



State of Minnesota
Department of Finance
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March 6, 2001

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To: Senator Doug Johnson, Chairman
Senate Finance Committee

Representative Dave Bishop, Chairman
House Ways and Means Committee

From: *Peggy Ingrao for*
Pamela Wheelock
Commissioner

Re: Supplemental Budget Items, Errata and Omissions to the Governor's 2002-03
Biennial Budget Change Order #1 (Agency Budget revisions, excluding Health &
Human Services, Children, Families and Learning, and State & Local Finance)

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

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

Sufficient detail is provided for clarification of errata, omission or change and reference to the appropriate budget page. New numbers and language were inserted while deleting old inappropriate language or references on the budget narrative pages. New or revised pages have been copied with original budget data remaining on the opposite page side to allow for ease in inserting and removal of pages into the budget books.

Any revisions to the language originally submitted to implement the Governor's budget will be sent under a separate cover to the appropriate committee chairs.

As always, please feel free to contact the appropriate executive budget officer or team leader for further clarification of these changes.

enclosure

cc:	Rep. Ness	Rep. Holsten	Rep. Leppik	Rep. McElroy
	Rep. Stanek	Rep. Krinkie	Rep. Molnau	Rep. Seagren
	Sen. Wiener	Sen. Price	Sen. Cohen	Sen. D.E. Johnson
	Sen. Berglin	Sen. Stumpf		

AN EQUAL OPPORTUNITY EMPLOYER

Please find the following page updates:

Higher Education Budget Book:

Higher Education Services Office:

Pages B-8, B-13, B-30, B-31, B-41 and B-43 were revised to reallocate MN College Savings Plan to Intervention Investment Grant.

University of Minnesota:

Pages B-89, B-91, B-127, B-134 and B-135 were revised for a decrease in the forecasted tobacco receipts from the Medical Education Research fund, affecting the University's funding for the Academic Health Center.

Environment & Natural Resources Budget Book:

Pollution Control Agency:

Pages D-7, D-17, D-19, D-20, D-71 and D-79 were revised to update the forecast for the latest Federal fund receipt estimates and related expenditures. Federal fund receipts and expenditures were increased by \$503.0 for FY 2002 and FY 2003 for the Great Lakes Program.

Page D-17 was revised for forecast changes to the Environmental, Solid Waste and Closed Landfill Investment fund.

Pages D-7, D-45, D-53, D-71 and D-87 were revised to update for forecast related expenditures mostly due to the Superfund projections. Statutory expenditures in the Environmental fund were decreased by \$(731.0) for FY 2001, increased by \$1,825.0 for FY 2002 and decreased by \$(204.0) for FY 2003.

Pages D-7, D-71, D-87 and D-88 were revised to update for forecast related expenditures. Expenditures in the Solid Waste fund were decreased by \$(15,722.0) for FY 2001, \$(9,031.0) for FY 2002 and increased by \$3,848.0 for FY 2003.

Pages D-7, D-71 and D-88 were revised to correct an error on the funding type for Solid Waste. The construction spending should have been coded Statutory instead of Open Appropriations.

Page D-54 was revised to correct a FY error in the Governor's recommendation narrative.

Page D-82 was revised to correct a typo in the Basin Monitoring change item.

Office of Environmental Assistance:

Pages D-97 and D-107 were revised to reflect forecast expenditures. Expenditures decreased in the Environmental Fund by \$(254.0) for FY 2001.

Pages D-97 and D-115 were revised due to an error under Financing by Fund. Environmental funding was shown as an Open Appropriations and should have been coded as Statutory Appropriations.

Department of Natural Resources:

The decision was made to reprint the entire Department of Natural Resources' budget for insertion into the Environmental & Natural Resource budget book due to the volume of changes. Remove the entire agency budget pages and insert the new pages. Pages that were changed are marked revised. The pages listed below are the revised page numbers.

Page D-141 was revised to correct a typographical error in the last sentence.

