modeling of many proposed education and tax law changes.
- Assist committees and members in developing and analyzing budget options.
- Request and interpret Fiscal Notes and Revenue Analyses; interface with state agencies to ascertain information in support of the policy process.
- Draft budgetary legislation.
- Track budget proposals and decisions using spreadsheets.
- Support legislative oversight of enacted budgets.
- Fiscal staff organized by legislative jurisdiction
(11 House fiscal analysts; 10 Senate fiscal analysts)

Role of Legislative Fiscal Staff



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Budget Area Assignments

Overall Budget and Finance

Eric Nauman, 296-5539

Agriculture and Rural Development

Hannah Grunewald, 296-2727

E-12 Education

Jenna Hofer, 296-5259

Environment and Natural Resources; Housing; and
Legacy

Daniel Mueller, 296-7680

Health and Human Services; Human Services Reform

Dennis Albrecht, 296-3817

Higher Education

Hannah Grunewald, 296-2727

Jobs and Economic Growth; Commerce and Consumer
Protection; and Energy and Utilities

Casey Muhm, 296-2500

Judiciary and Public Safety

Chris Turner, 296-4350

State Government, Veterans and Military Affairs

Andrew Erickson, 296-4855

Transportation and Public Safety

Krista Boyd, 296-7681

Capital Investment

Casey Muhm, 296-2500

Taxes and Aids and Credits

Jay Willms, 296-2090



Constitutional Framework

- Article IV ...provides for a Legislature and vests it with power to pass bills for approval by the Governor (enactment) or to override the objections of the Governor (enactment).
- Article IV, section 23, also provides for partial veto of bills containing appropriations.
- Article V ...provides for a Governor with powers and duties that include...to “take care that the laws be faithfully executed.”
- Article XI, section 1...”No money shall be paid out of the treasury of this state except in pursuance of an appropriation by law.”
- Article XI, section 6, requires a balanced biennial budget by implication, by prohibiting the issuance of certificates of indebtedness that go beyond the biennium.
- Constitution contains numerous other provisions related to the authority to tax, creation of dedicated funds, and to public debt.

Budget Process Requirements

The budget process and legislative decision-making is facilitated through various tools in statute:

- Creation of a state budget system (M.S. 16A.095)
- Budget forms and instructions and timeline for agency budget preparation (M.S. 16A.11)
- State Budget Forecasts (M.S. 16A.103)
- Requirements for the Governor to submit budget recommendations to the Legislature (M.S. 16A.11, Subd. 1)
- Governor's budget must be balanced (M.S. 16A.11, Subd. 2)
- Numerous other requirements related to cash and budget management, accounting system, budget information, and reporting



Legislative Rules

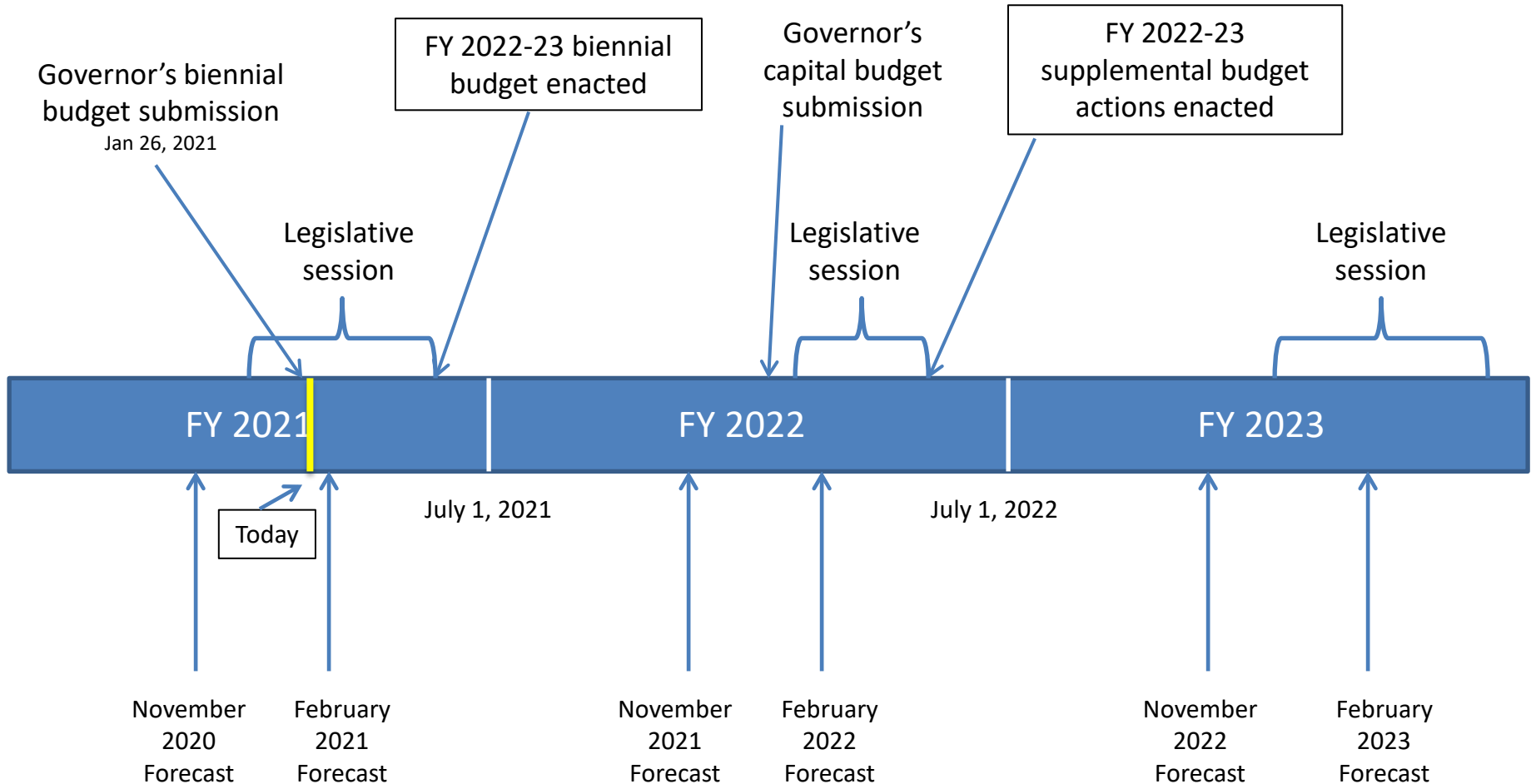
- The House and Senate have separate rules and joint rules that govern how the Legislature operates. Many of these rules relate to the budget development process.
- Joint Rules establish three committee deadlines to define when policy and fiscal bills must be processed through committees. The House and Senate establish these deadlines through a concurrent resolution.
- House and Senate Rules separately provide a process for establishing general fund spending/revenue targets to allocate decisions among the various budget committees.
- Numerous other rules guide various fiscal decisions in the budget development process.

Budget Development Process



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A Statutory and Constitutional Timeline Throughout the Biennium

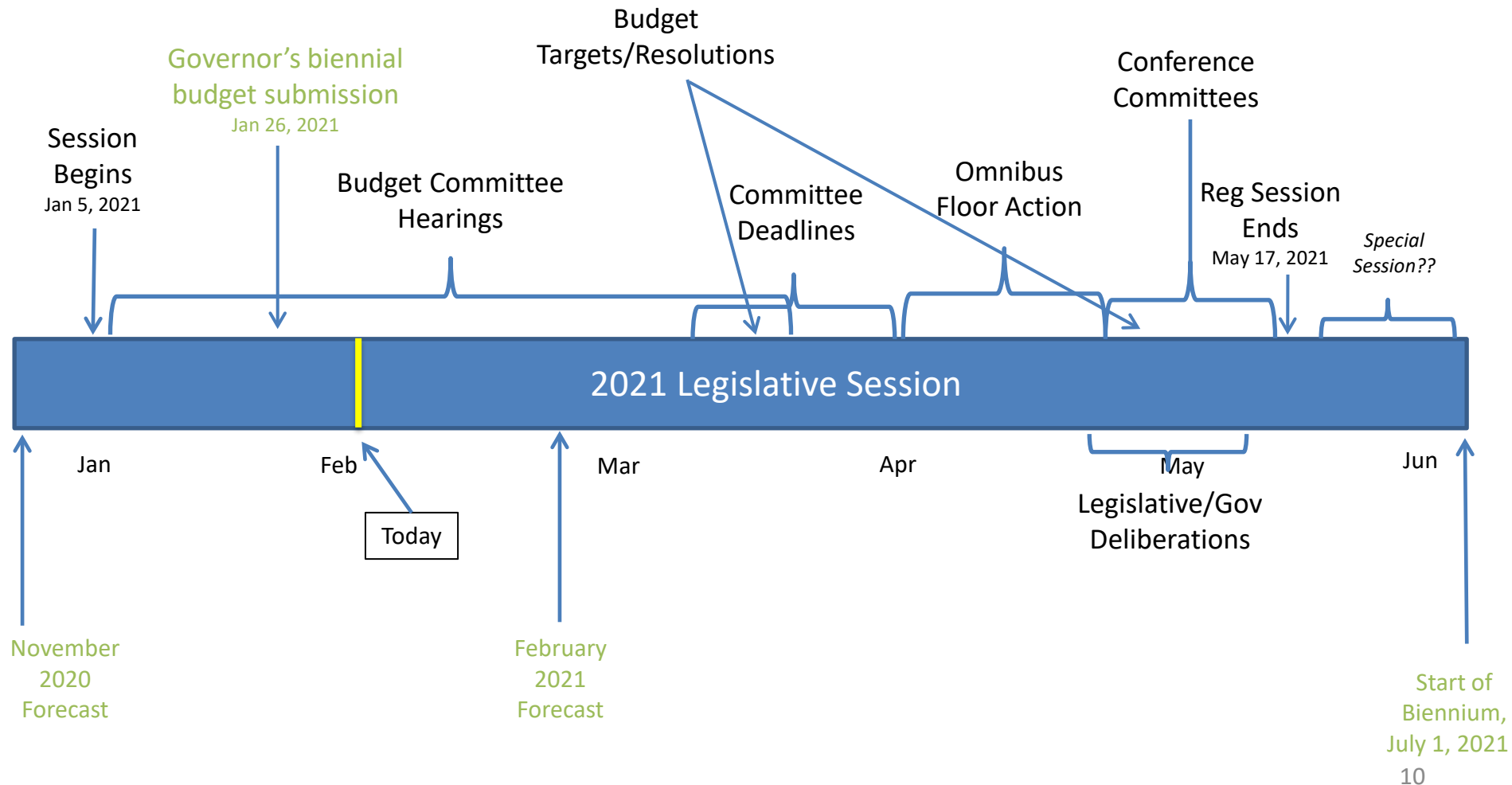


Budget Development Process



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

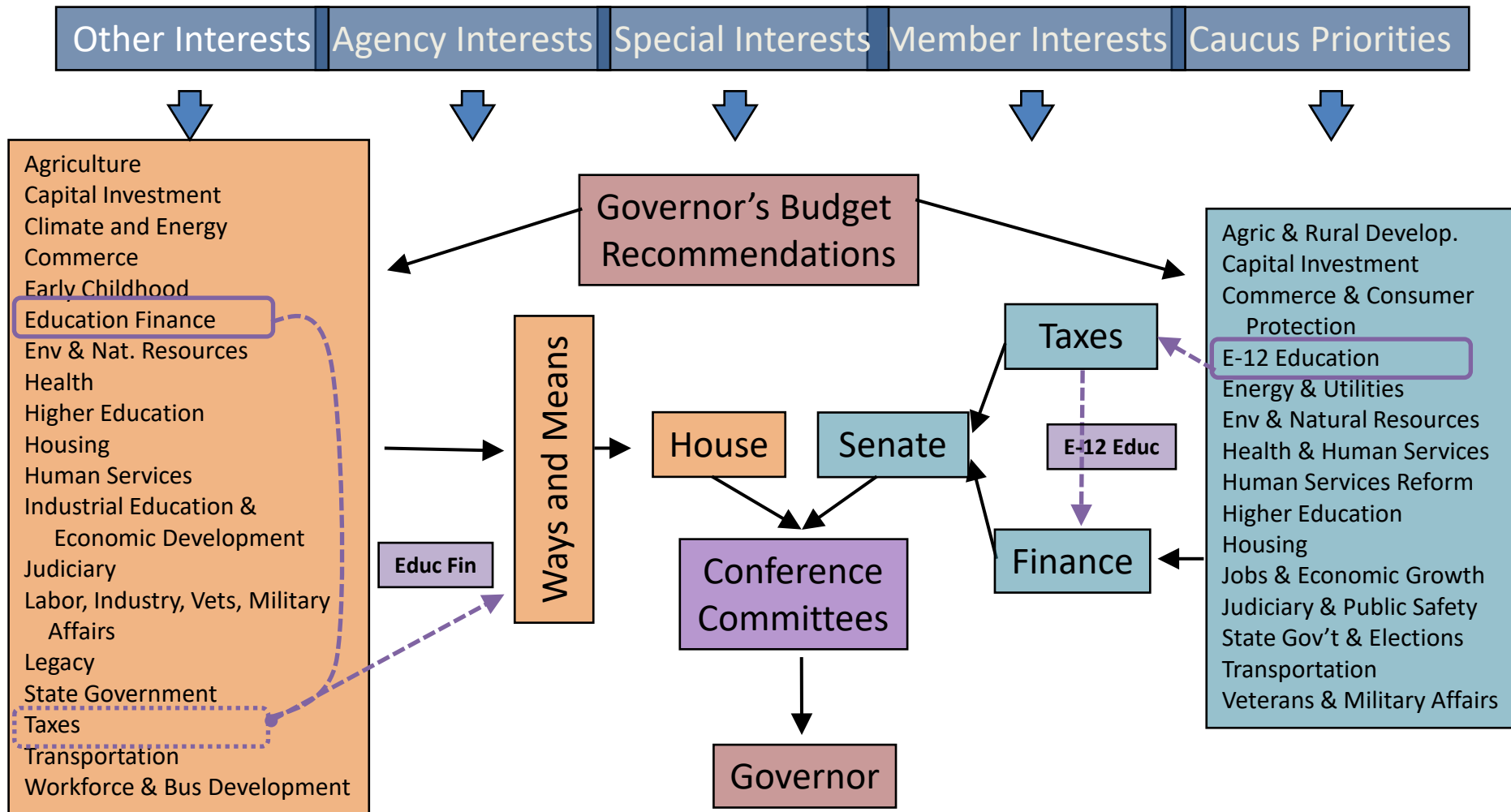
A Timeline of Important Session Events



Budget Development Process



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS





Committee Process

- Legislative Committees are a key part of the way legislative bodies organize themselves to get the work done - including both policy and budget committees.
- Committees typically hold hearings to review the budget, including the Governor's budget recommendations, along with budget-related bills introduced by legislators.
- Bills may propose policy changes that have no budget impact, bills with budget implications only, or a mix of policy and budget.
- Committees typically hear budget bills and then combine budget provisions into an Omnibus Bill after weighing the various options.
- House budget bills produced by a budget committee must conform to the limits established in budget targets for that bill.
- **Senate budget bills typically conform to the limits established in the targets for that bill, but Senate rules limit bills based on how they were reported to the floor of the Senate.**
- Rules (House, Senate, and Joint) and Committees help drive the process to an end point.



Budget Targets

- Budget Targets – mechanism used by the House and Senate to set broad spending/revenue levels by committee.
- Developed by Legislative Leaders with input from political caucuses and others.
- Formally adopted by the Ways and Means Committee in the House and publically announced by the Chair of the Finance Committee or the Majority Leader in the Senate.
- May be stated in terms of budget totals or change amount from forecasted budget levels. Usually stated in terms of “net spending” (spending plus or minus change in revenue).
- Target setting process is typically repeated during conference committee phase, and potentially again during negotiations with the Governor.



Information Sources

- **State Budget Forecasts** (<https://mn.gov/mmb/forecast/forecast/>)
- **Budget Books—Executive Budget Materials** (<https://mn.gov/mmb/budget/current-budget/governors-budget-recommendations/>)
- **Fiscal Notes** (<https://mn.gov/mmbapps/fnsearchlbo/>)
A formal document prepared by the relevant state agencies, with oversight from the Legislative Budget Office, that estimates the costs, savings, revenue gain/loss that would result from proposed legislation.
- **Revenue Analyses** (<https://www.revenue.state.mn.us/revenue-analyses>)
A formal document prepared by the Department of Revenue that estimates the revenue/spending change that would result from the proposed change to state or local tax laws or property tax aids and credit programs.
- **Legislative Budget Tracking Spreadsheets**
(<http://www.house.leg.state.mn.us/Fiscal/Home/TrackingSheets> ;
<https://www.senate.mn/departments/fiscalpol/tracking/index.html>)
Compile cost information from fiscal notes, revenue estimates and other sources.



Important Terms

- **General Fund** – Largest fund in the state treasury where receipts for most major taxes are deposited. Most money in the General Fund is not earmarked for specific purposes and is available for general spending.
- **Other Funds** - Various other funds usually designated for certain purposes such as the Trunk Highway Fund, Game and Fish Fund, Federal Fund.
- **Measures of Fund Balance**
 - **Budgetary Balance** - Total Resources (including transfers, carry-forward) less spending; typically measured for the biennium but also fiscal years.
 - **Structural Balance** - Biennial (or Fiscal Year) current revenues less current spending
- **Planning Period or “Tails” (FY 2024-25)**
 - A current law budget constructed carrying FY 2023 appropriations forward. That budget recognized inflation to the extent it is recognized in current law.
- For more common terms, see:
 - “State of Minnesota Budget Basics:” at: <http://www.senate.mn/departments/fiscalpol/reports/2005/budgetbasics.pdf>
 - Money Matters at: <http://www.house.leg.state.mn.us/Fiscal/Download/934>



Budget “Rules”

- Informal guidance that specifies how to “count” money in the context of the state budget.
- Used by MMB and the Legislature for budget forecasts, Governor’s budget recommendations, fiscal notes, and legislative budget changes.
- The rules provide a uniform understanding of how to track the overall budget. This uniform set of rules minimizes technical fiscal disagreements.
- Legislative fiscal staff and MMB jointly update and agree upon the rules every year.
- The budget rules were originally established in 2002 and were most recently approved by the Legislative Commission on Planning and Fiscal Policy in 2013.
- In 2017, the rules were reorganized for clarity; in 2021, the rules were updated for the current budget period.
(https://www.senate.mn/departments/fiscalpol/tracking/2021/Overall_Budget_Rules_FI_NAL_2021.pdf)

Budget Development Process



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- Budget Rules suggest that an appropriation should be a direct appropriation unless there is a compelling reason to make it statutory.
- MS 16A.11, subd. 3 (b) and Budget Rules specify that existing appropriations are assumed to be ongoing to the next biennium at the level appropriated in the second year of the current biennium unless a different number is specified.

Authority and Definitions

- Direct Appropriation: short term authority usually within the biennium
- Statutory Appropriation: ongoing codified authority
- Open Appropriation: unlimited amount – whatever is needed for the purpose
- Standing Appropriation: ongoing but limited

Recommendations for Establishing Statutory Appropriations

- Activities funded by the appropriation are outside the scope of normal agency operations and would be discontinued if the dedicated revenues were no longer available.
- Constitutional requirements would trigger automatic state obligations or levy new taxes.
- Revenues and expenditures are difficult to predict and appropriate directly.
- Link to “Statutory Appropriations Guide” adopted by the LCPFP in 2002 is at: <http://www.house.leg.state.mn.us/Fiscal/Download/125> ; or <https://www.senate.mn/storage/scrfa/Final%20Report%20to%20the%20LCPFP%202%202003.pdf>



What is a Fiscal Note?

A fiscal note estimates the costs, savings, revenue gain, or revenue loss resulting from the implementation of proposed legislation. The baseline for the fiscal note is the most recent budget forecast so the fiscal note numbers show changes from that forecast.

It is a tool to help legislators better understand how a bill might impact the state budget as a whole, individual agencies, and in some instances, local governments.



Use of Fiscal Notes in the Legislative Process

Fiscal Notes: Minnesota Statutes 3.98

- Fiscal note examines spending and fee changes
- Fiscal note requested by committee chairs
- Legislative Budget Office (LBO) coordinates and signs off
- LBO is a new office and is part of the Legislative Coordinating Commission

Unofficial Fiscal Notes: Minnesota Statutes 13.64, subd. 3

- Same form and format as a regular fiscal note
- Bill language is available, but not yet introduced
- Are public, except when the requester directs note to be classified as not public data

Local Impact Notes: Minnesota Statutes 3.987-3.989

- Local impact note examines fiscal impact of proposed law change on counties, cities, school districts, and any other local governments
- Local impact note requested by Tax, Finance, or Ways and Means committee chairs or ranking minority members
- LBO coordinates

Revenue Estimate: Minnesota Statutes 270C.11, subd. 5

- Revenue estimate examines tax changes
- Revenue estimate requested by tax committee chairs or ranking minority members
- Department of Revenue is responsible



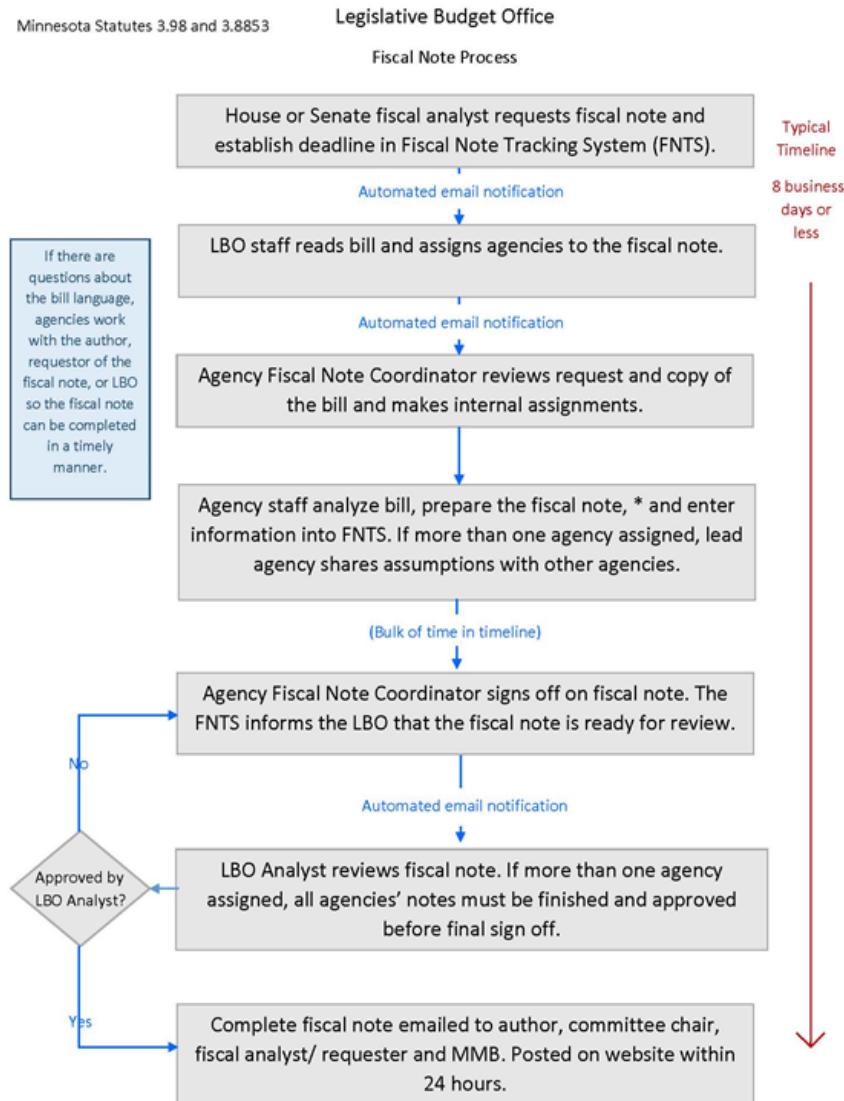
Requirements:

- Cite the effect in dollar amounts
- Cite the statutory provisions affected
- Estimate the increase or decrease in expenditures or revenues
- Include the costs that may be absorbed without additional funds
- Include the assumptions used in determining the cost estimates
- Specify any long-range cost implications.

The fiscal note may comment on technical or mechanical defects in the bill but may not express opinions concerning the merits of the proposal.

LBO prescribes uniform form, format, and procedures that govern all agencies.

Fiscal Notes



*Information includes assumptions used, impact on agency, estimated costs or savings, including technology costs involved in change, additional staff required, long term considerations, and any local impact noted.

Source: MN Legislative Budget Office



How To Review A Fiscal Note

The basic components of a Fiscal Note include:

- Front page tables & information
 - File Number
 - Author
 - Consolidated FN / Single agency
 - Fiscal Impact Table
 - State government fiscal impact table
- Bill Description
- Assumptions
- Expenditure and/or Revenue Formula
- Long-term fiscal considerations
- Local Government Costs
- References/Sources
- LBO Analyst Comments



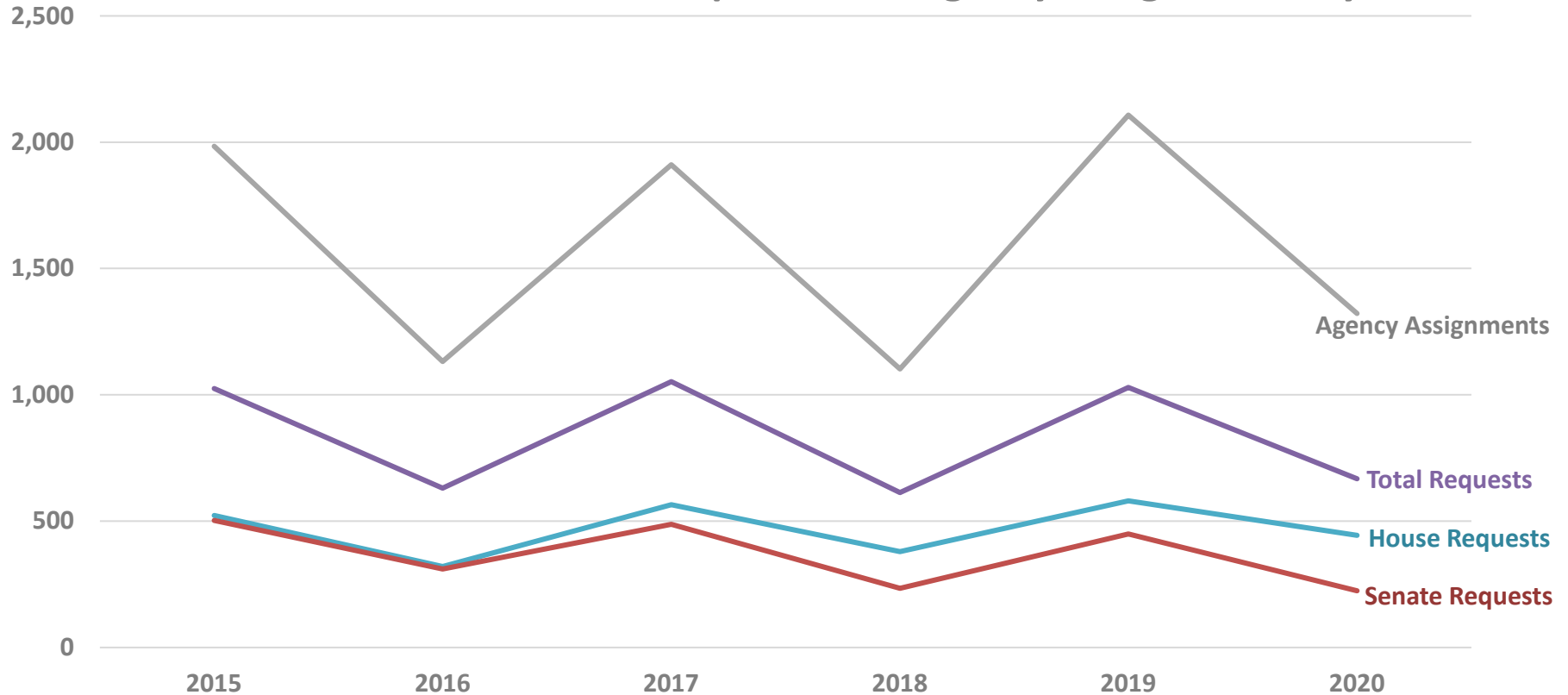
Use of Fiscal Notes in the Legislative Process

Good Questions to Ask:

- Did the author and agency preparing the fiscal note make the same assumptions? Are those assumptions clearly stated in the fiscal note?
- Does the bill language reflect the author's intent? Did the agency(s) completing the fiscal note understand the author's intent?
- Do the assumptions in the fiscal note reflect the most likely scenario?
- Are there technical problems with the bill language?



Total Fiscal Note Requests and Agency Assignments by Year



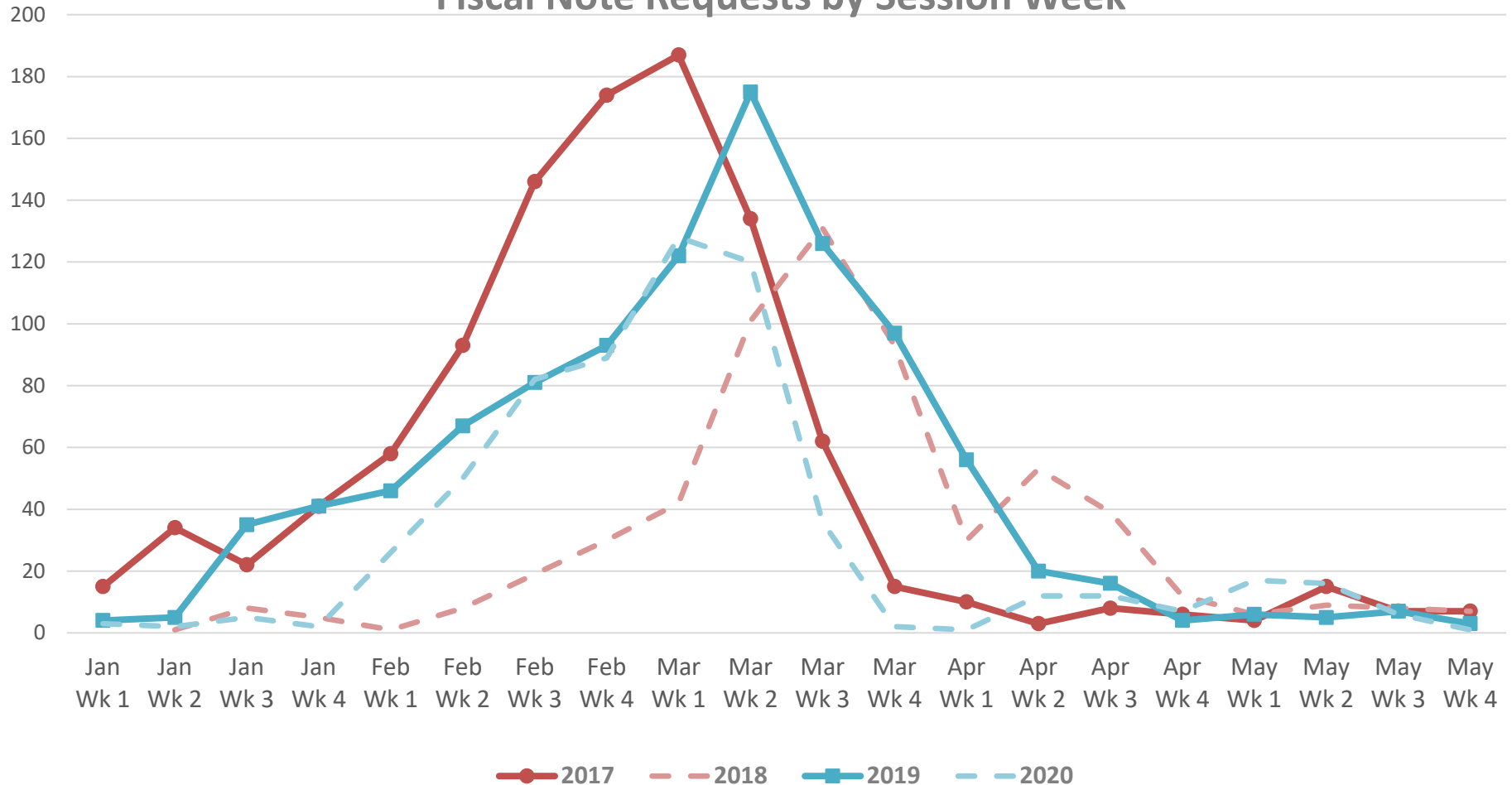
Source: MN Legislative Budget Office

Fiscal Notes



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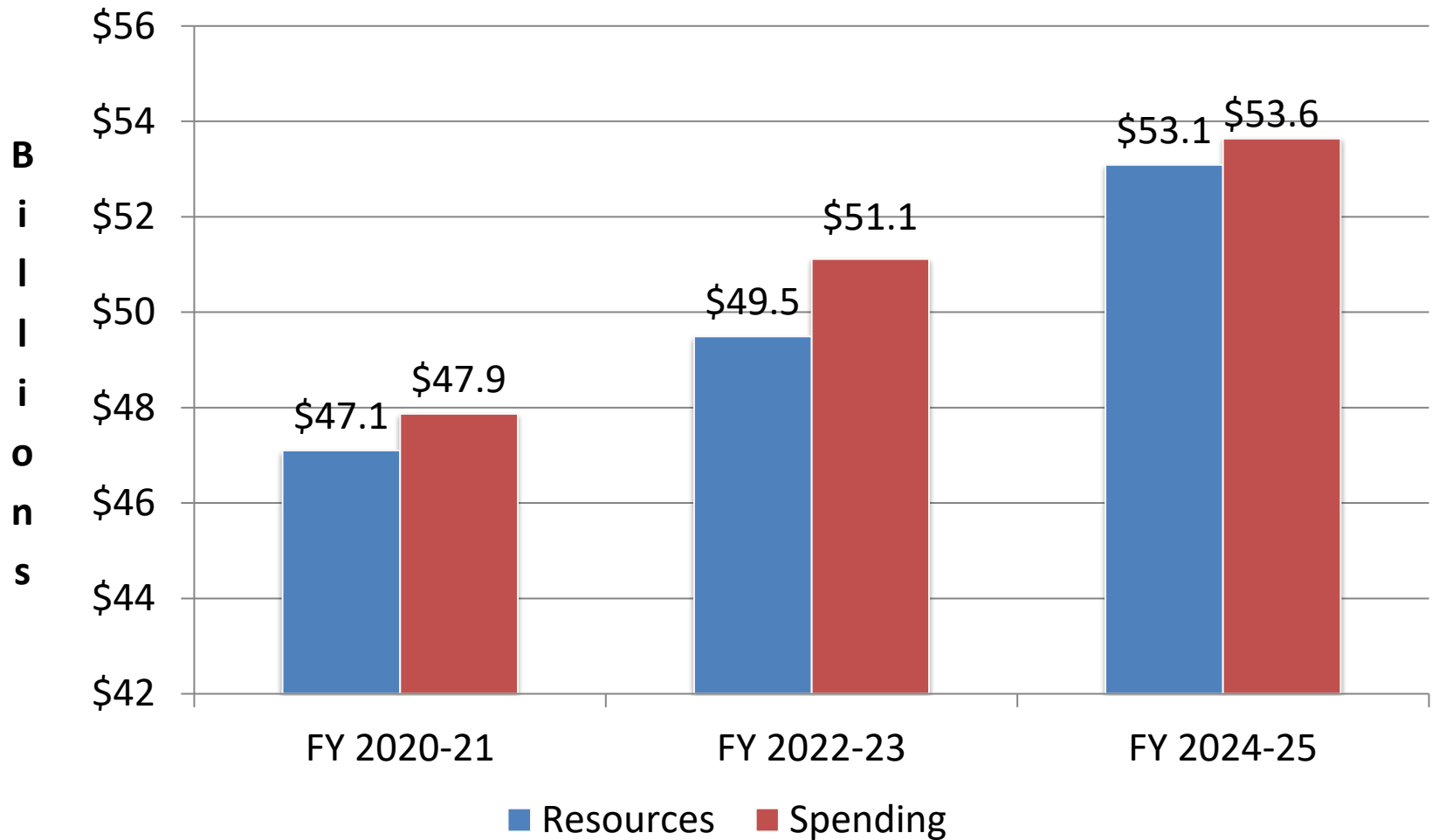
Fiscal Note Requests by Session Week



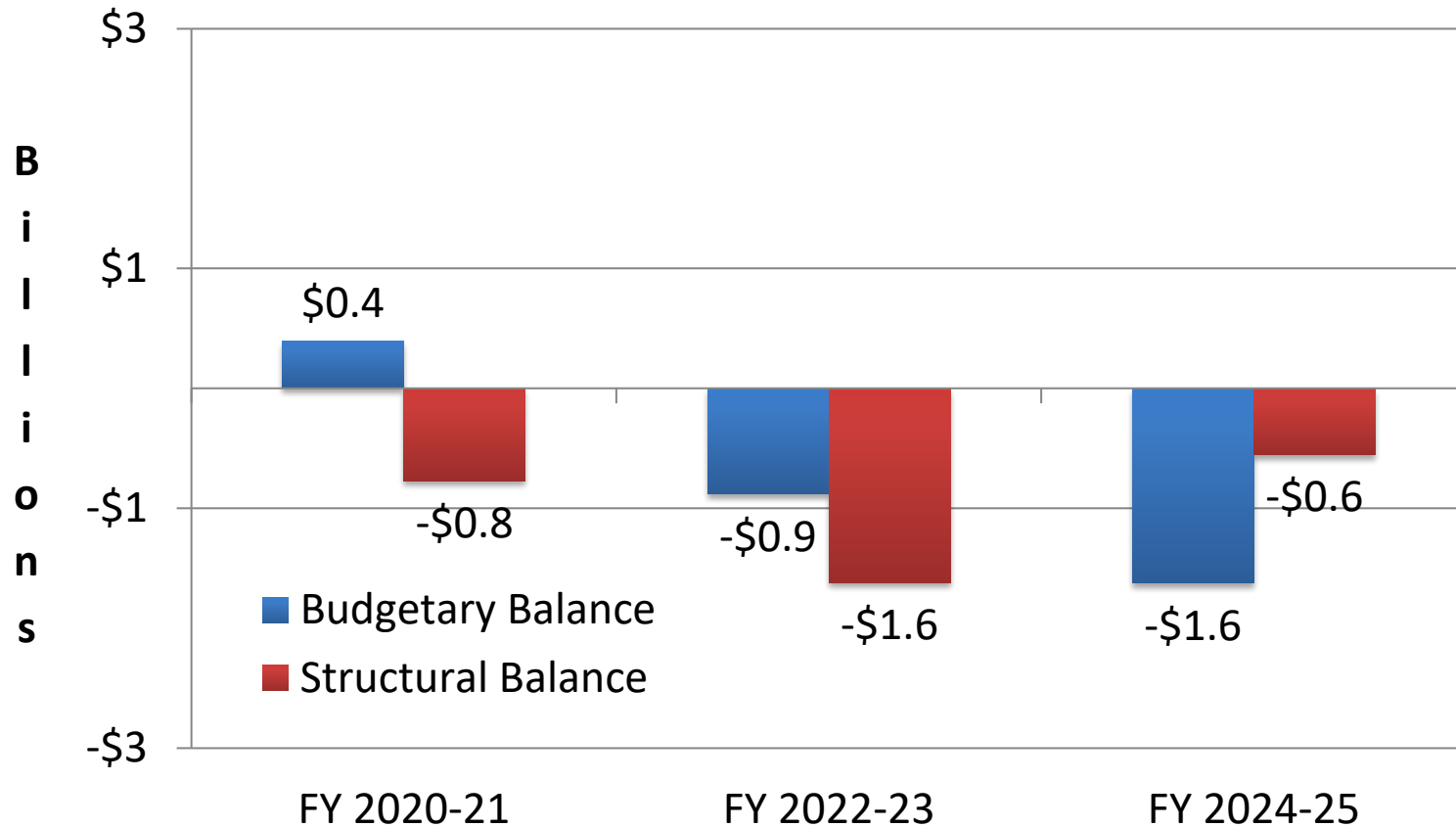
Solid lines denote budget year.
Dashed lines denote non-budget year.
Source: MN Legislative Budget Office



Projected General Fund Resources & Spending



Projected General Fund Balance

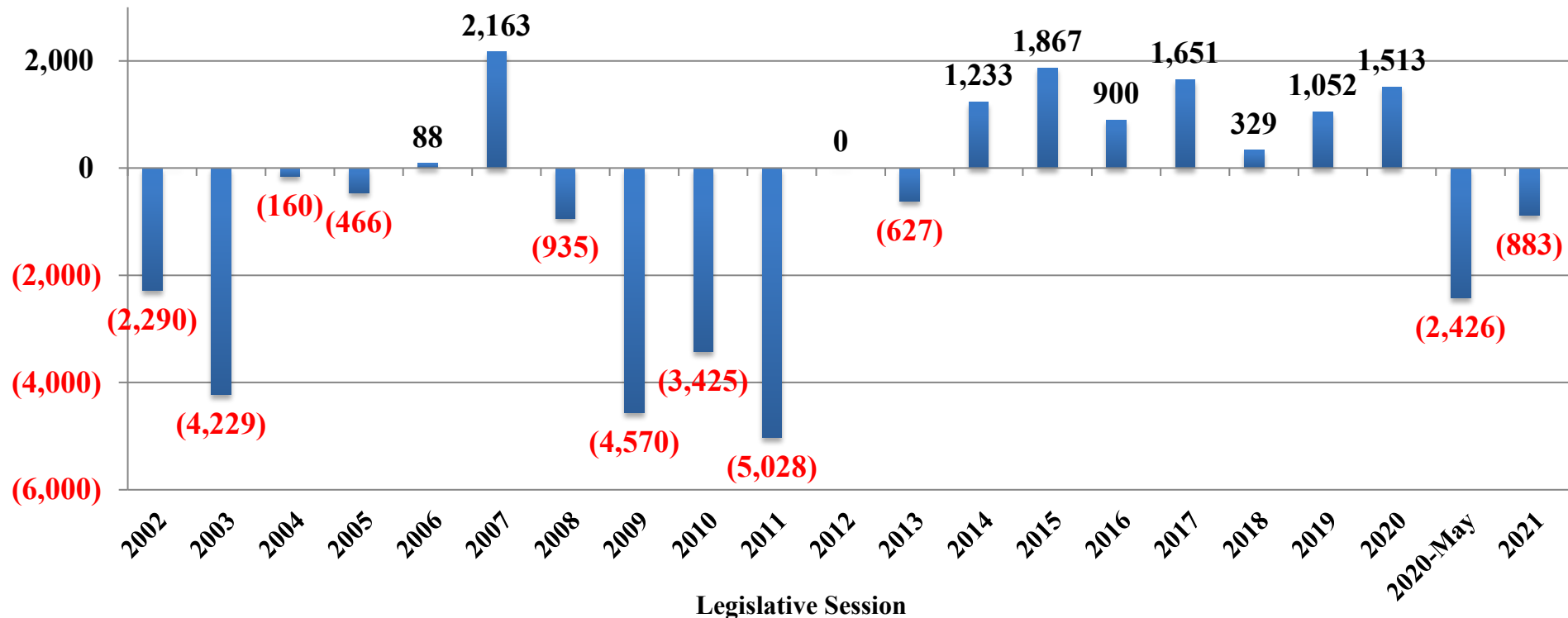


7th Special Session



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Budgetary Balance by Legislative Session, 2002-2021
Based on February Forecast for Session*
Dollars in Millions



*Budget balance as projected by Feb forecast for subsequent biennium in odd numbered years and for current biennium in even numbered years. The May '20 projection is added in 2020; the 7th Special Session 2021.

