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Minnesota Management and Budget Non-Operating

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

AT A GLANCE

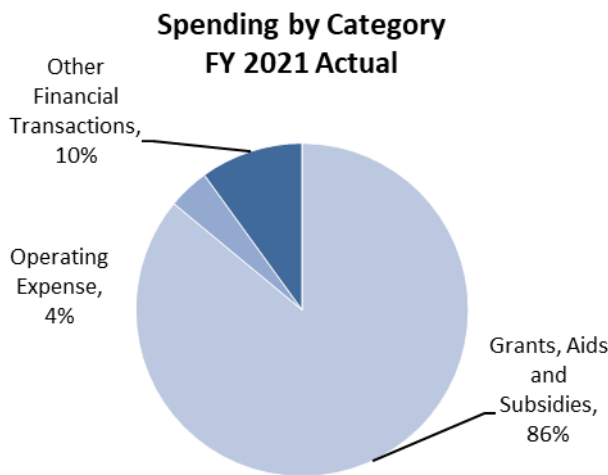
- Maintain approximately 120 accounts outside of MMB’s regular statutory operations
- Receive over \$500 million in deposits, transfers, and cancelations to the general fund annually
- Act as fiscal agent for \$8 million in federal funds annually
- Collect almost \$83 million in miscellaneous fees, fines, penalties, and surcharges annually
- Provide \$69.7 million in direct aid to various local and state pension funds annually

PURPOSE

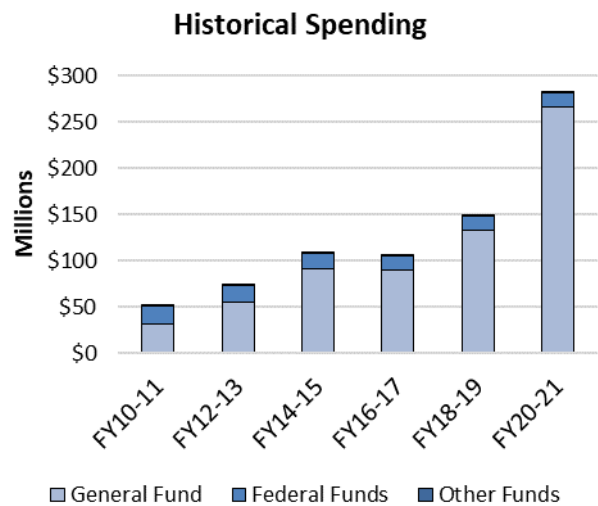
Minnesota Management and Budget (MMB) provides statewide accounting, budgeting, and financial management functions. Because of this role, statute requires MMB to manage a number of accounts and transactions that are outside of our day-to-day operations. This collective work is referred to as MMB’s non-operating 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.

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
<u>Expenditures by Fund</u>								
1000 - General	70,745	195,678	81,298	99,054	82,440	82,006	85,323	83,506
1201 - Health Related Boards				800	400	400	400	400
2001 - Other Misc Special Revenue			226	230	230	230	230	230
2830 - Workers Compensation				100	100	100	100	100
3000 - Federal	7,615	7,495	7,982	9,765	9,765	9,765	9,765	9,765
3700 - Debt Service	45	324		200	200	200	200	200
5000 - Master Lease	19,123	21,844	21,039	21,521	24,805	24,952	24,805	24,952
Total	97,528	225,341	110,544	131,670	117,940	117,653	120,823	119,153
Biennial Change				(80,654)		(6,621)		(2,238)
Biennial % Change				(25)		(3)		(1)
Governor's Change from Base								4,383
Governor's % Change from Base								2

Expenditures by Program

Contingent	100			1,275	1,000	500	2,000	2,000
Teachers Aid	60,658	60,658	60,658	60,658	60,658	60,658	62,541	60,658
Tort Claims			145	177	161	161	161	161
Federal Funds	7,615	7,495	7,982	9,765	9,765	9,765	9,765	9,765
Administrative	9,987	135,020	20,495	37,844	21,121	21,187	21,121	21,187
Debt Management	19,169	22,168	21,265	21,951	25,235	25,382	25,235	25,382
Total	97,528	225,341	110,544	131,670	117,940	117,653	120,823	119,153

Expenditures by Category

Compensation	77							
Operating Expenses	2,893	8,917	524	28,026	11,012	10,578	12,012	12,078
Grants, Aids and Subsidies	75,473	194,581	80,340	82,123	82,123	82,123	84,006	82,123
Other Financial Transaction	19,085	21,844	29,680	21,521	24,805	24,952	24,805	24,952
Total	97,528	225,341	110,544	131,670	117,940	117,653	120,823	119,153

MMB Non-operating

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In		561		516				
Direct Appropriation	506,180	236,583	229,547	404,100	73,580	302,545	1,708,048	304,045
Open Appropriation	22,536	8,512	8,686	25,331	19,111	9,487	19,111	9,487
Transfers In	8,544	332,627	34,701	20,486	10,410	10,880	10,410	10,880
Transfers Out	454,995	55,026	162,120	336,095	15,481	235,490	1,647,066	235,490
Net Loan Activity	(8,261)							
Cancellations	2,699	327,580	28,999	15,284	5,180	5,416	5,180	5,416
Balance Forward Out	561		516					
Expenditures	70,745	195,678	81,298	99,054	82,440	82,006	85,323	83,506
Biennial Change in Expenditures				(86,071)		(15,906)		(11,523)
Biennial % Change in Expenditures				(32)		(9)		(6)
Governor's Change from Base								4,383
Governor's % Change from Base								3