Page D-144 was revised to add a 2nd bullet with explanation under the Governor's Recommendations for the Game and Fish Fund.

Page D-145 and D-146 was revised because fiscal changes listed below impact the agency summary page. Also, D-146 was revised to correct FTE.

Pages D-149, D-233 & D-235 were revised to show one-time increase in spending for FY 2002 of \$970.0 in the Game and Fish Fund for Wildlife Conservation and Restoration. Dollars will be matched with Lottery receipts. Pages were revised because of a one-time increase in Pitman/Robertson receipts of \$970.0 for FY 2002.

Pages D-153, D-198, D-215, and D-263 were revised to reflect changes to the forecasted Lottery receipts of \$(206.0) for FY 2001, \$(86.0) for FY 2002 and \$85.0 for FY 2003-05 in the Natural Resources fund.

Pages D-153, D-222, D-228, D-234 and D-240 revised to reflect changes to the forecasted Lottery receipts of \$(206.0) for FY 2001, \$(86.0) for FY 2002 and \$85.0 for FY 2003-05 in the Game and Fish fund.

Pages D-154, D-158 and D-260 were revised because of a one-time increase in Coastal Stewardship (CARA) federal receipts of \$1,000.0 for FY 2002.

Pages D-154 & D-189 were revised to add out state receipts that were omitted of \$1,107.0 for FY 2000 and \$1,500.0 for FY 2001-05 in the Special Revenue fund.

Page D-155, 2nd bullet (bottom left side). Text was revised from \$1.5 million to \$2.5 million.

Page D-158, FY 2002 column was revised to reflect text change on page D-155.

Page D-166, wrong fund was listed under expenditures, should have been Environmental Fund.

Pages D-171, D-145 and D-146 were revised to reflect forecast changes of \$1,332.0 for FY 2002, \$1,343.0 for FY 2003, \$1,357 for FY 2004 and \$1,368 for FY 2005 in the General fund. The FY 2001 change of \$(4,425.0) to the General fund was due to an error in the estimated timing of PILT increase.

Pages D-171, D-145 and D-146 were revised to increase General fund spending by \$40.0 in FY 2002 and FY 2003 because the November forecast omitted Marshall County costs.

Page D-172 was revised to correct FY 2001 FTE.

Page D-177, 3rd bullet under Program profile, text eliminated, removed Minnesota Conservation Corp, pie chart revised to reflect move of budget activity to Operations Support program.

Page D-178, Governor's recommendation was revised to reflect budget activity move.

Page D-179, Youth Programs Budget Activity was moved to the Operations Support program, and a rounding error corrected.

Page D-185, \$247.0 was moved to Parks for Forest Campground security costs.

Page D-186 was revised to correct receipts in FY 2002 and FY 2003 that should be reported on page D-198.

Pages D-191 through D-194 (old pages) were moved to new pages D-265 through D-268.

Page D-196 was revised to add LAWCON change item language to the Governor's recommendation.

Pages D-197 and D-198 were revised to add \$247 from Forestry for campground security, add campground revenues and changes fund abbreviations.

Pages D-197 and D-198a were revised to show an increase in Expenditures of \$404.0 for FY 2002 and \$340.0 in FY 2003 from the Minnesota Resources Fund that LCMR makes recommendations for. D-198a is a new change item page.

Page D-201 was revised to change fund abbreviations.

Page D-222 was revised to correct FY 2001-03 FTE in the both the base and the Governor's Recommendation.

Page D-227 was revised to increase open appropriation General fund spending by \$36.0 in FY2002 and FY2003 because the November forecast omitted some costs.

Page D-228 was revised to correct FY 2001-03 FTE in both base and Governor's recommendation.

) Page D-232 was revised to add the Wildlife Conservation and Restoration change item to the Governor's Recommendation.

Page D-233 was revised for Financing by Fund and fiscal year correction. Also, change item fund abbreviations were changed.

Page D-234 was revised to correct FY 2001-03 FTE in both the base and Governor's recommendation.