Overall Budget

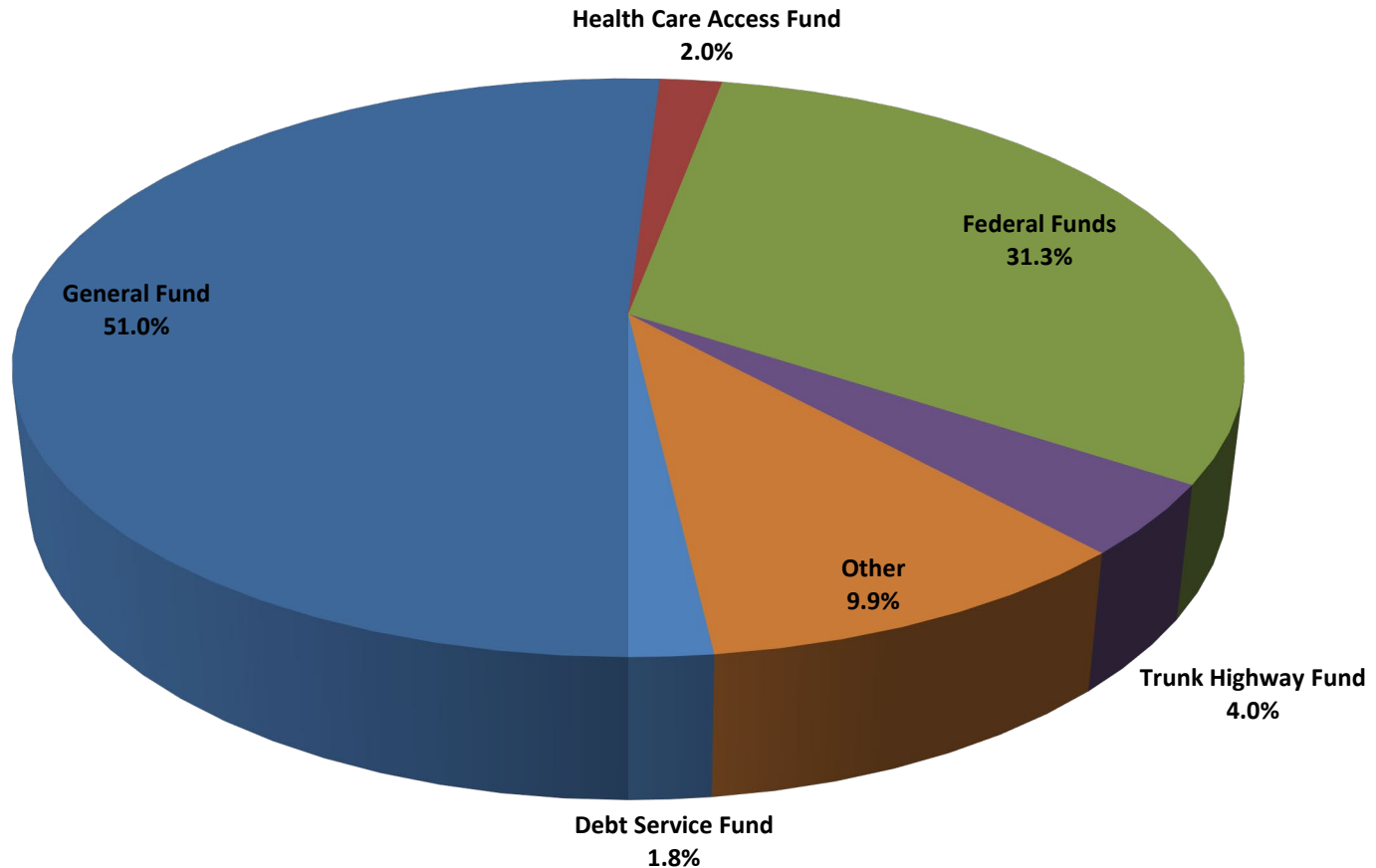


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All Funds, By Fund Type -- FY 2022-23

Total Spending = \$93.9 Billion

7th Special Session

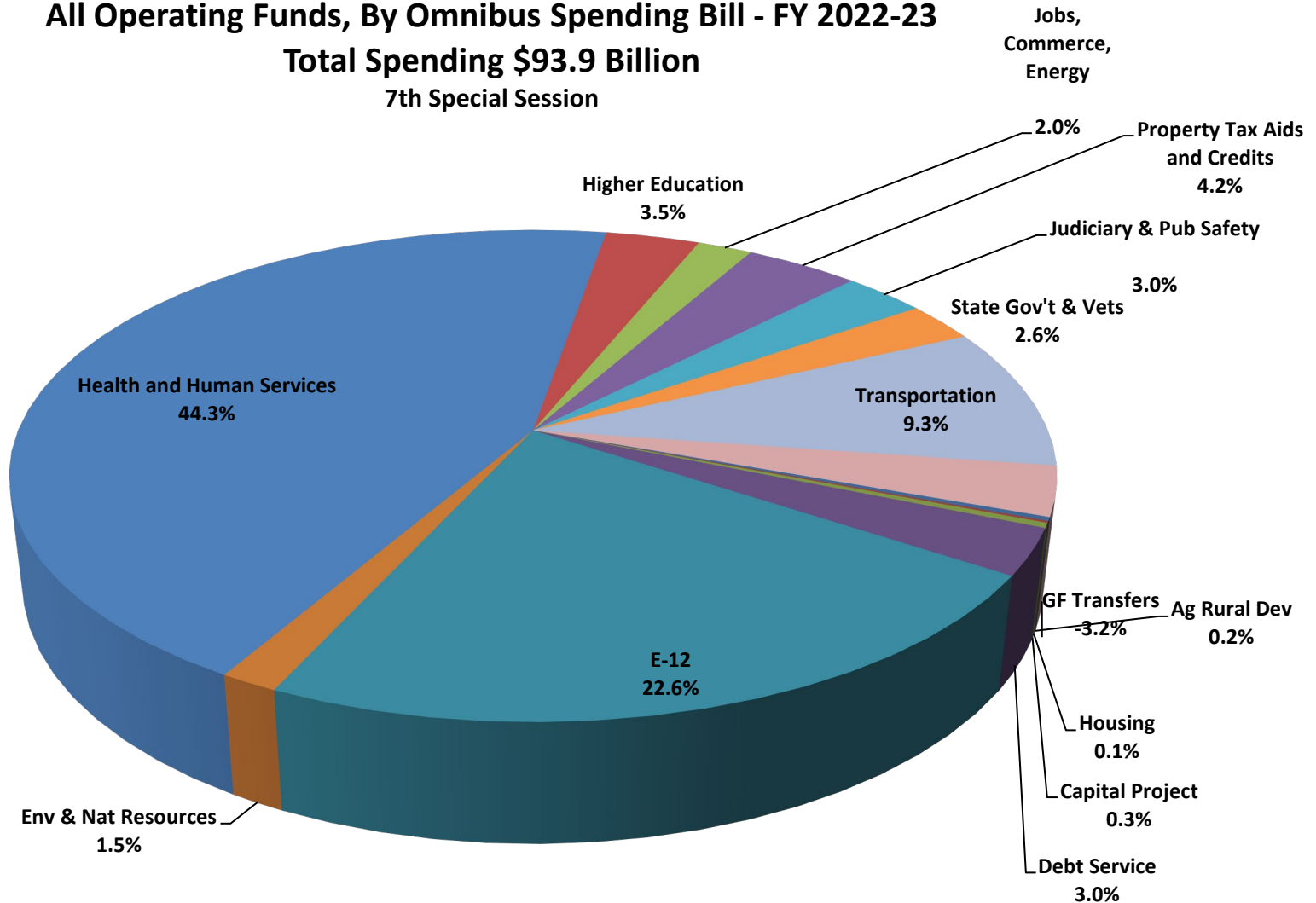


Overall Budget



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

All Operating Funds, By Omnibus Spending Bill - FY 2022-23 Total Spending \$93.9 Billion 7th Special Session



Note: Data includes general fund transfers, and the percentages may not match data displayed elsewhere in this briefing

Overall Budget

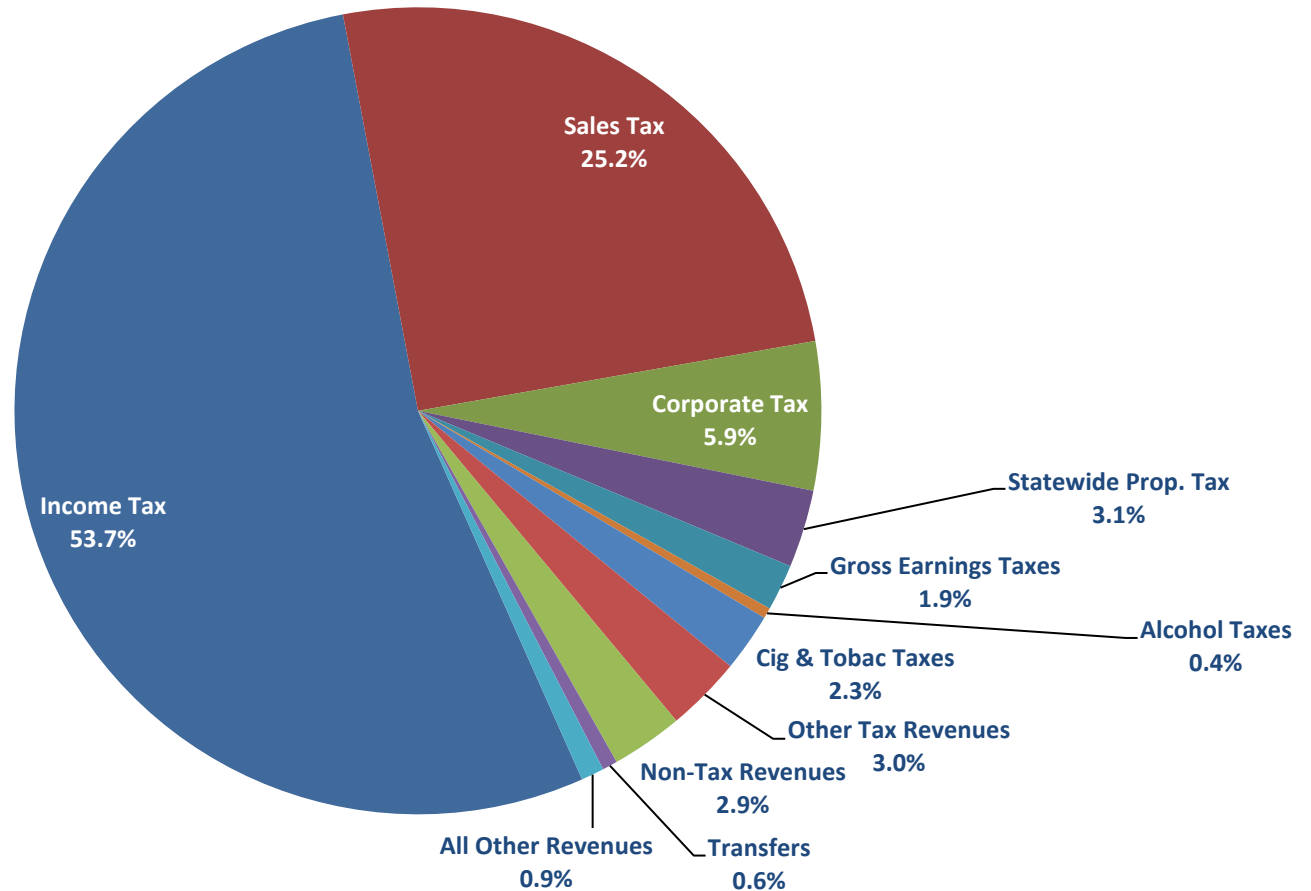


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Where Do General Fund Resources Come From - FY 2022-23

Total Revenues = \$49.1 Billion

7th Special Session



Overall Budget

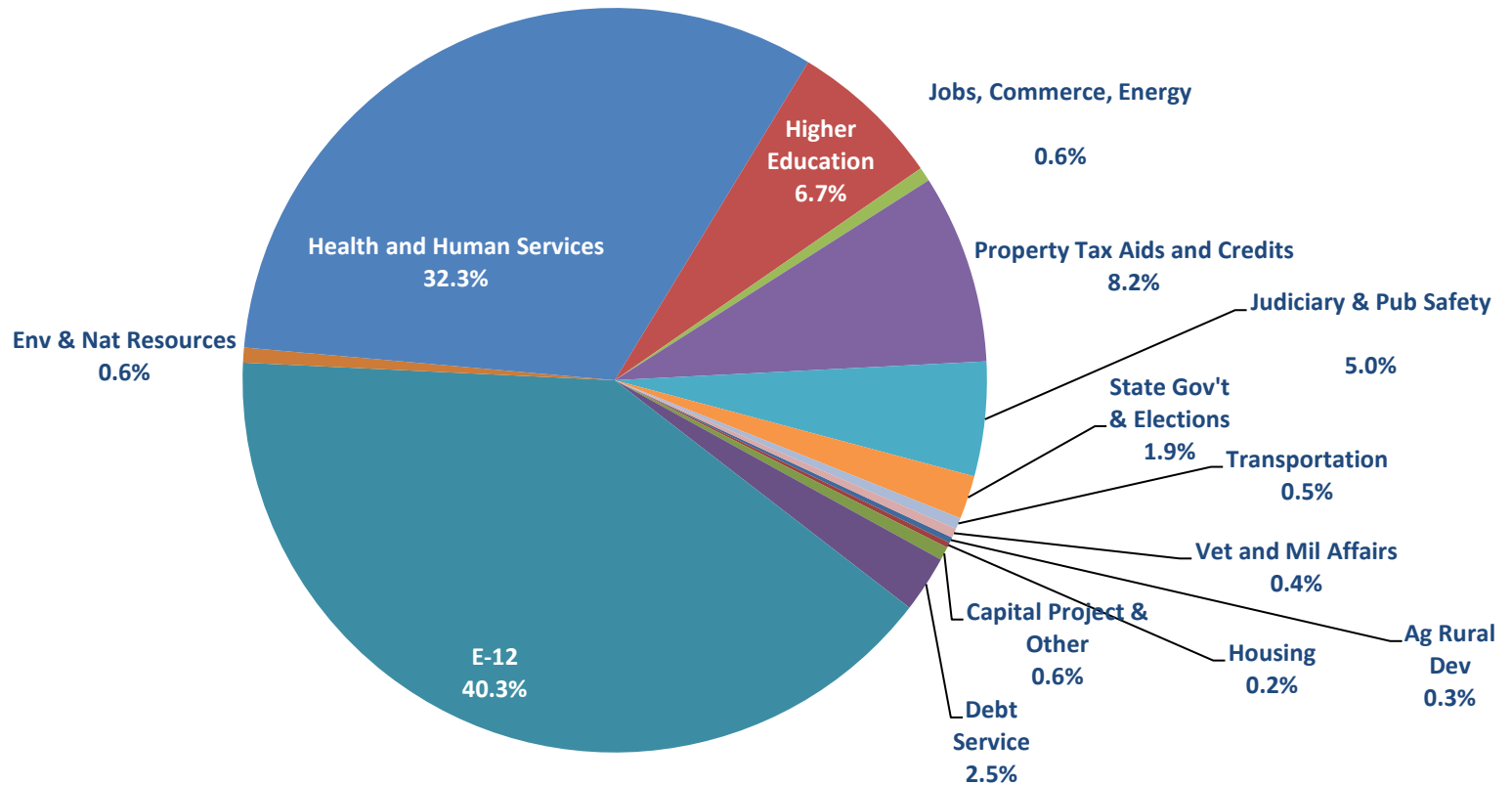


SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Where Do General Fund Dollars Go - FY 2022-23

Total Spending = \$51.1 Billion

7th Special Session



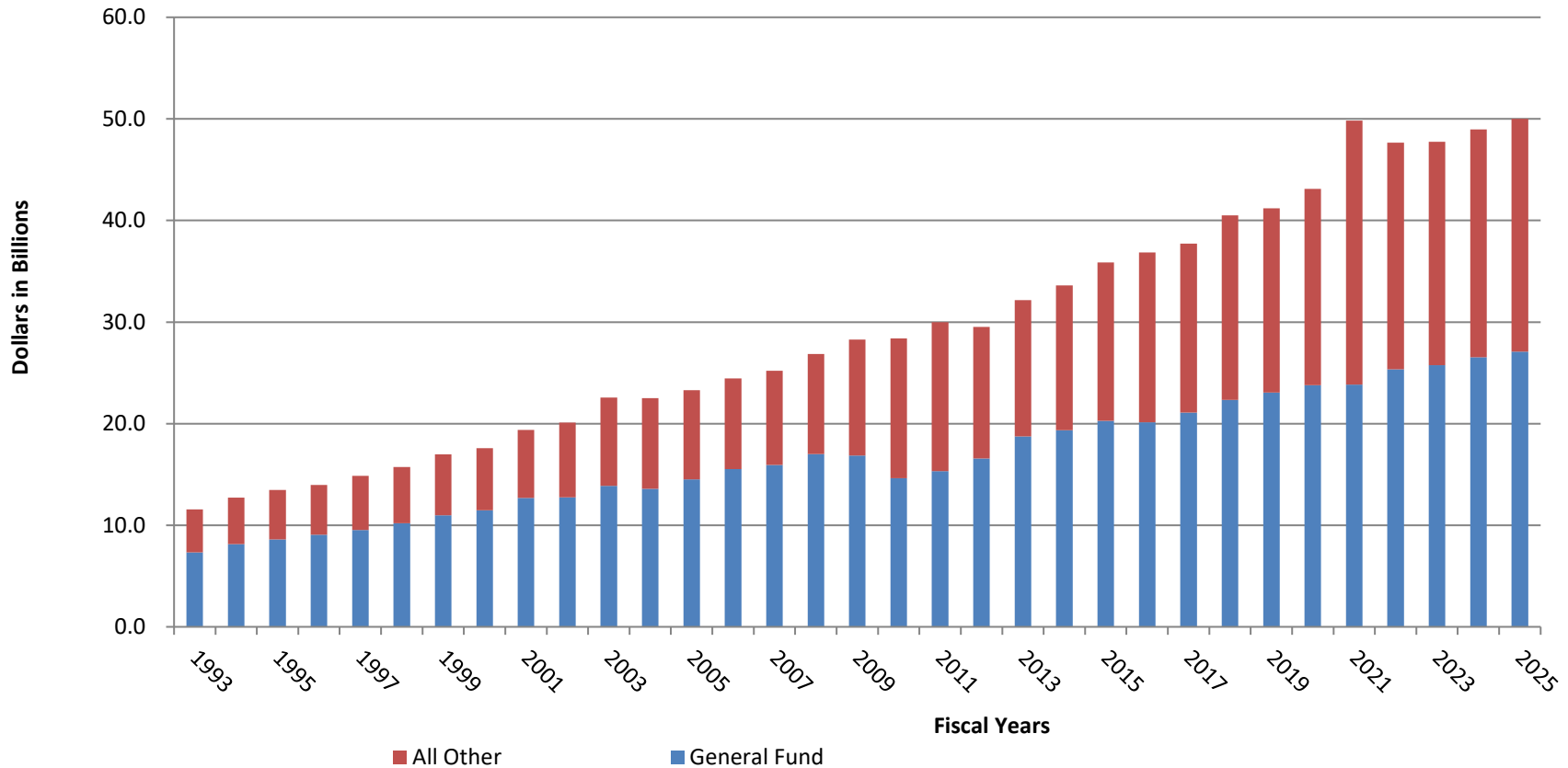
Budget Overview



OFFICE OF COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Expenditures - All Funds

General Fund & Other Funds
7th Special Session, Actual Dollars



Budget Overview



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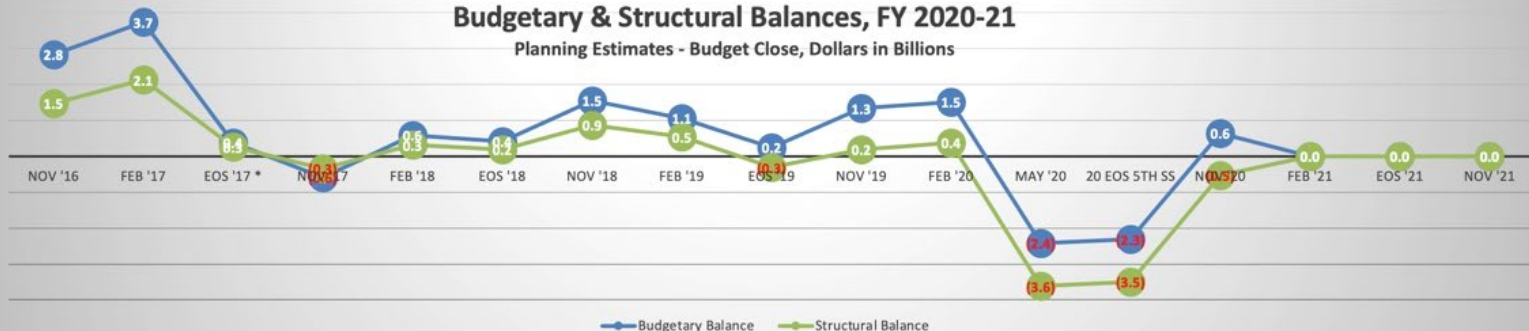
The Ongoing FY 2020-21 General Fund Budget

	Planning Estimate Forecasts		Planning Estimates After Budget Session	Planning Estimate Forecasts		Planning Estimates After Supp'tl Session	Estimates Before Budget Established		Budget Initially Set	Estimates of Enacted Budget			Supp'tl Budget	Estimates of Enacted Budget with Supplemental Changes		Final Action	Final Look, Budget Close
Forecast/EOS	Nov '16	Feb '17	EOS '17 *	Nov '17	Feb '18	EOS '18	Nov '18	Feb '19	EOS '19	Nov '19	Feb '20	May '20	20 EOS 5th SS	Nov '20	Feb '21	EOS '21	Nov '21
Carryforward	3.7	3.6	2.2	1.8	2.3	2.3	3.2	3.0	3.1	4.0	4.0	4.0	4.0	4.0			
Current Revenues	48.5	49.4	48.3	47.6	48.1	48.1	48.3	47.9	48.2	48.7	48.8	45.1	45.2	47.1			
Total Revenues	52.3	53.0	50.4	49.5	50.5	50.4	51.5	51.0	51.2	52.6	52.7	49.1	49.1	51.1			
Spending	47.1	47.2	48.0	48.0	47.8	47.9	47.5	47.4	48.5	48.5	48.4	48.8	48.7	47.6			
Reserves	2.4	2.0	2.0	2.1	2.1	2.1	2.5	2.5	2.5	2.8	2.8	2.8	2.8	2.8			
Budgetary Balance	2.840	3.733	0.376	(0.586)	0.580	0.419	1.544	1.052	0.242	1.332	1.513	(2.426)	(2.314)	0.636	0.000	0.000	0.000
Structural Balance	1.479	2.125	0.254	(0.338)	0.313	0.194	0.873	0.538	(0.315)	0.193	0.380	(3.622)	(3.492)	(0.527)	0.000	0.000	0.000

* 2017 EOS Data also includes Ramsey County District Court ordered funding for the state legislature.

Budgetary & Structural Balances, FY 2020-21

Planning Estimates - Budget Close, Dollars in Billions



Governor's General Fund Budget Recommendation



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FY 2022-23

(\$ in 000s)

	<u>7th SS</u> <u>Base</u>	<u>Gov's</u> <u>Rec</u>	<u>Difference</u>
Carryforward	3,201.7	3,025.5	-176.2
<u>Current Revenues</u>	<u>49,493.8</u>	<u>51,156.9</u>	<u>1,663.1</u>
Total Revenues	51,112.6	51,182.4	1,244.5
Spending	51,112.6	52,415.6	1,303.0
Reserves	2,465.6	1,297.3	-1,168.3
Budgetary Balance	-882.7	469.5	1,352.2

Governor's General Fund Budget Recommendation



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

FY 2024-25

(\$ in 000s)

	<u>7th SS</u> <u>Base</u>	<u>Gov's</u> <u>Rec</u>	<u>Difference</u>
Carryforward	1,582.9	1,766.8	-1,258.7
<u>Current Revenues</u>	<u>53,085.3</u>	<u>54,576.3</u>	<u>3,419.3</u>
Total Revenues	54,668.2	56,343.1	2,160.6
Spending	53,637.1	55,288.6	1,303.0
Reserves	2,654.6	1,297.3	-1,168.3
Budgetary Balance	-1,623.5	-242.9	1,380.7

Gov's budget changes, FY 2021-2025

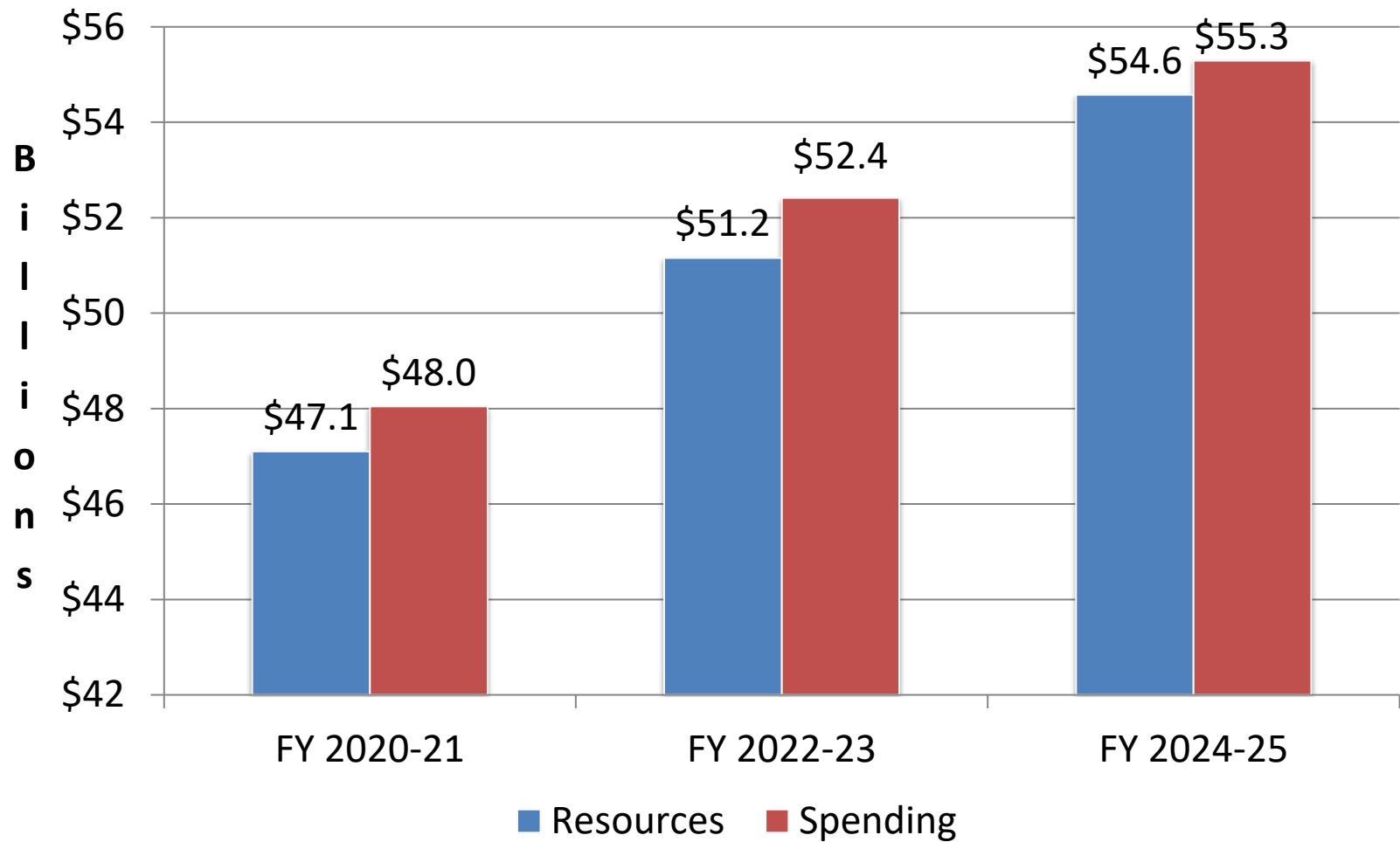
Revenues: 3,161.0

Spending: 3,130.0

Reserves: -1,357.3



Projected General Fund Resources & Spending

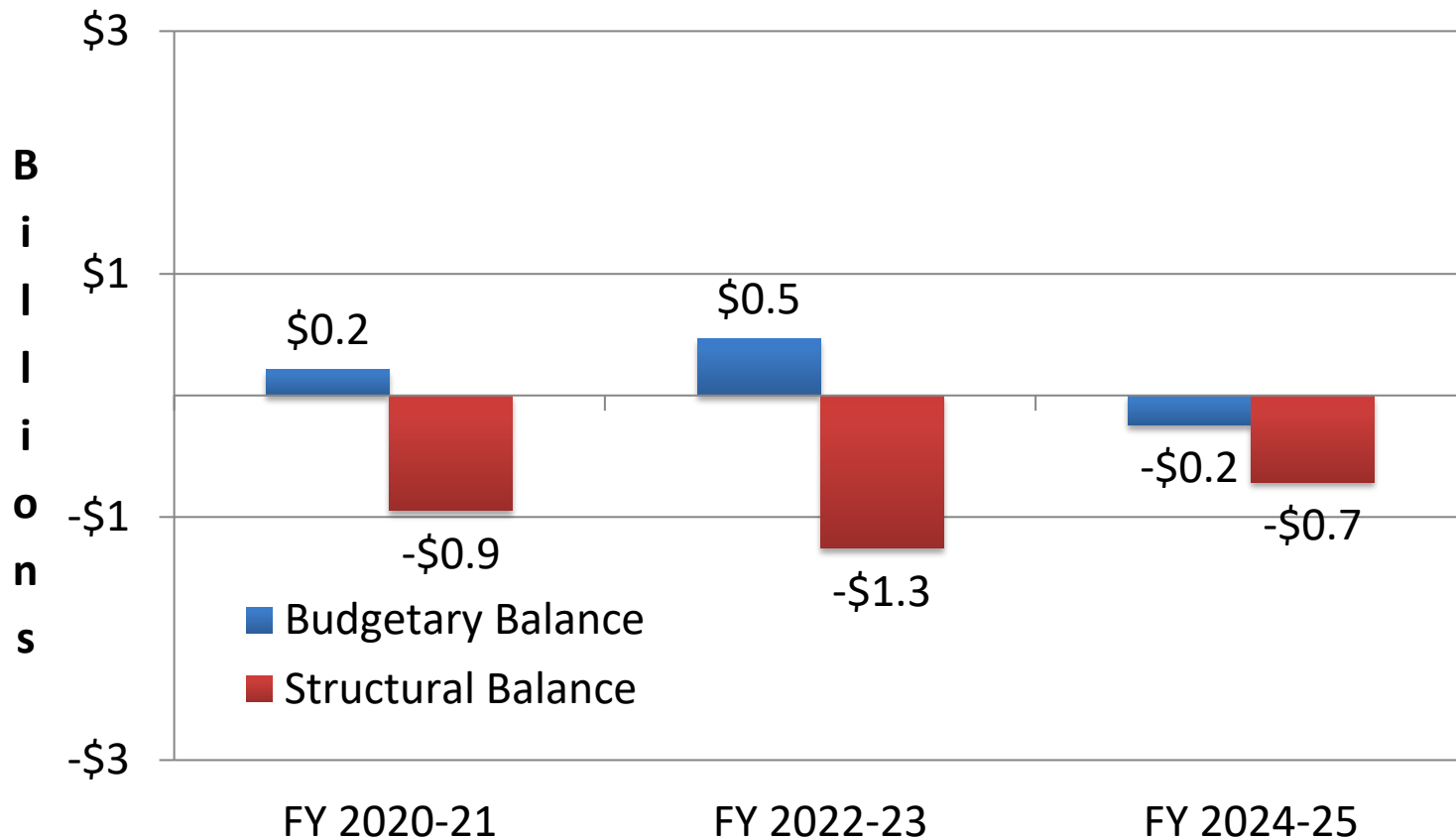


Governor's Budget Recommendation



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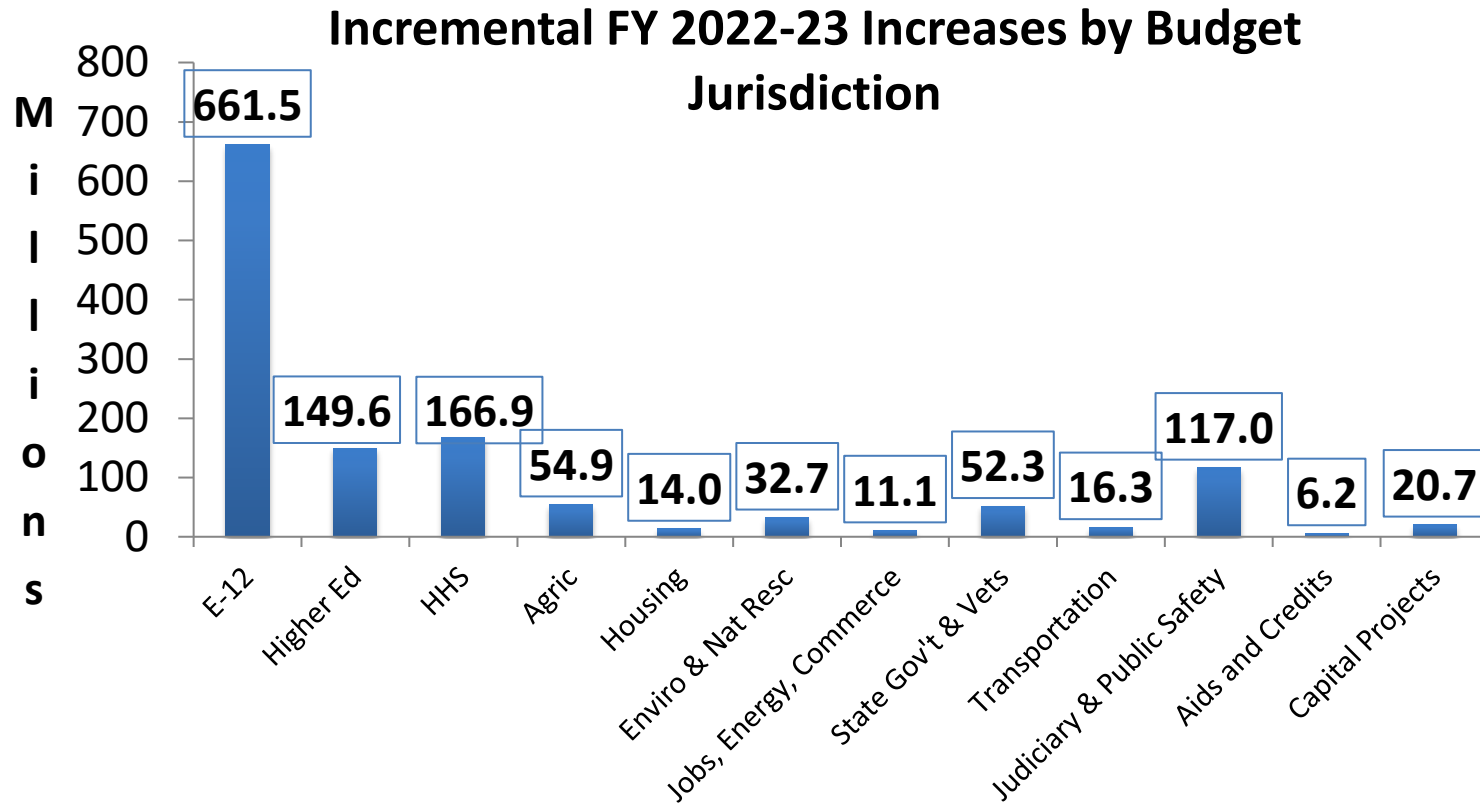
Projected General Fund Balance



Governor's General Fund Budget Recommendation



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS





Taxes

Presented by:

Jay Willms

Fiscal Analyst

jay.willms@senate.mn

651-296-2090

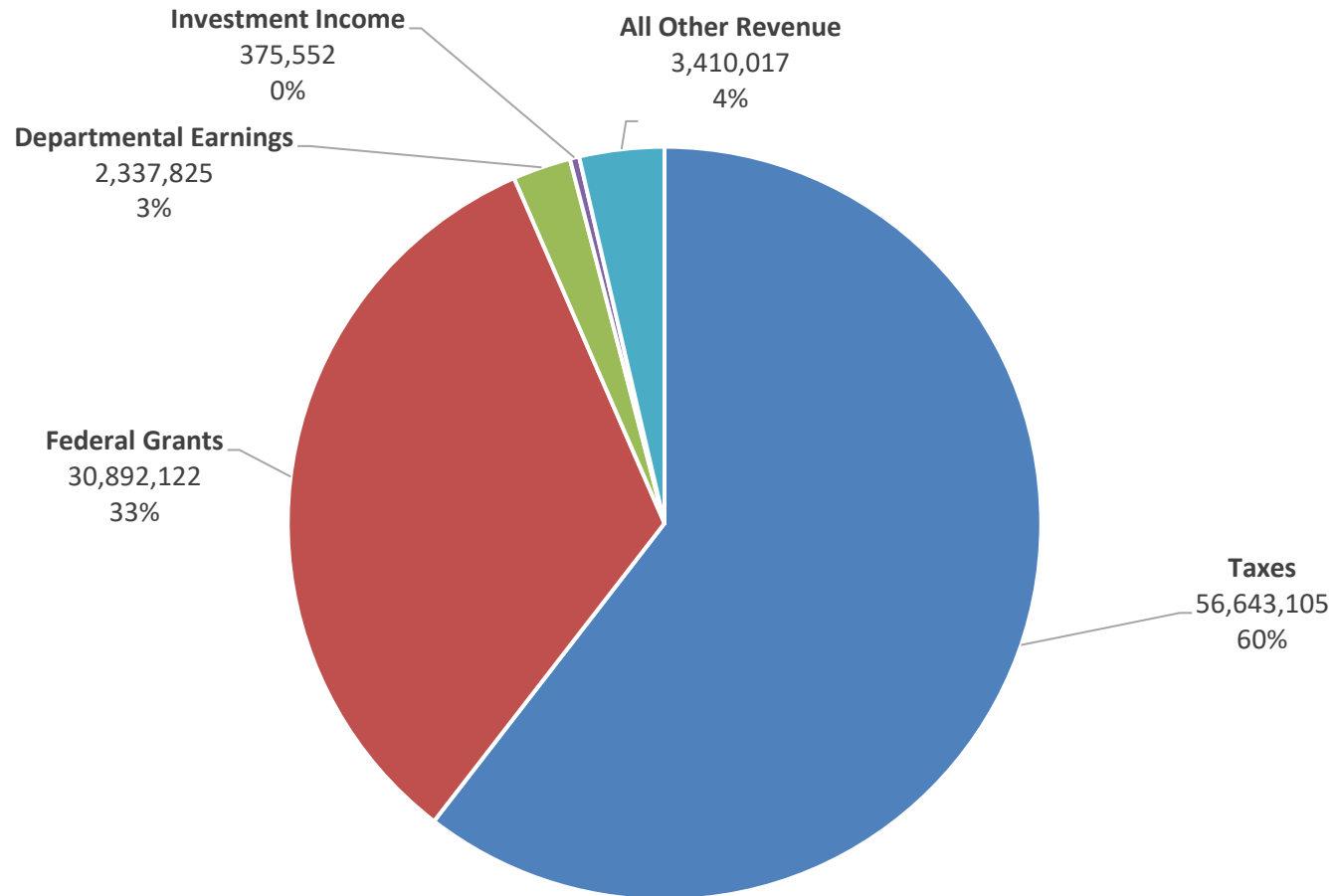


Committee Jurisdiction:

- State Tax Policy
- Property Tax System
- Property Tax Refunds, Aids, and Credits

State Revenues by Category, All Funds

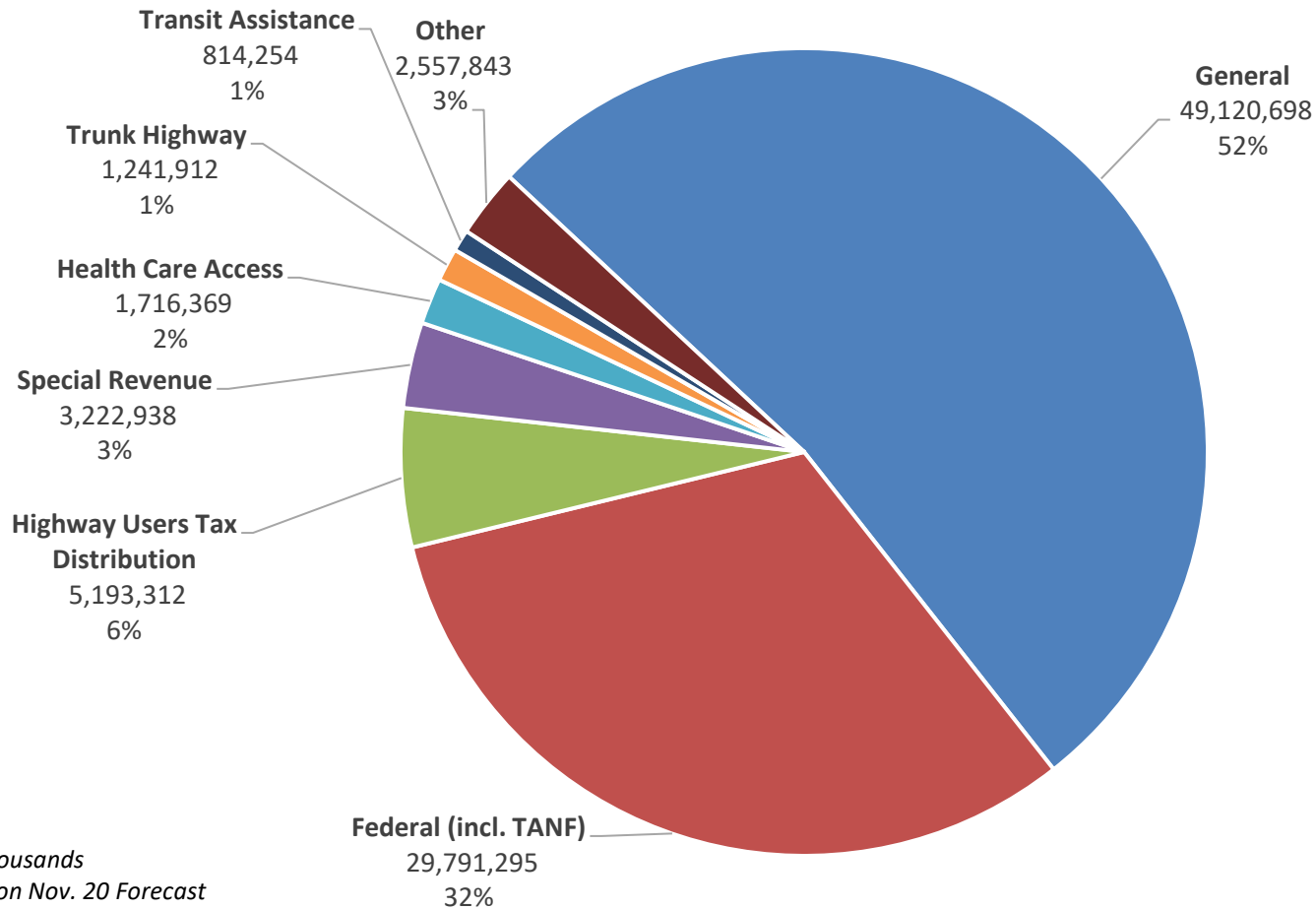
FY 22-23 Biennium | Total = \$93.7 billion