1200 - State Government Special Rev

Transfers In			0					
Cancellations			0					

1201 - Health Related Boards

Balance Forward In		400		400				
Direct Appropriation	400	400	400	400	400	400	400	400
Transfers In		30		1				
Cancellations		830		1				
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		16,704	3,814					
Transfers In	150,000							

MMB Non-operating

Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Transfers Out		16,704	3,814					
Cancellations	150,000							

1251 - COVID-19 Minnesota

Direct Appropriation		59,848	21,900					
Transfers In	200,000							
Transfers Out		59,848	21,900					
Cancellations	200,000							

2000 - Restrict Misc Special Revenue

Balance Forward In		3,656	6,848		3,110	6,220	3,110	6,220
Receipts	6,579	6,196	(4,012)	6,260	6,260	6,260	6,260	6,260
Transfers Out	2,923	3,004	2,836	3,150	3,150	3,150	3,150	3,150
Balance Forward Out	3,656	6,848	0	3,110	6,220	9,330	6,220	9,330

2001 - Other Misc Special Revenue

Balance Forward In			4,249	7,969	12,044	16,119	12,044	16,119
Receipts			20	5	5	5	5	5
Transfers In	340	4,589	4,265	4,640	4,640	4,640	4,640	4,640
Transfers Out	340	340	340	340	340	340	340	340
Balance Forward Out		4,249	7,969	12,044	16,119	20,194	16,119	20,194
Expenditures			226	230	230	230	230	230
Biennial Change in Expenditures				456		4		4
Biennial % Change in Expenditures						1		1
Governor's Change from Base								0
Governor's % Change from Base								0

2005 - Opiate Epidemic Response

Balance Forward In			6,619	5,984	26,528	32,333	26,528	32,333
Receipts		6,619	365	20,544	5,805	4,163	5,805	4,163
Transfers In			1,000					
Transfers Out			1,000					
Cancellations			1,000					

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Agency Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
Balance Forward Out		6,619	5,984	26,528	32,333	36,496	32,333	36,496

2340 - Renewable Development

Balance Forward In	80,403		19,705	40,370	67,264	93,117	67,264	93,117
Receipts	16,340	19,705	20,665	26,894	25,853	30,111	25,853	30,111
Balance Forward Out	96,742	19,705	40,370	67,264	93,117	123,228	93,117	123,228

2360 - Health Care Access

Direct Appropriation	122,000	122,000	122,000	122,000	70,215	0	70,215	0
Transfers In	7,200	0	85,049					
Transfers Out	122,000	122,000	122,000	122,000	70,215		70,215	
Cancellations	7,200	0	85,049					

2700 - Trunk Highway

Direct Appropriation		8,227						
Transfers In	3,936	4,291	4,358	3,601	3,761	3,934	3,761	3,934
Cancellations	3,936	12,518	4,358	3,601	3,761	3,934	3,761	3,934

2830 - Workers Compensation

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

3000 - Federal

Balance Forward In	51	59	68	74	74	74	74	74
Receipts	7,623	7,503	7,988	9,765	9,765	9,765	9,765	9,765

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Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Balance Forward Out	59	68	74	74	74	74	74	74
Expenditures	7,615	7,495	7,982	9,765	9,765	9,765	9,765	9,765
Biennial Change in Expenditures				2,638		1,783		1,783
Biennial % Change in Expenditures				17		10		10
Governor's Change from Base								0
Governor's % Change from Base								0

3700 - Debt Service

Balance Forward In		15	190	190	190	190	190	190
Receipts	60	500		200	200	200	200	200
Balance Forward Out	15	190	190	190	190	190	190	190
Expenditures	45	324		200	200	200	200	200
Biennial Change in Expenditures				(170)		200		200
Biennial % Change in Expenditures				(46)				
Governor's Change from Base								0
Governor's % Change from Base								0

3800 - Permanent School

Balance Forward In	9,622	9,417	8,780	9,615	9,973	10,111	9,973	10,111
Receipts	38,885	36,041	36,162	39,481	39,895	40,309	39,895	40,309
Transfers Out	39,090	36,678	35,327	39,123	39,757	40,171	39,757	40,171
Balance Forward Out	9,417	8,780	9,615	9,973	10,111	10,249	10,111	10,249

4901 - 911 Revenue Bond Debt Service

Balance Forward In	807	1,069	1,069	1,069	1,069	1,069	1,069	1,069
Transfers In	23,261	10,652						
Transfers Out	22,998	10,652						
Balance Forward Out	1,069	1,069	1,069	1,069	1,069	1,069	1,069	1,069

4925 - Paid Family Medical Leave

Transfers In							668,321	
Cancellations							668,321	

5000 - Master Lease

MMB Non-operating

Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Balance Forward In	0	0	0					
Transfers In	19,123	21,844	21,039	21,521	24,805	24,952	24,805	24,952
Transfers Out			0					
Balance Forward Out	0	0	0					
Expenditures	19,123	21,844	21,039	21,521	24,805	24,952	24,805	24,952
Biennial Change in Expenditures				1,593		7,197		7,197
Biennial % Change in Expenditures				4		17		17
Governor's Change from Base								0
Governor's % Change from Base								0

6000 - Miscellaneous Agency

Balance Forward In	10,651	12,634	18,463	16,907	19,088	21,240	19,088	21,240
Receipts	2,664	6,470	(962)	2,840	2,840	2,840	2,840	2,840
Transfers In	91	64	25	126	72	72	72	72
Transfers Out	1,385	706	618	785	760	760	760	760
Balance Forward Out	12,021	18,463	16,907	19,088	21,240	23,392	21,240	23,392