Page D-235 was revised to add a new change item narrative for CARA funds.

Page D-239 was revised to correct a change item fund abbreviation.

Page D-240 was revised to correct FY 2001-03 FTE in both the base and Governor's recommendation.

Page D-241 Operations Support program narrative was revised to reflect the addition of the Youth Programs budget activity to this program. Pie chart was revised to reflect the addition of the Youth Programs budget activity to this program.

Page D-244 was revised to add Oliver Kelly Farm project to Governor's recommendation.

) Pages D-245 and D-246 were revised to reflect the addition of Youth Programs budget activity and changes to LCMR project financing.

Page D-249 was revised to correct FY 2001-03 FTE in both the base and Governor's recommendation.

Page D-253 was revised to correct a change item fund abbreviation.

Page D-257 pie chart was revised to add General fund.

Page D-259 was revised to correct a change item fund abbreviation.

Page D-260 was revised to correct FY 2001-03 FTE in both the base and Governor's recommendation and federal funds related to the change item on page D-232 was added.

Page D-263 was revised to correct an LCMR change item funding source and to correct change item fund abbreviations.

Pages D-265 through D-268 were marked revised because of the Youth Programs budget activity was moved to the Operations Support program from the Forest Management program.

Department of Agriculture:

Pages D-307, D-312, D-314, D-315, D-321, D-325, D-326 D-331, D-332, D-349, D-350, D-353 and D-354 were revised to update the forecast for the latest Federal fund receipt estimates and related expenditures. Federal fund receipts and expenditures were increased by \$5.0 for FY 2001, \$164.0 for FY 2002, \$114.0 for FY 2003, \$14.0 for FY 2004 and \$14.0 for FY 2005.

Pages D-307, D-322 and D-326 were revised to correct FTE errors.

Pages D-321, D-325, D-331, D-341, D-349 and D-353 were revised to correct a fund abbreviation. The fund shown for change items was displayed as Special Revenue and should have been the Agriculture Fund.

Pages D-307, D-349, D-350, D-353, and D-354 were updated to reflect revised forecast expenditures related to the General fund Ethanol Open Appropriation. Expenditures are decreased by \$(1,705.0) for FY2001, increased by \$14.0 for FY 2002, increased by \$19.0 for FY 2003, increased by \$11.0 for FY 2004 and increased by \$1,345.0 for FY 2005.

Pages D-307, D-349 and D-367 were revised to move all the funding for the LCMR change item to the first year of the biennium. The integrated pest management in schools projects was all moved to FY 2002 now \$180.0. This increases MNR fund expenditures by \$68.0 in FY 2002 and decreases FY 2003 by \$ (68.0).

Animal Health Board:

Page D-389 was revised to reflect Federal receipts of \$260.0 for FY 2002 and \$263.0 for FY 2003. This was an error; the expenditures had been included in the budget. Second, object of expenditure classification was changed on the Care Reallocation Change Item, causing the expenditure to now be displayed under state operations.

Economic Development Budget Book:

Department of Trade and Economic Development:

Pages E-14, E-61 and E-63, forecast change caused updated revenue amounts for the Special Revenue fund. The revenue changes were only to the Special Revenue fund.

Pages E-65 & E-66 were revised.

Pages E-6, E-7, E-8, E-18, E-70, E-71 and E-73 were revised to include a new change item for Transition Team funding for workforce development reorganization. This change items is for one-time General fund spending of \$250.0 for FY 2002.

Minnesota Technology Inc:

Pages E-78, E-79, E-83 & E-87 was revised to update revenue estimates and internal fund balance spending of \$3 million on the industry cluster initiative.

Department of Economic Security:

Page E-92, the graph in the upper left-hand corner was revised because the fiscal years were omitted on the X-axis.

Page E-95, base adjustment numbers and narrative listed Displaced Homemakers at \$(227.0) per year, these should have been \$(127.0), also base adjustment to reduce one time Juvenile Justice match of \$(50.0) per year. This is errata, no change to budget funding.