\$ in Thousands
Based on Nov. 20 Forecast

Revenues by Fund, FYs 2022-23

Total = \$93.7 billion

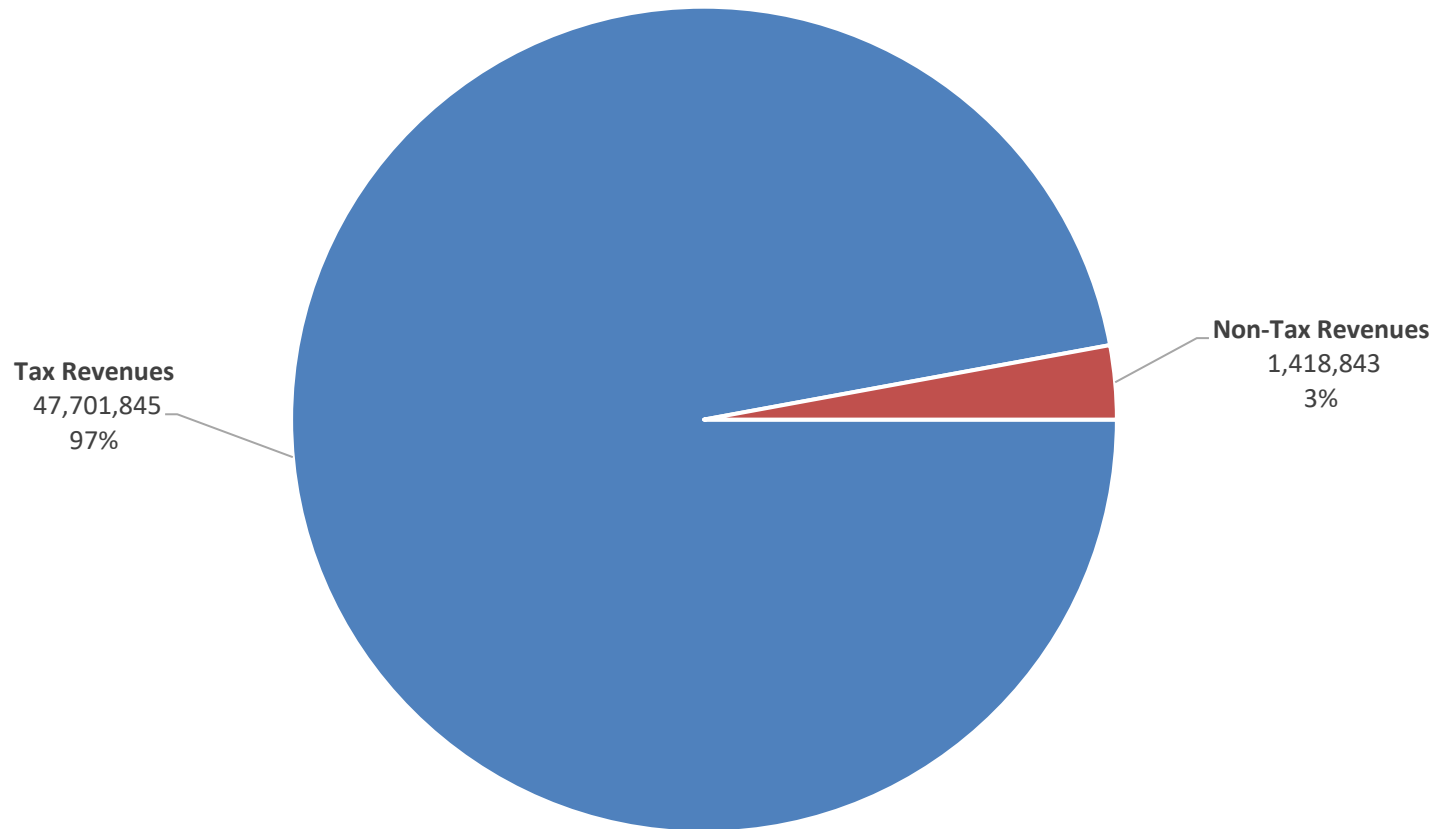


\$ in Thousands
Based on Nov. 20 Forecast

All Funds, FY 2022-23 (\$ in thousands)

<u>Fund</u>	<u>FY 2022-23</u>
General	49,120,698
Federal	29,791,295
Highway User Tax Distribution	5,193,312
Special Revenue	3,222,938
Health Care Access	1,716,369
Trunk Highway	1,241,912
Transit Assistance	814,254
All Other	2,557,843
TOTAL Revenues	93,658,621

Taxes Revenue by Category, General Fund FY 22-23 Biennium | Total = \$49.1 billion



*\$ in Thousands
Based on Nov. 20 Forecast*

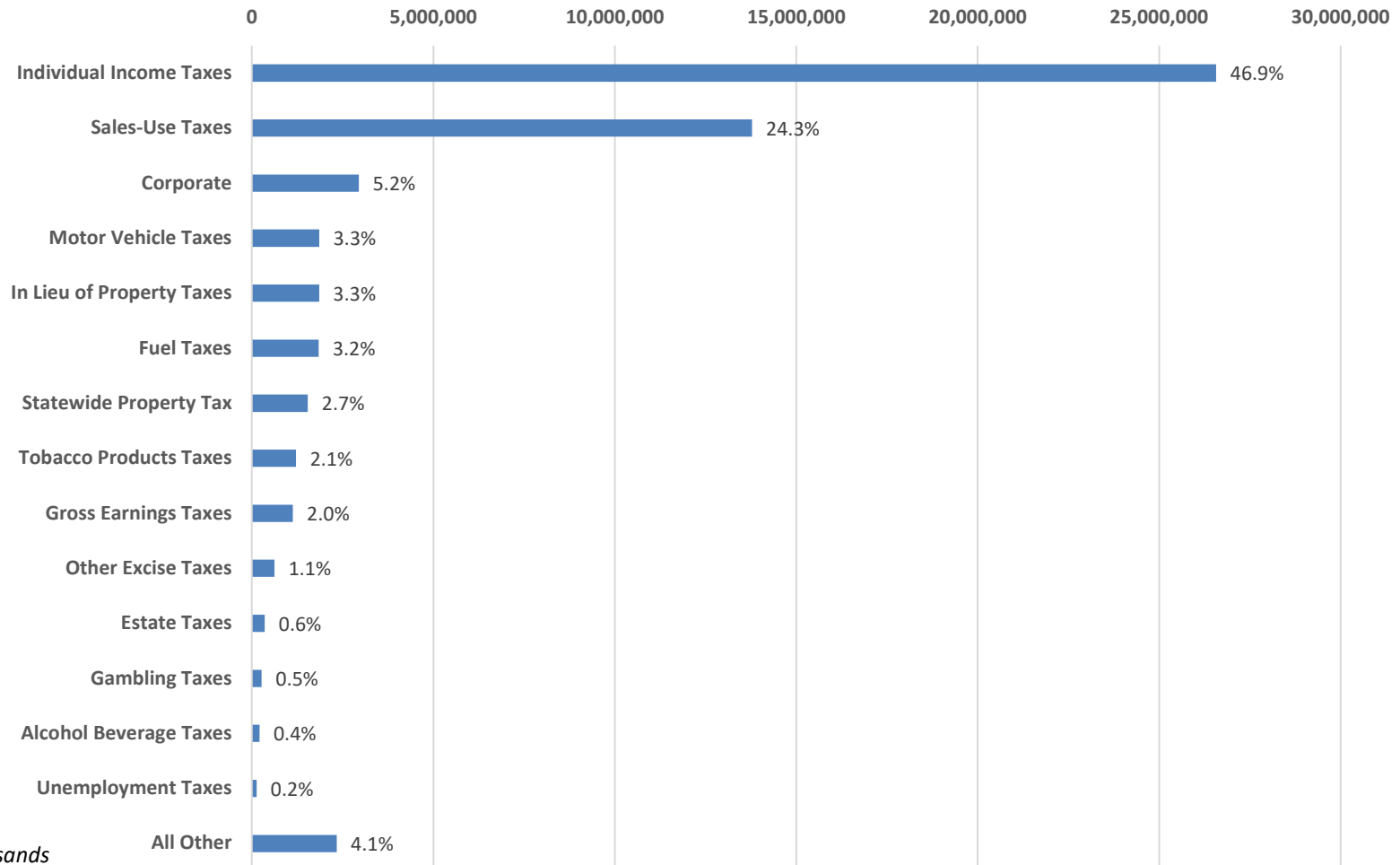
Taxes



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Taxes Revenue by Category, All Funds

FY 22-23 Biennium | Total = \$56.6 billion



\$ in Thousands

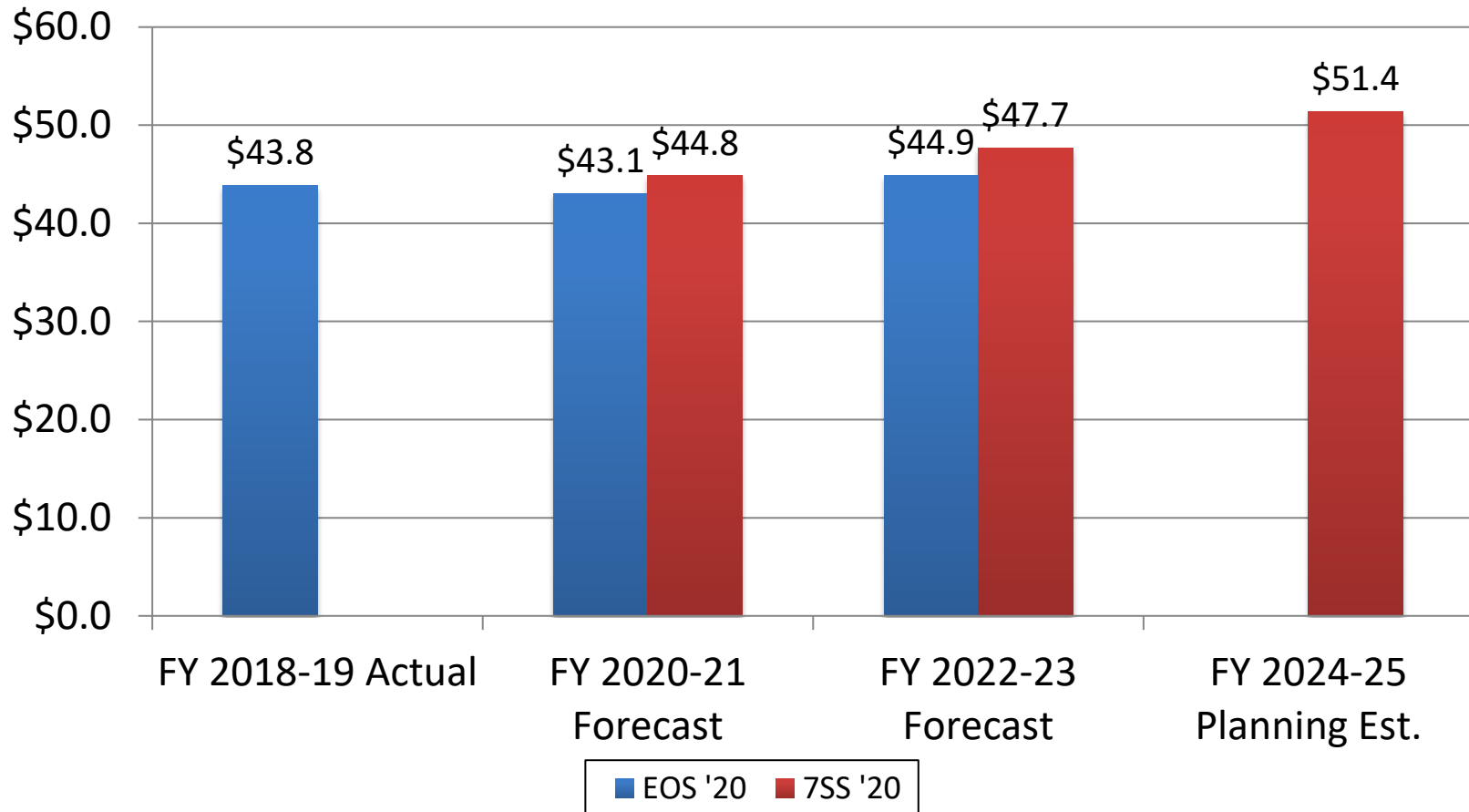
Based on Nov. 20 Forecast

General Fund Taxes by Category, FY 2018-19 (dollars in thousands)

	<u>FY 2018-19</u>
Individual Income	26,571,100
Sales and Use	12,477,274
Corporate Income	2,944,548
Statewide Property	1,540,238
Tobacco	1,153,410
Gross Earnings	922,620
All Other	2,102,851
TOTAL Revenues	47,712,041

General Fund Taxes Actual & Forecast FYs 2018 – FY 2025

(\$ in billions)

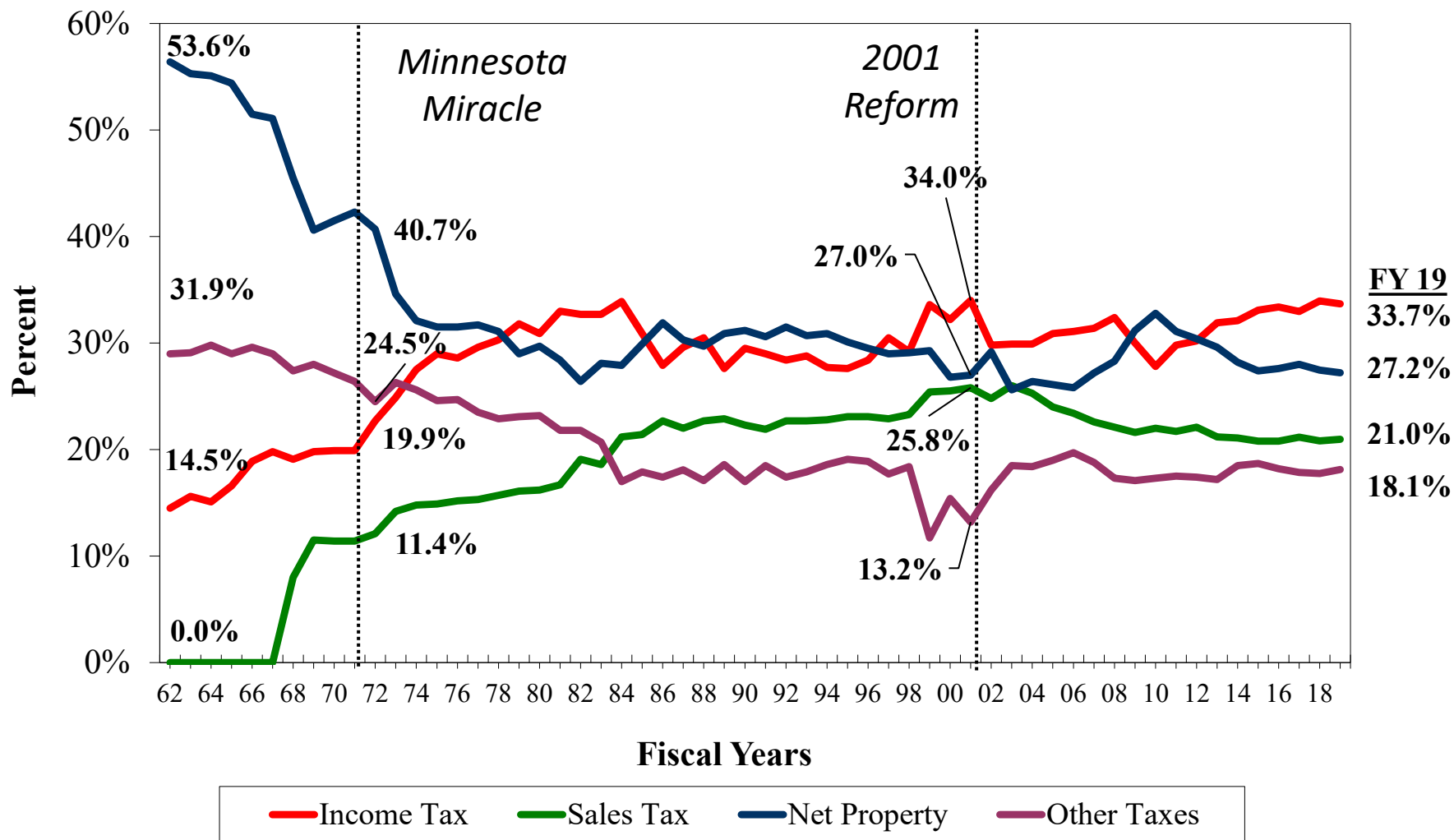


History of Major Taxes (% Share)

FY 1962-2019



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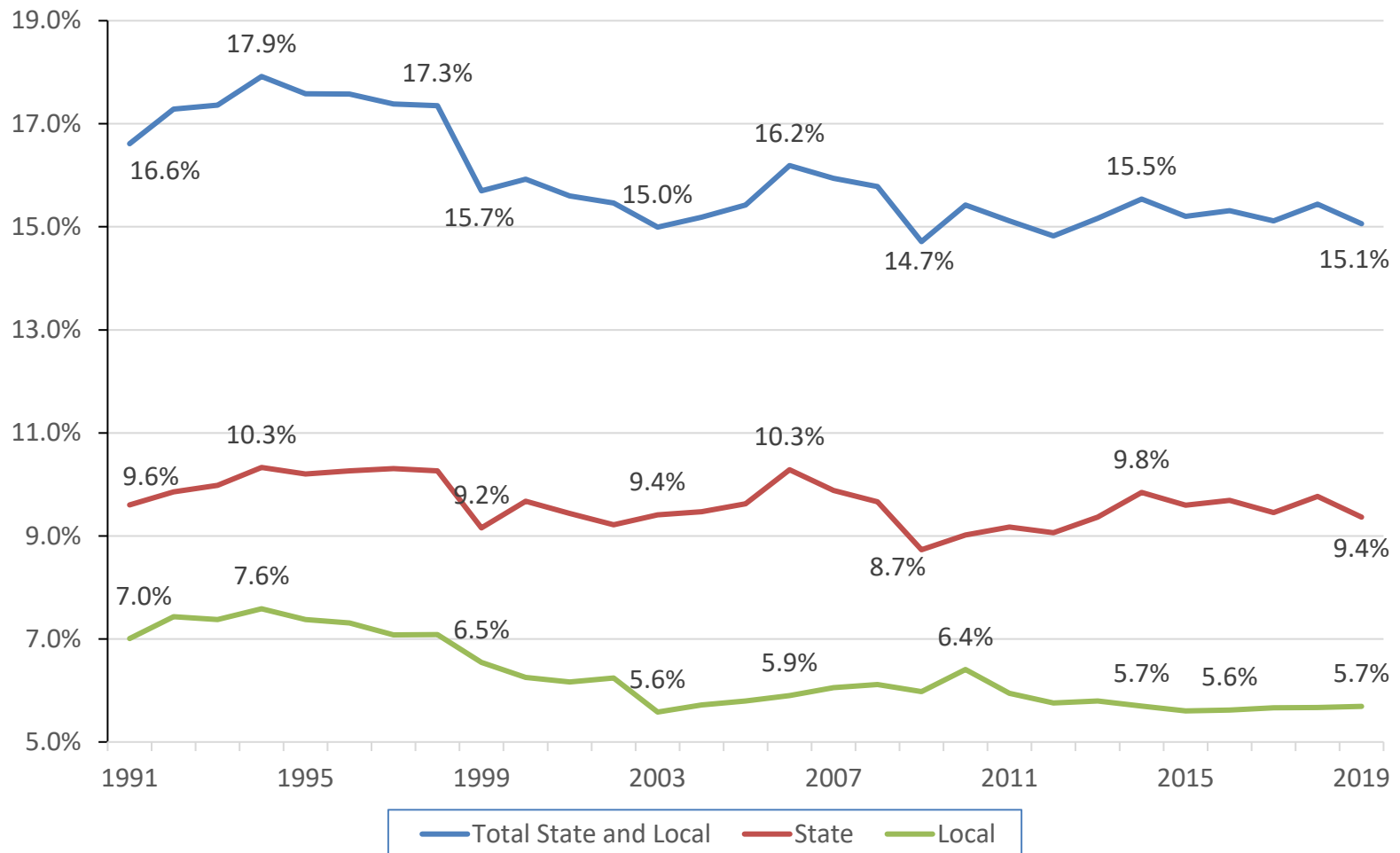


Trends in State and Local Revenues



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State & Local Revenue as a % of MN Personal Income



Source: Price of Government Report (MMB)



Property Tax Refunds, Aids, and Credits

Presented by:

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651-296-2090

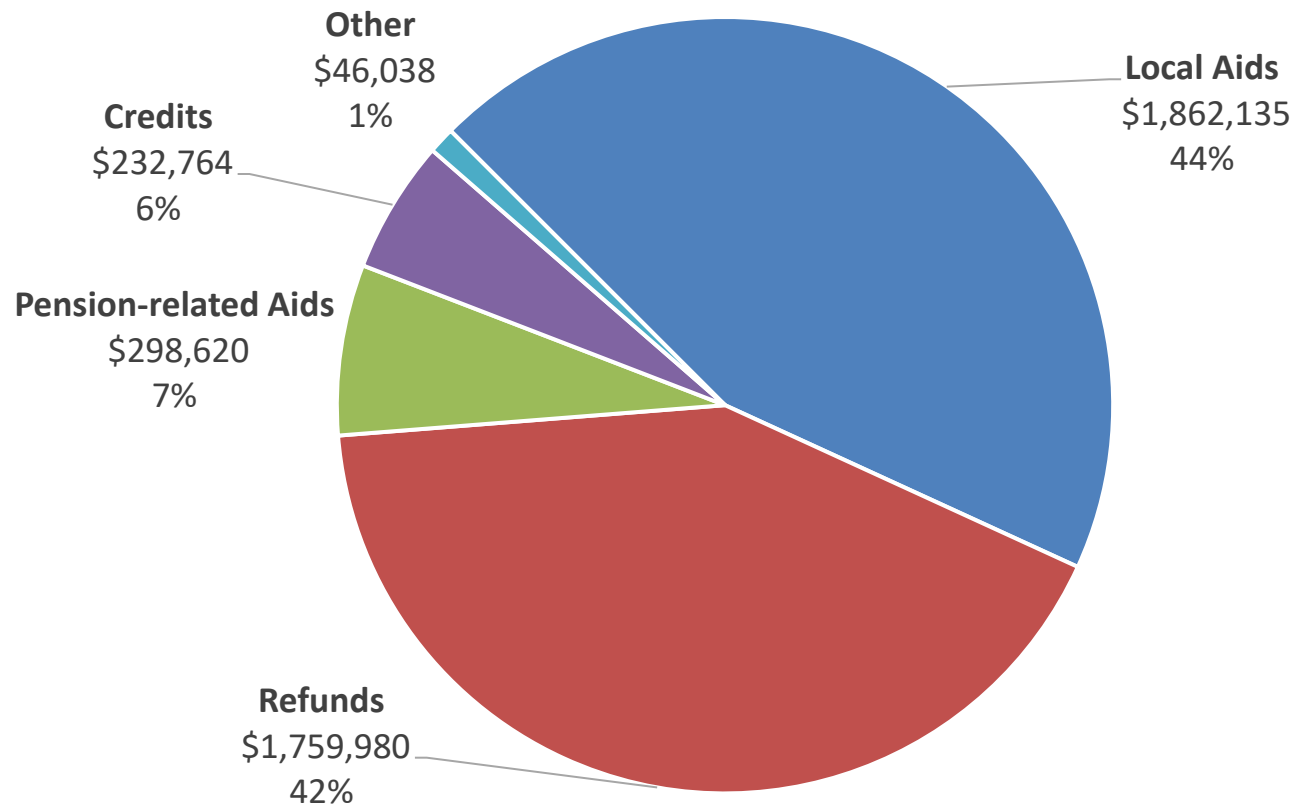
Property Tax Refunds, Aids, & Credits



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Property Tax Refunds, Aids & Credits, Expenditures by Category

FY 22-23 Biennium | Total = \$4.2 billion



Property Tax Refunds, Aids, & Credits



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Property Tax Refunds, Aids, & Credits, FY 2022-23 (dollars in thousands)

	<u>FY 2022-23</u>
Homestead Credit Refund	1,238,200
Local Government Aid (LGA)	1,128,796
County Program Aid (CPA)	529,411
Renters Property Tax Refund	488,700
Police Aid	180,170
School Building Bond Agricultural Credit	131,793
Payment In Lieu Of Taxes (PILT)	71,009
All Other	358,603
TOTAL Refunds, Aids, and Credits	4,199,537

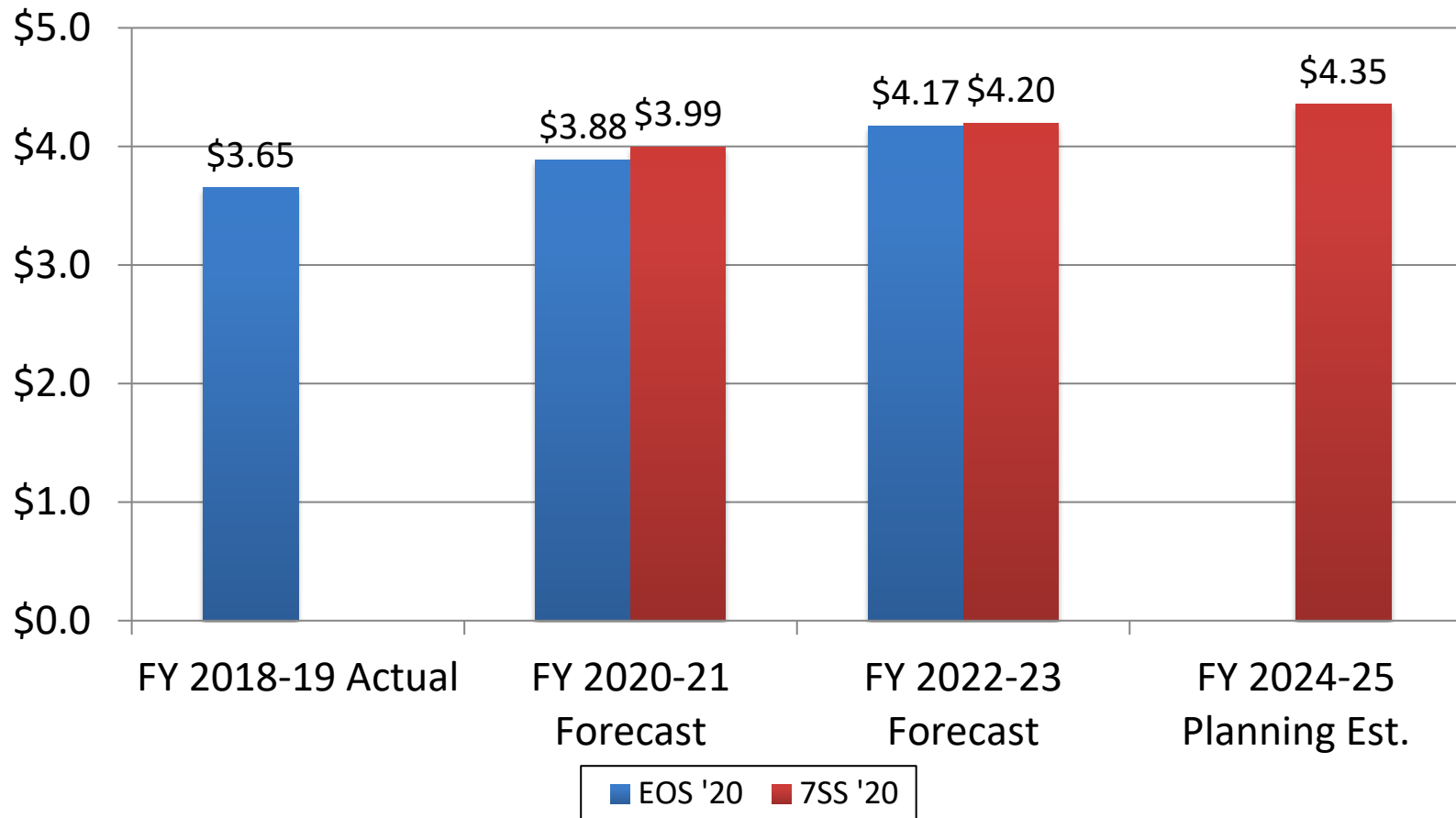
Property Tax Refunds, Aids, & Credits



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Property Tax Refunds, Aids, & Credits General Fund Actual & Forecast | FYs 2018 – FY 2025

(dollars in billions)



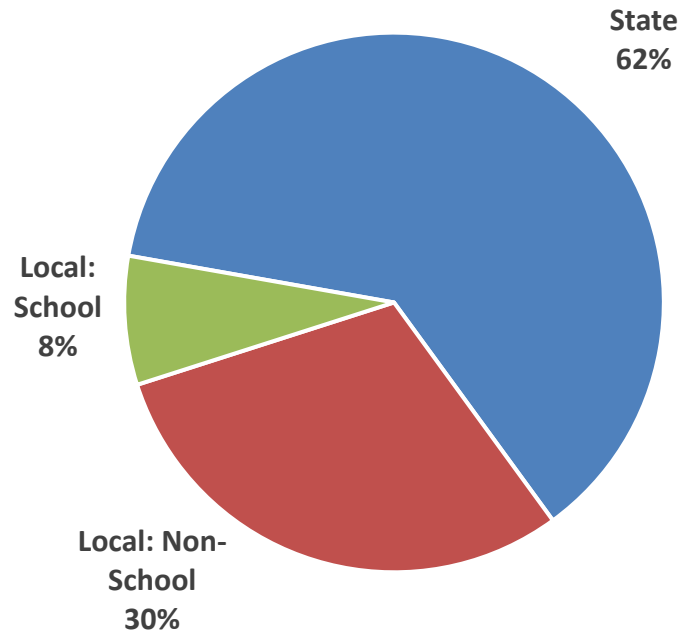
Public Sector Revenue as a System



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

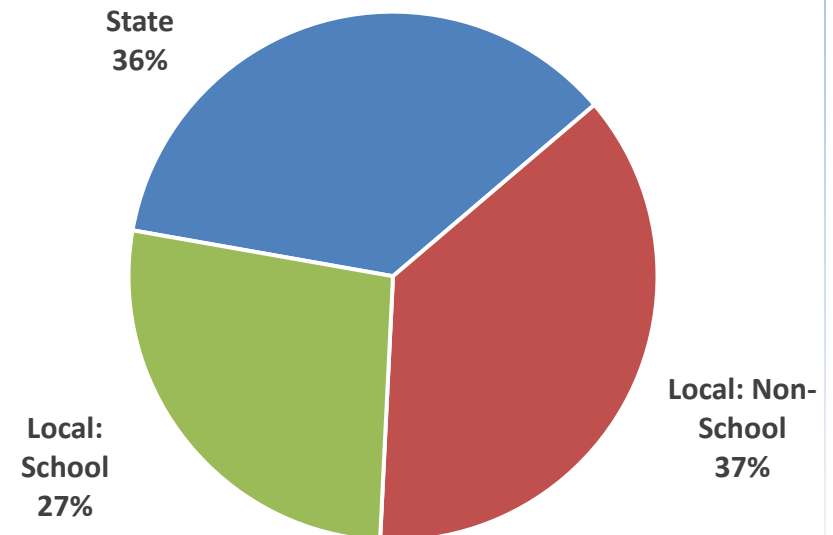
Who Collects?

*State and Local "Own-Source" Revenues
FY 2019*



Who Spends?

*State and Local Expenditures
FY 2019*

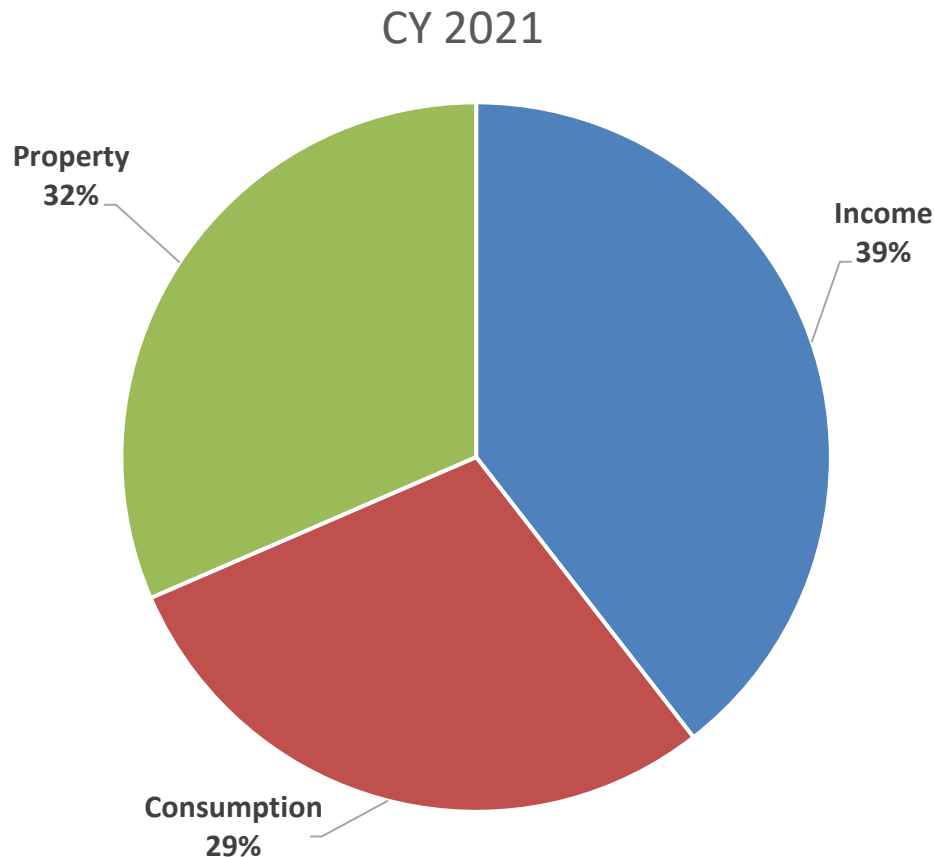


Source:
July 2020 Price of Government Report (MMB)

Public Sector Revenue as a System



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS



The Tax Incidence Study provides another frame of analysis by dividing taxes into categories of Income, Consumption, and Property.

The report seeks to answer the question, “Who pays Minnesota’s taxes?” and estimates how the burden of state and local taxes is distributed across income groups.

Source: Minnesota Department of Revenue, 2019 Tax Incidence Study
Based on November 2018 Forecast



Useful resources:

- Department of Revenue:
 - Tax Handbook
 - Tax Expenditure Study
 - Tax Incidence Study
 - Homestead Property Tax Burdens
 - Tax Rankings
 - Revenue Estimates
- House of Representatives:
 - Short Subjects



E-12 Education

Presented by:

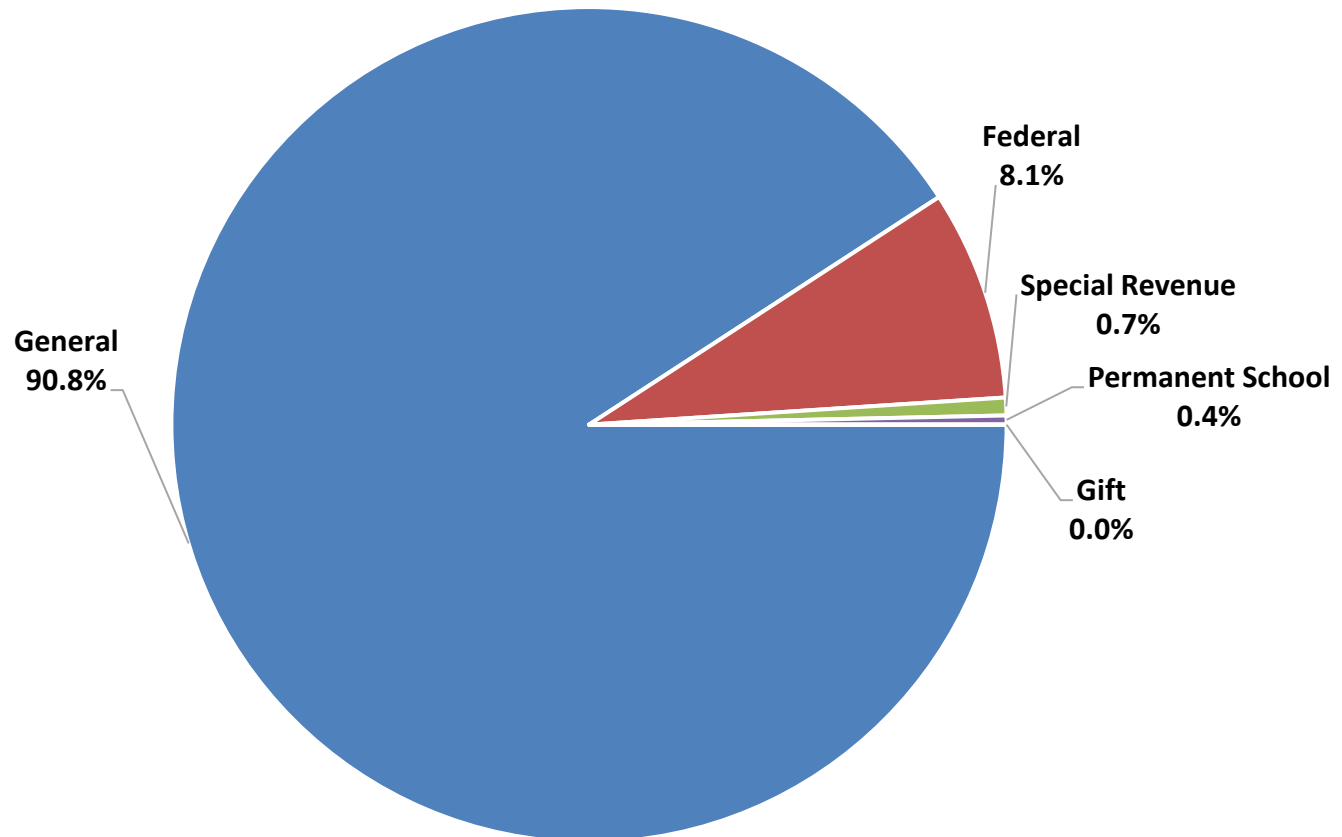
Jenna Hofer
Fiscal Analyst

Jenna.Hofer@senate.mn

651-296-5259

All Funds, FY 2022-23

Base Budget \$22.7 Billion (24.2% of total All Funds)



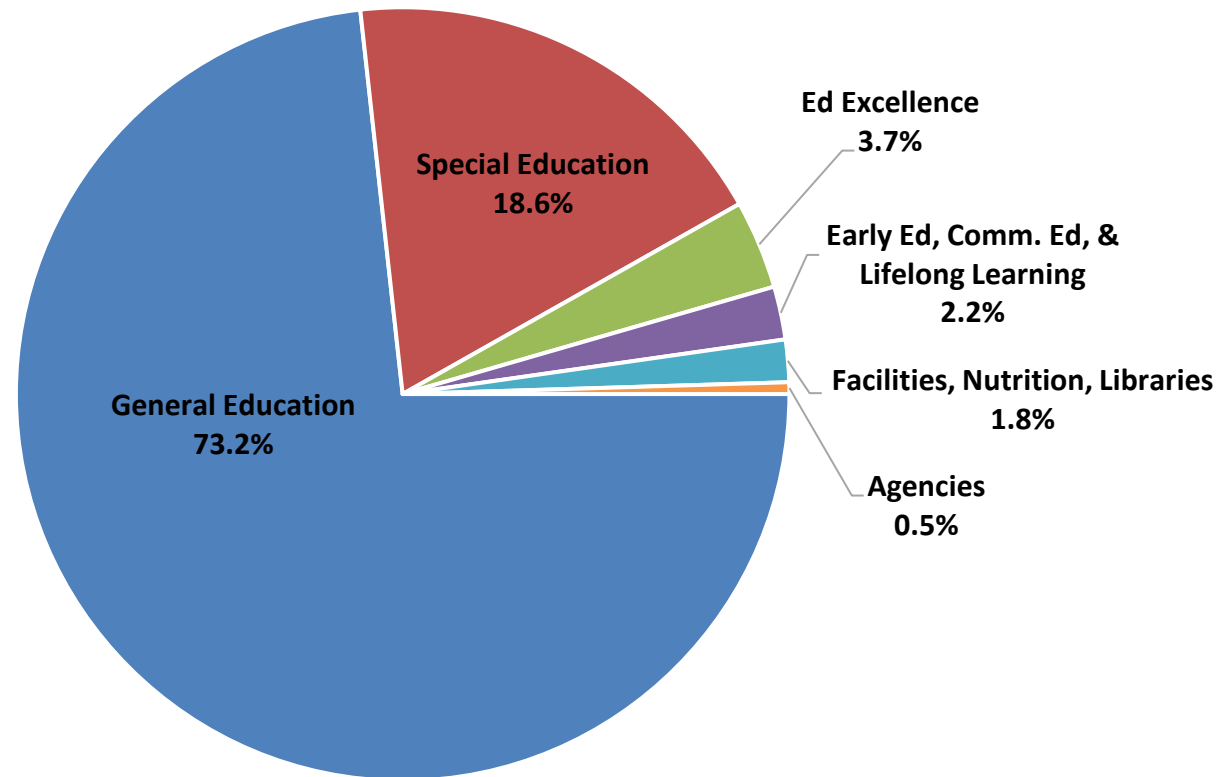
All Funds, FY 2022-23

(dollars in thousands)

Fund	FY 2022-23
General	20,593,771
Federal	1,846,227
Special	155,338
Permanent School	79,465
Gift	271
Total (dollars in thousands)	22,675,072

General Fund, FY 2022-23

Base Budget \$20.6 Billion (40.3% of total General Fund)

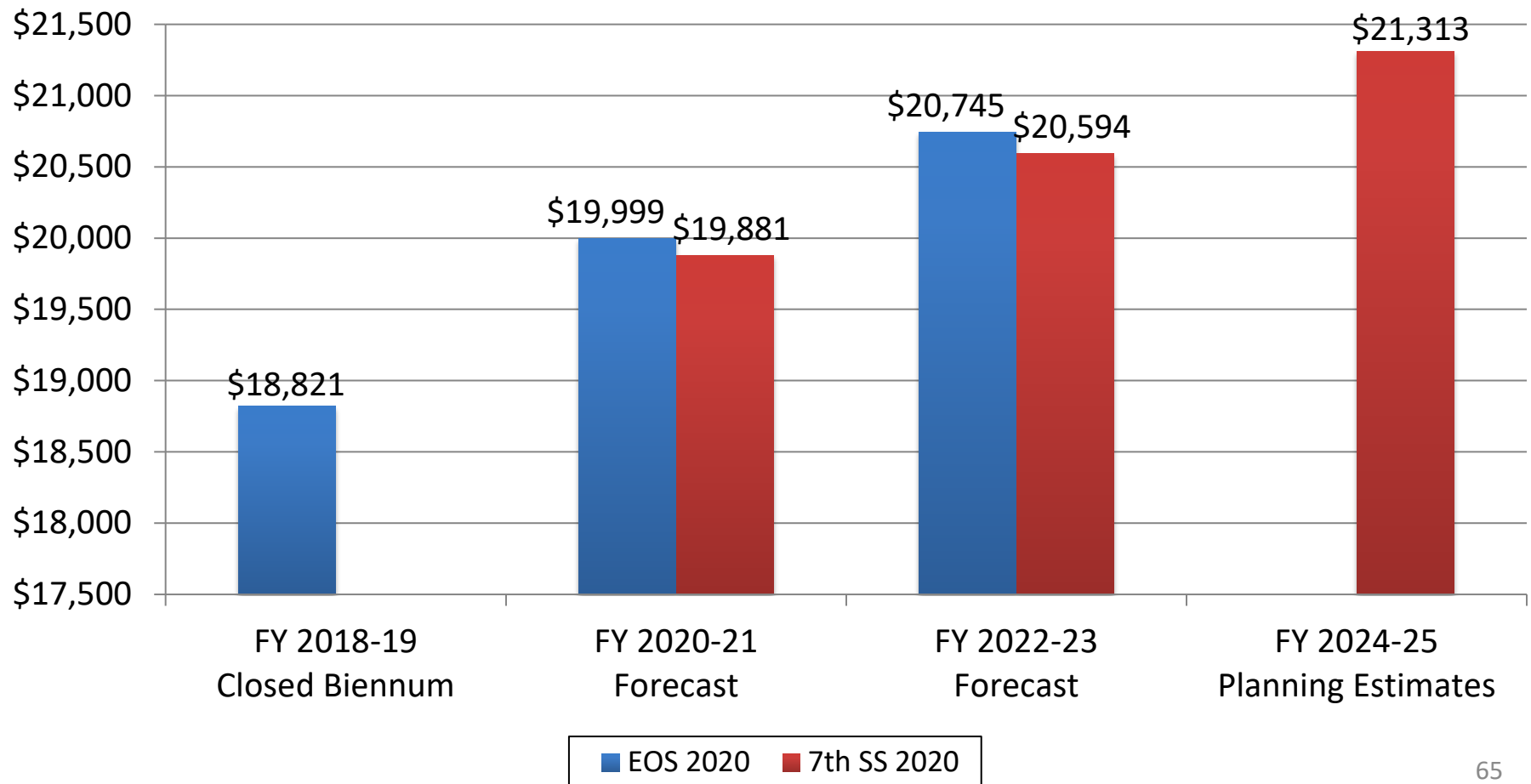


General Fund, FY 2022-23

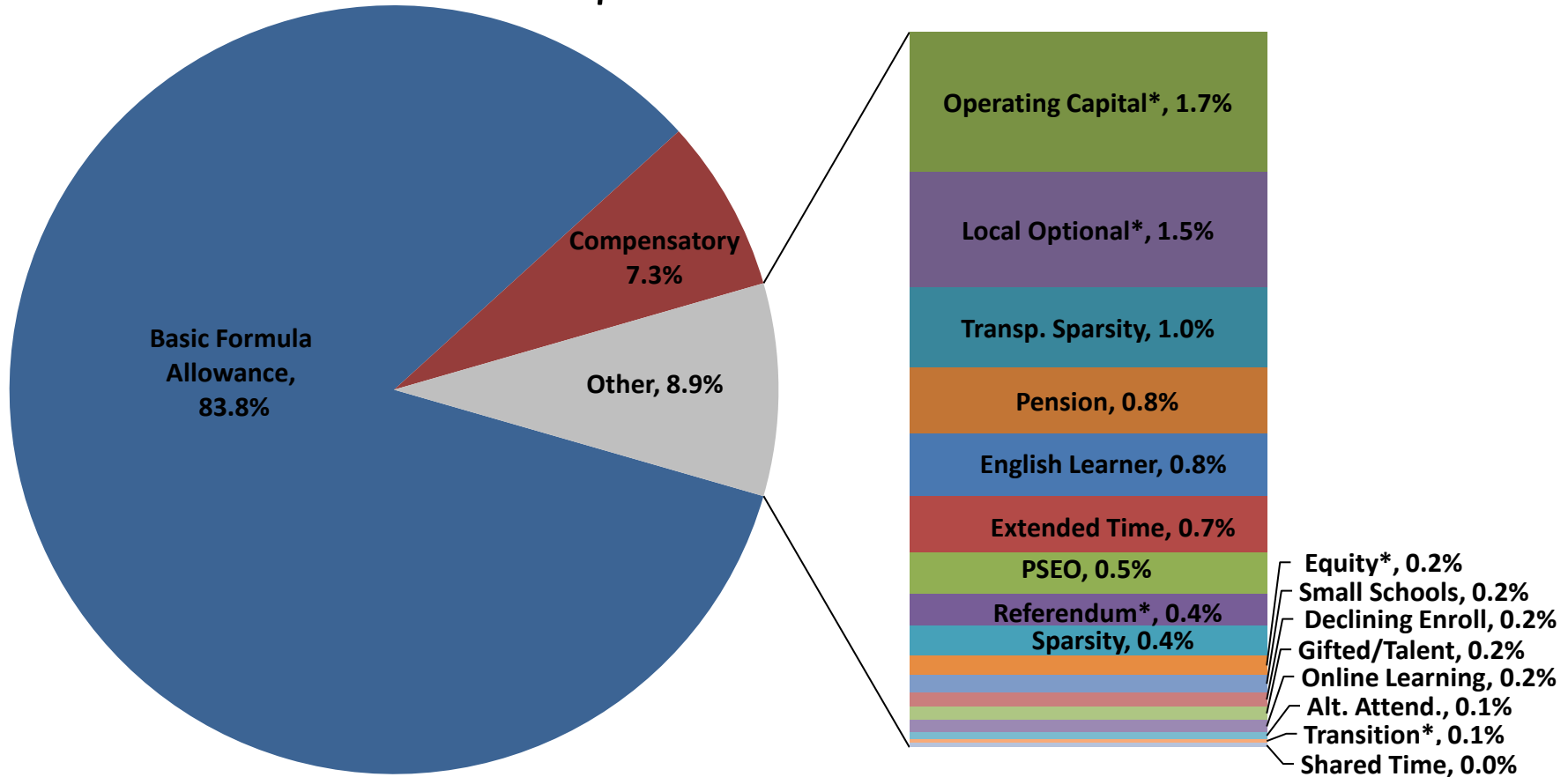
(dollars in thousands)