8000 - Housing Finance Agency

Balance Forward In	150	20	315	17				
Receipts	508	442	538	480	480	480	480	480
Transfers Out	638	147	835	497	480	480	480	480
Balance Forward Out	20	315	17					

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Agency Change Summary

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Direct				
Fund: 1000 - General				
FY2023 Appropriations	104,008	90,937	90,937	181,874
Base Adjustments				
One-Time Capital Appropriations		(17,044)	(17,044)	(34,088)
All Other One-Time Appropriations		(813)	(813)	(1,626)
Current Law Base Change	300,092		229,465	229,465
Biennial Appropriations		500		500
Forecast Base	404,100	73,580	302,545	376,125
Change Items				
Debt Service and Cash Impact for Capital Investments		887,027		887,027
Calendar Year 2024 Cost of Living Adjustment Increase for Retirees		78,120		78,120
Contingent Appropriation Increase		1,000	1,500	2,500
Paid Family and Medical Leave Insurance		668,321		668,321
Total Governor's Recommendations	404,100	1,708,048	304,045	2,012,093
Fund: 1201 - Health Related Boards				
FY2023 Appropriations	400	400	400	800
Forecast Base	400	400	400	800
Total Governor's Recommendations	400	400	400	800
Fund: 2360 - Health Care Access				
FY2023 Appropriations	122,000	122,000	122,000	244,000
Base Adjustments				
Current Law Base Change		(51,785)	(122,000)	(173,785)
Forecast Base	122,000	70,215	0	70,215
Total Governor's Recommendations	122,000	70,215	0	70,215
Fund: 2830 - Workers Compensation				
FY2023 Appropriations	100	100	100	200
Forecast Base	100	100	100	200
Total Governor's Recommendations	100	100	100	200
Open				
Fund: 1000 - General				
Base Adjustments				
Forecast Open Appropriation Adjustment		9,690		9,690
November Forecast Adjustment	9,631	9,421	9,487	18,908
Forecast Base	9,631	19,111	9,487	28,598
Change Items				

MMB Non-operating

Agency Change Summary

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
US Bank Stadium Debt and Stadium Reserve Changes	15,700			
Total Governor's Recommendations	25,331	19,111	9,487	28,598
<i>Dedicated</i>				
Fund: 2001 - Other Misc Special Revenue				
Planned Spending	230	230	230	460
Forecast Base	230	230	230	460
Total Governor's Recommendations	230	230	230	460
Fund: 3000 - Federal				
Planned Spending	9,765	9,765	9,765	19,530
Forecast Base	9,765	9,765	9,765	19,530
Total Governor's Recommendations	9,765	9,765	9,765	19,530
Fund: 3700 - Debt Service				
Planned Spending	200	200	200	400
Forecast Base	200	200	200	400
Total Governor's Recommendations	200	200	200	400
Fund: 5000 - Master Lease				
Planned Spending	21,521	24,805	24,952	49,757
Forecast Base	21,521	24,805	24,952	49,757
Total Governor's Recommendations	21,521	24,805	24,952	49,757
<i>Revenue Change Summary</i>				
<i>Dedicated</i>				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	6,260	6,260	6,260	12,520
Total Governor's Recommendations	6,260	6,260	6,260	12,520
Fund: 2001 - Other Misc Special Revenue				
Forecast Revenues	5	5	5	10
Total Governor's Recommendations	5	5	5	10
Fund: 2005 - Opiate Epidemic Response				
Forecast Revenues	20,544	5,805	4,163	9,968
Total Governor's Recommendations	20,544	5,805	4,163	9,968
Fund: 2340 - Renewable Development				

MMB Non-operating

Agency Change Summary

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Forecast Revenues	26,894	25,853	30,111	55,964
Total Governor's Recommendations	26,894	25,853	30,111	55,964
Fund: 3000 - Federal				
Forecast Revenues	9,765	9,765	9,765	19,530
Total Governor's Recommendations	9,765	9,765	9,765	19,530
Fund: 3700 - Debt Service				
Forecast Revenues	200	200	200	400
Total Governor's Recommendations	200	200	200	400
Fund: 3800 - Permanent School				
Forecast Revenues	39,481	39,895	40,309	80,204
Total Governor's Recommendations	39,481	39,895	40,309	80,204
Fund: 6000 - Miscellaneous Agency				
Forecast Revenues	2,840	2,840	2,840	5,680
Total Governor's Recommendations	2,840	2,840	2,840	5,680
Fund: 8000 - Housing Finance Agency				
Forecast Revenues	480	480	480	960
Total Governor's Recommendations	480	480	480	960
Non-Dedicated				
Fund: 1000 - General				
Forecast Revenues	702,103	845,503	453,770	1,299,273
Total Governor's Recommendations	702,103	845,503	453,770	1,299,273
Fund: 1200 - State Government Special Rev				
Forecast Revenues	2,501	2,501	2,501	5,002
Total Governor's Recommendations	2,501	2,501	2,501	5,002
Fund: 2212 - Peace Officer Training Account				
Forecast Revenues	103	103	103	206
Total Governor's Recommendations	103	103	103	206
Fund: 2300 - Outdoor Heritage				
Forecast Revenues	2,500	2,500	2,500	5,000
Total Governor's Recommendations	2,500	2,500	2,500	5,000

MMB Non-operating

Agency Change Summary

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Fund: 2301 - Arts & Cultural Heritage				
Forecast Revenues	157	157	157	314
Total Governor's Recommendations	157	157	157	314
Fund: 2302 - Clean Water				
Forecast Revenues	1,250	1,250	1,250	2,500
Total Governor's Recommendations	1,250	1,250	1,250	2,500
Fund: 2303 - Parks and Trails				
Forecast Revenues	400	400	400	800
Total Governor's Recommendations	400	400	400	800
Fund: 2360 - Health Care Access				
Forecast Revenues	19,311	18,735	17,853	36,588
Total Governor's Recommendations	19,311	18,735	17,853	36,588

Minnesota Management and Budget Non-Operating

FY 2024-25 Biennial Budget Change Item

Change Item Title: Debt Service and Cash Impact for Capital Investments

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	903,642	50,449	87,575	104,377
Revenues	0	0	0	0
Special Revenue Fund				
Expenditures	(1,085)	(1,085)	(1,085)	(1,085)
Revenues	0	0	0	0
Trunk Highway Fund				
Expenditures	10,906	8,740	14,010	15,155
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	913,463	58,104	100,500	118,447
FTEs	12.2	12.2	12.2	6.2

Recommendation:

The Governor recommends \$954.091 million in FY 2024-25 and \$191.952 million in FY2026-27 from the general fund and \$19.646 in FY2024-25 and \$29.165 million in FY 2026-27 from the trunk highway fund to support recommended capital investments for the 2023 Legislative Session. This recommendation also includes a savings to the Special Revenue Fund with an impact of -\$2.17 million in FY 2024-25 and -\$2.17 million in FY 2026-27.

In addition, the Governor is holding the general fund cash required to finance the debt service for \$880 million in general obligation bonds, which is the level assumed in the February 2023 forecast and thus has no fiscal impact compared to forecast levels.

Rationale/Background:

The amounts included in this change item and reflect the general fund cash and debt service needed to finance projects included in the Governor’s revised 2023 Capital Budget Recommendations, published in March 2023. The debt service amounts have been updated for the February 2023 forecast.

General fund cash and trunk highway fund cash are required for the debt service and cash impacts of projects included in the Governor’s revised 2023 Capital Budget Recommendations. There is also a special revenue fund impact of savings.

Proposal:

The Governor’s revised 2023 Capital Budget Recommendations are published in the “Current Capital Budget” section of MMB’s capital budget website: <https://mn.gov/mmb/budget/capital-budget/current/>.

Impact on Children and Families:

The Governor’s revised 2023 Capital Budget Recommendations include funding for projects and programs across the state that benefit children and families.

Equity and Inclusion:

The Governor’s revised 2023 Capital Budget Recommendations include funding set aside for projects from community-based organizations that are led by and serve communities of color and American Indians.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

IT Costs

This recommendation does not have an impact on IT costs via MNIT.

Results:

This recommendation invests in a number of projects and programs, each with a unique scope.

Statutory Change(s):

No statutory changes are needed for this change item, which holds the debt service and cash impact of the Governor’s revised 2023 Capital Budget Recommendations.

Minnesota Management and Budget Non-Operating

FY 2024-25 Biennial Budget Change Item

Change Item Title: Calendar Year 2024 Cost of Living Adjustment Increase for Retirees

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	78,120	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	78,120	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends transferring \$78.12 million in general fund resources to Minnesota State Retirement System (MSRS), Teacher’s Retirement Association (TRA), Public Employees Retirement Association (PERA), and St. Paul Teachers Retirement Fund Association (SPTRFA) to fund a one-time non-compounded cost of living adjustment (COLA) increase for retirees in those plans.

Rationale/Background:

Recommended funding is intended to respond to inflationary pressures and provide necessary one-time increases so all MSRS, TRA, PERA, and SPTRFA retirees receive a 2.5% COLA adjustment in calendar year 2024. Under this proposal, approximately 255,000 retirees will see an increased retirement payment in 2024.

Proposal:

Under this proposal general fund resources will be transferred to MSRS, TRA, PERA, and SPTRFA to fund a one-time non-compounding increase for retirees in those plans. Under this proposal all retirees in MSRS, TRA, PERA, and SPTRFA will receive a 2.5% COLA adjustment in calendar year 2024. The following table shows general fund resources transferred to each plan under the proposal.

<i>Plan</i>	<i>FY 2024 Transfer (\$ in Thousands)</i>
MSRS-General	\$15,085
MSRS-Highway Patrol	1,003
MSRS-Correctional	911
MSRS-Judges	293
MSRS-Legislators	135
MSRS Total	\$17,428
PERA-General	\$18,169
PERA-Police & Fire	9,882
PERA-Correctional	-
PERA Total	\$28,051

<i>Plan</i>	<i>FY 2024 Transfer (\$ in Thousands)</i>
TRA	\$30,758
St. Paul TRA	\$1,883
Total – All Plans	\$78,120

Results:

This proposal is intended to help relieve inflationary pressures experienced by retirees receiving a pension from MSRS, TRA, PERA, and SPTRFA.

Minnesota Management and Budget Non-Operating

FY 2024-25 Biennial Budget Change Item

Change Item Title: Contingent Appropriation Increase

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	1,000	1,500	1,000	1,500
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,000	1,500	1,000	1,500
FTEs	0	0	0	0

Recommendation:

The Governor recommends increasing the funding available in the general fund contingent appropriation to \$1.5 million each year. The proposal represents a \$2.5 million increase per biennium to the contingent appropriation compared to current law.