	<u>FY 2022-23</u>
General Education Aid	\$14,992,716
Other General Education Programs	\$92,152
Education Excellence & Teachers	\$762,272
Special Education	\$3,824,283
Facilities & Technology	\$272,929
Nutrition Programs	\$55,740
Library Programs	\$36,140
Early Education	\$340,955
Community Education	\$8,066
Lifelong Learning	\$108,209
State Agencies	<u>\$100,309</u>
Net General Fund Expenditures	\$20,593,771

General Fund Spending & Forecast FY 2018-19 – FY 2024-25 (dollars in millions)



General Education Aid Entitlements, FY 2022-23 \$15.0 Billion



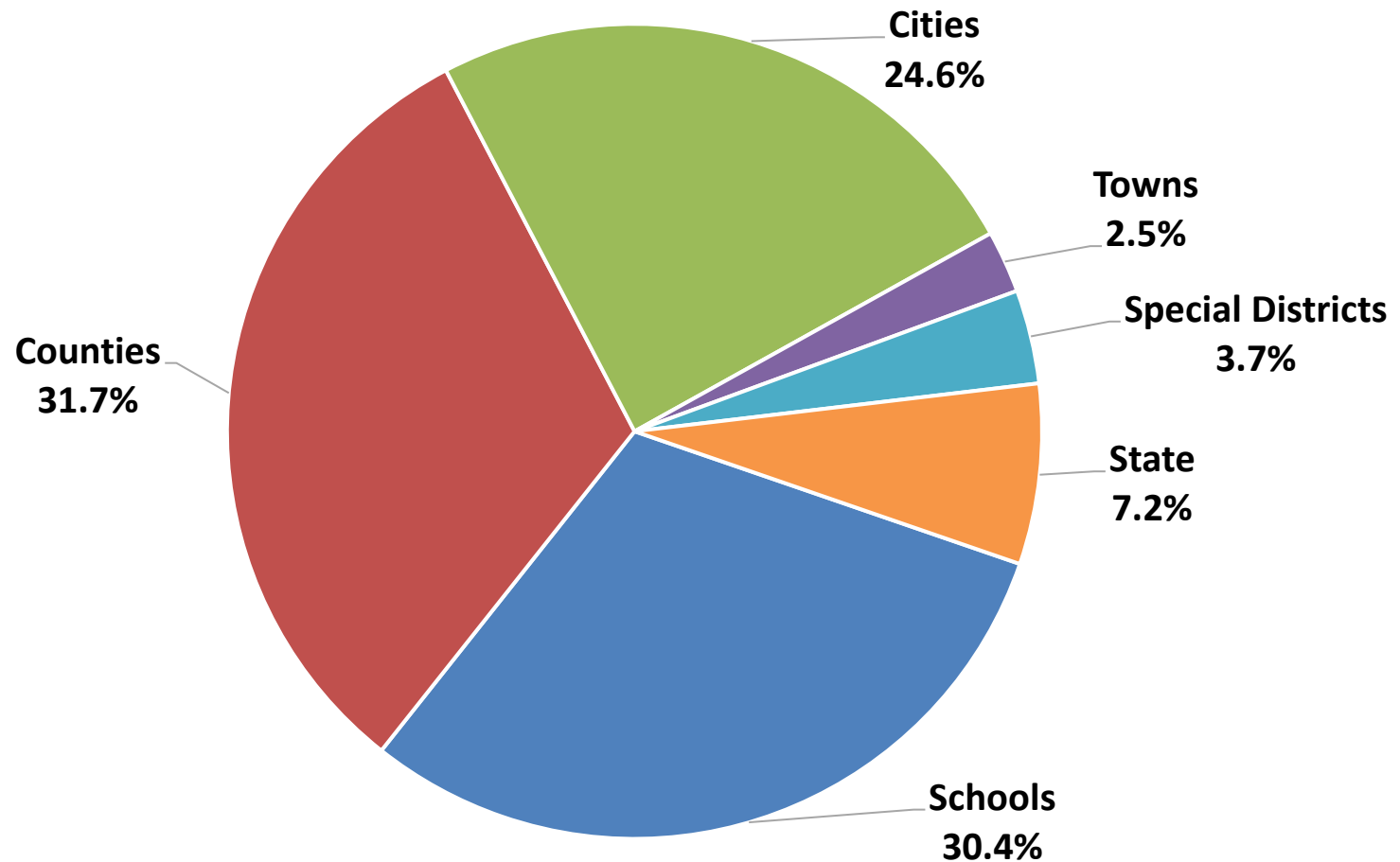
*Indicates program also has a levy component

MN Property Taxes By Source



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Taxes Payable 2020 Certified \$10.9 Billion



E-12 Property Tax FY 2022-23 Base Budget

(dollars in thousands)

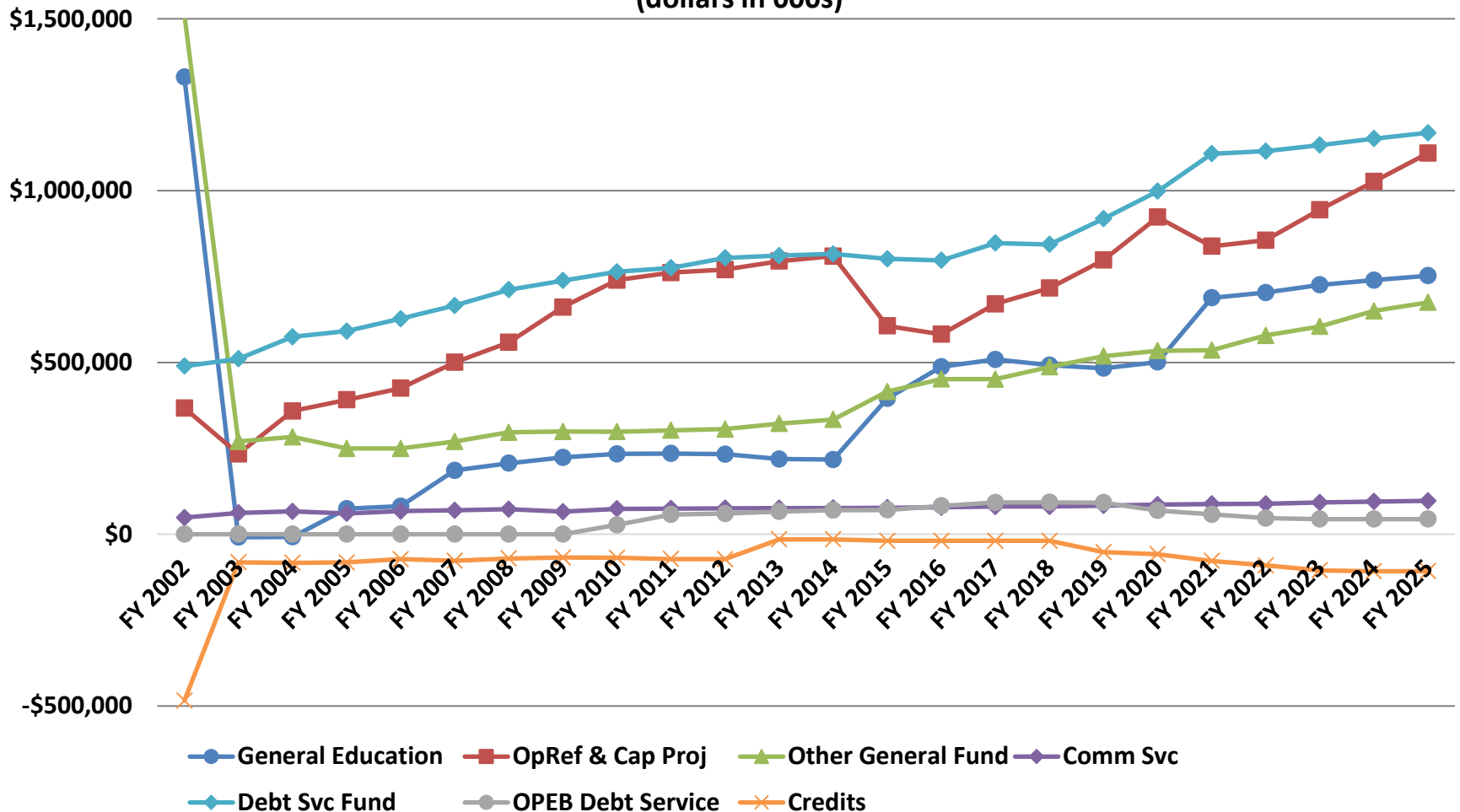
	<u>FY 2022-23</u>
General Fund	\$4,411,764
Community Service Fund	\$180,448
Debt Service Fund	\$2,247,117
OPEB/Pension Debt Service	\$90,140
Total School District Levies	\$6,929,468
<u>Credits & Adjustments</u>	<u>\$(196,181)</u>
Total Certified Levies	\$6,733,287

E-12 Education



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Education Property Tax Trends By Fund/Category, FY 2002 – 2025 (est.)
(dollars in 000s)

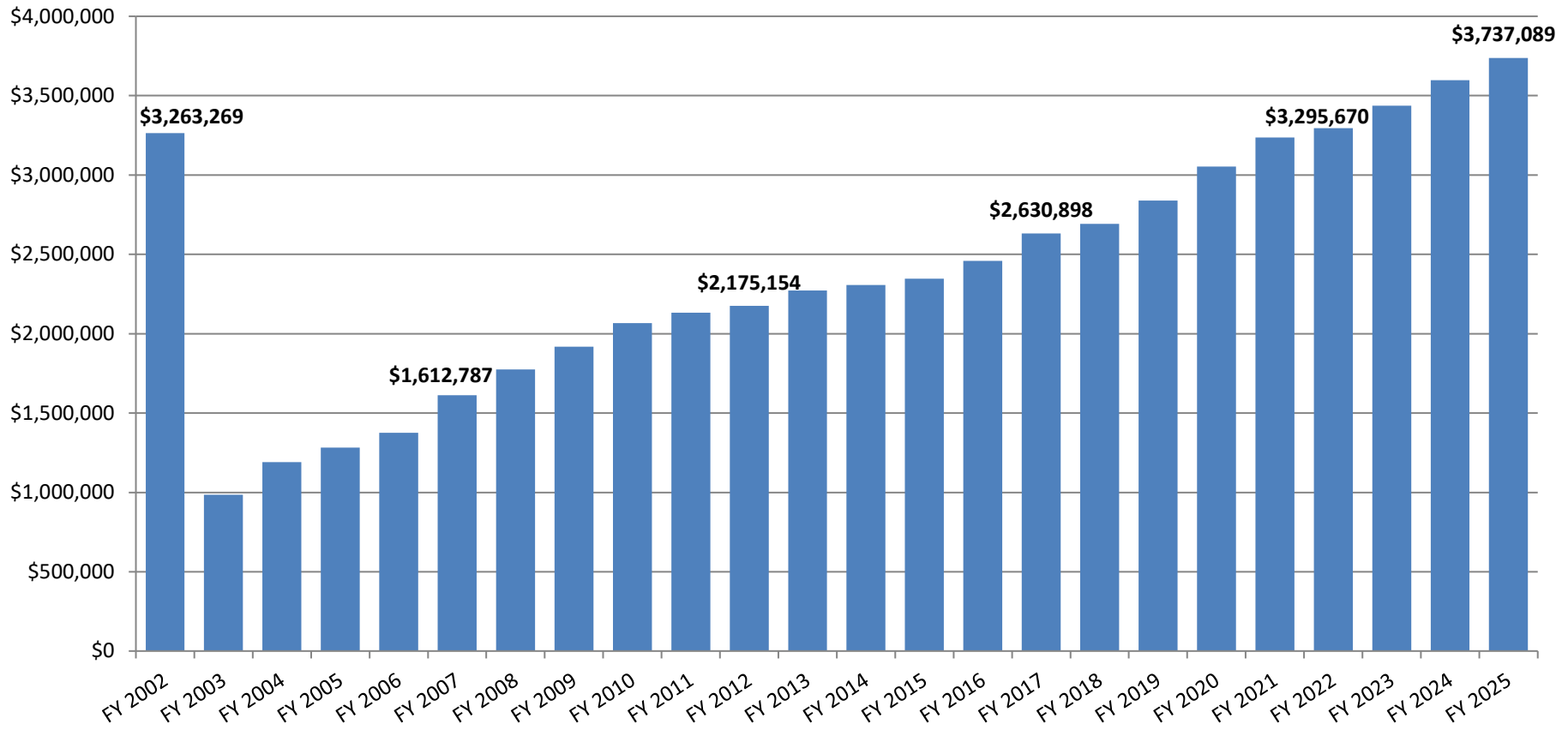


E-12 Revenue Trends



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Total Education Property Tax Levies, FY 2002 - FY 2025 (est.) (dollars in 000s)



E-12 Revenue Trends

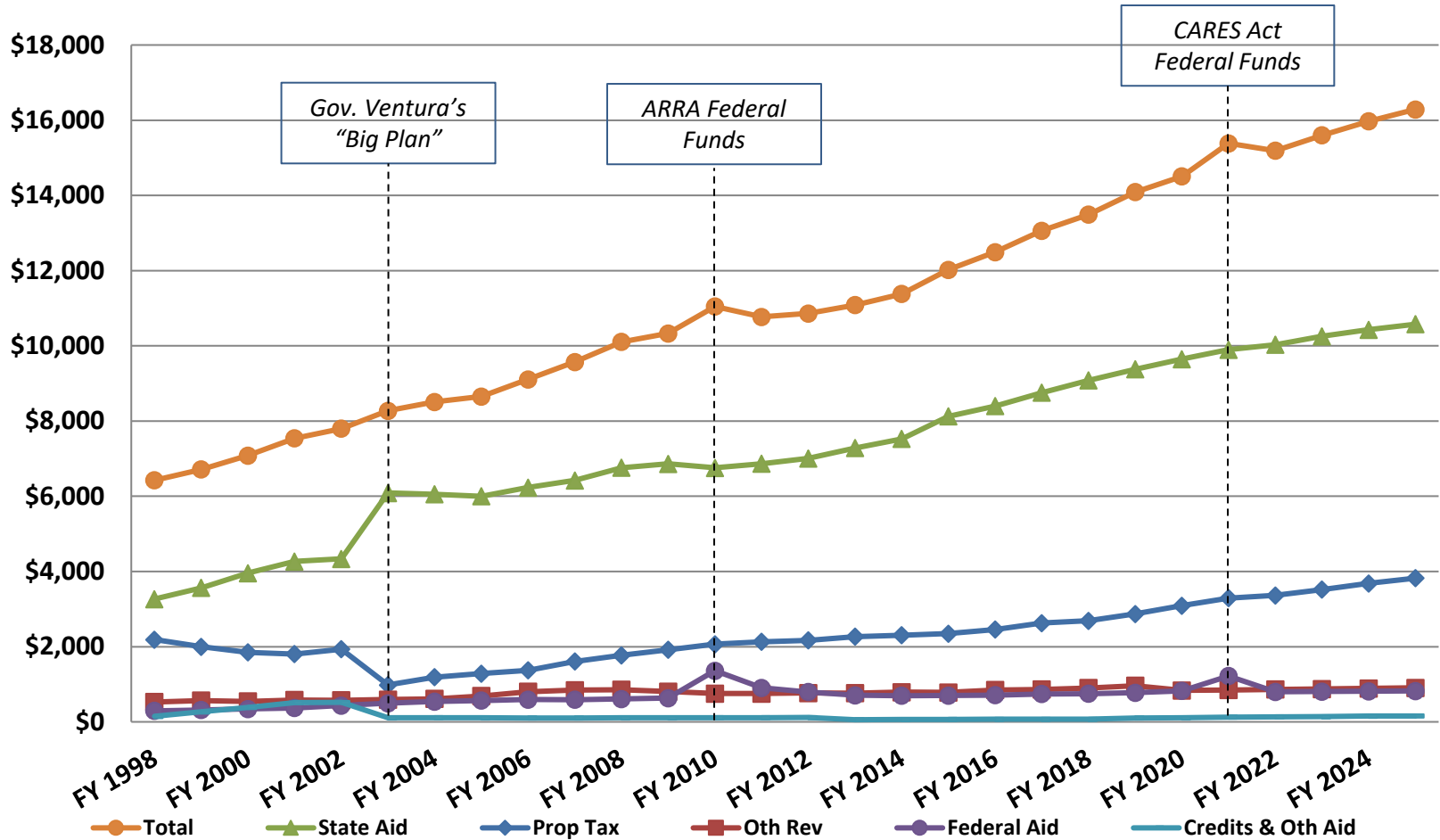


SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Education Spending by Type of Revenue

FY 1998-2025 (Est.)

(dollars in millions, based on Nov '20 Forecast)





State Government & Elections

Presented by:

Andrew Erickson

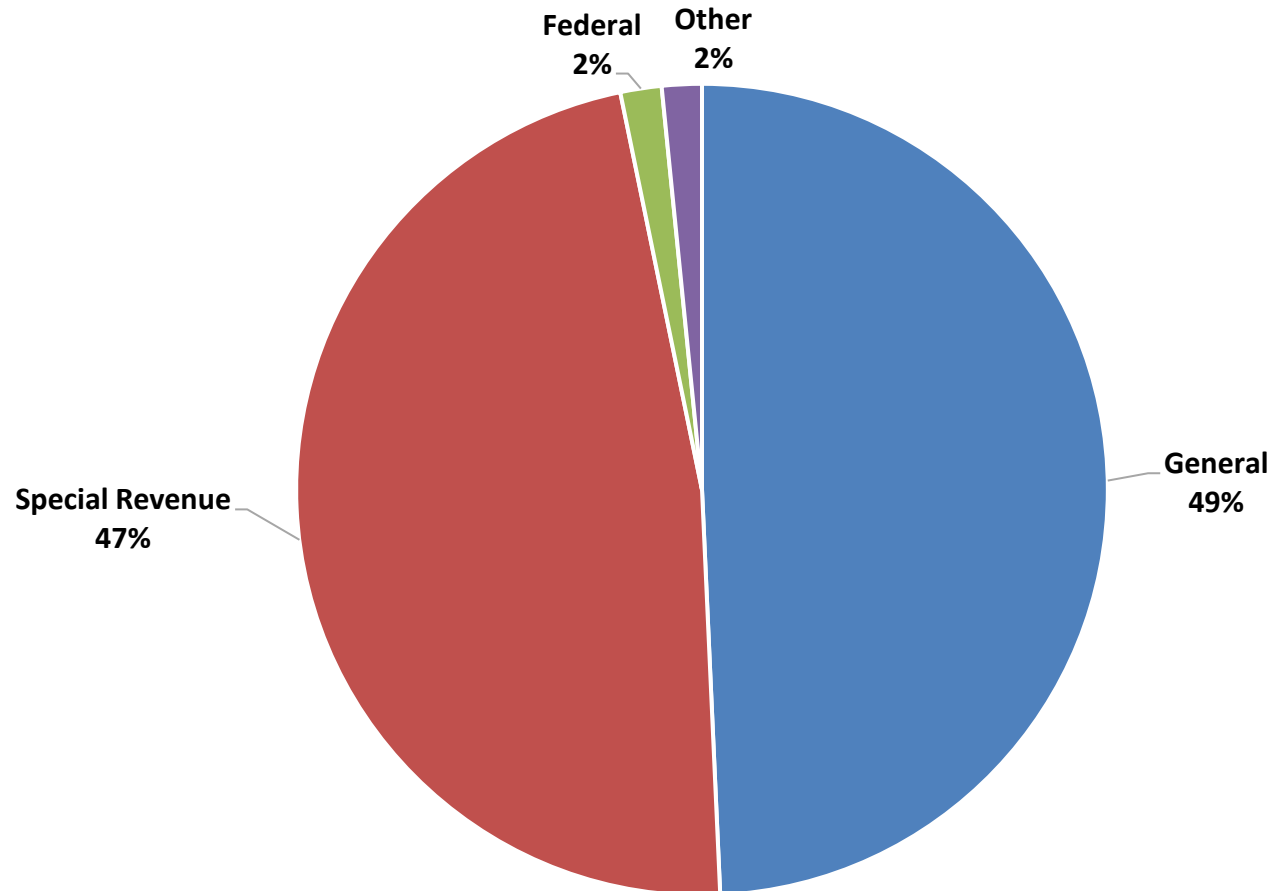
Fiscal Analyst

Andrew.Erickson@senate.mn

651-296-4855

All Funds, FY 2022-23

Base Budget, \$2.0 billion (2.1% of total All Funds)





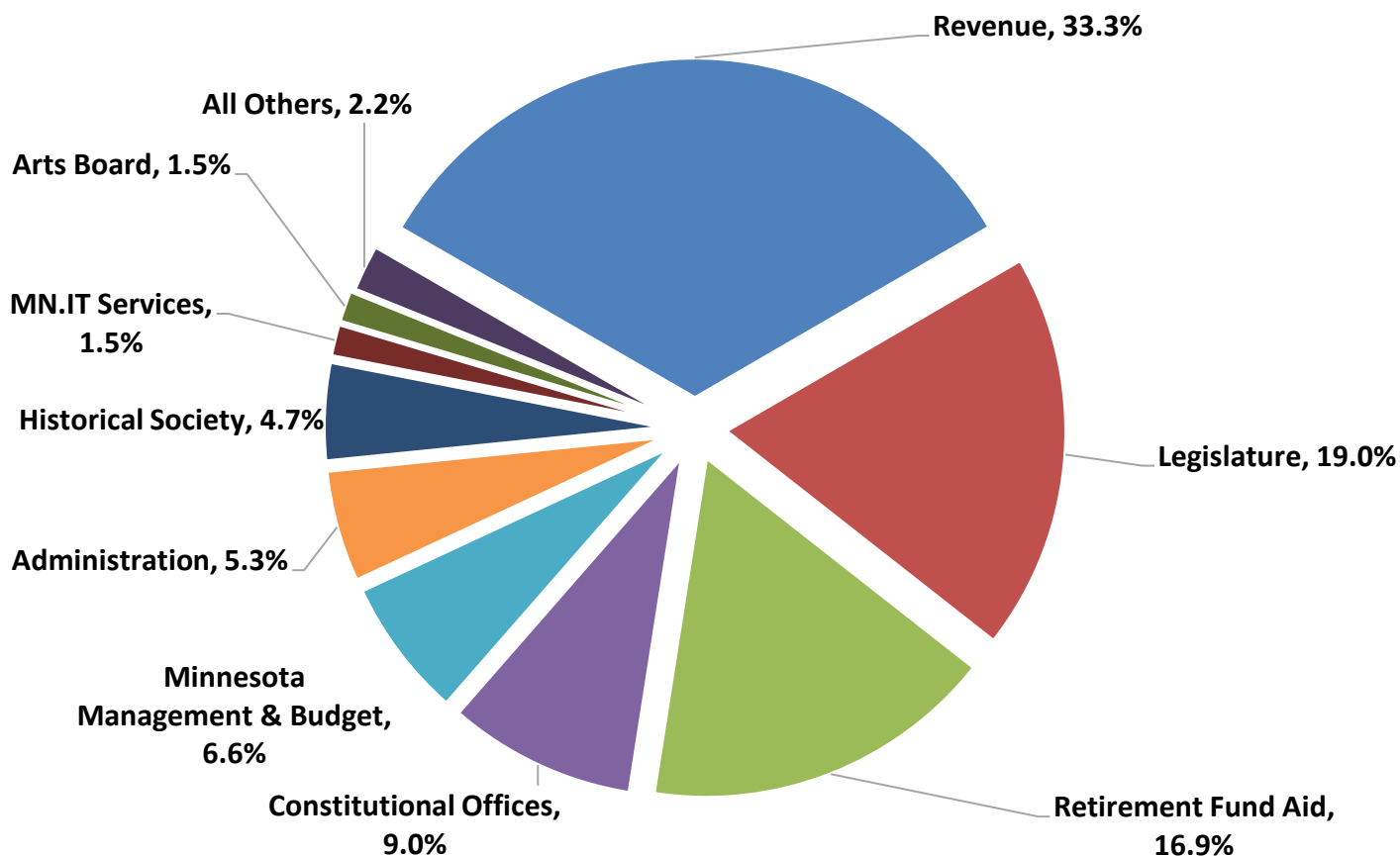
All Funds, FY 2022-23 (dollars in thousands)

<u>Fund</u>	<u>FY 2022-23</u>
General	965,252
Special Revenue	930,036
Federal	32,147
Other	31,117
TOTAL	1,958,552



General Fund, FY 2022-23

Base Budget \$956,252 (1.9% of total General Fund)



Note: Indirect costs receipt offset not reflected in graph

State Government & Elections



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

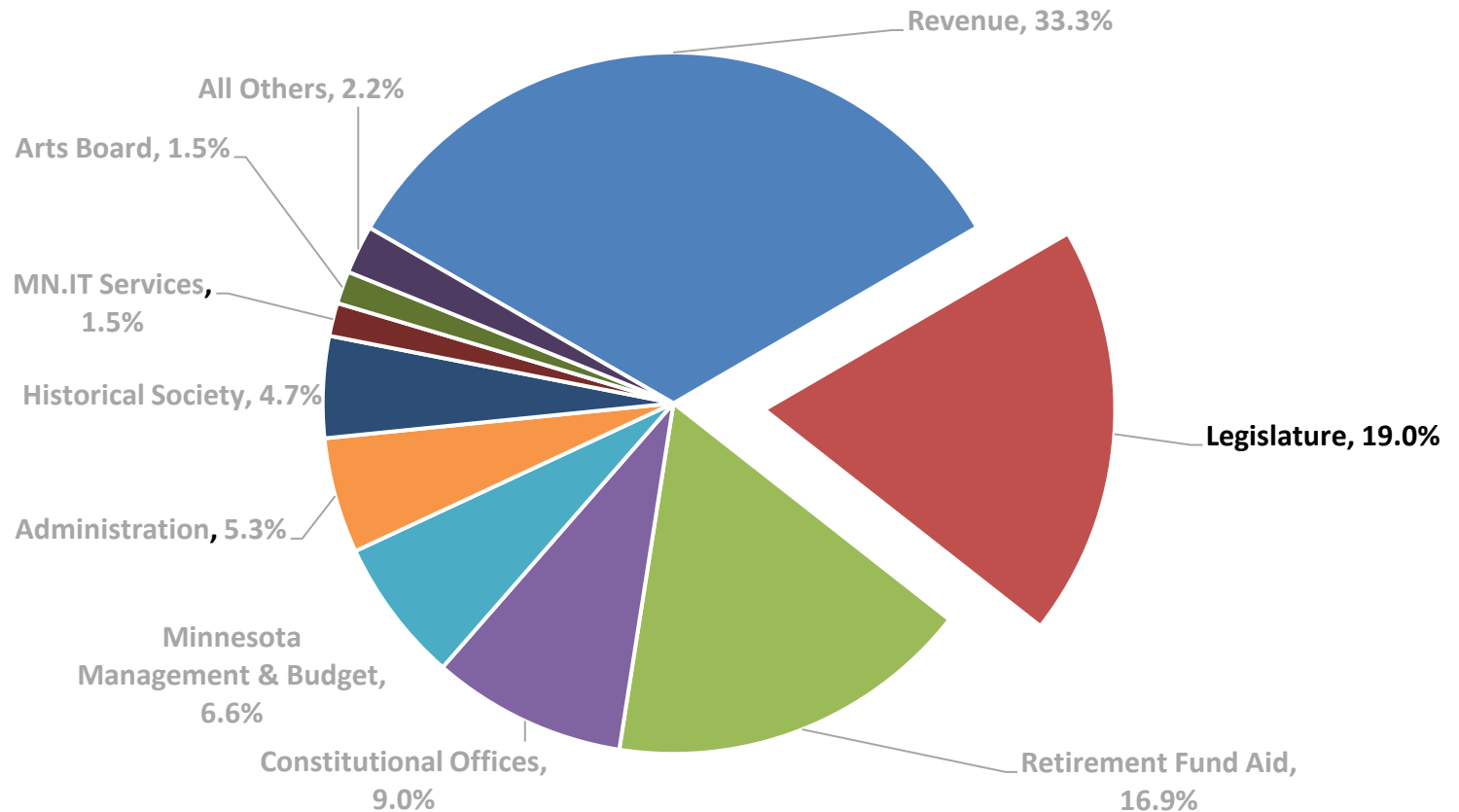
General Fund, FY 2022-23 (dollars in thousands)

	<u>FY 2022-23</u>
Revenue	334,712
Legislature	190,583
Retirement Fund Aid	169,677
Constitutional Offices	90,062
Minnesota Management and Budget	66,786
Administration	53,568
Historical Society	47,036
MN.IT Services	15,358
Arts Board	15,082
All Others (Boards, Councils, and Commissions)	22,342
TOTAL General Fund Base	1,005,206
Indirect Costs Receipts Offset	(39,954)
Net General Fund Base	965,252

Note: Lottery, Racing Commission, and Gambling Control Board do not have a General Fund Base



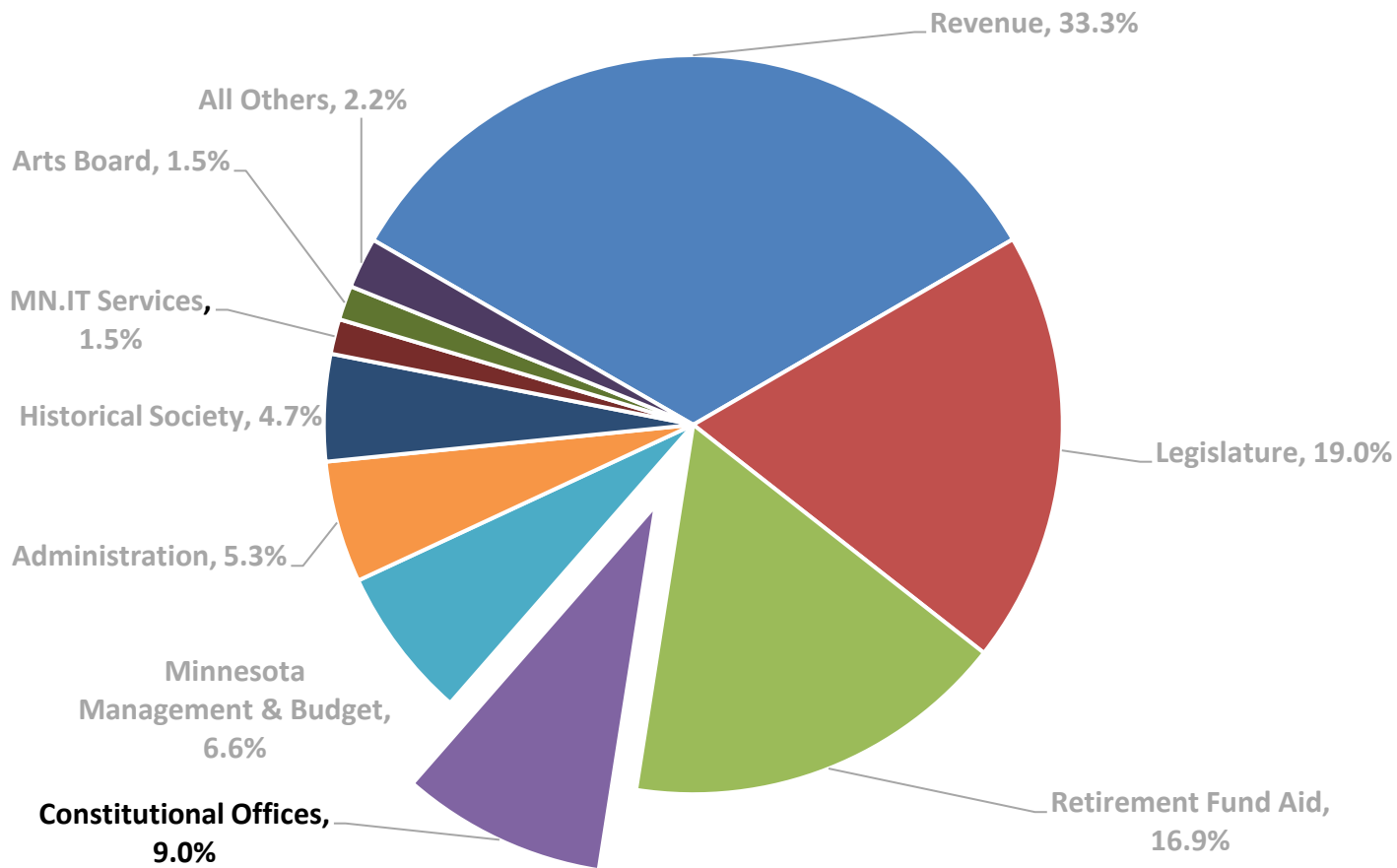
General Fund, FY 2022-23



Note: Indirect costs receipt offset not reflected in graph



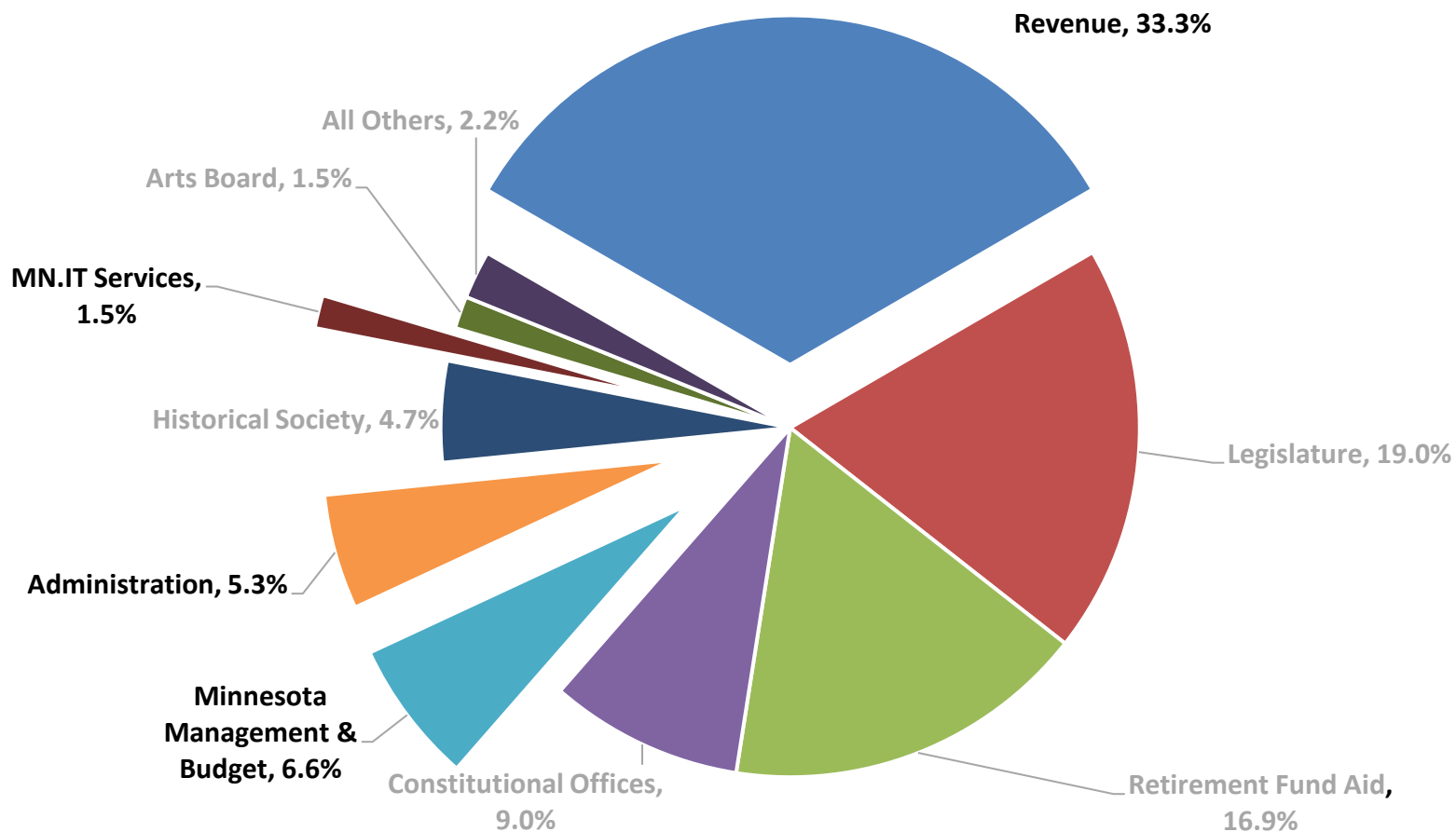
General Fund, FY 2022-23



Note: Indirect costs receipt offset not reflected in graph



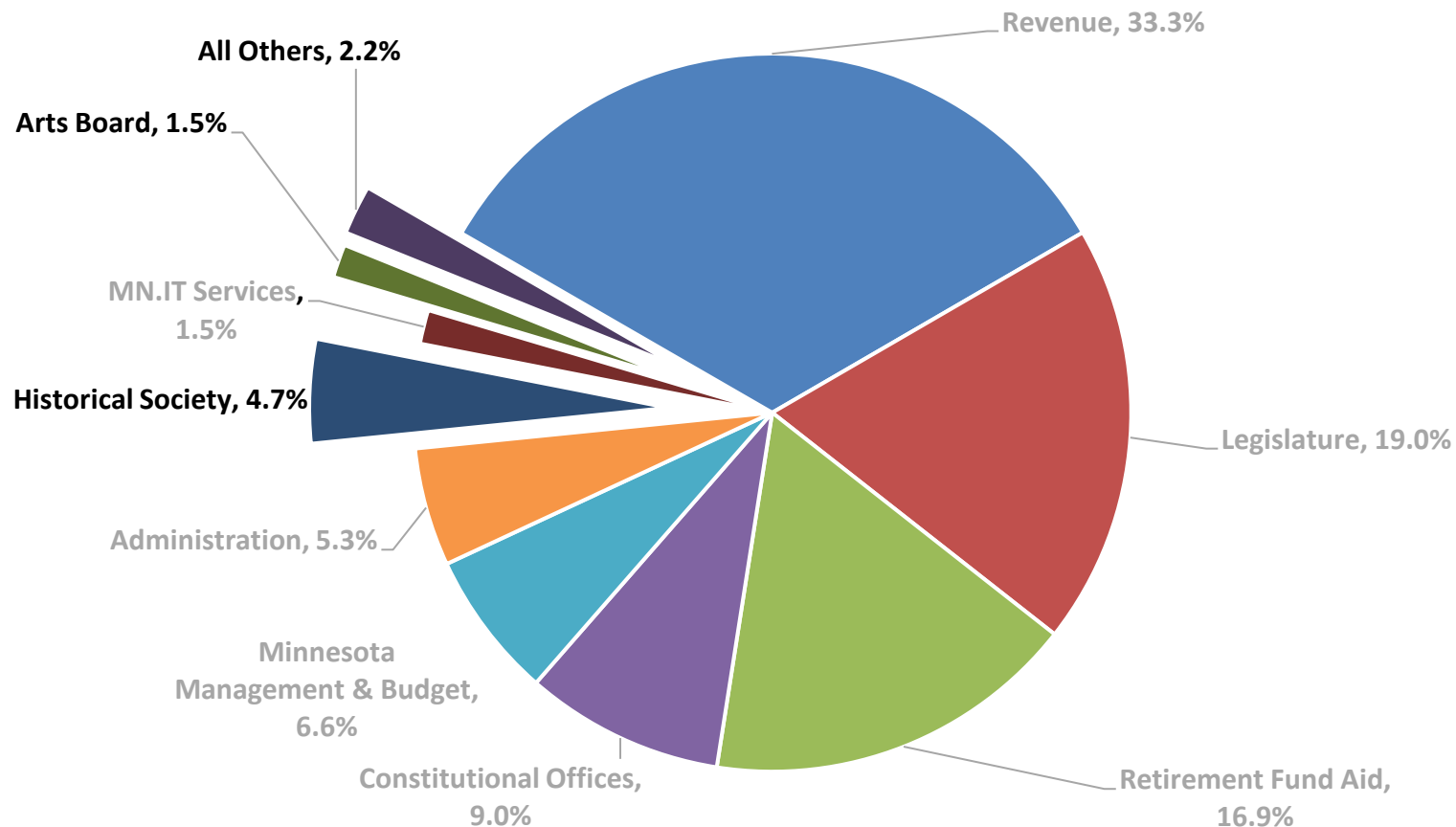
General Fund, FY 2022-23



Note: Indirect costs receipt offset not reflected in graph



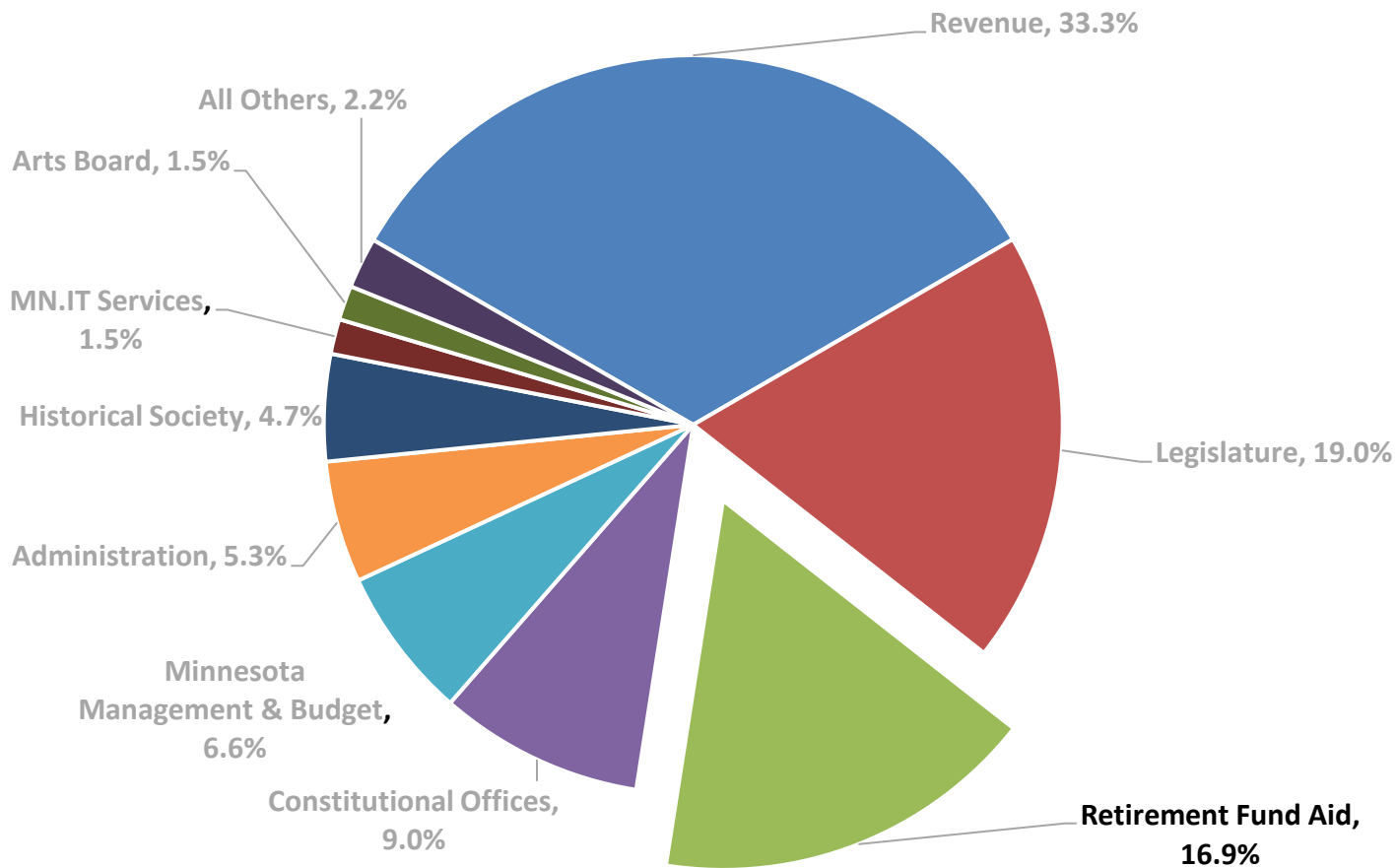
General Fund, FY 2022-23



Note: Indirect costs receipt offset not reflected in graph



General Fund, FY 2022-23



Note: Indirect costs receipt offset not reflected in graph

State Government & Elections



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

AGENCY BILLING

A number of state agencies charge for services provided to another agency either directly or indirectly.