Rationale/Background:

The purpose of the contingent appropriation is to ensure funds are available to address unforeseen costs and circumstances. The process for the use of the contingent appropriation is prescribed in Minnesota Statutes, section 3.30. The Commissioner of Management and Budget may transfer funds in the account to state agencies. That action requires approval of the governor for transfers exceeding \$5,000 and consultation with the Legislative Advisory Committee for transfers exceeding \$10,000.

The size of the contingent appropriation has not increased since FY 2006, and the appropriation amount was reduced effective that year to \$500,000 per biennium. Prior to FY 2006, the contingency account was appropriated \$1 million in the FY 2004-05 biennium and \$6 million in FY 2002-03 biennium. After being reduced, the appropriation amount has been flat for nearly two decades, while the size of potential risks to the state have grown substantially.

One area of growing risk is cybersecurity. Like many other states, the State of Minnesota, through Minnesota IT Services, carries cybersecurity risk insurance to protect against potential significant financial impact because of cybersecurity incidents. Conditions in the insurance market are leading to significant premium increases and larger retention amounts for all policy holders. Minnesota’s current Cyber Liability Insurance policy covers all State of Minnesota agencies, boards, and commissions included in the scope of MNIT’s [Information Security and Risk Management Applicability Standard](#). This policy includes a \$10 million coverage limit and has a \$1.5 million retention. The policy will reimburse the state for eligible, approved expenses that exceed the \$1.5 million retention, up to the \$10 million coverage limit.

In the event of a cybersecurity incident, agencies would be responsible for initial costs up to the \$1.5 million retention. State agencies do not have resources within their operating budgets to absorb these costs. This is the type of unforeseen cost where a transfer from the contingent appropriation would be appropriate to quickly respond to the incident and meet necessary obligations.

Proposal:

This proposal is to increase the current appropriation in the contingency account from \$500,000 each biennium to \$3 million each biennium (\$1.5 million per year) to address the growing risk of unforeseen costs that would otherwise weigh on state agency operating budgets.

Minnesota Management and Budget Non-Operating

FY 2024-25 Biennial Budget Change Item

Change Item Title: US Bank Stadium Debt and Stadium Reserve Changes

Fiscal Impact (\$000s)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
General Fund Expenditures					
Debt Payoff	377,000	0	0	0	0
Debt Service	0	(30,152)	(30,151)	(30,152)	(30,157)
Capital Improvements	15,700	0	0	0	0
General Fund Revenue					
Minneapolis Sales Tax	0	(2,542)	(2,542)	(2,542)	(2,542)
Stadium Reserve					
Fund Debt Payoff	(366,179)	0	0	0	0
Reserve Repeal	0	(150,783)	(161,353)	(167,784)	(174,518)
Net General Fund Impact	26,521	(178,393)	(188,962)	(195,394)	(202,133)

Recommendation:

The Governor recommends paying off the remaining state held debt for US Bank Stadium in Minneapolis, funding a secure perimeter at the stadium, relieving the City of Minneapolis of repayments of state advances, and repealing the stadium reserve in the general fund. The general fund net impact of this change would be a cost of \$26.521 million in FY 2023 and a savings of \$367.355 million in FY 2024-25 and \$397.527 million in FY 2026-27.

Proposal:

On June 1, 2023, the earliest allowable payoff date, approximately \$377 million in bonds will be outstanding on the publicly financed portion of the US Bank Stadium project in Minneapolis. Under this proposal, MMB would pay off the remaining bonds with the current balance of the stadium reserve, estimated to be \$366.179 million, and additional general fund resources as needed to fully pay off the remaining debt.

In addition, under this proposal the state would fund the first phase of a secure perimeter around US Bank Stadium at a cost of \$15.7 million. This project is within the current legal uses of the Stadium Reserve and would mitigate a significant capital cost for the Stadium Authority.

An additional general fund appropriation in FY 2023 of \$26.521 million would enable quicker payoff of existing debt. From that point forward, the state would not incur additional interest costs. Starting in FY 2024, annual general fund debt service savings would be approximately \$30.2 million under this proposal.

Under this proposal, the stadium reserve would be repealed after bond payoff and the current forecast growth of the reserve would fall to the general fund bottom line. The estimated general fund benefit of the reserve repeal would be \$312.136 million in FY 2024-25 and \$342.302 million in FY 2026-27.

Also incorporated into this proposal is forgiveness of remaining advances made on behalf of the City of Minneapolis for stadium operations and capital reserves from FY 2016-20. Repeal of repayments would result in \$2.542 million in reduced state sales tax revenue, with that amount remitted back to the city each year instead of the current law deposit in the state general fund. Under this proposal, repayments made prior to FY 2024 would not be refunded. This proposal also would not change statutory revenue retention from Minneapolis local sales taxes for its share of the stadium debt.

Statutory Change(s):

MS 297A.994 Subd. 4 (4); 297E.021; 16A.965

Minnesota Management and Budget Non-Operating

FY 2024-25 Biennial Budget Change Item

Change Item Title: Transfer From The Premium Security Account

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	275,775	0
Other Funds				
Expenditures	0	0	275,775	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 \$275.775 million from the Premium Security Plan Account to the general fund at the end of fiscal year 2026.

Rationale/Background:

The Minnesota Premium Security Plan (MPSP) was created by the 2017 legislature and extended in 2022 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. From fiscal year 2018 through 2025 on net, \$425 million will be transferred from the general fund to the Premium Security Account, and \$395 million has been transferred from the health care access fund to the Premium Security Account.

Proposal:

This proposal transfers \$275.775 million from the Premium Security Account to the general fund at end of fiscal year 2026. This proposal provides the account with funding sufficient to operate the program through plan year 2025 which is paid in fiscal year 2026. Forecast change driven by higher federal pass through funds and lower total program estimates reduced the amount of state resources needed to operate the program over the forecast horizon.

Statutory Change(s):

None.

Minnesota Management and Budget Non-Operating

FY 2024-25 Biennial Budget Change Item

Change Item Title: Parking Fund Debt Service Waiver

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
MMB Non-Operating				
General Fund				
Expenditures	0	0	0	0
Transfer In	(990)	(993)	(994)	(988)
Net Fiscal Impact = (Expenditures – Revenues)	990	993	994	988
FTEs	0	0	0	0

Recommendation:

The Governor recommends eliminating the requirement that the state parking account pay the debt service associated with the Minnesota Senate Garage. This debt service payment represents a significant portion of the cost to operate the parking and transit program on the Capitol Complex. This change would reduce transfers from the Department of Administration’s special revenue fund state parking account to Minnesota Management and Budget (MMB) Non-operating’s general fund account. This change will result in the debt service amount associated with the Senate Garage shifting to the general fund’s debt service obligations.

Rationale/Background:

State parking facilities and state employee transit pass programs are user-financed, and parking rates are set to cover expenses such as operations, maintenance, and debt payments. The number of parking contracts has decreased by 40 percent since the beginning of the COVID-19 pandemic and the move to hybrid work arrangements for employees on the Capitol Complex. Additionally, a reduction in the use of state parking meters has resulted in a steep decline in parking revenue and a shortfall in the parking account. Revenue is expected to remain at this lower level as state employees continue to work in hybrid schedules. The parking account has received federal ARPA funds due to revenue loss for FY 2022 and FY 2023. Those funds will be exhausted by the end of FY 2023. Without relief, parking rates on the Capitol Complex can be expected to increase significantly to cover the shortfall with state employees and visitors bearing the burden of parking rates well beyond market rates in the area. Parking rates would need to increase substantially to cover the shortfall. If parking rates are not sustainable for current parkers, the long-term stability of the parking options on the Capitol Complex is at risk.

Proposal:

The Governor recommends eliminating the transfer of debt service amounts for the Minnesota Senate Garage from the state parking account to the general fund in the amount of \$990,000 in FY 2024, \$993,000 in FY 2025, \$994,000 in FY 2026 and \$988,000 in FY 2027. This change would significantly reduce expenses in the state parking account and help to balance expenses with current revenues. The debt for the Minnesota Senate Garage will be retired in 2039.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- Yes
- No

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	Percentage that parking rates will increase	0%	FY 2022	At least 60%	At least 33% *	FY 2024

*Admin has also requested a waiver for the debt service on Ramp F. If both are funded, parking rates are not expected to increase.

Statutory Change(s):

Laws of 2015, Chapter 77, Section 78

Minnesota Management and Budget Non-Operating

FY 2024-25 Biennial Budget Change Item

Change Item Title: Paid Family and Medical Leave Insurance

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures				
<i>MMB Non-Operating</i>	0	0	75	5,824
<i>DHS</i>				199
Transfer Out	668,321	0	0	0
GF Net Fiscal Impact =	668,321	0	75	6,023
Paid Family Medical Leave Fund				
Expenditures				
<i>DEED</i>	41,659	36,492	64,657	92,640
<i>MMB</i>	0	0	43	44
<i>Commerce</i>	367	316	128	128
<i>DLI</i>	601	480	646	646
<i>DHS</i>	2,649	0	530	530
<i>Supreme Court</i>	0	0	20	0
<i>Legislature</i>	0	0	11	0
<i>Court of Appeals</i>	0	0	0	5,600
<i>Benefits</i>	0	0	0	1,038,531
Transfer In	668,321	0	0	0
Revenues	0	0	0	1,219,808
All Funds Net Fiscal Impact = (Expenditures – Revenues)	45,276	37,288	66,110	(75,666)
FTEs	39.5	65.5	241.75	410.5

Recommendation:

The Governor recommends \$668.321 million from the general fund in FY 2024-25 and \$6.098 million in FY 2026-27. The Governor also recommends applying a 0.6% premium rate to employee wages beginning on July 1, 2026, to establish a Paid Family and Medical Leave Insurance program and that employee contributions comprise one-half of the premium rate.

The transfer of \$668.321 million from the general fund provides funds necessary to cash flow the program to enable benefit payments to commence simultaneously with tax collections. It will also support the development of an IT system for collecting premiums and paying benefits, initial staffing and administrative resources required to implement and operate this program at the Department of Employment and Economic Development and other state agencies and branches of government.

Rationale/Background:

Most Minnesotans will need Paid Family and Medical Leave at some point in their lives – whether due to illness, a new child, or family caretaking. But today, 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 lack access to paid 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. Additionally, Minnesota workers are generally 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.

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. Paid Family and Medical Leave is a critical tool towards enhancing Minnesota's economic competitiveness and building a more stable and resilient workforce.