Many of these charges are not reflected in the Consolidated Fund Balance because they are existing state operating budget dollars that move from one agency to another to pay for services, however they do represent a significant portion of agency operating budgets. Service agencies generally have statutory authority to charge for services and spend the payments received.

- **Attorney General** – legal services billings account for 28% of the operating budget
- **State Auditor** – financial and legal compliance audit fees account for 71% of the operating budget
- **Administration** – internal support services such as insurance, motor pool, mail, and leasing of state buildings account for more than 80% of the operating budget
- **Office of Administrative Hearings (OAH)** – administrative hearing billings account for 25% of the operating budget
- **Minnesota Management & Budget (MMB)** – state employee benefit programs, consulting, budget and accounting services account for 96% of the operating budget
- **MN.IT Services**– service level agreements with executive branch agencies to manage IT projects and IT staff account for 97% of the operating and IT project budget
- **Investment Board** – investment of state retirement funds, trust funds, and cash accounts billings account for 98% of the operating budget
- **Governor's Office** - intra-agency agreements for policy staff and other related expenses account for 37% of the operating budget



Agency Fees:

Application and licensure fees for the following boards are collected and deposited as non-dedicated receipts in the General Fund. A direct General Fund appropriation is made to the board to cover operating expenses.

- **Board of Accountancy**
- **Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience and Interior Design**
- **Board of Barber Examiners**
- **Board of Cosmetologist Examiners**

All fees collected by the **Gambling Control Board** and a portion of fees collected by the **Racing Commission** are deposited in accounts in the Special Revenue Fund and directly appropriated to each for operating expenses.

Minnesota Lottery

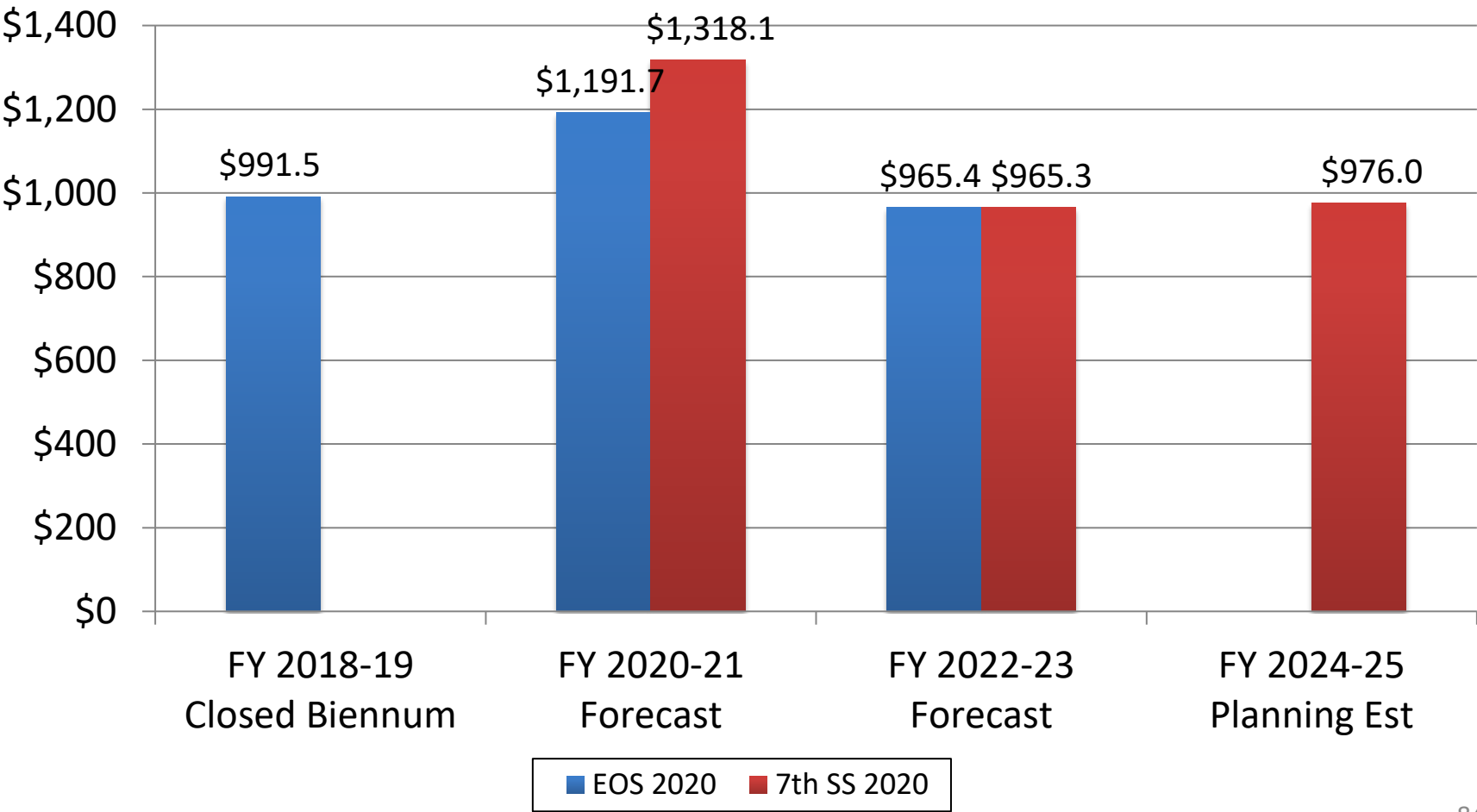
The Lottery Fund is established outside the state treasury. A lottery operations account exists within the fund. The budget bill contains a rider specifying the maximum amount the Lottery may spend for operating expenses.



General Fund Spending & Forecast

FY 2018-19 – FY 2024-25

(dollars in millions)





Veterans & Military Affairs

Presented by:

Andrew Erickson

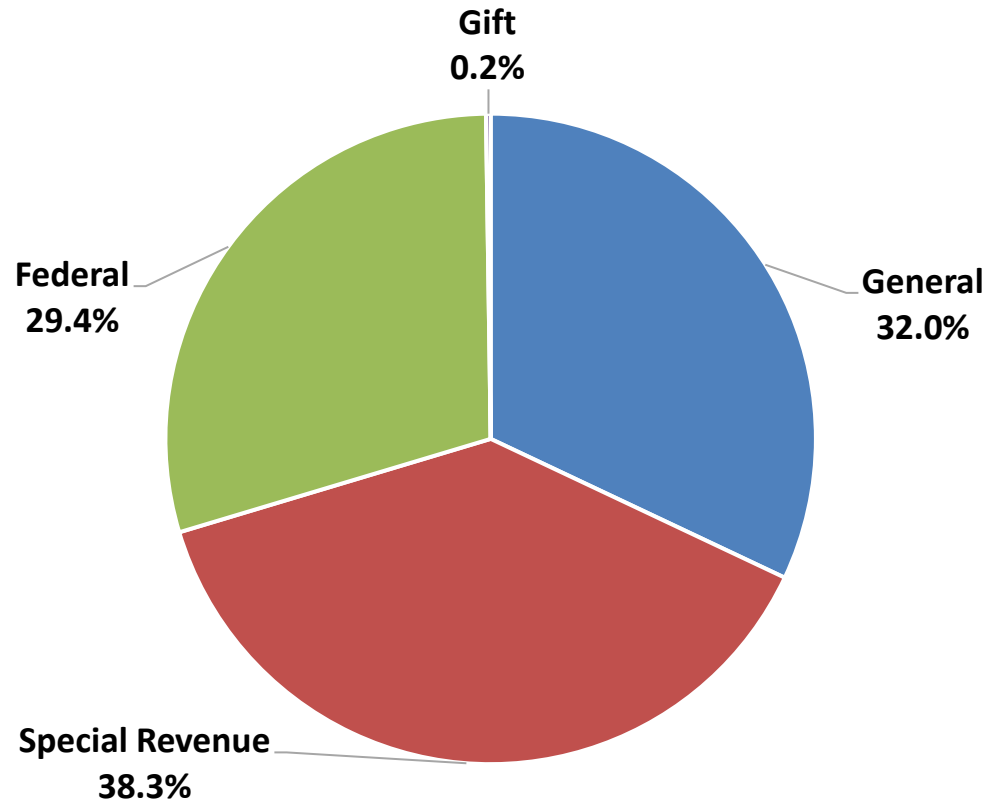
Fiscal Analyst

Andrew.Erickson@senate.mn

651-296-4855

All Funds, FY 2022-23

Base Budget \$653.9 million (0.7% of total All Funds)



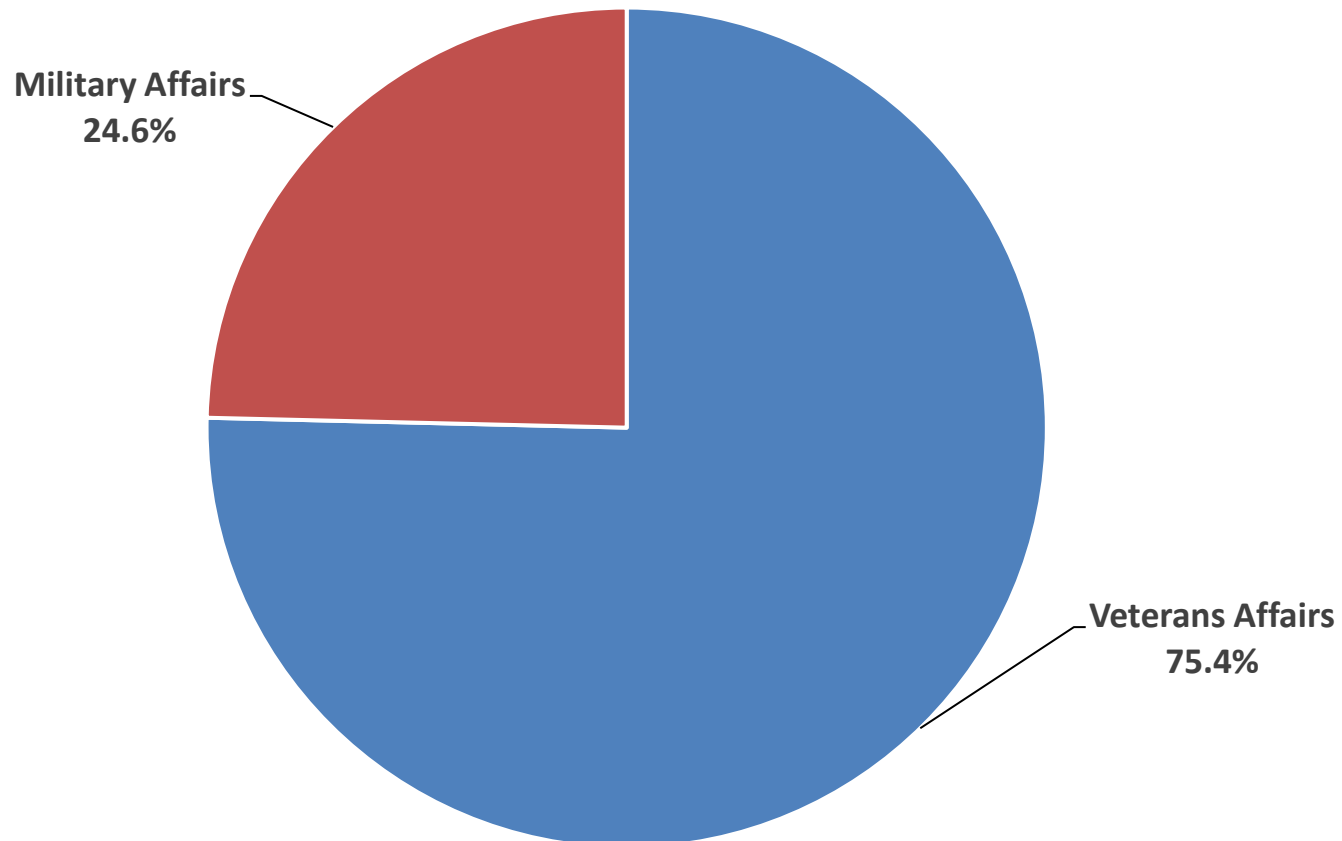


All Funds, FY 2022-23 (dollars in thousands)

<u>Fund</u>	<u>FY 2022-23</u>
General	209,386
Special Revenue	250,742
Federal	192,284
Gift	1,522
TOTAL	653,934

General Fund, FY 2022-23

Base Budget \$209.4 million (0.4% of total General Fund)





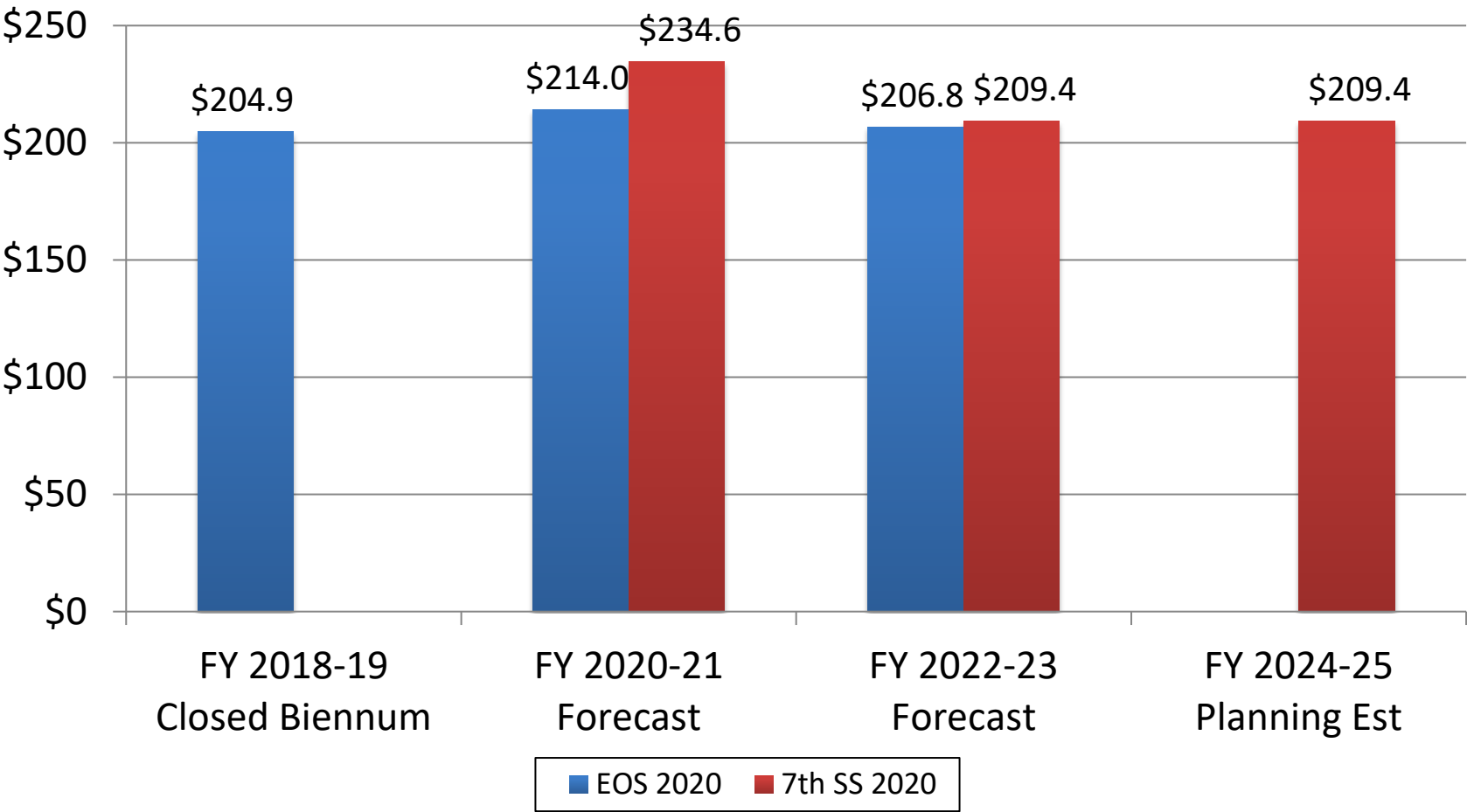
General Fund, FY 2022-23 (dollars in thousands)

<u>Fund</u>	<u>FY 2022-23</u>
Veterans Affairs	157,828
Military Affairs	51,558
TOTAL General Fund Base	209,386



General Fund Spending & Forecast FY 2018-19 – FY 2024-25

(dollars in millions)





Veterans & Military Affairs

Department of Veterans Affairs - Programs & Services

- Claims and Field Operations
- Employment and Education
- State Veterans Cemeteries and Memorials
- Veterans Benefits
- Homelessness
- Grant Programs:
 - Veterans Service Organizations Grants
 - County Veteran Service Officers Grants
 - Minnesota Assistance Council for Veterans
 - Support Our Troops Grants



Department of Veterans Affairs – Veterans Health Care

- Operates 5 State Veterans Homes – Fergus Falls, Hastings, Luverne, Minneapolis and Silver Bay – and one Adult Day Care Facility in Minneapolis
- Funding from the State General Fund, resident maintenance fees and VA per diem



Minnesota State Budget: Components, Overview and Status

February 11-12, 2021

Presented by:

Minnesota Senate Fiscal Staff

Minnesota Senate, Office of Counsel, Research and Fiscal Analysis

Presentation Schedule



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Thursday, February 11 (3:00-5:30pm)

- Overall Budget, Process, Fiscal Notes, Timelines – Eric Nauman
- Taxes – Jay Willms
- Aids and Credits – Jay Willms
- E-12 Education – Jenna Hofer
- State Government – Andrew Erickson
- Veterans and Military Affairs – Andrew Erickson

Thursday, February 12 (10:00am – 1:30pm)

- Health and Human Services – Dennis Albrecht
- Jobs, Commerce, and Energy – Casey Muhm
- Capital Investment – Casey Muhm
- Environment and Natural Resources; Legacy Funds – Daniel Mueller
- Housing – Daniel Mueller
- Agriculture and Rural Development – Hannah Grunewald
- Higher Education – Hannah Grunewald
- Judiciary and Public Safety – Chris Turner
- Transportation and Public Safety – Krista Boyd
- Wrap-Up – Eric Nauman



Health and Human Services

Presented by:

Dennis Albrecht

Fiscal Analyst

dennis.albrecht@senate.mn

651-296-3817



- Department of Human Services
- Department of Health
- Emergency Medical Services Regulatory Board
- Ombudsman for Mental Health and Developmental Disabilities
- Ombudsperson for Families
- Health Related Licensing Boards
- MNSure

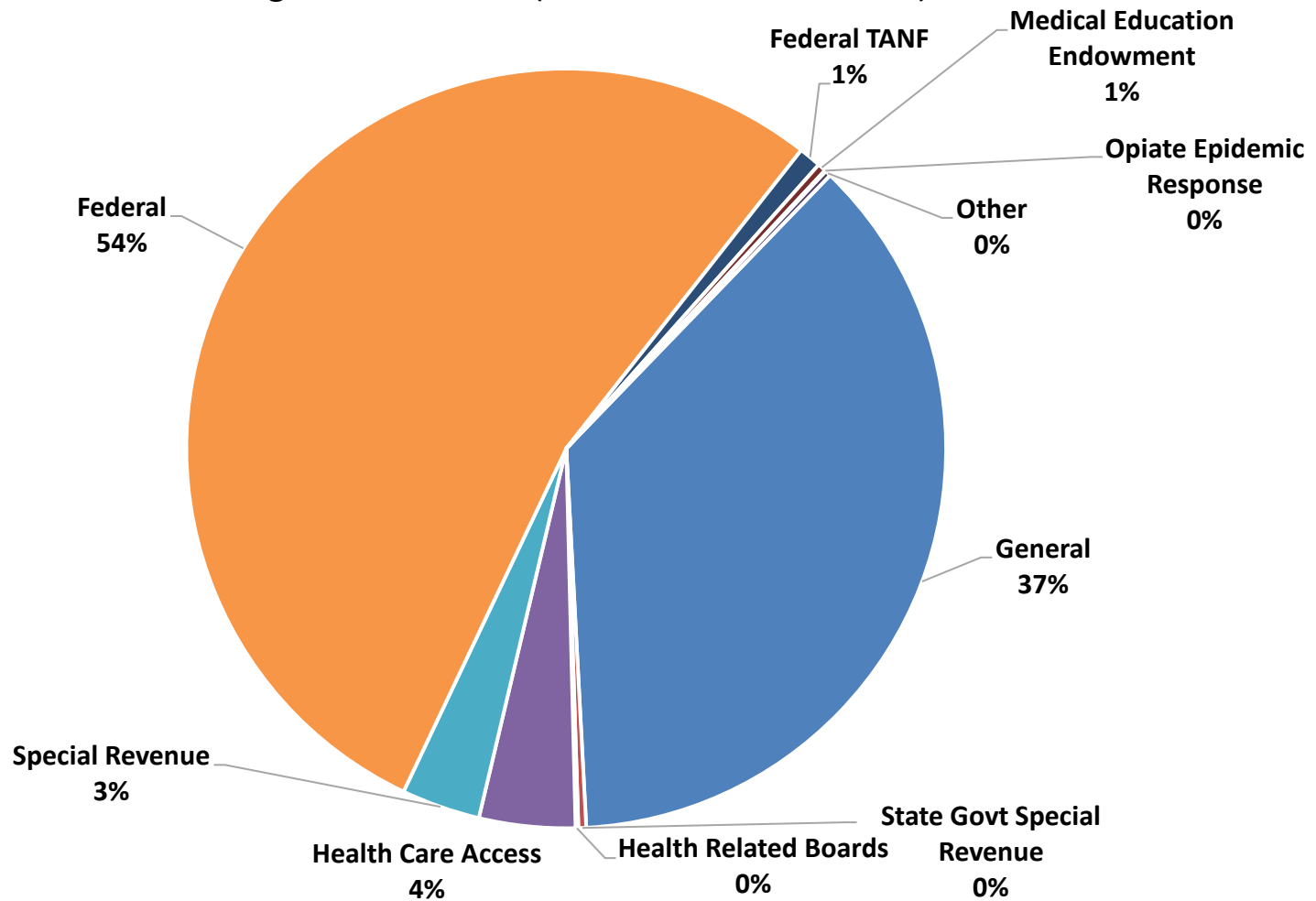
Health and Human Services



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

All Funds, FY 2022-23

Base Budget \$44.5 Billion (47.4% of total All Funds)



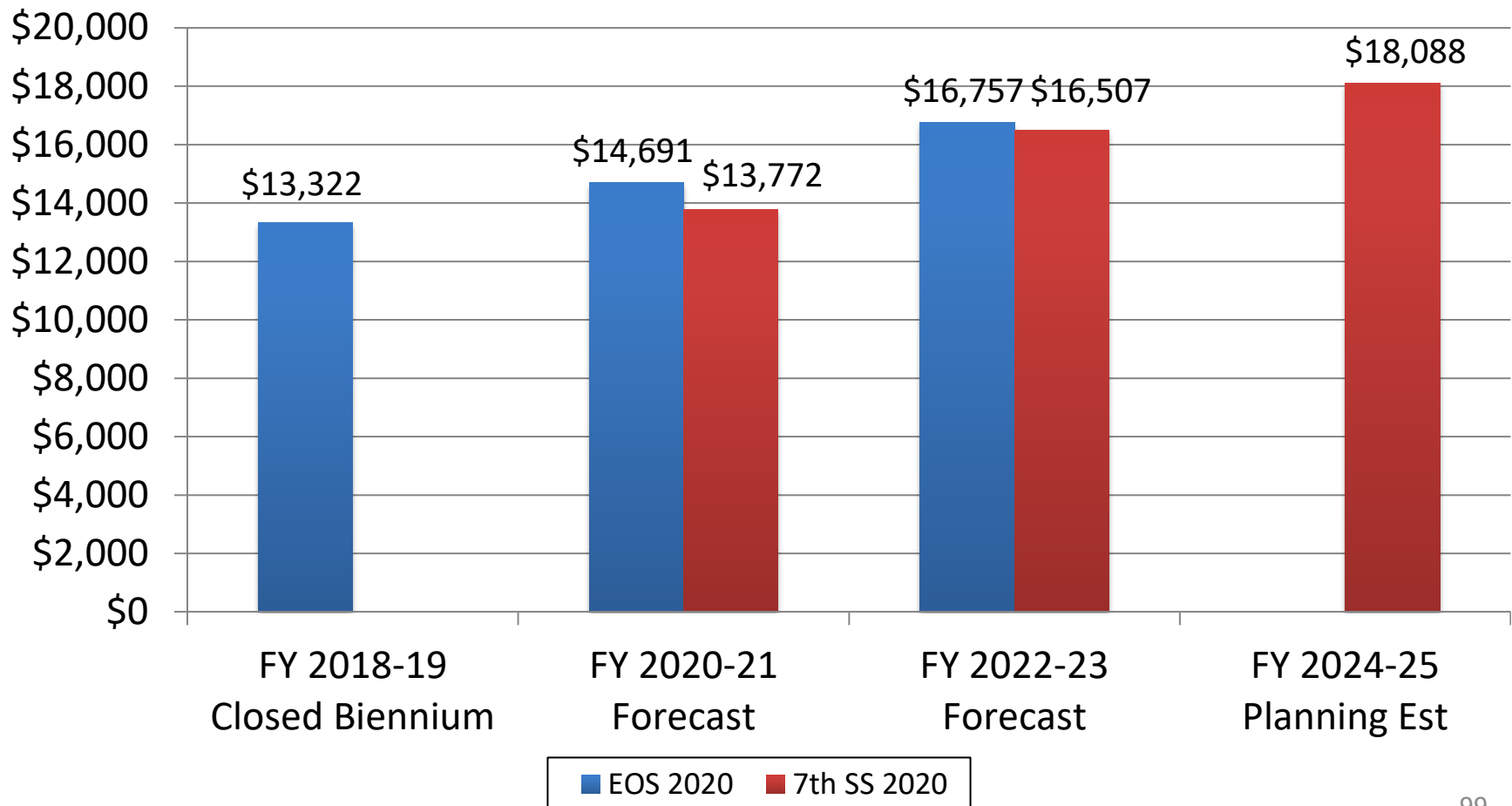


All Funds, FY 2022-23

Fund	FY 2022-23
General	16,506,937
State Government Special Revenue	147,594
Health Related Boards	52,836
Health Care Access	1,827,320
Special Revenue	1,495,917
Federal	23,940,357
Federal TANF Reserve	426,016
Medical Education Endowment	157,982
Opiate Epidemic Response	23,503
Other (Including Technical Adjustments)	-109,157
Total (dollars in thousands)	44,469,305

General Fund Expenditures & Forecast FY 2018-19 – FY 2024-25

(dollars in millions)



Health and Human Services



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

General Fund, FY 2022-23

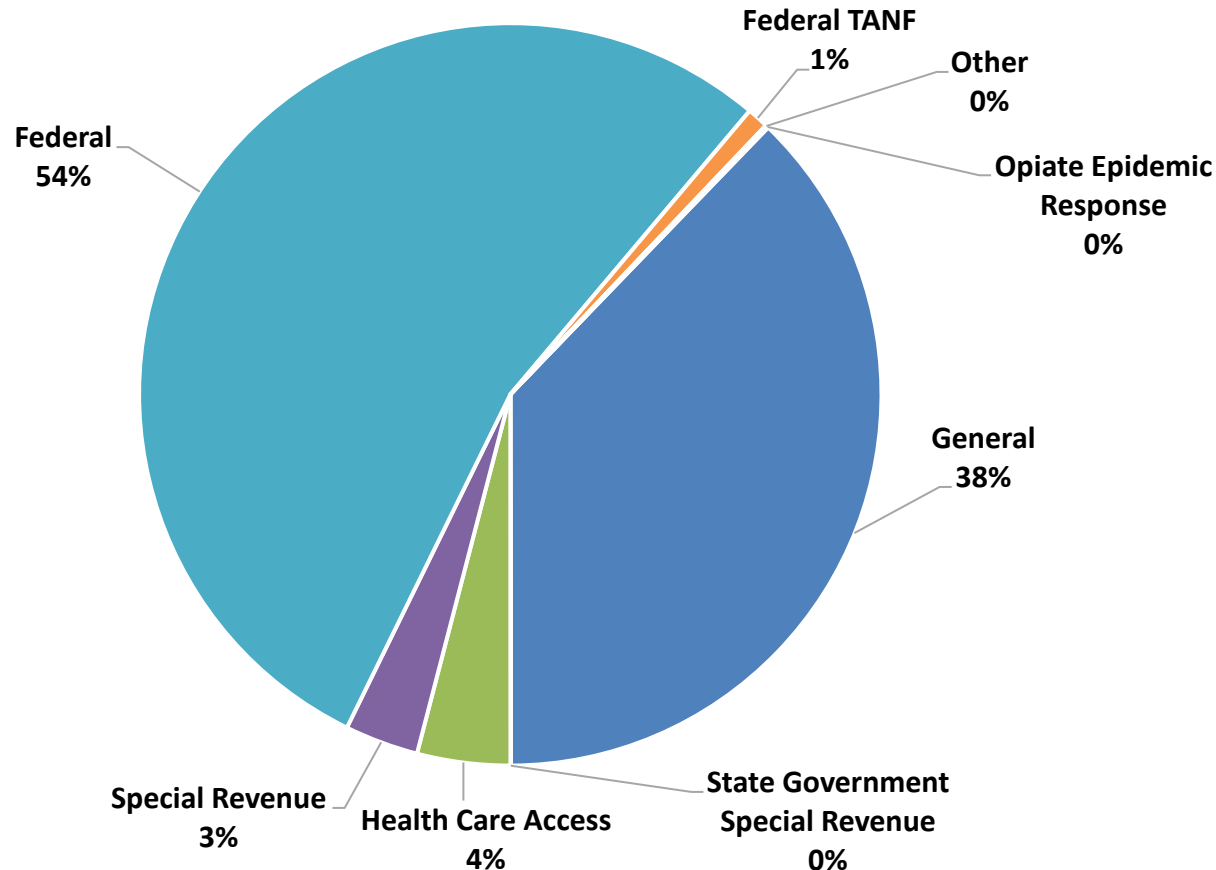
Base Budget \$16.5 billion (32.3% of total General Fund)

	FY 2022-23	Percent of Total
Human Services	\$16,326,170	98.9%
Health	\$264,881	1.6%
EMSRB	\$7,552	<0.5%
Disability Council	\$2,012	<0.5%
MH/DD Ombudsman	\$4,876	<0.5%
Ombudsperson for Families	\$1,446	<0.5%
Blue Ribbon Commission	\$-100,000	-0.6%
TOTAL (dollars in thousands)	\$16,506,937	

- State Directed, County Administered Programs
 - Medical Assistance (MA)
 - Minnesota Care (MN Care)
 - Economic Assistance Programs
 - MFIP, Child Care, GA, MSA, Housing
 - Direct Care & Treatment
 - MSH, MSOP, Community Based Services
 - Mental Health Services
 - Chemical Dependency Services
 - Child Welfare Services
 - Grant Programs

All Funds, FY 2022-23

Base Budget \$43.2 billion (46% of total All Funds)

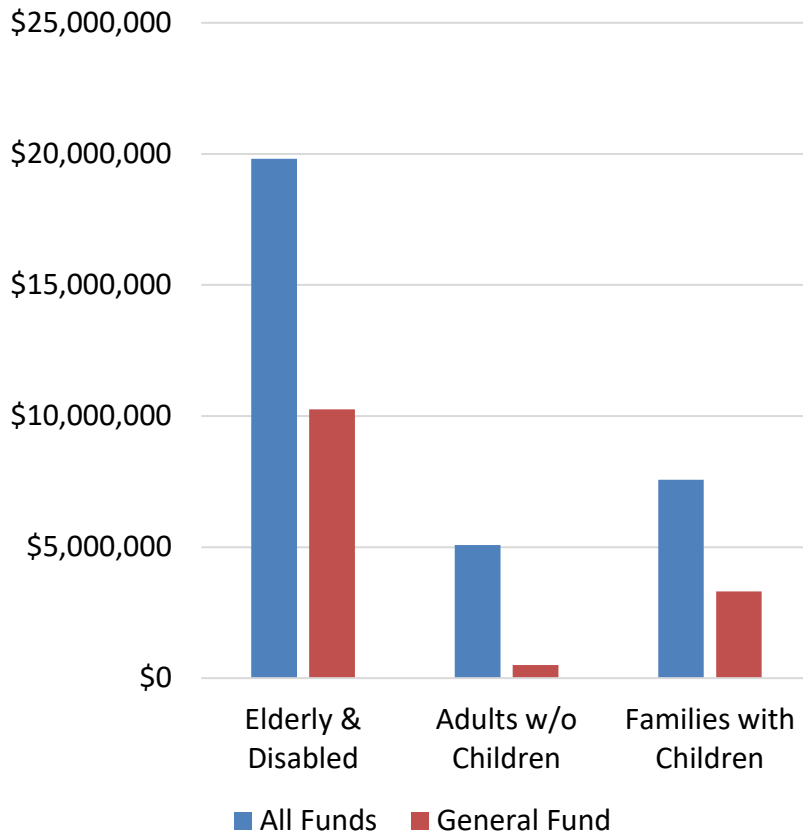


Medical Assistance

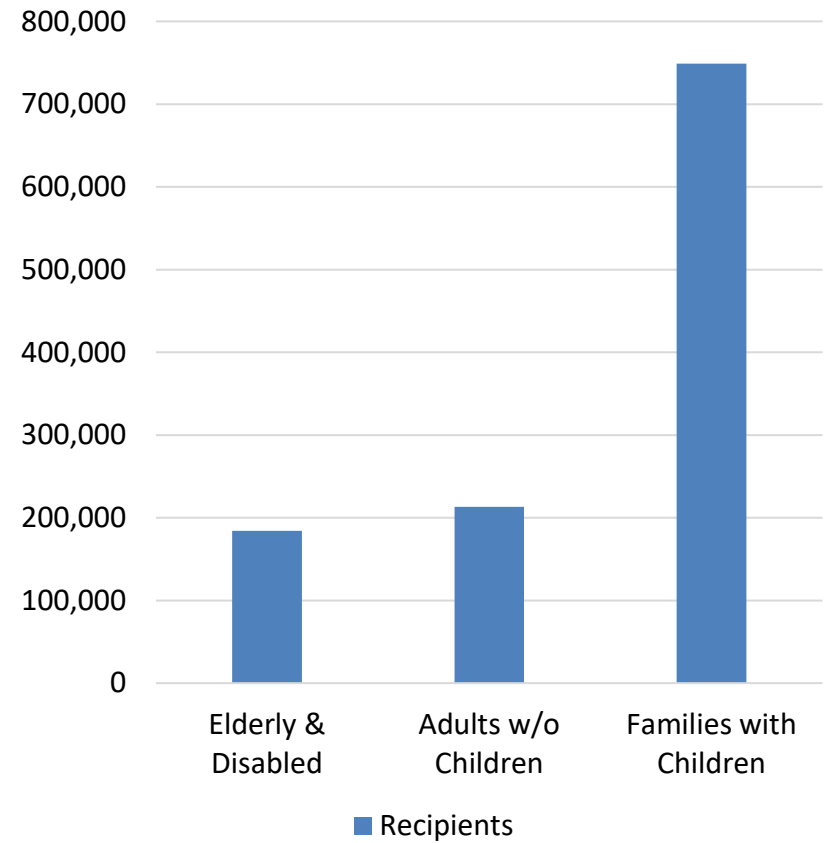


SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Forecast Expenditures FY 2022-23



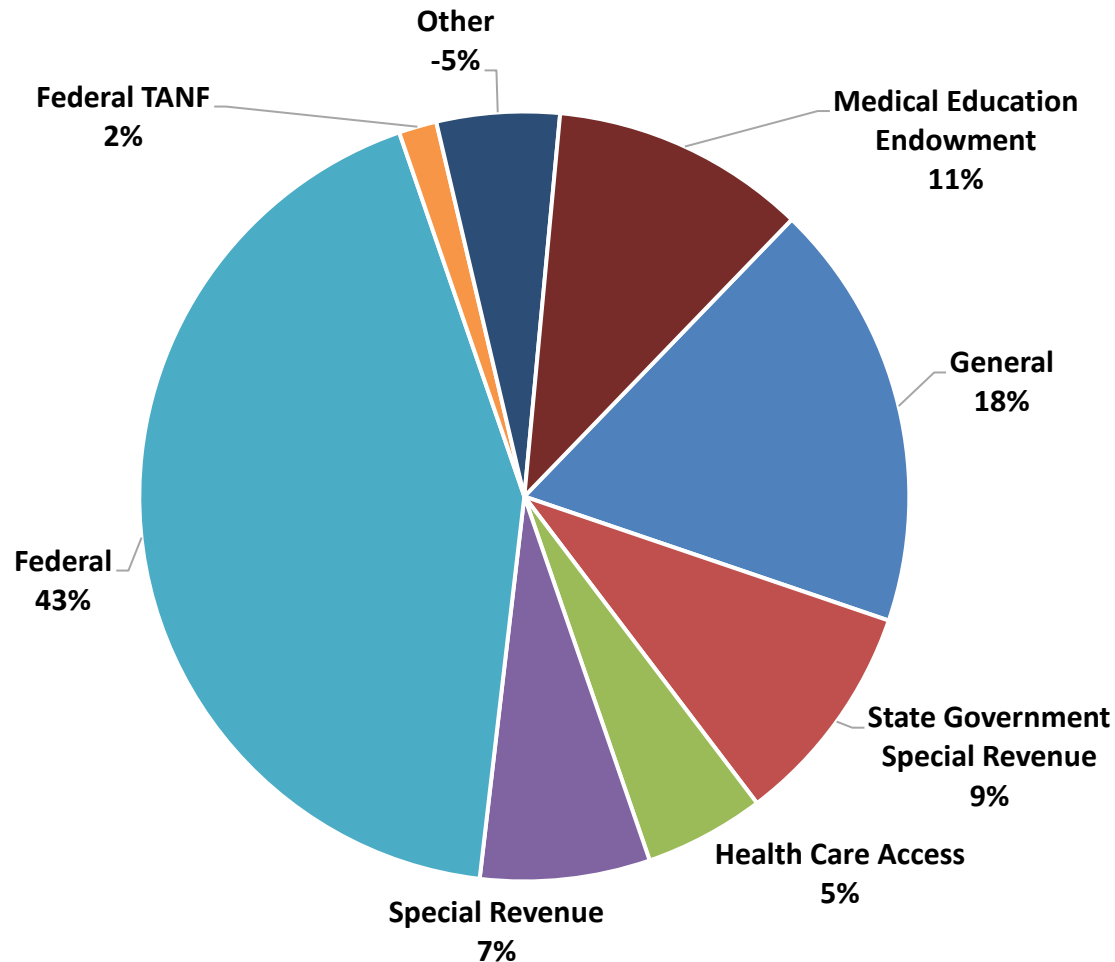
Average Monthly Recipients FY 2022-23



- COVID-19 Public Health Response
- Community, Environmental, and Family Health
- Infectious Disease Monitoring, Prevention, and Control
- Poison Information Centers
- Health Disparities
- Medical Education
- Health Professionals and Facilities Regulation
- Grant Programs

All Funds, FY 2022-23

Base Budget \$1.3 billion (1.4% of total All Funds)





- Emergency Medical Services Regulatory Board
- Council on Disability
- MH/DD Ombudsman
- Ombudsperson for Families
- Health Related Licensing Boards
- MNSure

Health Related Licensing Boards

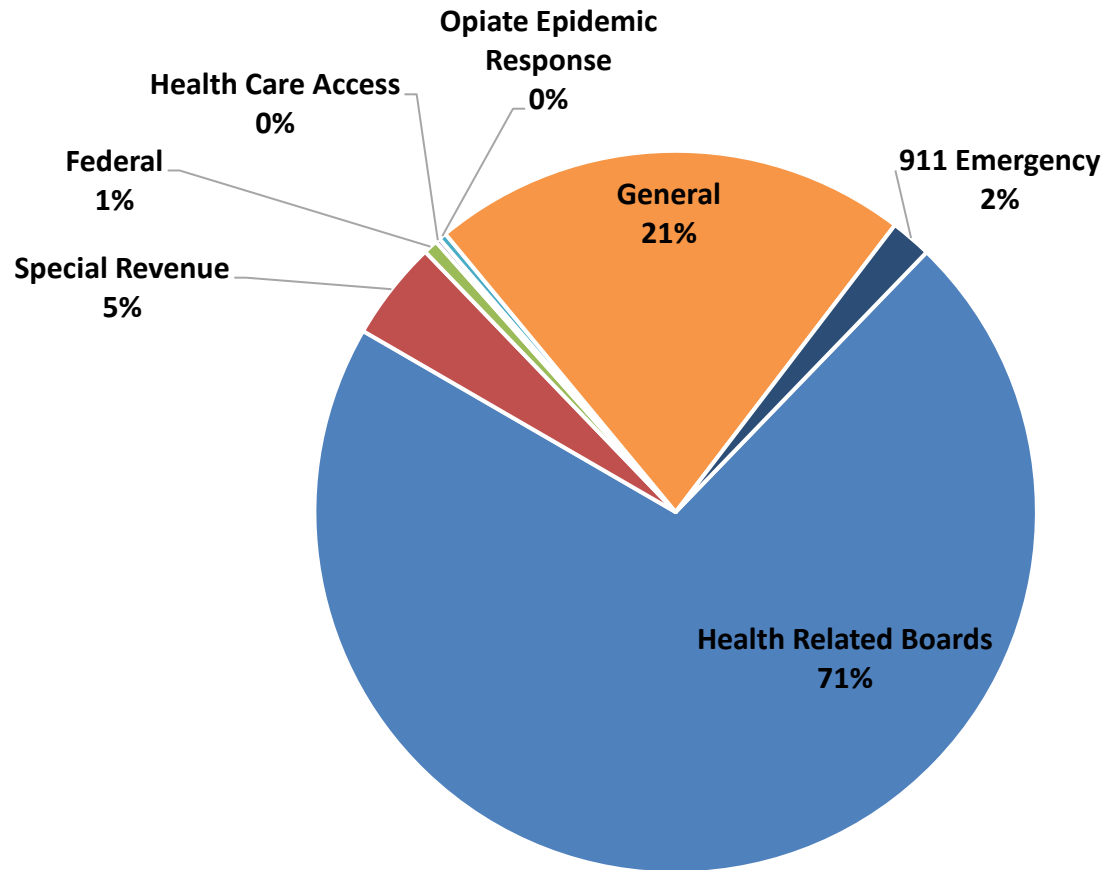


SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

- Board of Behavioral Health and Therapy
- Board of Chiropractors
- Board of Dentistry
- Board of Dietetics and Nutrition Practice
- Board of Executives for Long-Term Services and Supports
- Board of Marriage and Family Therapy
- Board of Medical Practice
- Board of Nursing
- Board of Occupational Therapy and Practice
- Board of Optometry
- Board of Pharmacy
- Board of Physical Therapy
- Board of Podiatric Medicine
- Board of Psychology
- Board of Social Work
- Board of Veterinary Medicine