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 will allocate:

- \$519.266 million from the general fund in FY 2024-25 will fund a reserve balance in the Paid Family and Medical Leave (PFML) Fund. This will provide adequate cash flow to permit initiation of benefits simultaneously with the start of premium collections on July 1, 2026.
- An additional transfer of \$149.055 million from the general fund in FY 2024-25 will fund start up costs for administration of the program to be appropriated from the PFML Fund.
- \$5.899 million in FY 2026-27 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.
- \$199 thousand in FY 2026-27 for the Department of Human Services for nursing facility employee compensation costs.

Proposed appropriations from the new PFML Fund include:

- \$78.151 million in FY 2024-25 and \$157.297 million in FY 2026-27 for the Department of Employment and Economic Development will support the creation of business process design, a premium collection system, benefits payment system, user interface development, and program administration.
- \$87 thousand in FY 2026-27 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.
- \$683 thousand in FY 2024-25 and \$256 thousand in FY 2026-27 for the Department of Commerce will fund development of private plan rules and approvals.
- \$1.081 million in FY 2024-25 and \$1.292 million in FY 2026-27 for the Department of Labor and Industry will fund oversight and compliance costs related to the program as well as IT systems upgrades.
- Starting in FY 2027, \$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 2026-27 for the Legislature-LCC will support onetime payroll system updates.
- \$20 thousand in FY 2026-27 for the Supreme Court will support onetime system updates.
- \$2.649 million in FY 2024-25 and \$1.060 million in FY 2026-27 for the Department of Human Services to make systems modifications necessary for the implementation of the program.

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 2024 and FY 2028 is anticipated to be approximately \$80.4 million, plus approximately \$6.0 million in 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 2024-25 Biennial Budget Change Item

Change Item Title: Governor’s Office Operating Adjustment

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	1,010	1,260	1,260	1,260
<i>Governor’s Office</i>	5,346	5,594	5,594	5,594
<i>MMB Non-Operating</i>	(4,336)	(4,336)	(4,336)	(4,336)
Revenues	0	0	0	0
Special Revenue Fund				
Expenditures	(4,336)	(4,336)	(4,336)	(4,336)
Revenues	(4,336)	(4,336)	(4,336)	(4,336)
Net Fiscal Impact = (Expenditures – Revenues)	1,010	1,260	1,260	1,260
FTEs	10	11	11	11

Recommendation:

The Governor recommends an operating adjustment to ensure that the Governor’s Office is sufficiently funded to maintain its existing service levels, shift current operating expenses to the General Fund, increase staffing capacity by 10 FTE, and cover known operational cost increases and anticipated employee compensation growth in the next biennium.

This change also includes allocated reductions to other state agency appropriations equivalent to current transfers to the Governor’s Office account in the Special Revenue Fund.

This change will increase the Governor’s Office overall budget by \$1.01 million in FY 2024 and \$1.26 million in FY 2025.

Rationale/Background:

The operating increases recommended in FY 2024 and FY 2025 fund a portion of the projected cost increases in the upcoming biennium. Each year, the cost of doing business rises—including growing costs for employer-paid health care contributions and other salary and compensation-related costs. Other operating costs, like rent and lease, fuel and utilities and IT services also grow. This cost growth puts pressure on operating budgets that remain flat from year to year without enacted increases. The Governor’s Office has not had an increase to its general fund appropriation since 2019.

Proposal:

Fund Existing Services from the General Fund

DESCRIPTION: This operating adjustment creates a stable foundation for the necessary services provided by the Governor’s Office by ensuring all existing services are paid for by the General Fund. This shift will result in a net increase to the base funding of the office by \$1.01 million in FY 2024 and \$1.26 million in FY 2025 to maintain existing FTE staffing levels and to keep up with increased costs for products and services, such as known cost increases for IT services and inflationary increases related to travel and mail and printing expenses required for our public engagement and constituent services work throughout the state.

IMPACT: Each year the costs of doing business like rent, travel expenses, printing, and mailing increase and are projected to continue to increase. Without this funding the Governor’s Office would need to significantly reduce

FTEs over the biennium through attrition and/or significantly increase annual assessments to cabinet level agencies to ensure necessary support and services can continue. Not funding this request will negatively affect all cabinet agencies that receive regular and ongoing legal guidance, policy development and leadership support, communication strategies and partnership, public engagement, outreach events with the Governor's Office, critical leadership to continue enhancing tribal-state relations, and enterprise- wide coordination from the Governor's Office.

Results:

This proposal is intended to allow the Governor's Office to continue to provide current levels of service, add 10 FTE to ensure proper levels of support, guidance, and outreach and engagement with all cabinet level agencies, tribal nations, and citizens throughout Minnesota.

Minnesota Management and Budget Non-Operating

FY 2024-25 Biennial Budget Change Item

Change Item Title: COVID-19 Management Account Cancellation

Fiscal Impact (\$000s)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
General Fund					
Expenditures	(58,334)	0	0	0	0
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)	(58,334)	0	0	0	0
FTEs	0	0	0	0	0

Recommendation:

The Governor recommends cancelling \$58.334 million in FY 2023 from the COVID-19 Management appropriation in the general fund.

Rationale/Background:

The 2022 legislature made a one-time appropriation of \$190 million from the general fund in FY 2022 to pay for COVID-19 management costs incurred between May 23, 2022, and February 15, 2023, for testing, vaccinations, COVID-19 outbreak management, local and Tribal health, public education, and health system supports. The funds are available until March 30, 2023.

General fund spending on such activities is not anticipated to total the full amount of the appropriation, leaving an unused balance in the appropriation that is available for cancellation to the general fund.

Proposal:

The \$58.334 million unallocated balance within the \$190 million COVID-19 Management general fund appropriation would be canceled to the general fund in FY 2023. These funds would be available for other legislative priorities.

Results:

This recommendation is to align the level of funding for COVID-19 management appropriation with its expected uses in order to maximize general fund resources available for other purposes.

Minnesota Management and Budget Non-Operating

FY 2024-25 Biennial Budget Change Item

Change Item Title: Rural Finance Authority Bond Fund Appropriation

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Debt Service – GO Bonds	1	2	3	3
Revenue	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1	2	3	3
FTEs	0	0	0	0

Recommendation:

The Governor recommends the authorization of \$40 million in general obligation-user financed bonds and \$40,000 in general obligation bonds for bond sale expenses for Rural Finance Authority (RFA) Loans. Proceeds from the \$40 million authorization’s bond sales will be used to support loan programs administered by the RFA.

This proposal would provide funds for approximately 2 years for the five RFA Bond Loan Programs. Currently there is approximately \$19 million in available funds that are projected to be exhausted by October of 2023.

Rationale/Background:

Five programs are funded from the sale of general obligation bonds. They include: the Beginning Farmer Loan Program, the Seller-Sponsored Loan Program, the Agricultural Improvement Program, the Livestock Expansion Loan Program and the Restructure II Loan Program. All five programs are participation programs whereby the RFA joins in partnership with local lending institutions to provide credit based upon certain pre-established rules. Over 450 financial facilities are included in master participation agreements. These programs are an important source of funding for Minnesota’s beginning farmers as the Beginning Farmer Loan program consists of approximately 70% of the bond fund loans issued.

Proposal:

This recommendation of \$40 million in general obligation-user financed bonds will provide funding for RFA Bond Loans. Bonds will only be sold (yearly) in the amounts needed to fund expected loan volume. The request also includes \$40,000 in general obligation bonds for bond sale expenses.

The RFA has averaged approximately 92 loans per year over the last five fiscal years and currently services \$99 million worth of loans. Historical loan default rate sits at only .002%.

This is not a request for additional equipment, supplies, administration costs or a change of use from previous years.

This proposal is often complimentary with grants and other loans from the Department of Agriculture, lenders or other state and federal government agencies.

Impact on Children and Families:

It can be difficult to measure the exact effect upon the lives of children outside of this potentially helping their parents provide a healthier environment, cleaner drinking water, healthier food, or even potentially additional income to support their families.

Equity and Inclusion:

This program does not specifically target any group but is open to all that qualify within Minnesota. This program can be the difference between having access to capital in order to continue, expand, or modernize farming operations. This would most appropriately be viewed as a significant net positive for the people obtaining additional capital.

Tribal Consultation:

This program does not specifically target any group but is open to all that qualify within Minnesota.

Yes

No

IT Costs:

This is not an IT related proposal.

Results:

These additional funds will allow MDA to issue a projected 200 additional loans in the next biennium, providing essential support for the five program areas. These programs are an important source of funding for Minnesota’s beginning farmers as the Beginning Farmer Loan Program consists of approximately 70% of the bond fund loans issued.

Statutory Change(s):

No statutory changes.

Minnesota Management and Budget Non-Operating

Federal Funds Summary

(Dollars in Thousands)

Federal Agency and CFDA #	Federal Award Name and Brief Purpose	FY 2022 Actual	FY 2023 Revised	FY 2024 Revised	FY 2025 Revised	Required State Match or MOE?	FTEs
US Forest Services CFDA 10.665	Federal funds received from the US Forest Services for payments in lieu of taxes to local units of government where the Chippewa National forest is located.	\$ 702	\$ 1,250	\$ 1,250	\$ 1,250	No	-
US Forest Services CFDA 10.665	Federal funds received from the US Forest Services for payments in lieu of taxes to local units of government where the Superior National forest is located.	\$ 1,480	\$ 2,500	\$ 2,500	\$ 2,500	No	-
US Forest Services CFDA 10.665	Federal funds received from the US Forest Services for payments in lieu of taxes to local units of government where the Superior National forest is located.	\$ 5,799	\$ 6,000	\$ 6,000	\$ 6,000	No	-
US Army Corp of Engineers (Department of Defense); 12.112	Federal Flood Control: Federal funds received from the US Army Corps of Engineers for receipts from leases of land acquired for flood control, navigation and allied purposes.	\$ -	\$ 15	\$ 15	\$ 15	No	-
Federal Fund – Agency Total		\$ 7,982	\$ 9,750	\$ 9,750	\$ 9,750		-
US Department of the Treasury 21.027	American Rescue Plan State Fiscal Recovery Fund: To pay for expenditures eligible under federal guidance. This amount is the February 2023 forecast balance plus anticipated interest earnings and potential underspending in previous authorizations. [Fund 3015]	\$ -	\$ 2,258	\$ 10,000	\$ -	No	-

Narrative

1. Federal funds are received from the US Forest Services for payments in lieu of taxes to local units of government where the Chippewa and Superior National forests are located. The federal fund basis for estimates is a comparison of prior year actuals, 5 year average, and an estimated increase factor. The federal funding does not have flexibility in how the funds are spent and is specifically earmarked for local units of government.

2. Federal funds are received from the US Army Corps of Engineers for receipts from leases of land acquired for flood control, navigation and allied purposes. The federal fund basis for estimates is a comparison of prior year actuals, 5 year average, and an estimated increase factor. The federal funding does not have flexibility in how the funds are spent and is specifically earmarked for local units of government.