All Funds, FY 2022-23

Base Budget \$74.3 million (0.1% of total All Funds)





Jobs & Economic Growth, Commerce & Consumer Protection, Energy & Utilities

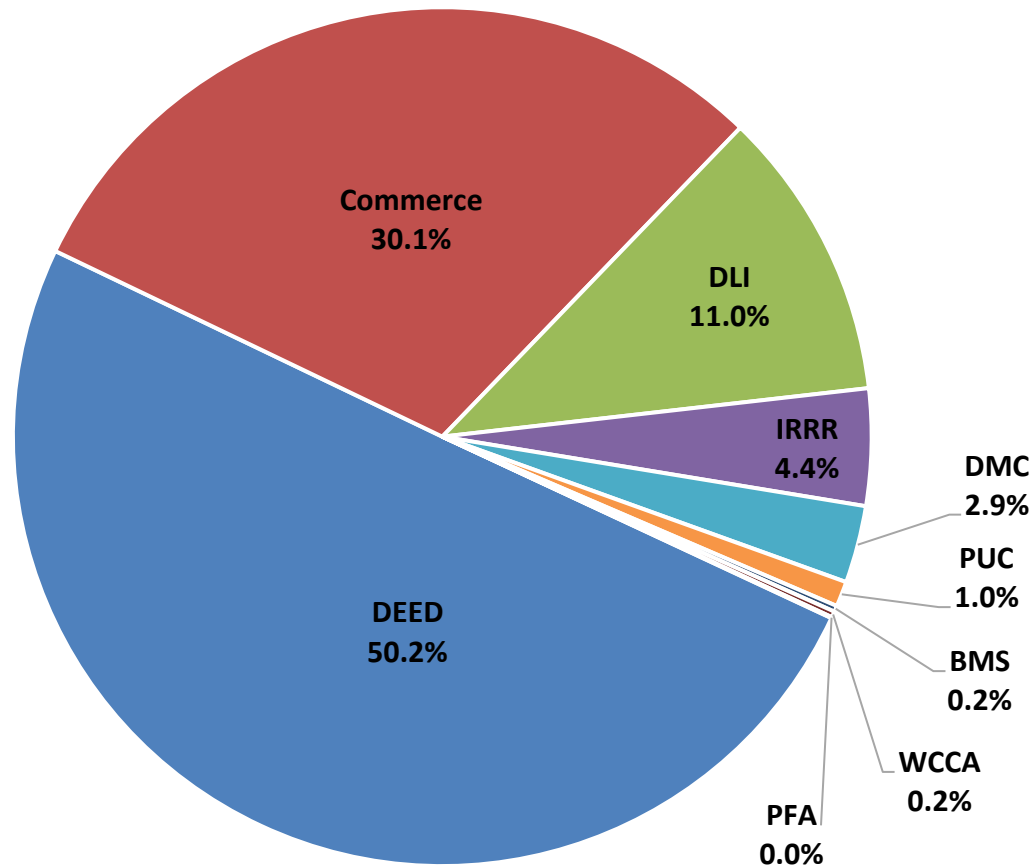
Presented by:

Casey Muhm
Fiscal Analyst
casey.muhm@senate.mn
651-296-2500



All Funds, FY 2022-23

Base Budget \$2 billion (2.2% of total All Funds)



Jobs & Economic Growth, Commerce & Consumer Protection, Energy & Utilities



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

All Funds, FY 2022-23

Agency	FY 2022-23
Department of Employment and Economic Development (DEED)	1,016,315
Department of Commerce	609,584
Department of Labor and Industry (DLI)	222,442
Department of Iron Range Resources and Rehabilitation (IRRR)	89,054
Rochester Destination Medical Center (DMC)	58,954
Public Utilities Commission (PUC)	19,282
Bureau of Mediation Services (BMS)	4,600
Workers Compensation Court of Appeals (WCCA)	4,566
Public Facilities Authority (PFA)	764
Total (dollars in thousands)	2,025,561

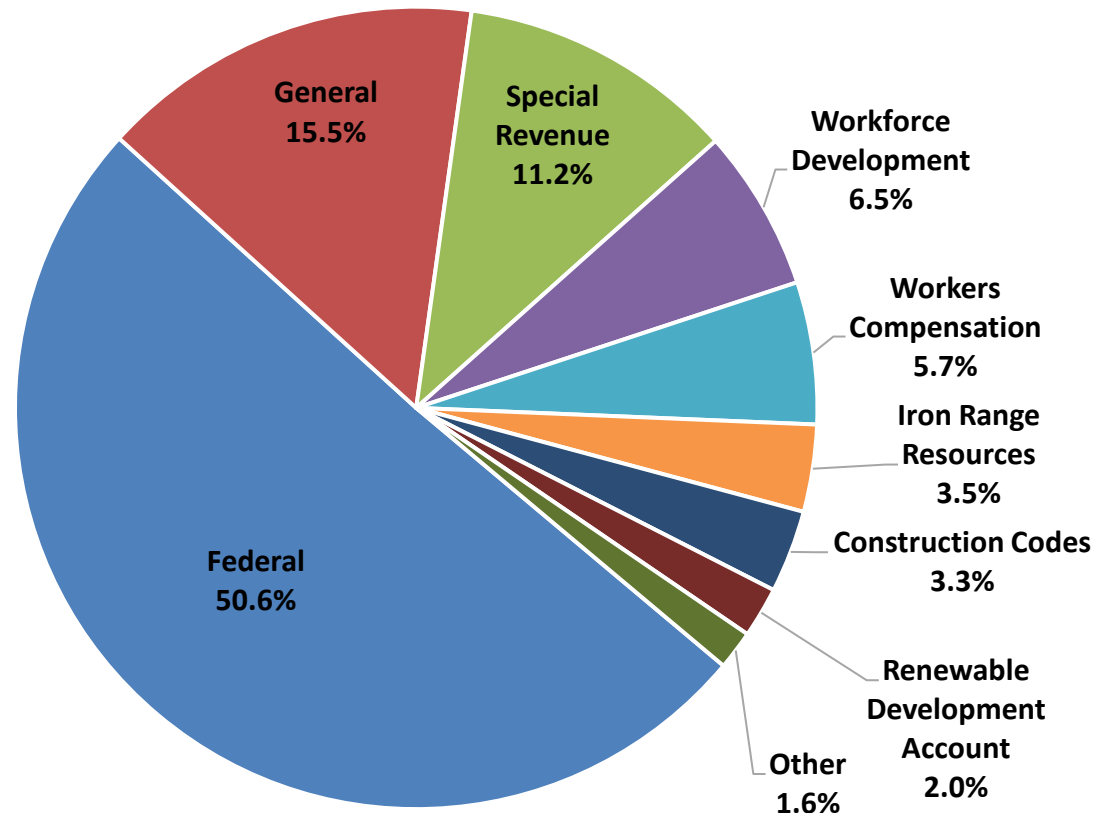
Jobs & Economic Growth, Commerce & Consumer Protection, Energy & Utilities



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Funding Sources, FY 2022-23

Base Budget \$2.0 billion (2.2% of total All Funds)



Jobs & Economic Growth, Commerce & Consumer Protection, Energy & Utilities

Funding Sources, FY 2022-23

Fund	FY 2022-23
Federal Funds	1,025,282
General Fund	313,604
Special Revenue Fund	226,821
Workforce Development Fund	132,107
Workers Compensation Fund	116,092
Iron Range Resources Fund	71,770
Construction Codes Fund	67,451
Renewable Development Account	41,280
Other*	31,814
Total (dollars in thousands)	2,025,561

**Douglas Johnson Economic Protection Trust Fund, Remediation Fund, Petrol. Tank Release Cleanup Fund, & Gift Fund*

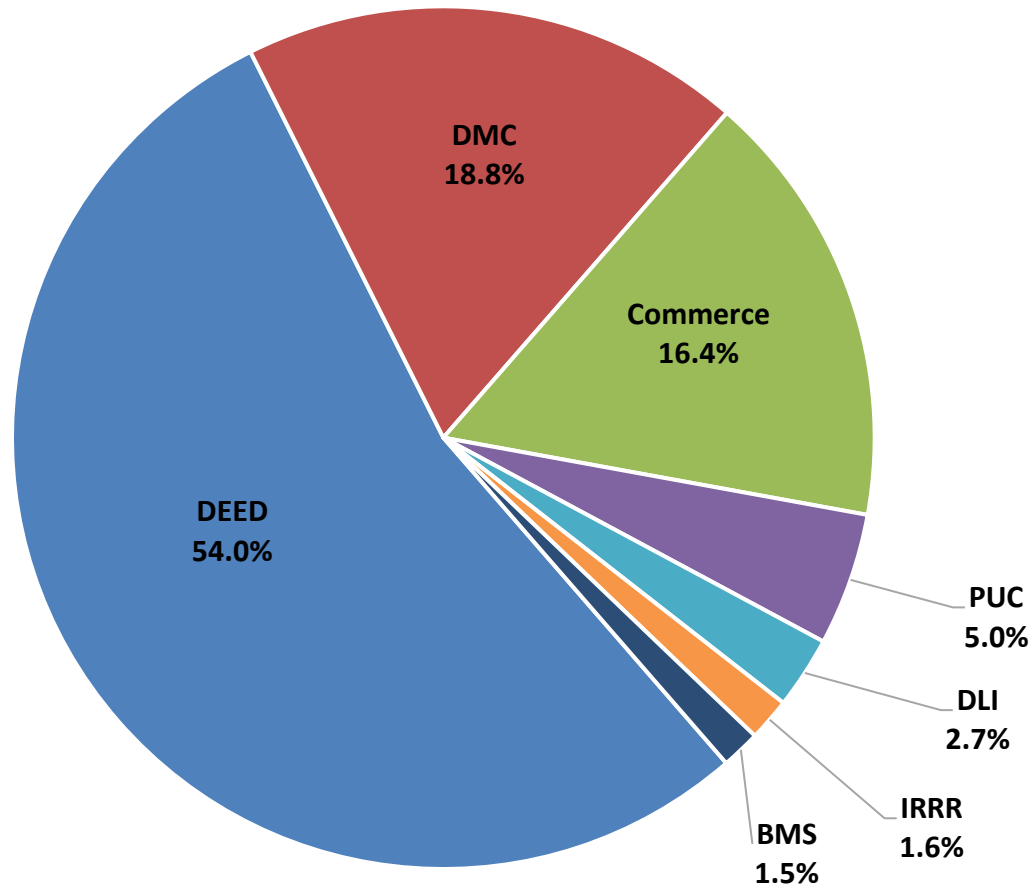
Jobs & Economic Growth, Commerce & Consumer Protection, Energy & Utilities



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

General Fund, FY 2022-23

Base Budget \$313.6 million (0.6% of total General Fund)



Jobs & Economic Growth, Commerce & Consumer Protection, Energy & Utilities



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

General Fund, FY 2022-23

Agency	FY 2018-19	% of All Funds for Agency
Department of Employment and Economic Development (DEED)	169,376	16.7%
Rochester Destination Medical Center (DMC)	58,984	100.0%
Department of Commerce	51,580	7.8%
Public Utilities Commission (PUC)	15,586	80.8%
Department of Labor and Industry (DLI)	8,488	3.8%
Department of Iron Range Resources and Rehabilitation (IRRR)	5,040	5.7%
Bureau of Mediation Services (BMS)	4,580	99.6%
Total (dollars in thousands)	313,604	

Department of Employment & Economic Development (DEED)



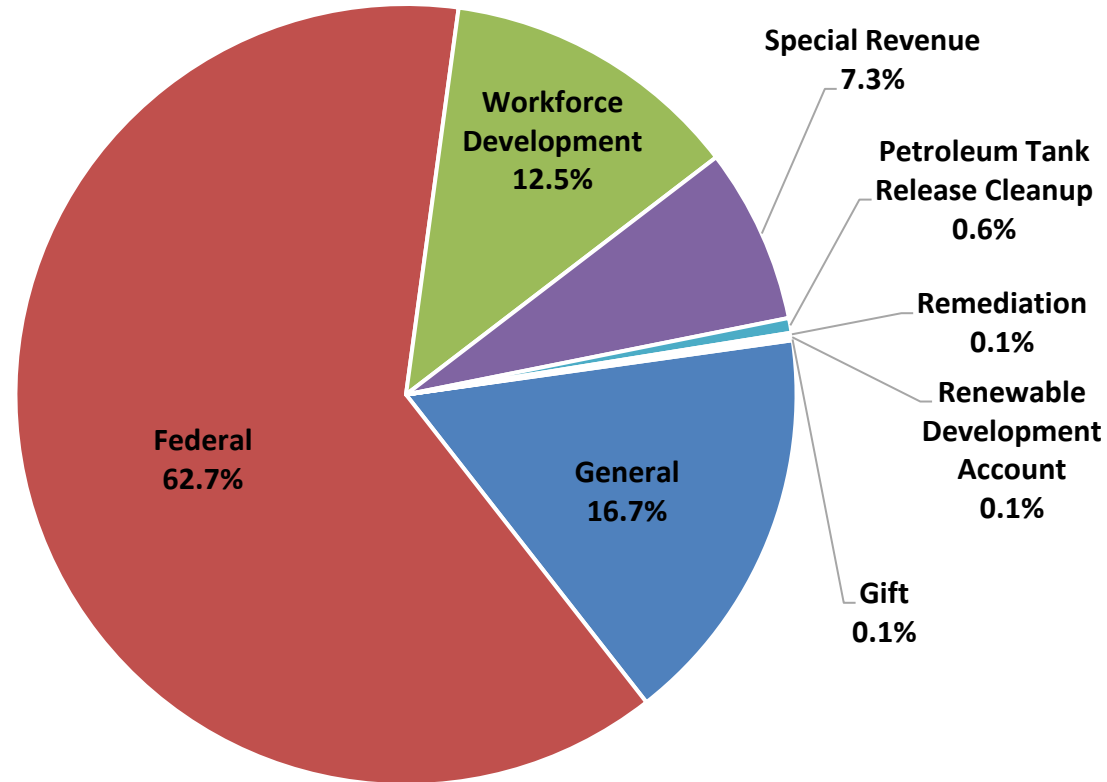
SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

- Purpose: facilitates an economic environment to produce jobs and improve the quality of the state's workforce
- Promotes business recruitment, expansion, and retention
- Supports workforce and community development
- Programs to promote international trade
- Divisions include:
 - Business and Community Development
 - Employment & Training Programs (previously Workforce Development)
 - Minnesota Trade Office
 - Vocational Rehabilitation
 - Services for the Blind



All Funds, FY 2022-23

Base Budget \$1.015 billion (1.1% of total All Funds)



Department of Employment & Economic Development (DEED)



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

All Funds, FY 2022-23

Fund	FY 2022-23	% of All Funds for Agency
General Fund	169,376	16.7%
Federal Fund	637,347	62.7%
Workforce Development Fund	126,539	12.5%
Special Revenue Fund	73,684	7.3%
Petroleum Tank Release Cleanup Fund	6,200	0.6%
Remediation Fund	1,400	0.1%
Renewable Development Account	1,000	0.1%
Gift Fund	769	0.1%
Total (dollars in thousands)	896,730	

- **Energy Resources:**

- Ensures that energy service is reliable and reasonably priced while minimizing adverse environmental impacts
- Advocates on behalf of consumers and ratepayers in proceedings involving regulated utilities
- Oversees conservation improvement programs operated by utilities
- Promotes energy-efficient building, conservation, alternative fuels, and modern energy technologies
- Administers Low-Income Home Energy Assistance and Weatherization Assistance programs

- **Telecommunications**

- Advocates for Minnesota consumers and public interest before telecommunications regulatory bodies
- Investigates telecommunications complaints and enforces regulations
- Manages Telecommunications Access Minnesota (TAM) program

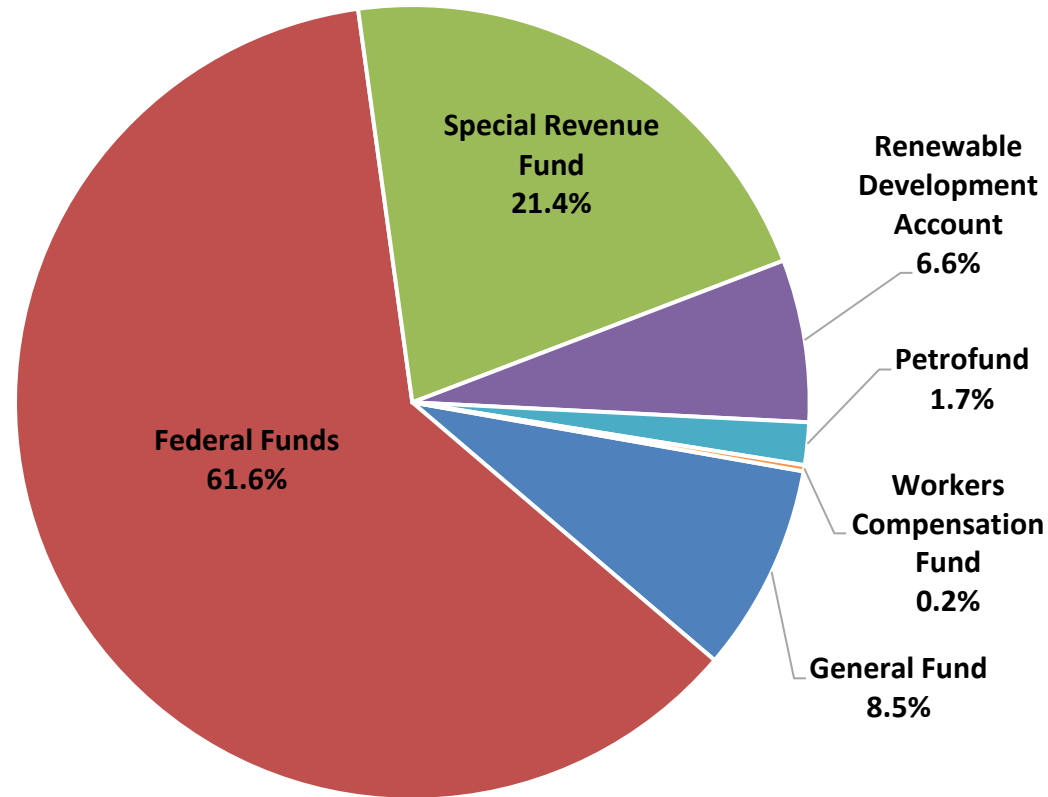
- **Petrofund**

- Contracts to remove abandoned underground petroleum storage tanks
- Manages leak sites and reimburses applicants to cleanup sites

- **Financial Institutions:**
 - Regulates state-chartered financial institutions and other financial services
 - Supervises and examines state financial institutions to determine their financial solvency and responsiveness
 - Writes rules/recommends laws to be enacted, and enforces existing laws and rules
- **Insurance:**
 - Regulates and licenses insurance agents, claims adjustors, and others
- **Other:**
 - Weights and measures inspections, unclaimed property, franchising regulation, liquor

Funding Sources, FY 2022-23

Base Budget \$609.6 million (0.6% of total All Funds)



Funding Sources, FY 2022-23

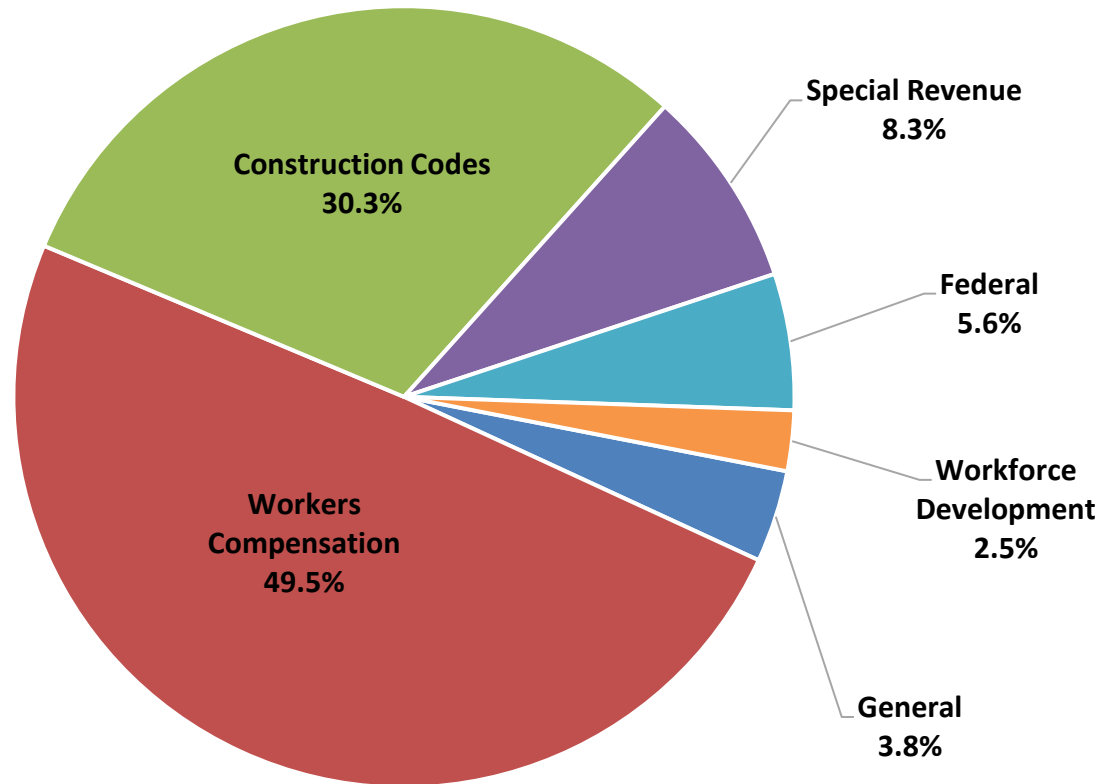
Fund	FY 2022-23	% of All Funds for Agency
General Fund	51,580	8.5%
Federal Funds	375,369	61.6%
Special Revenue Fund	130,294	21.4%
Renewable Development Account	40,280	6.6%
Petroleum Tank Release Cleanup Fund	10,541	1.7%
Workers Compensation Fund	1,520	0.2%
Total (dollars in thousands)	609,584	



- Mission: to ensure Minnesota's work and living environments are equitable, healthy, and safe
- Promulgates construction codes and conducts inspections
- Oversees the provision of workers compensation benefits and reviews claims
- Provides vocational rehabilitation services and registers apprenticeship programs
- Investigates reported instances of wage theft
- Issues professional licenses and certifications

All Funds, FY 2022-23

Base Budget \$222.4 million (0.2% of total All Funds)



All Funds, FY 2022-23

Fund	FY 2022-23	% of All Funds for Agency
General Fund	8,488	3.8%
Workers Compensation Fund	110,006	49.5%
Construction Codes Fund	67,451	30.3%
Special Revenue Fund	18,363	8.3%
Federal Fund	12,566	5.6%
Workforce Development Fund	5,568	2.5%
Total (dollars in thousands)	222,442	

Department of Iron Range Resources & Rehabilitation (IRRR)



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

- Mission: to promote and invest in business, community, and workforce development for the betterment of northeastern Minnesota
- Provides low- or no-interest loans and grants for businesses relocation/expansion
- Issues grants to local governments, schools, and non-profits that promote workforce development

All Funds, FY 2022-23

Fund	FY 2022-23	% of All Funds for Agency
Iron Range Resource Fund	71,110	79.9%
Douglas J Johnson Economic Protection Trust Fund	12,904	14.5%
General Fund	5,040	5.6%
Total (dollars in thousands)	89,054	



- **Public Utilities Commission**

- Funding: \$19.3m from General Fund; \$3.7m from Special Revenue Fund
- Quasi-judicial body providing independent oversight and regulation of utility service providers
- Regulated utilities: electricity, natural gas, telephone (not cable)
- Mission: to protect and promote the public's interest in safe, adequate, and reliable utility services at fair, reasonable rates
- Commissioners: five gubernatorial appointees serving six-year, staggered terms

Jobs & Economic Growth, Commerce & Consumer Protection, Energy & Utilities: Other Agencies



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

- **Mediation Services Bureau:** promotes stable and constructive labor-management relations and the use of alternative dispute resolution and collaborative processes in areas other than labor-management
 - Funding: \$4.6 m from General Fund; \$20,000 from Special Revenue Fund
- **Workers Compensation Court of Appeals:** mission is to produce high quality and consistent decisions in a timely manner to ensure the quick and efficient delivery of workers' compensation benefits to qualified injured workers at a reasonable cost to employers
 - Funding: \$4.6 m from Workers Compensation Fund

Jobs & Economic Growth, Commerce & Consumer Protection, Energy & Utilities: Other Agencies



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

- **Public Facilities Authority:** provides municipal financing programs and expertise to help communities build public infrastructure that preserves the environment, protects public health, and promotes economic growth
 - Administers and oversees three revolving loan funds that help local governments construct wastewater, storm water, and drinking water facilities
 - Funding: \$764,000 from Special Revenue Fund (for administrative costs)
- **Rochester Destination Medical Center:** public/private partnership created in May 2013 to commit \$585m over 20 years to support development in Rochester and around the Mayo Clinic
 - Funding: open General Fund appropriation of \$60 m

Jobs & Economic Growth, Commerce & Consumer Protection, Energy & Utilities

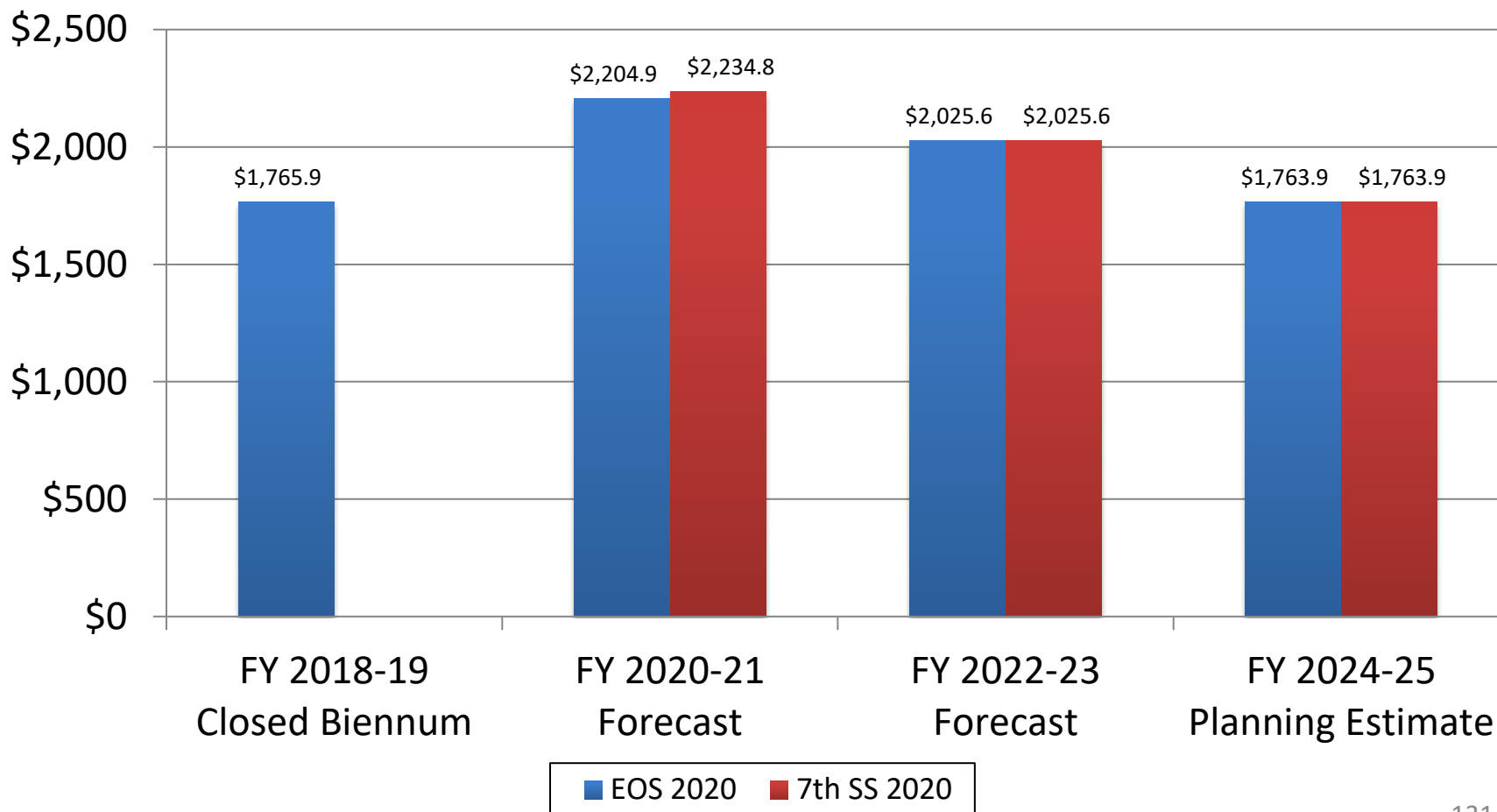


SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

General Fund Spending & Forecast

FY 2018-19 – FY 2024-25

(dollars in millions)





Capital Investment

Presented by:

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- Since 1983, the Legislature has passed “bonding bills” in all but two years (2004 and 2016)
- Typically follow a pattern of larger bills in even-numbered years and smaller bills in odd-numbered years
- Bills that authorize debt require a 3/5 vote to pass in each chamber
- Minnesota Management & Budget is authorized to sell state bonds and manage debt
- Largest share of state debt consists of General Obligation (GO) bonds, whose debt service is paid from the General Fund

- Bonds are issued (sold) a handful of times each year, and proceeds are used to finance projects as their cash flow needs dictate
- The unobligated balance of each appropriation is cancelled after four years, absent legislative action
- Twice annually, MMB publishes a debt capacity forecast, addressing their Capital Investment Guidelines
 - 1: the amount of debt sold $< 3.25\%$ of state personal income (currently = 2.76%)
 - 2: the amount of debt sold and unissued (authorized but not yet sold) $< 6\%$ of state personal income (currently = 3.55%)
 - 3: $>40\%$ of existing debt be paid off within 5 years and $>70\%$ of existing debt be paid off within 10 years

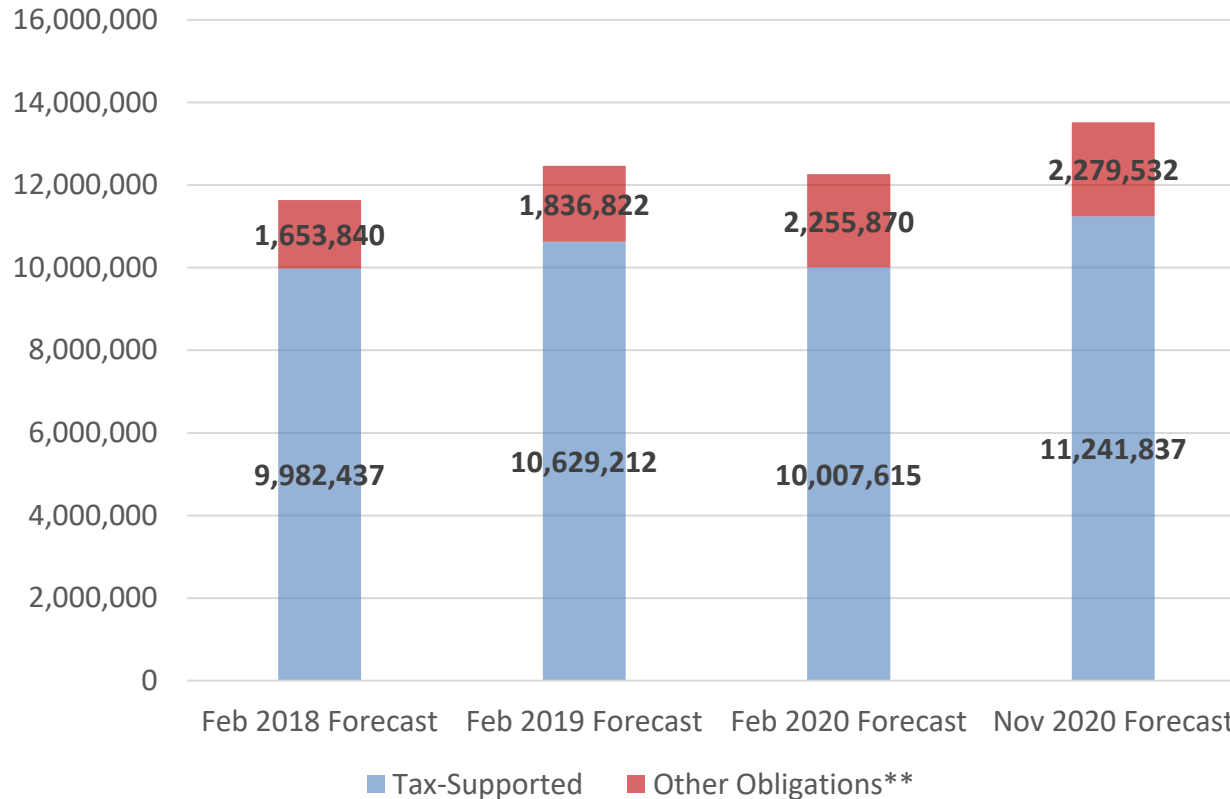
Capital Investment



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Total Outstanding Tax-Supported Debt*

(dollars in thousands)



*Includes issued debt and authorized-but-unissued debt

**Includes equipment leases and moral obligation debt issued by MHFA and MOHE

Total Tax-Supported Debt

(dollars in thousands)

Total Tax-Supported Debt	Feb 2018 Forecast	Feb 2019 Forecast	Feb 2020 Forecast	Nov 2020 Forecast
General Obligation Bonds	5,237,960	5,621,332	5,177,812	6,093,894
Trunk Highway Bonds	3,140,637	3,401,610	3,246,843	3,386,252
Other Debt	1,603,840	1,606,270	1,582,960	1,761,691
Total Debt	9,982,437	10,629,212	10,007,615	11,241,837

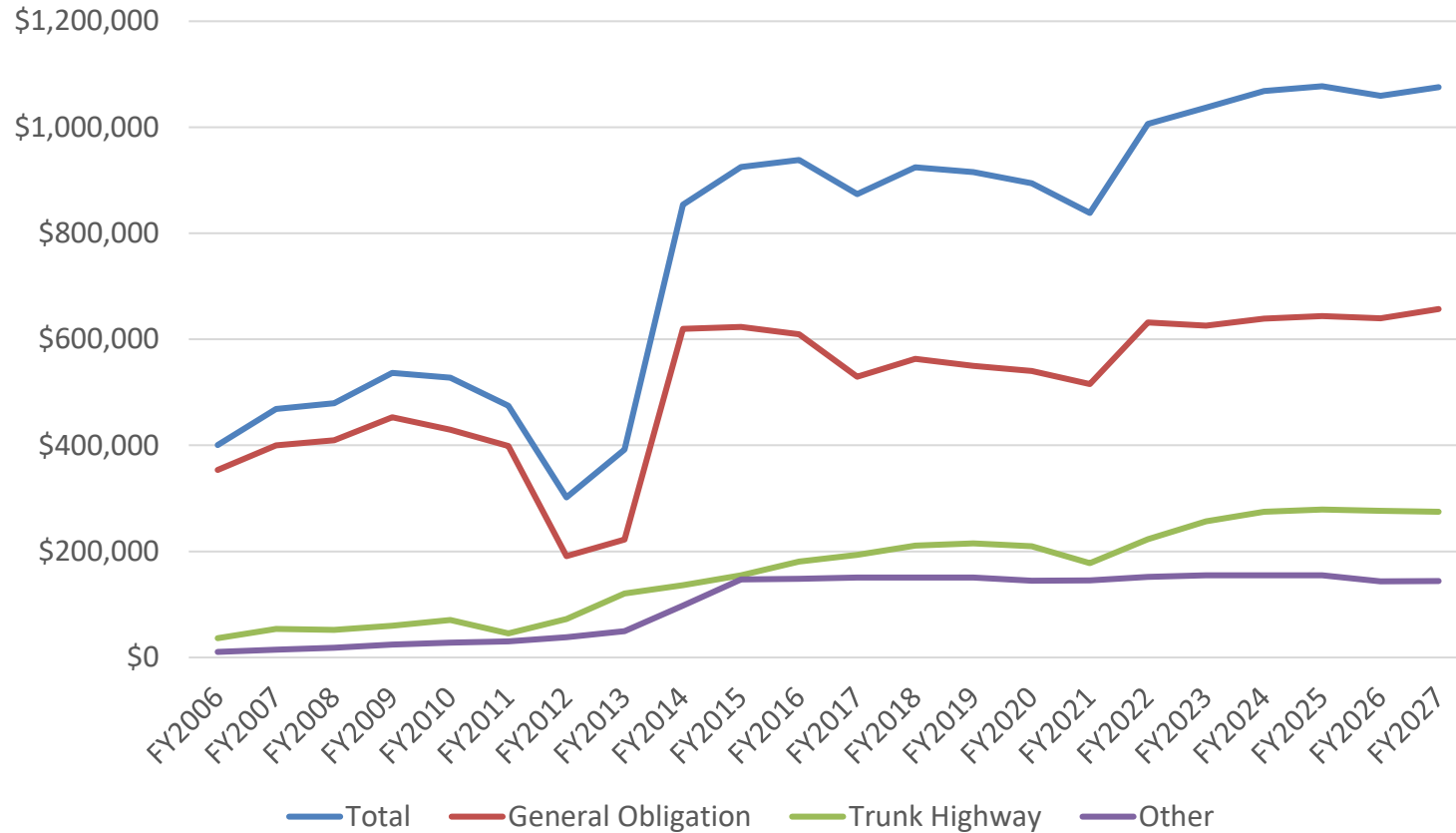
Capital Investment



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Annual Debt Service Costs and Projections*

(dollars in thousands)



*Projections are for FY2021-forward; FY2006-FY2020 display actual amounts

Capital Investment



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Annual Debt Service Payments, Actual and Projected (dollars in thousands)

Fiscal Year	G.O. Bonds	Trunk Highway Bonds	Other Debt	Total Debt Service
FY2006	353,728	36,347	10,630	400,705
FY2007	400,146	53,752	14,695	468,593
FY2008	409,426	52,170	17,999	479,595
FY2009	452,978	59,542	24,259	536,779
FY2010	429,123	70,542	27,640	527,305
FY2011	398,799	45,225	30,393	474,417
FY2012	190,799	72,601	38,194	301,594
FY2013	222,584	120,305	49,236	392,125
FY2014	619,935	136,488	97,492	853,915
FY2015	623,060	154,593	147,149	924,802
FY2016	609,285	180,725	148,484	938,494
FY2017	529,215	193,539	150,838	873,593
FY2018	563,123	211,009	150,439	924,572
FY2019	549,785	214,903	150,675	915,363
FY2020	540,081	209,821	144,487	894,389
FY2021 (projected)	515,544	177,571	145,383	838,498
FY2022 (projected)	631,510	222,773	152,019	1,006,303
FY2023 (projected)	625,435	256,735	154,743	1,036,913
FY2024 (projected)	638,836	274,759	154,866	1,068,461
FY2025 (projected)	643,718	278,734	155,142	1,077,593
FY2026 (projected)	639,828	276,210	143,214	1,059,253
FY2027 (projected)	657,190	274,672	143,792	1,075,654

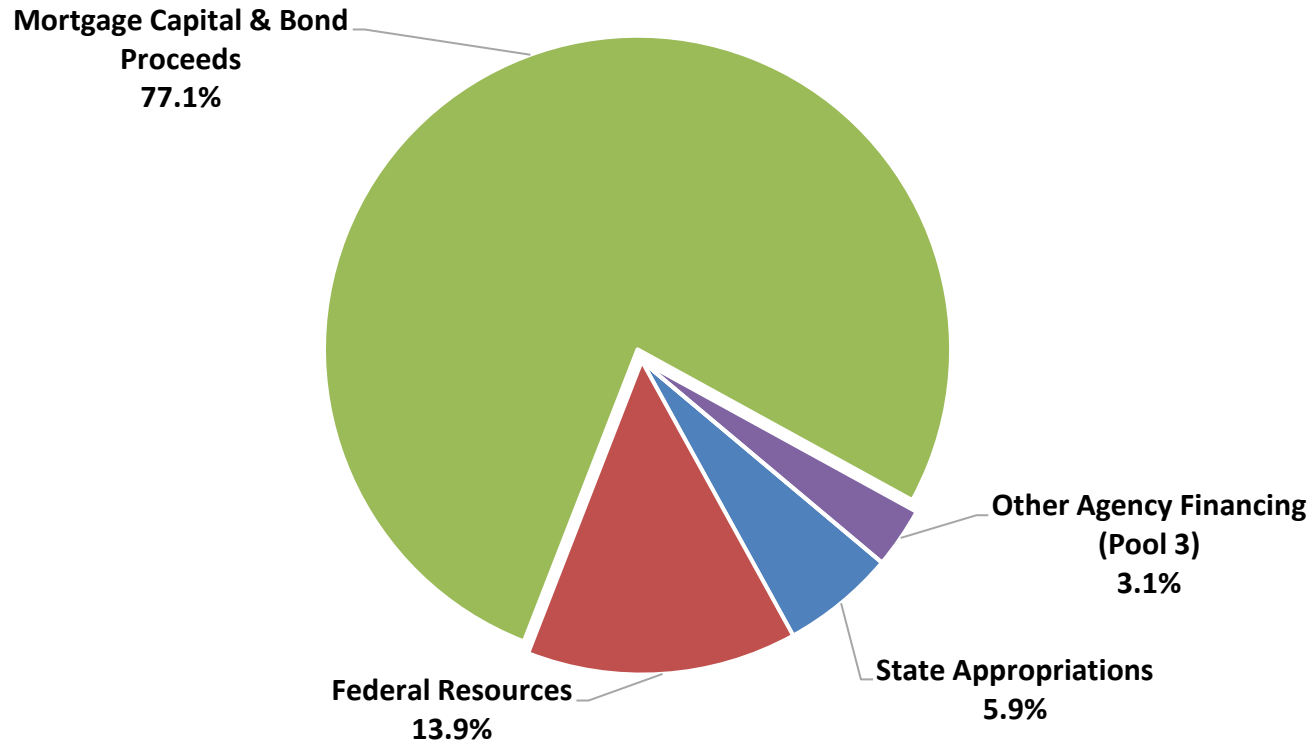


Housing

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Sources of Funds, FY 2020-21 \$3,074 Billion (Includes all Investments and Financing)*



* From 2020-21 Minnesota Affordable Housing Plan



General Fund Budget - History

(dollars in thousands)

<u>FY18-19</u>	<u>FY20-21</u>	<u>FY22-23</u>	<u>FY24-25</u>
\$107,596	\$120,596	\$115,596	\$115,596



Environment and Natural Resources

Presented by:

Dan Mueller

Fiscal Analyst

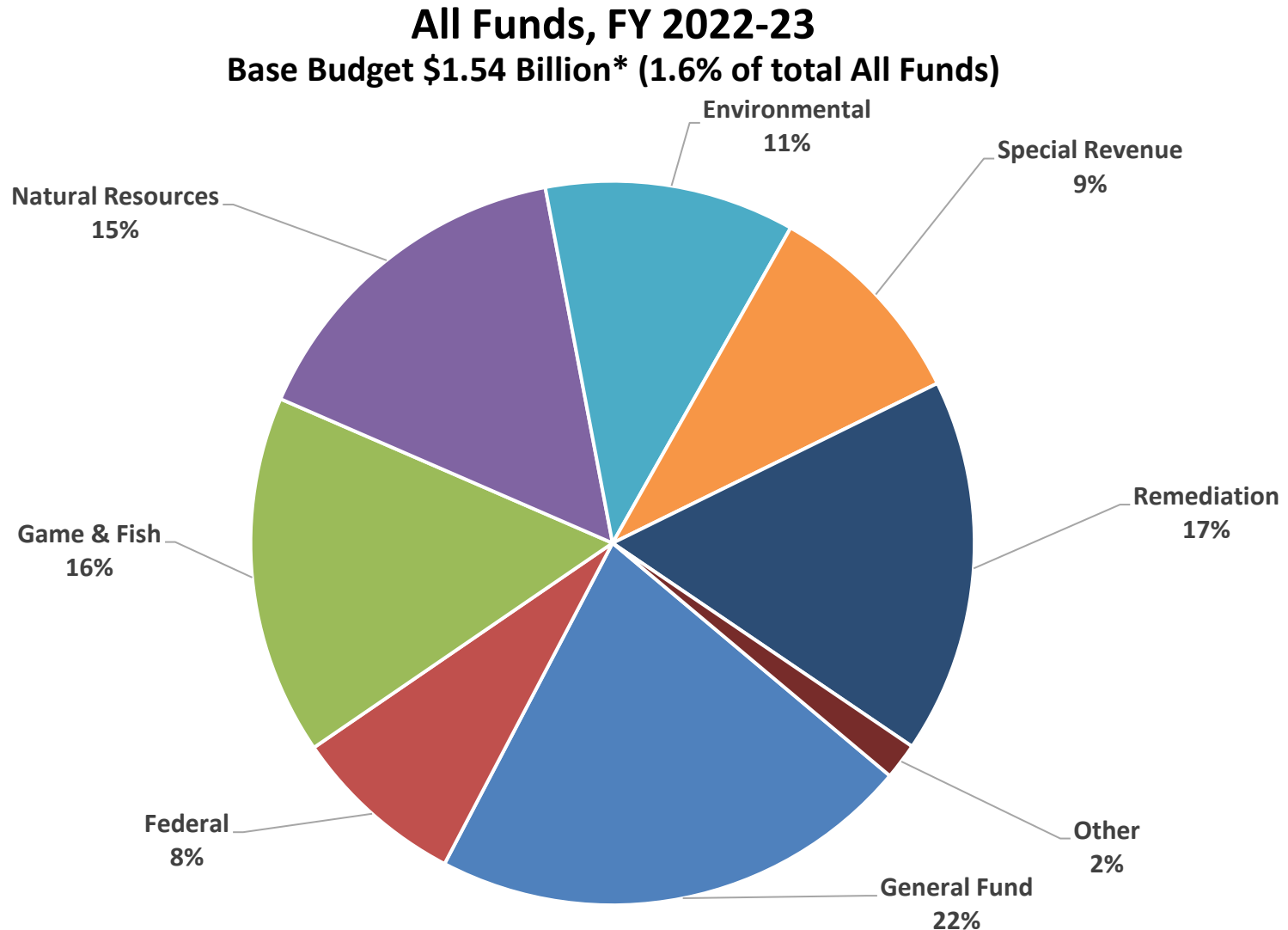
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Environment & Natural Resources

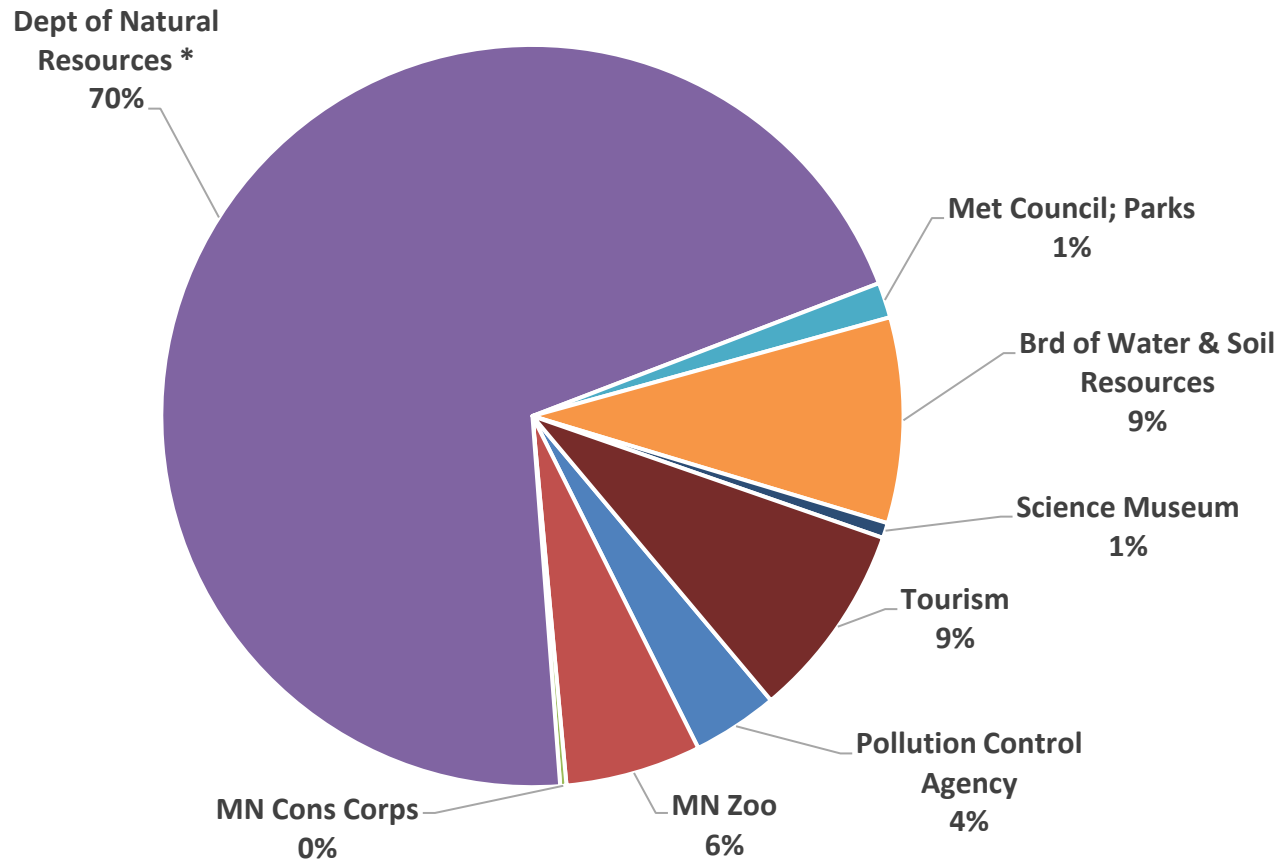


SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS



* Does not include constitutionally dedicated funds

General Fund, FY 2022-23 Base Budget \$331.7 million (0.1% of total General Fund)



* Does not include Payment in Lieu of Taxes

Environment & Natural Resources



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Base Budget FY 2022-23 (dollars in thousands)

Agency		General Fund	All Funds
Pollution Control Agency		\$ 12,396	\$ 499,467
Dept. of Natural Resources		\$ 233,369	\$ 885,079
Metropolitan Council - Parks		\$ 5,080	\$ 18,280
MN Conservation Corps		\$ 910	\$ 1,890
Brd. of Water & Soil Resources		\$ 29,744	\$ 54,013
Minnesota Zoo		\$ 19,618	\$ 47,265
Science Museum of MN		\$ 2,158	\$ 2,158
<u>Explore MN Tourism</u>		<u>\$ 28,388</u>	<u>\$ 29,505</u>
Total		\$ 331,663	\$ 1,537,657

Dedicated Funding



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

(dollars in millions)

	FY 2020-21 Appropriations	FY 2022-23 Estimated*
Legacy Funds; from 3/8% Sales Tax		
- Outdoor Heritage Fund	\$ 245.6	\$ 261.9
- Clean Water Fund	\$ 261.3	\$ 248.9
- Parks and Trails Fund	\$ 101.2	\$ 107.3
- Arts and Cultural Heritage Fund	\$ 139.8	\$ 145.0
Subtotal Legacy Funds	\$ 747.9	\$ 763.1
From Lottery Proceeds		
Environment & Natural Resources Trust Fund	\$ 122.8	\$ 141.8
Grand Total	\$ 870.7	\$ 904.9

* Assuming a 5% fund balance reserve in the Legacy Funds

<https://www.legacy.mn.gov/>



Agriculture & Rural Development

Presented by:

Hannah Grunewald

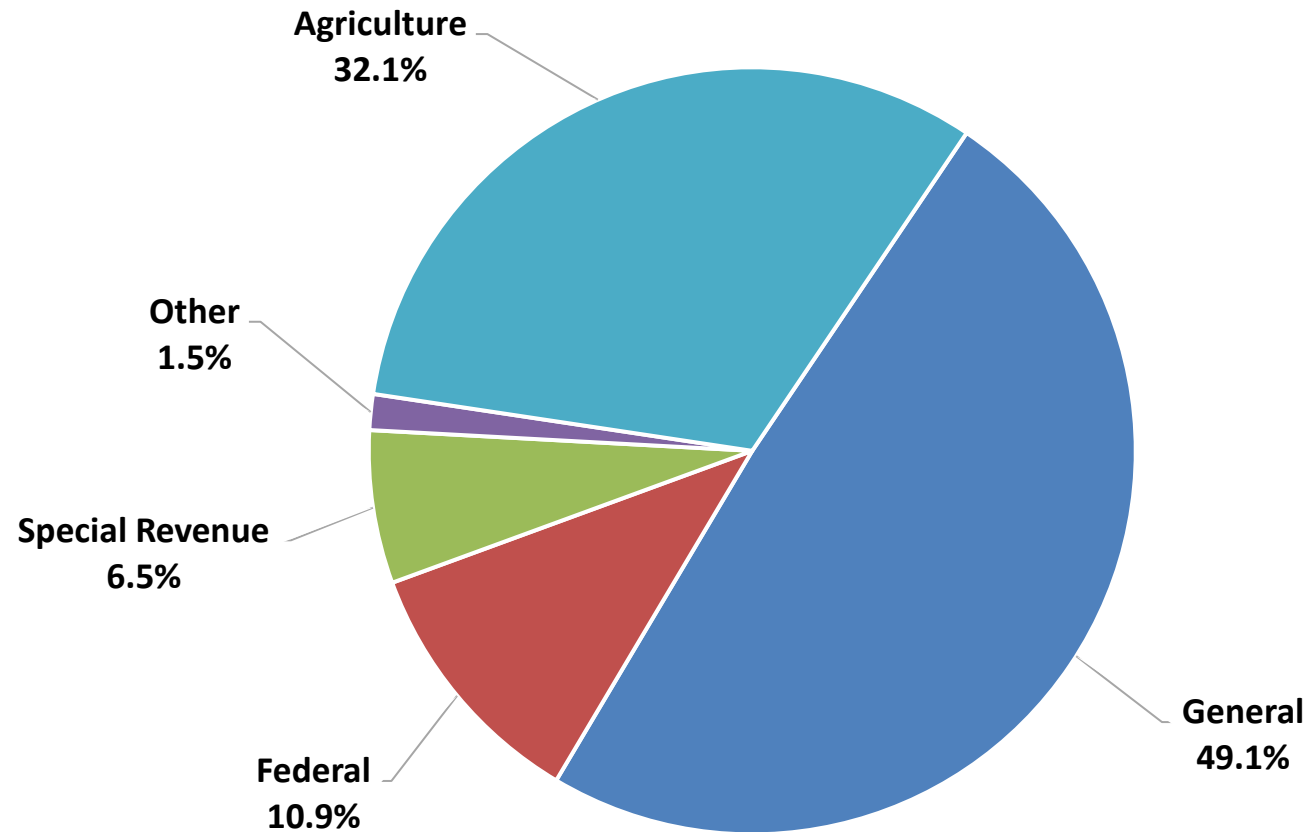
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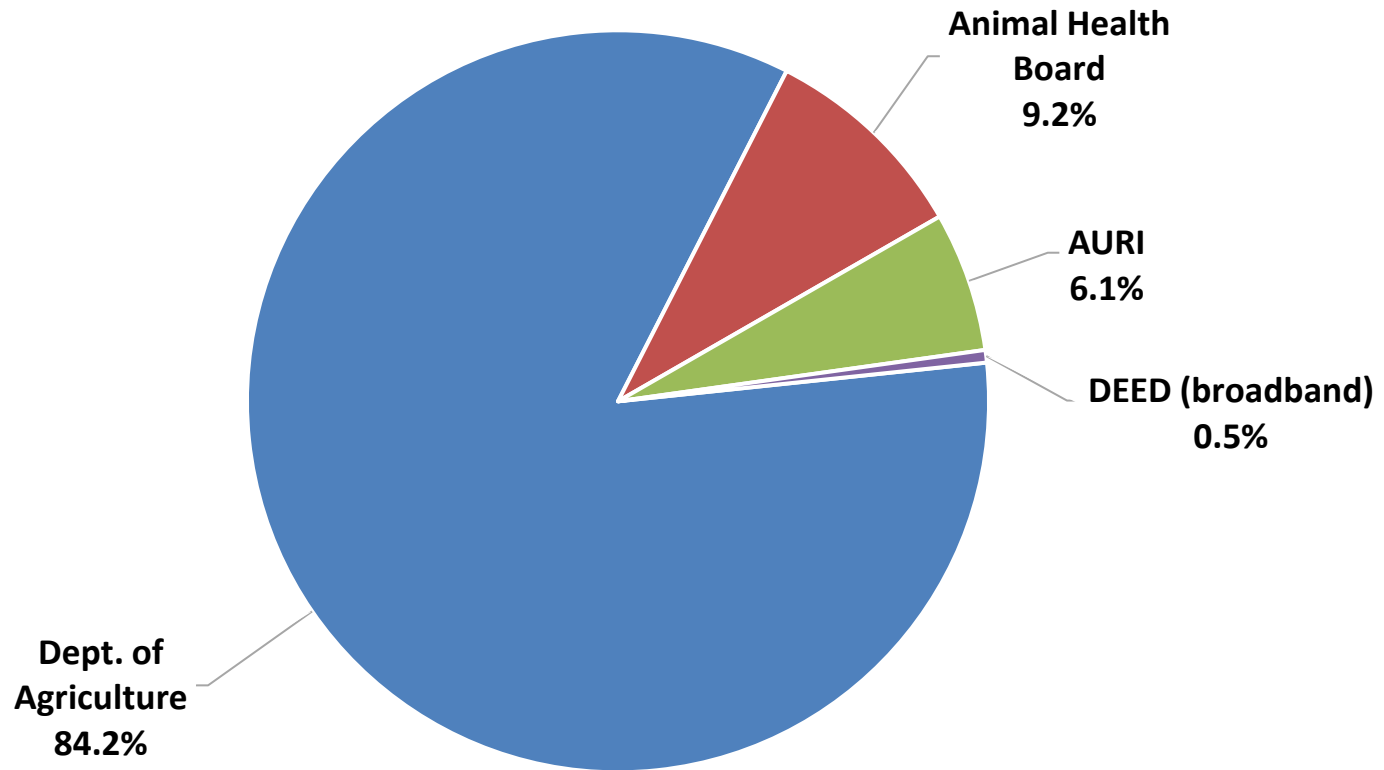
All Funds, FY 2022-23

Base Budget \$247.9 million (0.3% of total All Funds)



General Fund, FY 2022-23

Base Budget \$127.9 million (0.3% of total General Fund)



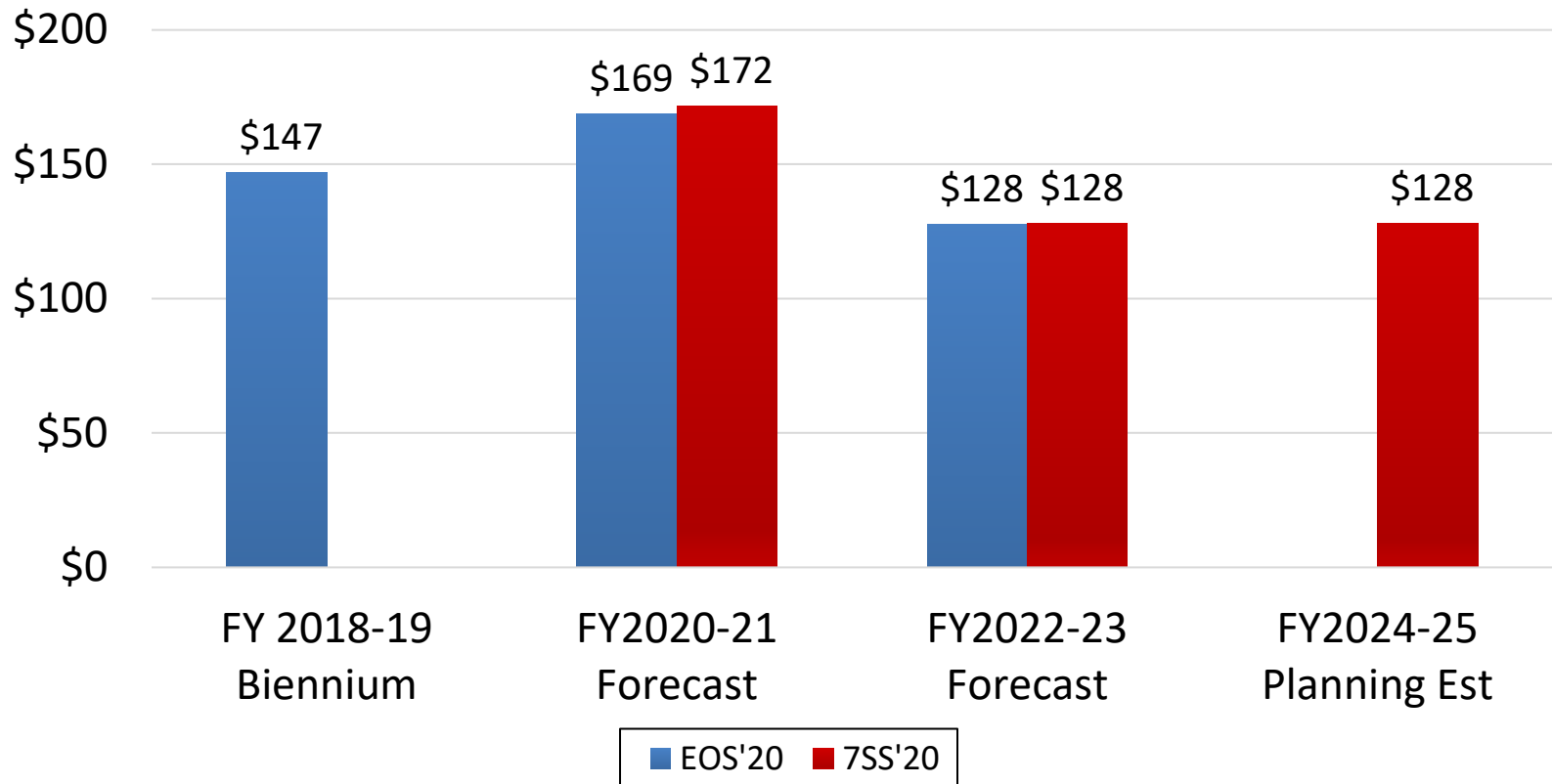
Base Budget FY 2022-23

(dollars in thousands)

Agency		General Fund	All Funds
Agriculture Dept.		\$ 107,706	\$ 226,173
Ag. Utilization & Research Institute		\$ 7,786	\$ 7,786
Animal Health Board		\$ 11,754	\$ 13,263
<u>DEED (Broadband)</u>		<u>\$ 700</u>	<u>\$ 700</u>
Total		\$ 127,946	\$ 247,922

General Fund Spending & Forecast FY 2018-19 – FY 2024-25

(dollars in millions)





Higher Education

Presented by:

Hannah Grunewald

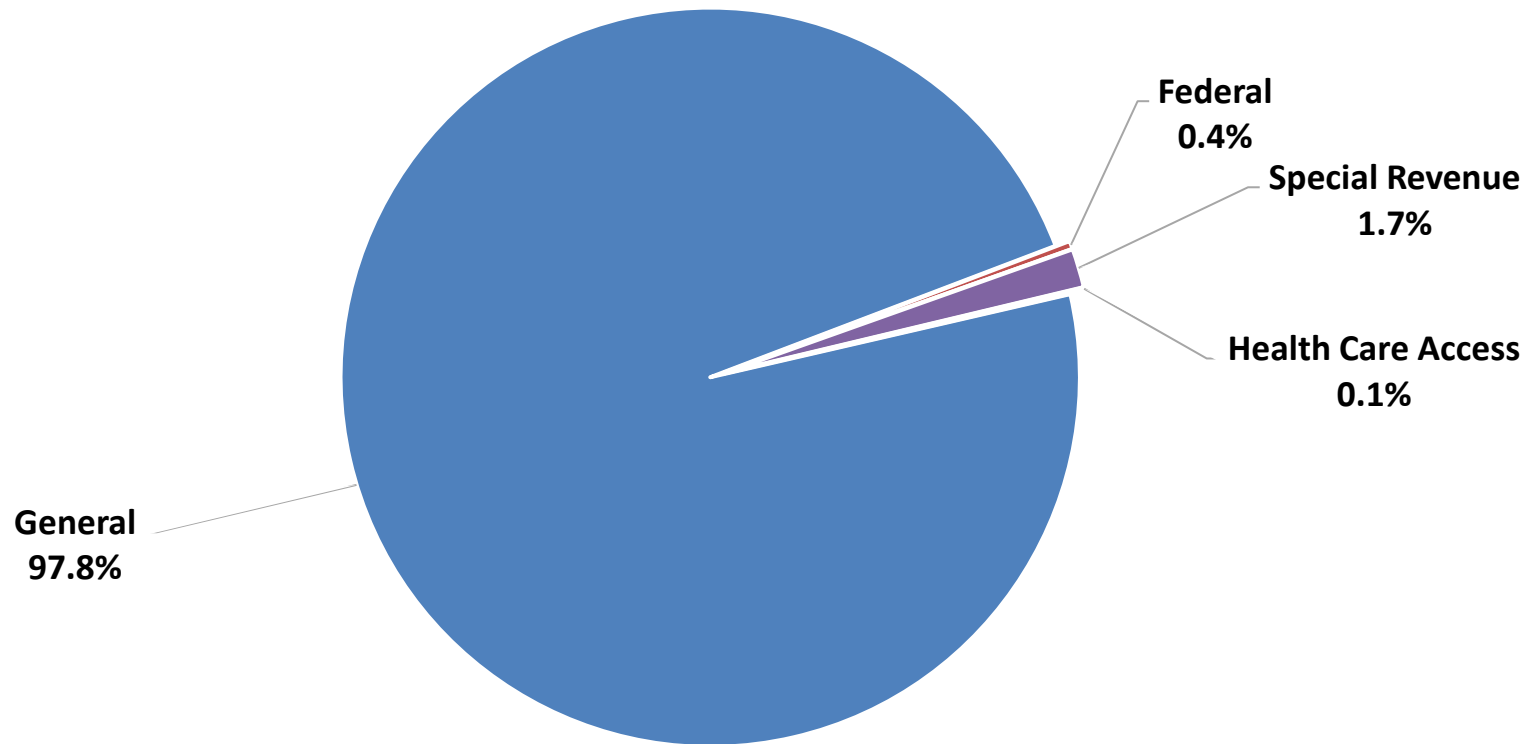
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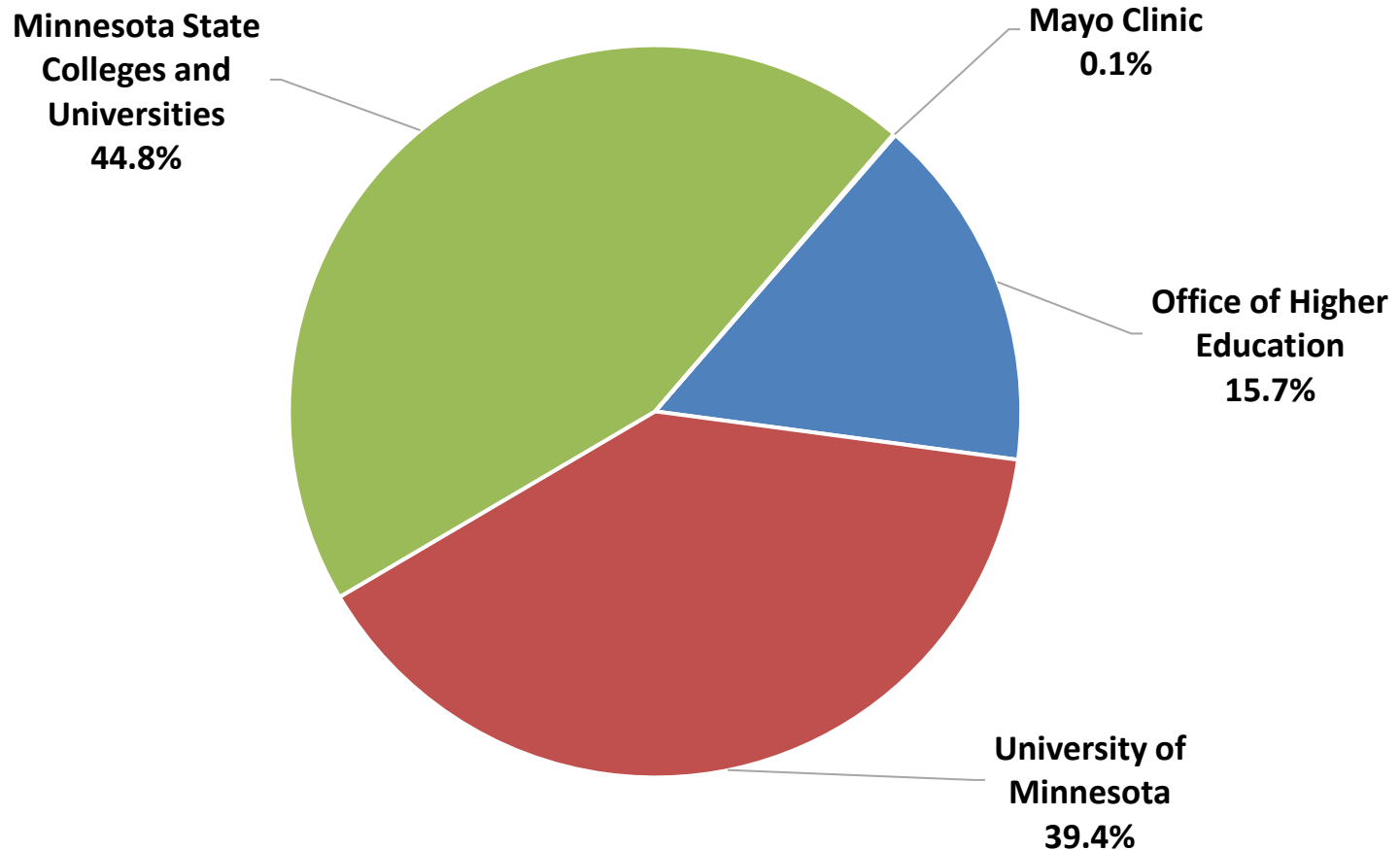
All Funds, FY 2022-23

Base Budget \$3.5 billion (3.7% of total All Funds)



General Fund, FY 2022-23

Base Budget \$3.4 billion (6.7% of total General Fund)





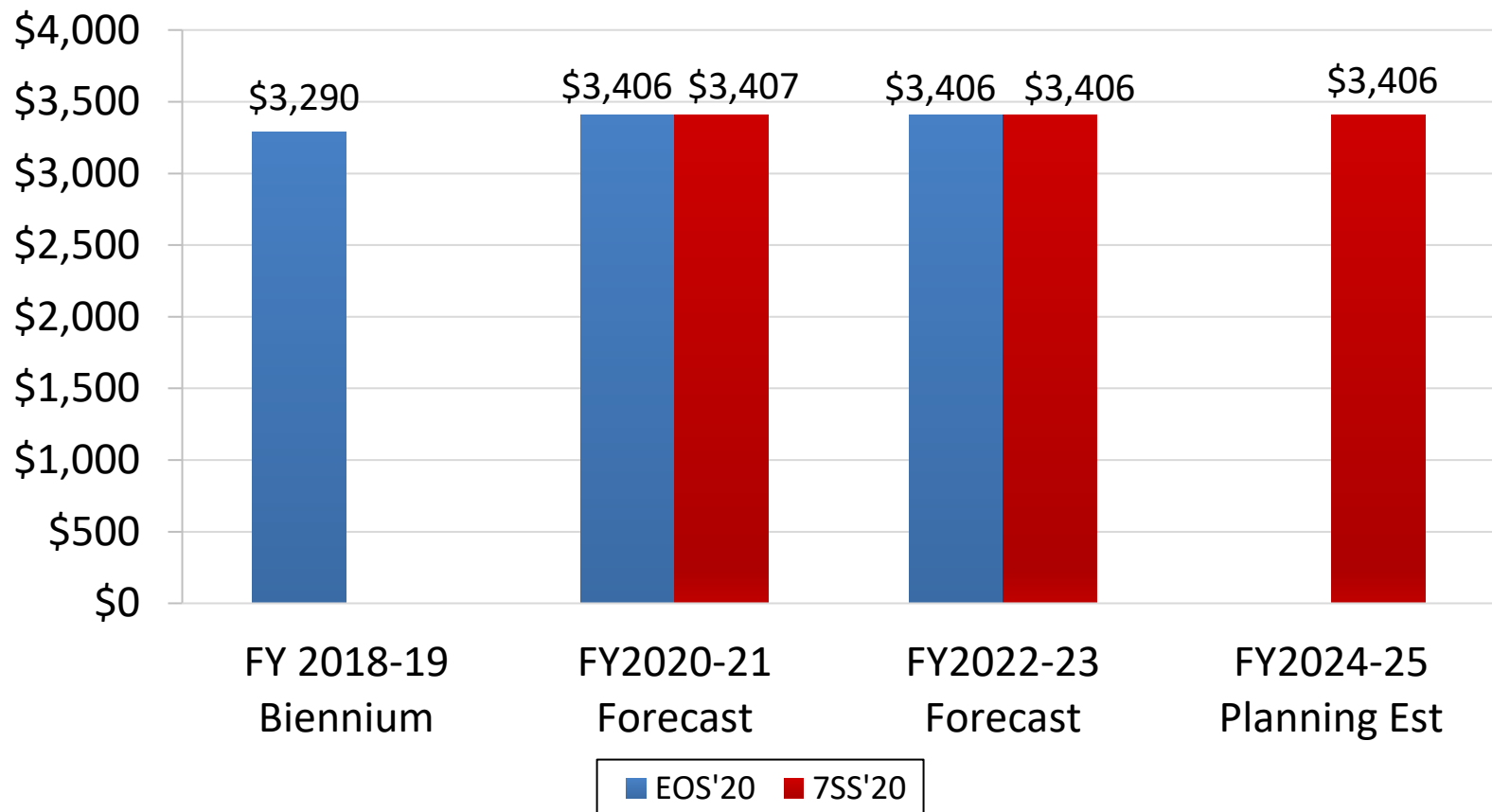
General Fund, FY 2022-23

(dollars in thousands)

	<u>FY 2022-23</u>
Office of Higher Education	535,546
State Grant	414,874
State Work Study	29,004
Interstate Tuition Reciprocity	22,036
Child Care Grants	13,388
MNLink Gateway and Minitex	11,810
Agency Administration	8,654
All other programs and aid	35,780
University of Minnesota	1,346,826
Operations and Maintenance	1,205,936
Agriculture and Extension	85,844
Other special appropriations	51,032
Minnesota State Colleges and Universities	1,525,068
Operations and Maintenance	1,450,690
Central Office and Shared Services	66,148
Learning Network of Minnesota	8,230
Mayo Foundation	2,702
Mayo Medical School	1,330
Family Medicine Residency Program	1,372
Net General Fund Expenditures	3,410,142

General Fund Spending & Forecast FY 2018-19 – FY 2024-25

(dollars in millions)





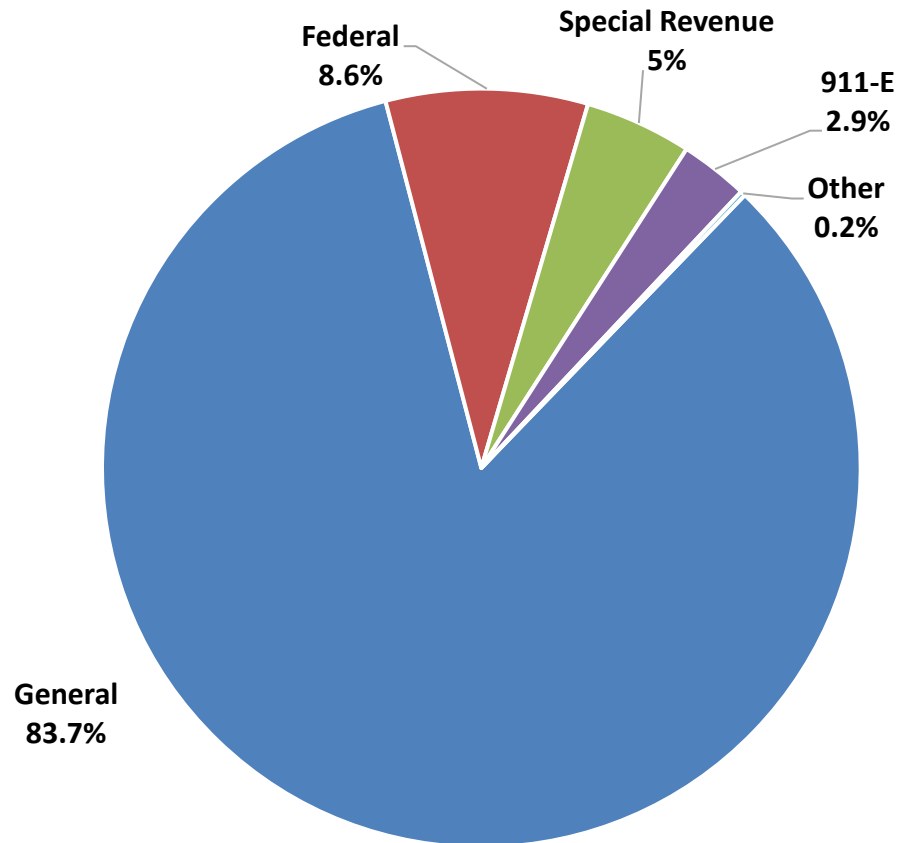
Judiciary & Public Safety

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All Funds, FY 2022-23

Base Budget \$3.0 Billion (3.2% of total All Funds)

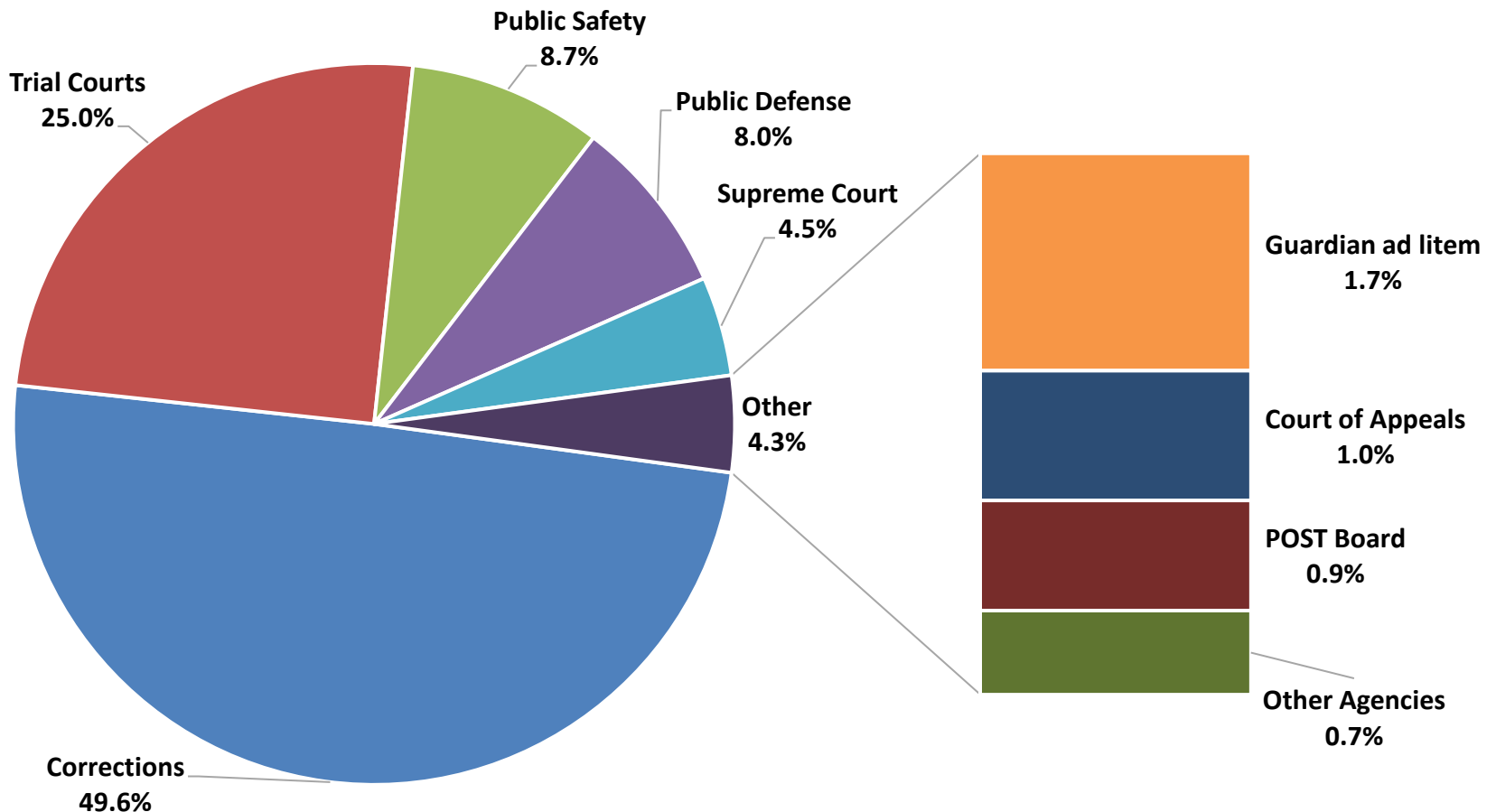


All Funds, FY 2022-23 (dollars in thousands)

Fund	FY 2022-23
General	2,537,863
Federal	260,973
Special Revenue	138,260
911-E	88,298
Trunk Highway	4,858
Gift	1,099
State Government Special Revenue	206
Environmental	146
TOTAL Public Safety	3,031,703

General Fund, FY 2022-23

Base Budget \$2.5 billion (5.0% of total General Fund)



Judiciary and Public Safety



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

General Fund, FY 2022-23 (dollars in thousands)

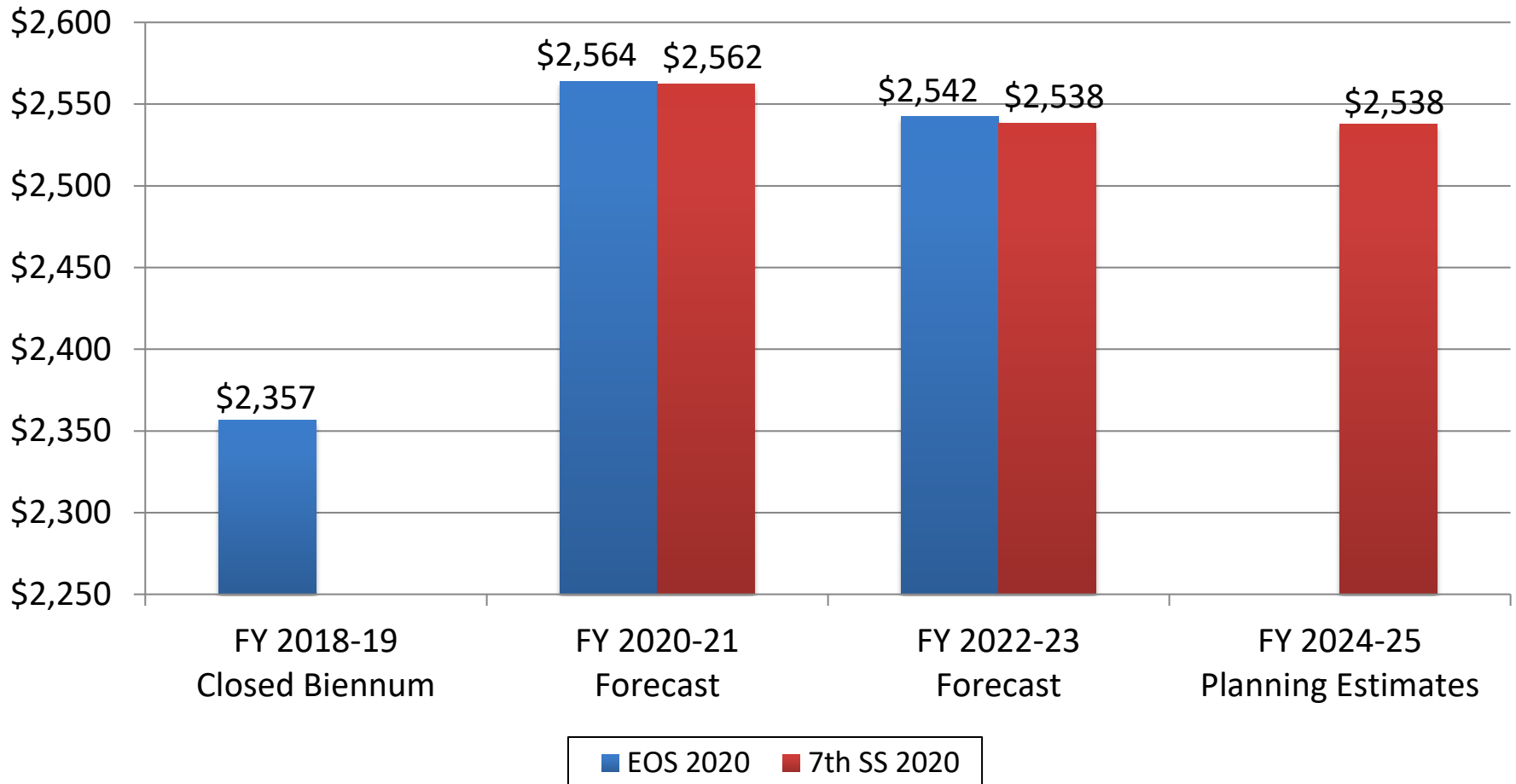
Agency	FY 2022-23
Supreme Court	113,004
Court of Appeals	26,326
Trial Courts	634,404
Guardian ad litem	44,000
Tax Court	3,616
Judicial Standards Board	1,018
Uniform Laws Commission	196
Public Defense Board	202,356
Public Safety (Public Safety Divisions)	220,310
POST Board	22,262
Private Detective Board	554
Human Rights	10,262
Corrections	1,257,259
Sentencing Guidelines	1,374
TOTAL Public Safety	2,536,941

Judiciary and Public Safety



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

General Fund Spending & Forecast FY 2018-19 – FY 2024-25 (dollars in millions)



Department of Corrections

Institutions

- Seven adult male facilities
- One adult female prison
- Two “boot camps” for select adult offenders
- One combination adult minimum security and juvenile facility

Community Services

- Community Corrections Act (34 counties)
- DOC Direct Supervision (53 counties adult felon, 28 juvenile and misdemeanor)
- County Probation Officer (25 counties juvenile and misdemeanor)

Operations Support

- Administration and information technology



Department of Public Safety Divisions

- Homeland Security and Emergency Management
- Bureau of Criminal Apprehension
- Fire Marshal Division
- Board of Firefighter Training
- Gambling and Alcohol Enforcement
- Office of Justice Programs
- Emergency Communication Networks

Public Safety Budget



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Special Revenue, Direct Appropriation (dollars in thousands)

Agency	FY 2022-23
DPS – Fire Marshal, Firefighter Training <i>source: 0.5% homeowner/fire premium surcharge</i>	27,000
DPS – Emergency Communication Network <i>source: \$0.95/telephone line 911 fee</i>	155,000
TOTAL Special Revenue	182,000

Major Cost Drivers

- Crime Rate
- Arrest Rate
- Court Volume (criminal and civil)
- Incarceration Rate – Sentencing Policies
- Costs realized at both State and Local level
- Budget is personnel-driven, sensitive to salary increases, health care costs, and pension costs



Transportation & Public Safety

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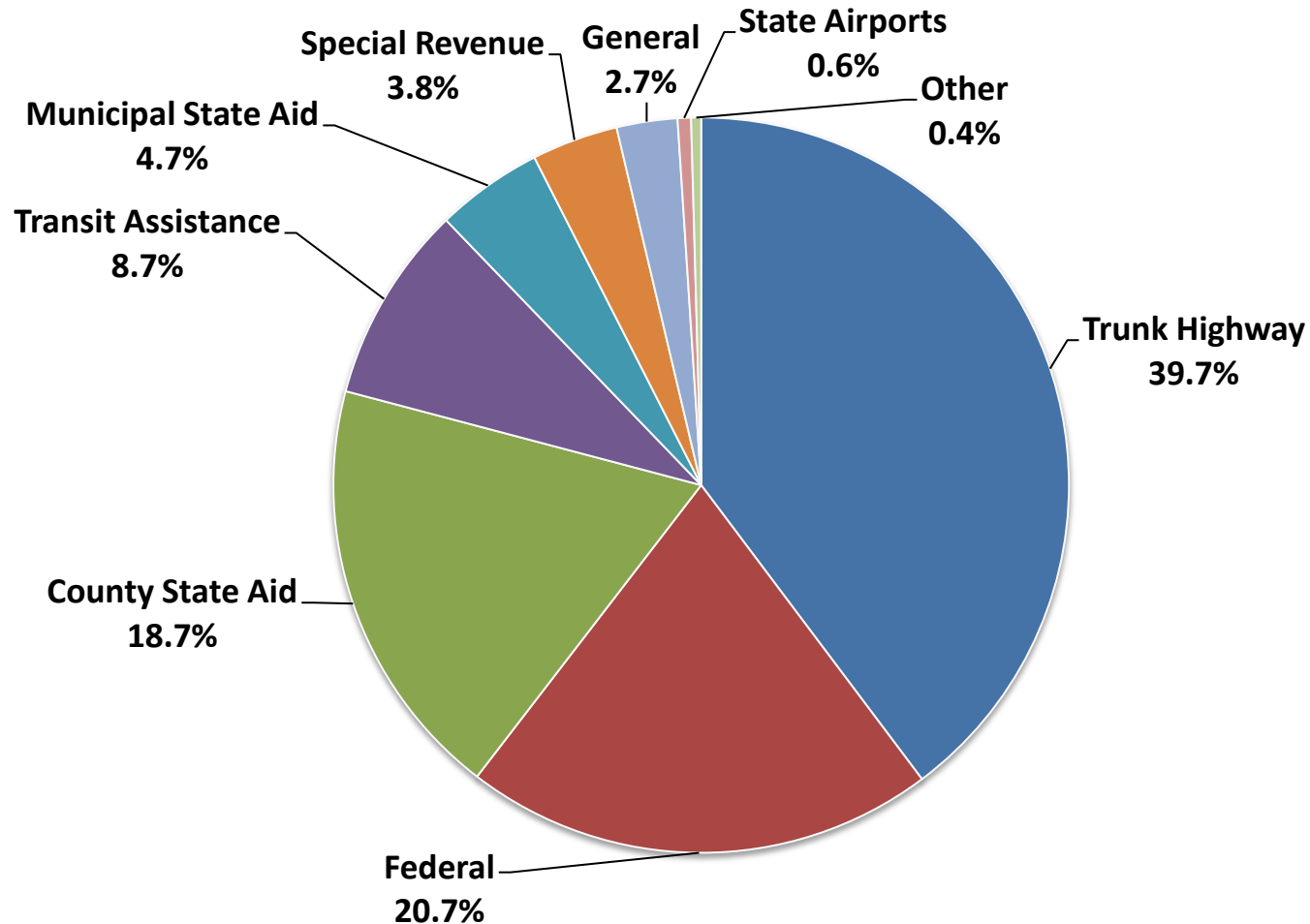
Transportation Budget



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

All Funds, FY 2022-23

Base Budget \$9.4 billion (10.0% of total All Funds)



Transportation Budget



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

All Funds, FY 2022-23

Fund	FY 2022-23
Trunk Highway	3,718,749
Federal	1,934,908
County State-Aid	1,748,499
Transit Assistance	812,680
Municipal State-Aid	440,406
Special Revenue	354,859
General	249,552
State Airport	54,799
Other	41,298
Total (dollars in thousands)	9,355,750

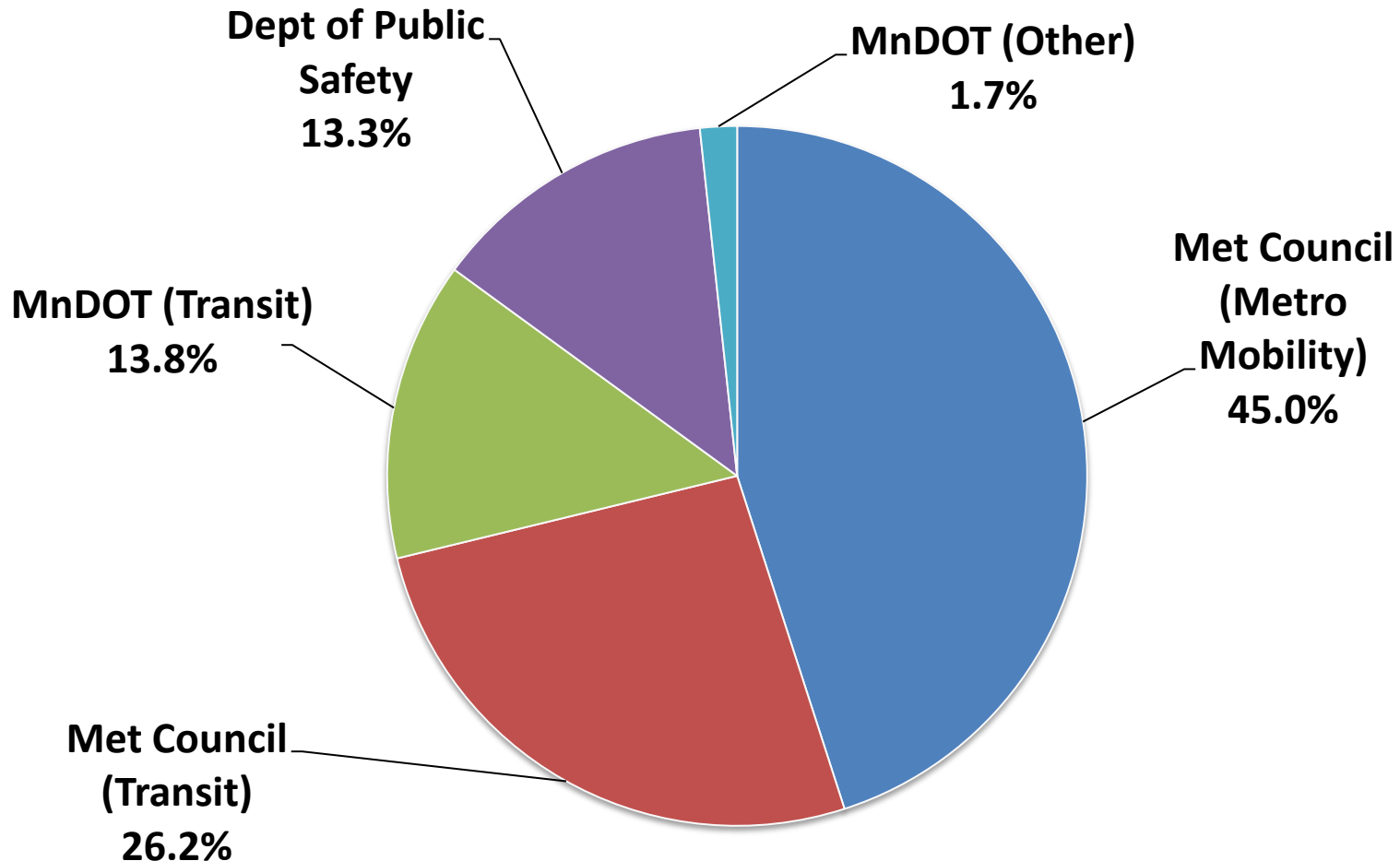
Transportation Budget



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

General Fund, FY 2022-23

Base Budget \$249.6 million (0.5% of total General Fund)



Transportation Budget

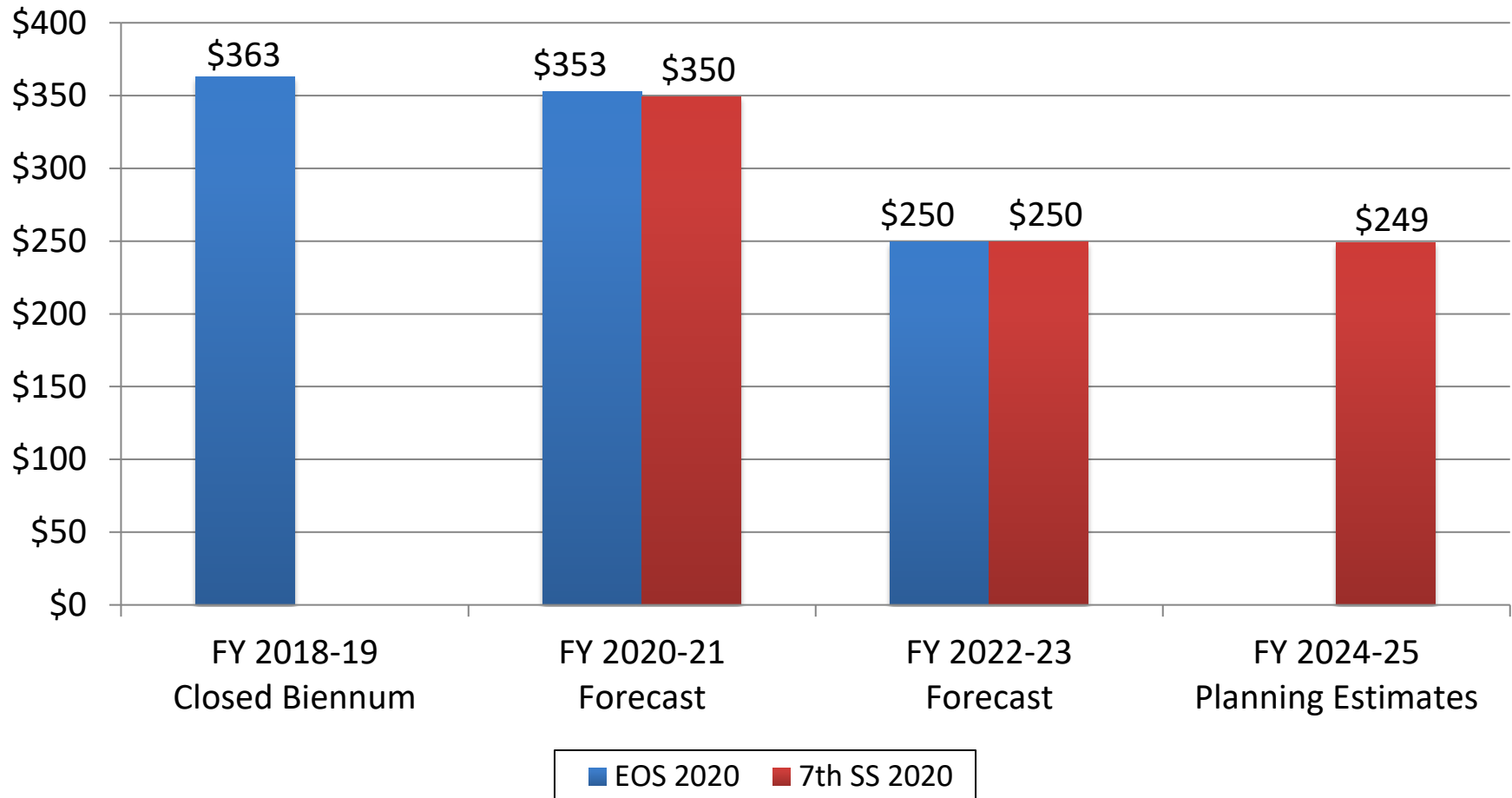


SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

General Fund, FY 2022-23

Agency	FY 2022-23
Metropolitan Council – Metro Mobility	112,392
Metropolitan Council – Transit	65,308
Department of Transportation – Transit	34,498
Department of Public Safety	33,102
Department of Transportation – Other	4,252
Total (dollars in thousands)	249,552

General Fund Spending & Forecast FY 2018-19 – FY 2024-25 (dollars in millions)



Transportation Budget:

Agencies & Programs



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Department of Transportation (MnDOT)

- Multimodal Systems
 - Aeronautics, Transit, Freight, Passenger Rail
- State Roads
 - Construction, Maintenance, Program Delivery, Debt Service
- Local Roads
 - County State-Aid, Municipal State-Aid
- Agency Management

Metropolitan Council

- Metro Transit
 - Bus, Light Rail and Commuter Rail
- Metro Mobility

Department of Public Safety

- State Patrol
 - Patrolling Highways, Commercial Vehicle Enforcement, Capitol Security
- Driver and Vehicle Services
- Traffic Safety
- Pipeline Safety
- Administration and Related Services

Transportation Funding: Constitutional Framework



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Minnesota Constitution, Article XIV:

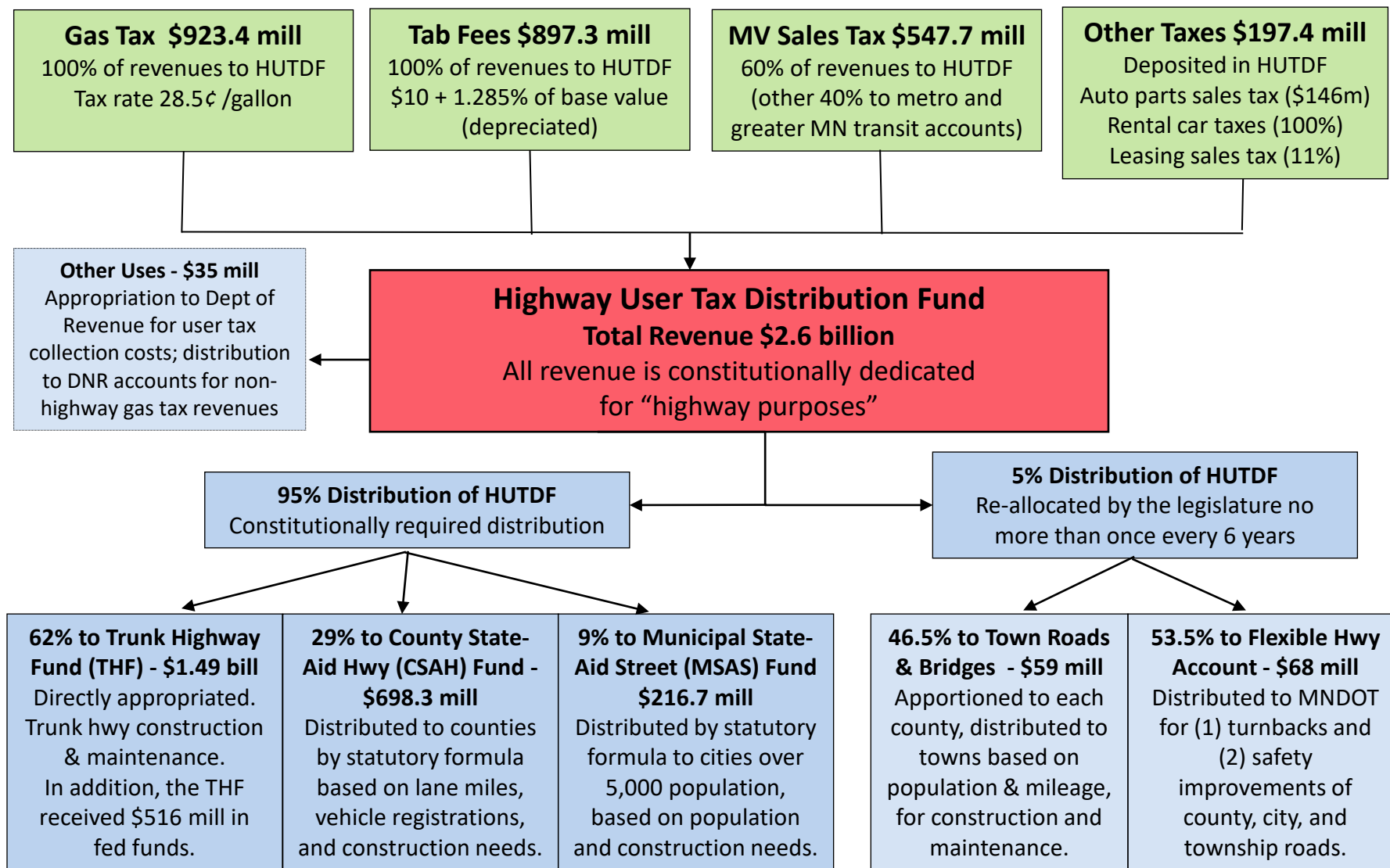
- **Creates three highway systems: trunk, county state-aid and municipal state-aid**
- **Creates major transportation funds in state treasury**
 - Highway User Tax Distribution Fund
 - Trunk Highway Fund
 - County State-Aid Highway Fund
 - Municipal State-Aid Street Fund
- **Establishes dedicated transportation taxes**
 - Motor Fuels Excise Tax (gas tax)
 - Vehicle Registration Tax (tab fees)
 - Motor Vehicle Sales Tax (MVST)
- **Allows state to sell bonds to construct and improve trunk highways**

Transportation: Highway Funding FY 2022

Data source: MNDOT Transportation Funds Forecast Nov 2020



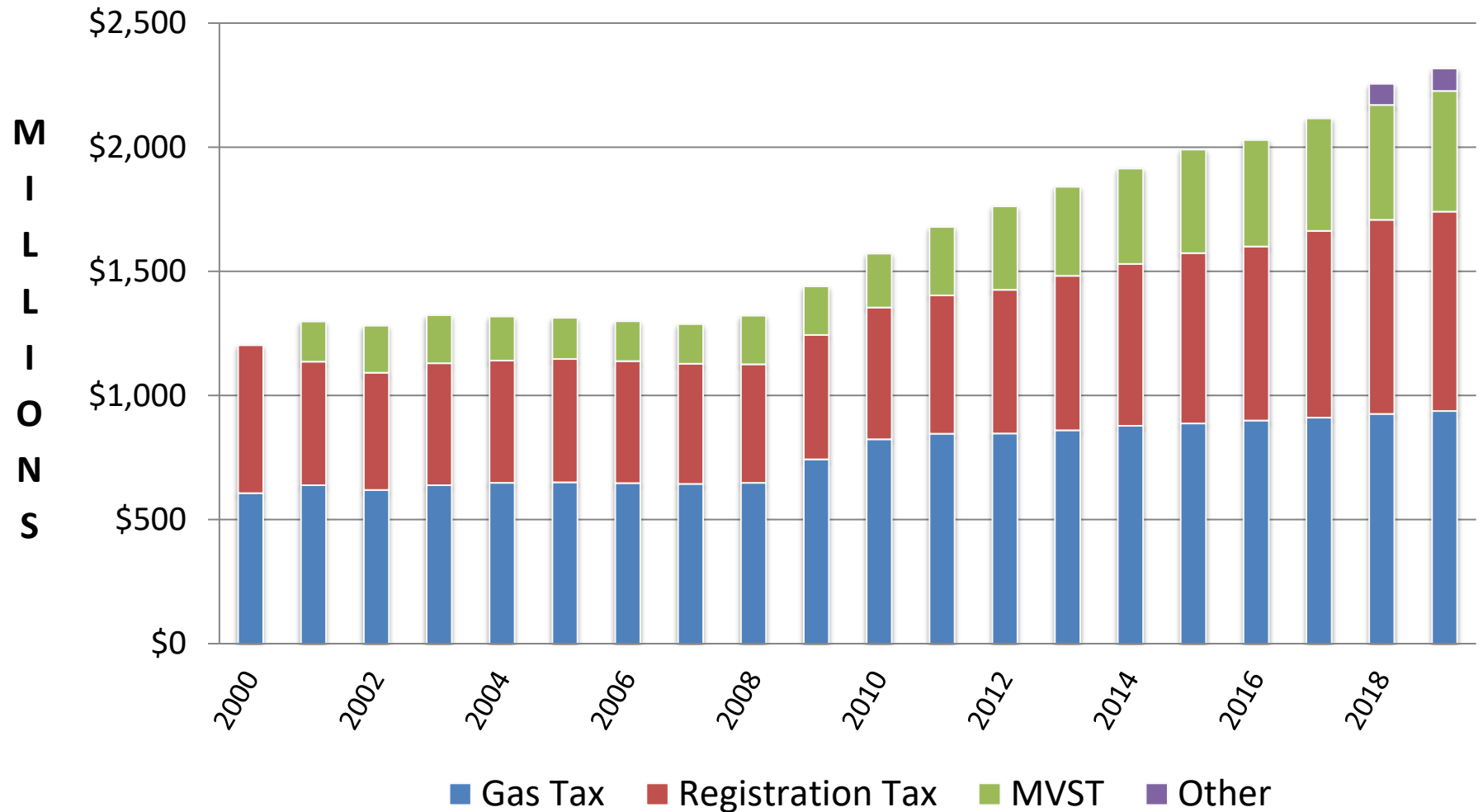
SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS



Transportation: HUTDF Revenue History



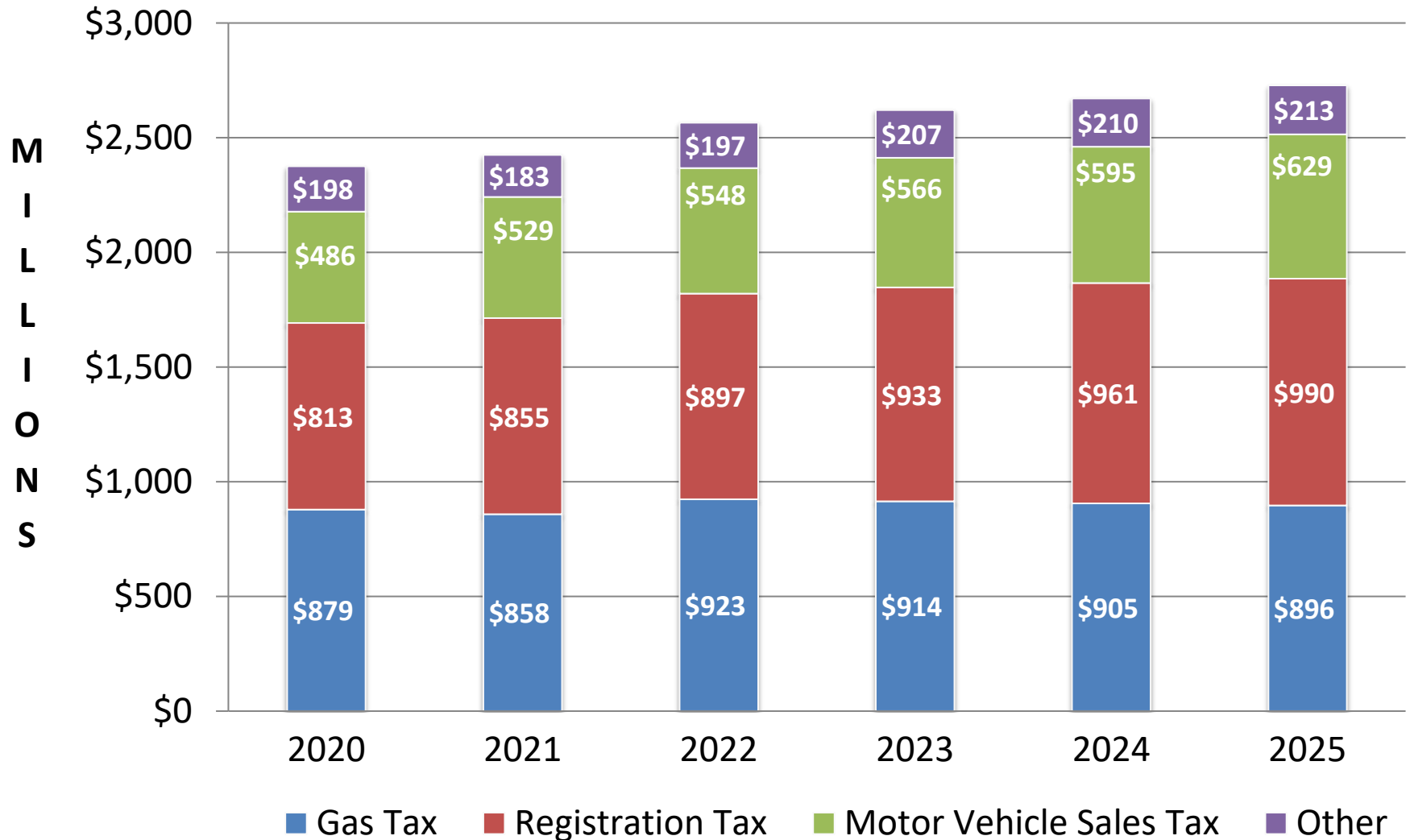
SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS



Transportation: HUTDF Revenue Projections



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS



Transportation Spending (Funds)



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Constitutional Funds:

- Highway User Tax Distribution Fund
- Trunk Highway Fund
- County State-Aid Highway Fund
- Municipal State-Aid Street Fund

Other Major Dedicated Funds:

- State Airports Fund
- Transit Assistance Fund

State Airports Fund (SAF)



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

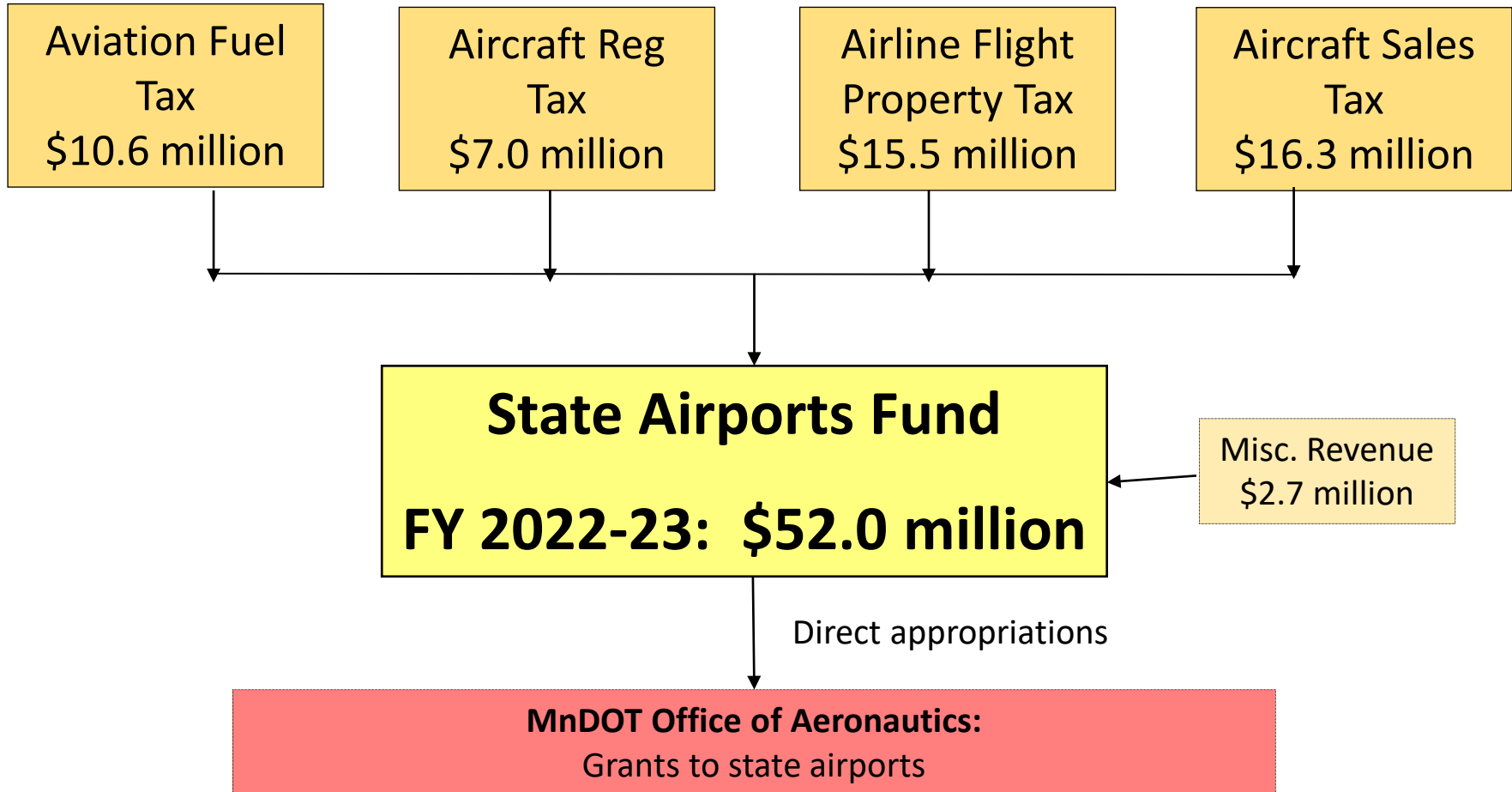
- The State Airports Fund receives statutorily dedicated aviation revenues:
 - Aviation fuel tax
 - Aircraft registration tax
 - Airline flight property tax
 - Aircraft sales tax
- Money in SAF is appropriated by legislature in biennial budget
- Grants from MNDOT's Office of Aeronautics to Minnesota's 133 publicly owned airports:
 - Capital improvements to facilities, equipment, and runways
 - Maintenance and operations assistance
 - Navigational aids and weather systems

Transportation: State Airports



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

STATUTORILY DEDICATED REVENUE



Transportation: Transit Funding



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

- **State funding sources for transit:**
 - General Fund: direct appropriations in biennial budget
 - Transit Assistance Fund: statutory appropriations
 - Metro Transit Account:
 - 36% of Motor Vehicle Sales Tax (MVST)
 - Greater MN Transit Account:
 - 4% of Motor Vehicle Sales Tax (MVST)
 - 38% of Motor Vehicle Lease Sales Tax (MVLST)
- **METRO TRANSIT:**
 - Bus and light-rail transit in the 7-county metro area is operated by the Metropolitan Council and by several Suburban Transit Providers (replacement service or “opt-outs”)
- **GREATER MINNESOTA TRANSIT:**
 - Programs are locally-operated transit services that receive state and federal assistance through MnDOT’s Office of Transit.

Transportation: Transit Operations

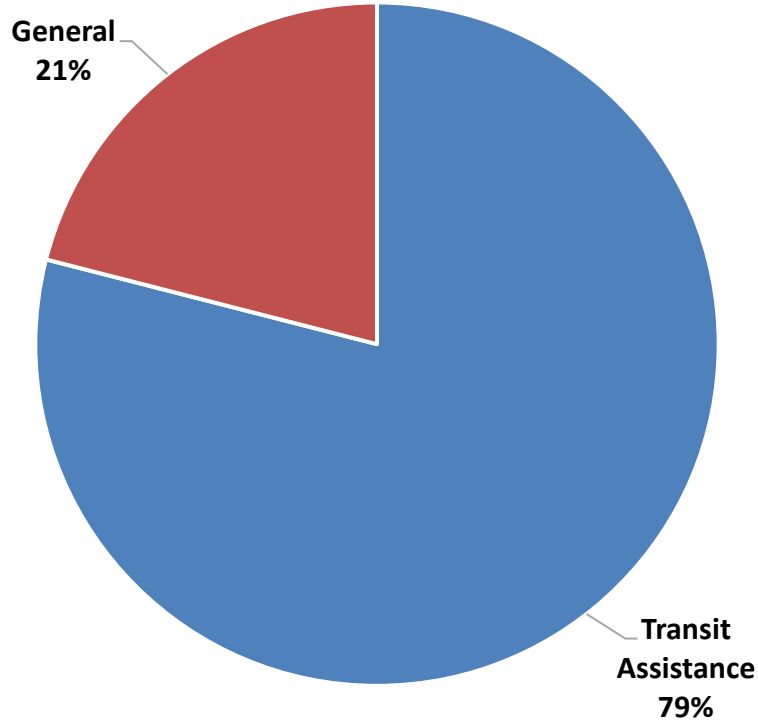


SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

All Funds, FY 2022-23

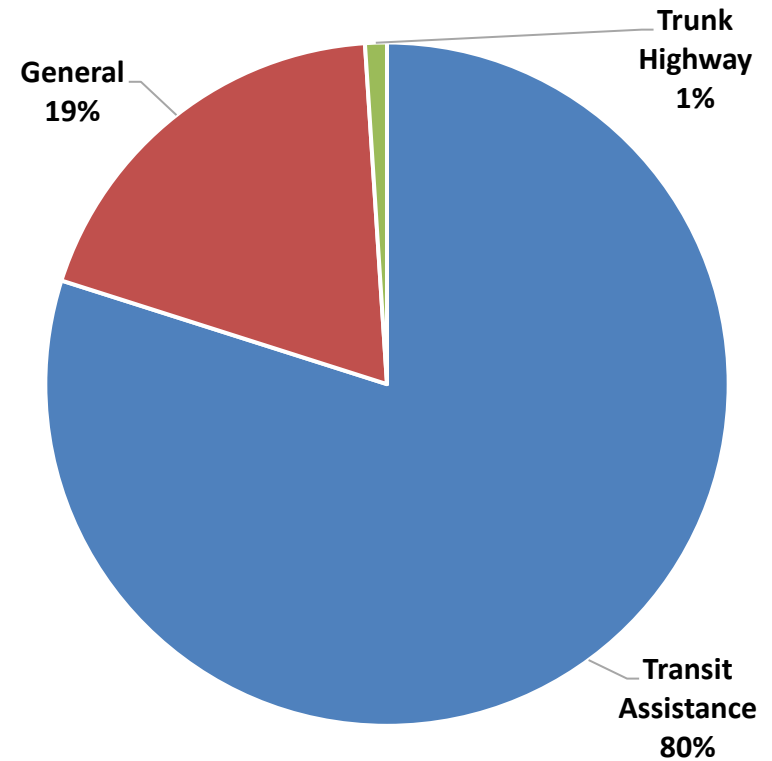
Metropolitan Transit (Met Council)

Base Budget \$845.8 million (0.9% of total All Funds)



Greater MN Transit (MnDOT)

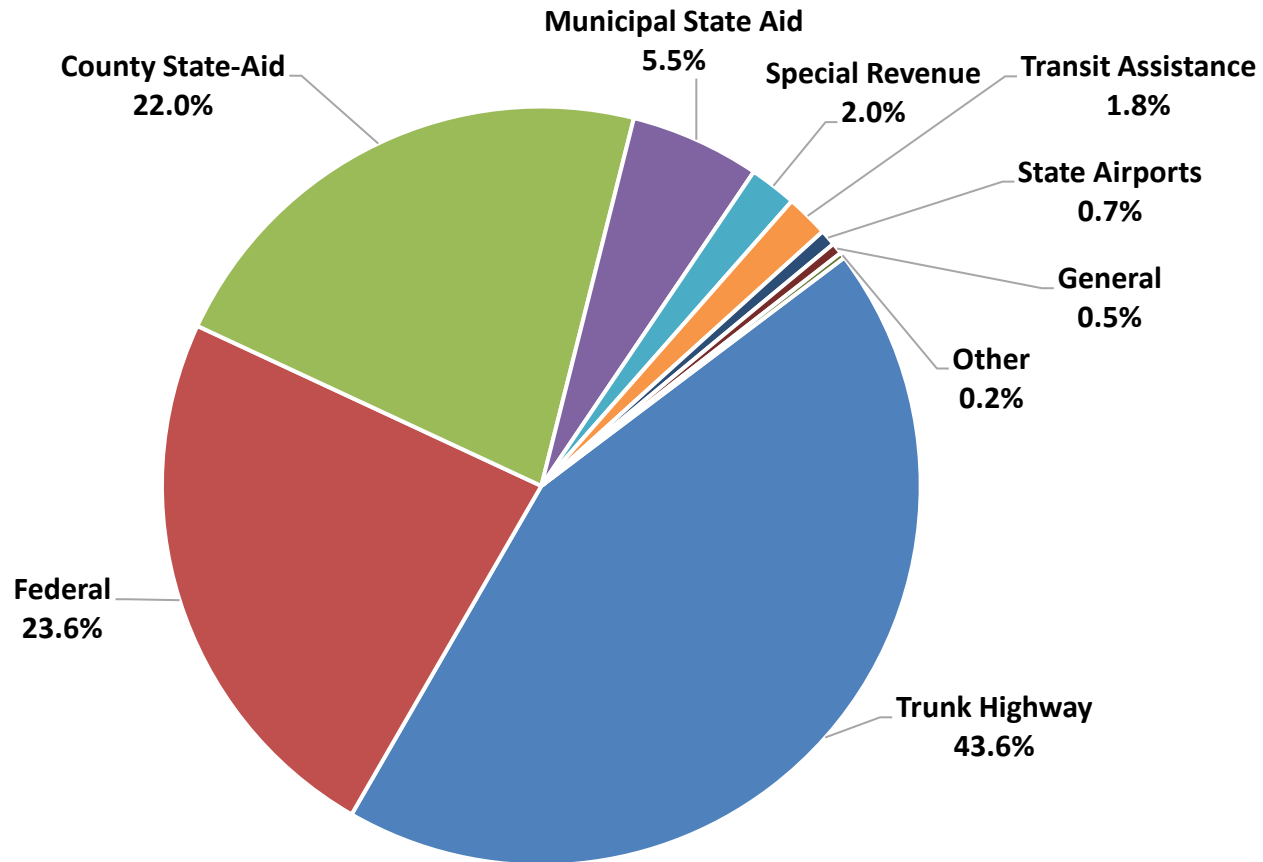
Base Budget \$181.0 million (0.2% of total All Funds)



- **Trunk Highway Bonds:**
 - Proceeds only used for “trunk highway purposes,” must be deposited in Trunk Highway Fund
 - Debt service on bonds is paid from THF
 - MnDOT Debt Management guidelines: THF debt service must not exceed 20% of annual state revenues
- **General Obligation (GO) Bonds:**
 - Used to fund non-trunk highway transportation projects, such as transitways, rail, local bridges and roads, ports and airport improvements
 - Cannot be used for trunk highway projects

Agency All Funds, FY 2022-23

Base Budget \$7.9 Billion (8.5% of total All Funds)



Department of Public Safety (Transportation Programs)



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

- **Driver and Vehicle Services**
 - Program operations are funded by fees for vehicle registration/titles and drivers license transactions
 - Fee revenue deposited in Special Revenue Fund operating accounts
 - DVS account revenues are directly appropriated (\$73 million/year)
- **State Patrol**
 - Funded by direct Trunk Highway Fund appropriation (\$112 mill/year)
 - Capitol Security funded by direct Gen Fund approp (\$10.5 million/year)
- **Office of Traffic Safety**
 - Funded by direct Trunk Highway Fund appropriation (\$494,000/year)
 - THF used as state match for \$16.5 million in annual federal funding
 - OTS also receives direct Gen Fund appropriation (\$470,000/year)
- **Office of Pipeline Safety**
 - Funded by direct Special Revenue Fund appropriation, from pipeline safety inspection fee revenue (\$1.4 million/year)

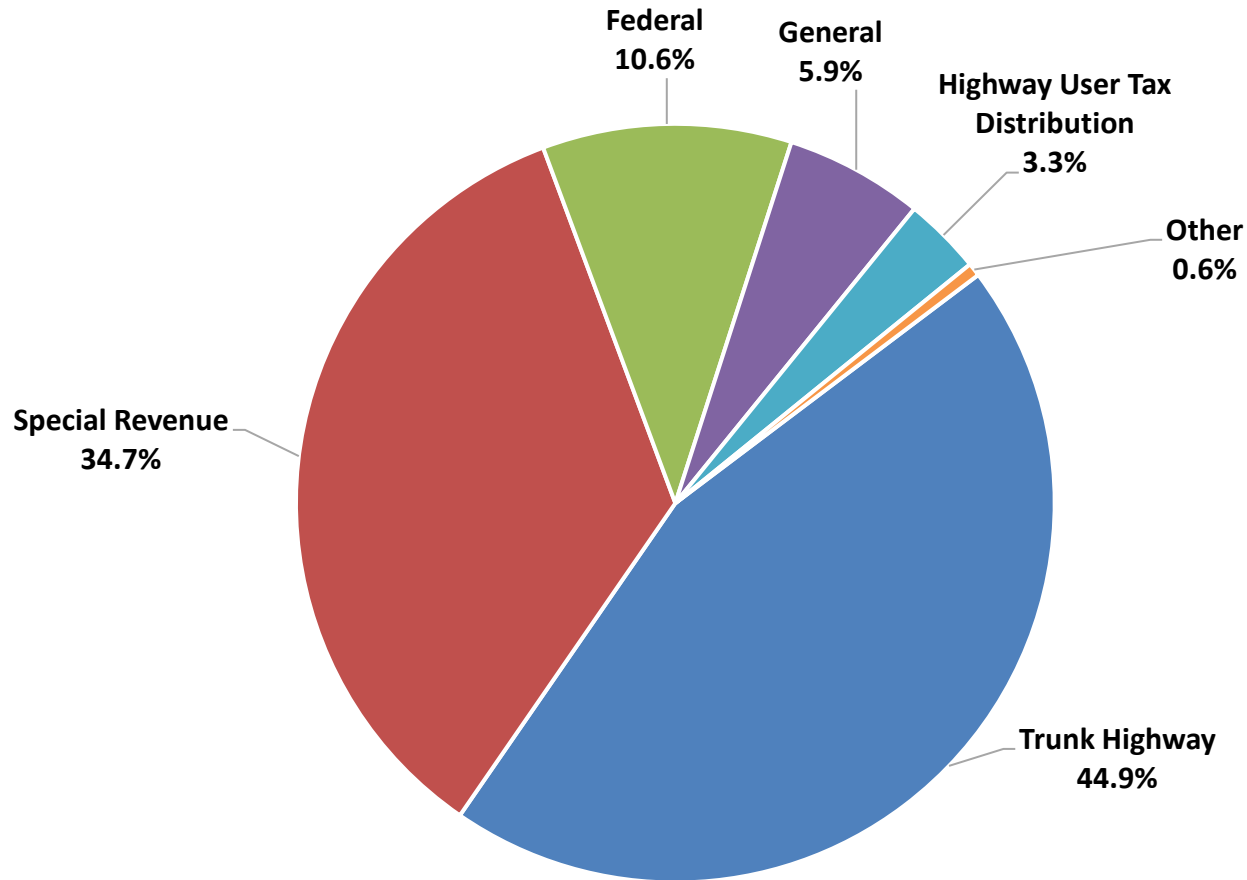
Department of Public Safety (Transportation Programs)



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Agency All Funds, FY 2022-23

Base Budget \$560.8 million (0.6% of total All Funds)





Wrap-up/Questions

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Where To Get Other Information



OFFICE OF COUNSEL, RESEARCH, AND FISCAL ANALYSIS

- **This Briefing**

<https://www.senate.mn/departments/scrfa/publications/>

- **Senate Budget Tracking Spreadsheets**

<https://www.senate.mn/departments/fiscalpol/tracking/index.html>

- **November 2020 Forecast**

<https://mn.gov/mmb/forecast/forecast/>

2019 and 2020 Senate Counsel, Research and Fiscal Analysis Fiscal Review

https://www.senate.mn/departments/scr/freview/2019/fiscal_review.pdf

https://www.senate.mn/departments/scr/freview/2020/fiscal_review.pdf

- **Fiscal Notes and the Legislative Process Briefing**

https://www.senate.mn/storage/scrfa/2018_Fiscal_Note_Presentation.pdf

- **House Fiscal Staff Publication on Fiscal Notes**

<http://www.house.leg.state.mn.us/Fiscal/Download/931>

- **Fiscal Note Search**

<https://mn.gov/mmbapps/fnsearchlbo/>