Pages E-94 & E-98 were revised (Table and Governor's Rec.) YouthBuild changed to Youth Curfew Truancy.

Pages E-101 & E-102, in the budget line numbers, the amount for State operations should be \$100.0 per year not \$200.0, and Grants should be \$1,400.0 per year not \$1,300.0. Page E-102, under the header of Financing: language was added to require hard match from local sources. This is errata, no budget funding change.

Page E-106, Errata: narrative was revised for the Minnesota Youth Program, YouthBuild and the Youth Intervention areas.

Page E-107, Errata: change item renamed from YouthBuild to Youth Curfew/Truancy Reallocation.

Page E-108, Errata: all references to YouthBuild were changed to Youth Curfew/Truancy Reallocation.

Page E-110, Errata: under Federal Welfare to Work program, the second narrative bullet was modified. Second, under Budget Issues: funds are now available until June 30, 2004.

Page E-116, Errata: in the budget line numbers, the amount for State operations should be \$50.0 per year not \$1,000.0, and Grants should be \$950.0 per year from FY 2003 and forward. Second, under Governor's Recommendation: recommends allocating \$1 million in each year...not \$2 million. Third, under Governor's Recommendation: narrative change in the last line of the second paragraph.

Page E-136, revenue for FY 2005 was change from \$10,000 to \$5,000 in the budget line numbers for the Special Revenue Fund.

Housing Finance Agency:

Pages E-150, E-151, E-155, E-156, E-189, E-191 & E-199 were revised to add \$1,226.0 of federal fund receipts and expenditures to FY 2001.

Pages E-187 was revised to correct a typo and Page E-188's table was revised.

Department of Commerce:

Page E-224, the first bullet should read reallocation of \$6.6 million, this is errata, no fiscal impact.

Page E-225 was revised to reflect omitted FTE positions related to the change items for the Telecommunications Reform and the transfer of Weights and Measures.

Pages E-231, E-251 & E-267 were revised to add additional non-dedicated General fund revenue of \$725.0 to the Governor's Recommendation column for FY 2002. This relates to the Managed Health Care Regulation Transfer change item. It affects the fund balance by adding General fund revenues of \$725.0 for FY 2002.

Page E-283 was revised to reflect omitted FTE positions related to the change item for Telecommunications Reform.

State Government Budget Book:**Legislature:**

Page F-8 was revised because Governor's non-salary inflation recommendation was allocated to the wrong budget activity.

Campaign Finance and Public Disclosure Board

Pages F-32, F-33, F-34 & F-35 were revised to change the type of funding for the Special Revenue fund from Direct to Statutory Appropriations, which was coded incorrectly. Changes for Public Financing were made related to the forecast and input errors in the Special Revenue fund. This affects the General fund by savings of \$282.0 for FY 2001 and \$1,500.0 for FY 2003 that will not need to be transferred to cover costs in the Special Revenue fund. Also, the deficiency change level request for FY 2001 was reduced by \$40.0 for a savings to the General fund.

Governors Office:

Pages F-38 and F-39 were revised to display new Governor's recommendations. Requested change items have been eliminated for a savings to the General fund of \$104.0 for FY 2002 and \$123.0 for FY 2003. This affects the fund balance by decreasing expenditures by a like amount.

State Auditor:

Page F-51 was revised due to a typographical error in the Budget Brief Table.

State Treasurer:

Pages F-77 and F-81 were revised to display changes in revenue estimates due to changes in accounting methodology for Criminal/Traffic Surcharges.

Administrative Hearings:

Pages F-138 and F-140, errata: an error in calculating the new rates in the narrative.

Debt Service:

Pages F-298 and F-299 were revised to incorporate the new Governor's recommendations on Debt Service.

Department of Finance:

Pages F-289 and F-297 were revised to correct FY 2002 and FY2003 FTEs.

Department of Employee Relations:

Pages F-319 and F-329 were revised because internal reallocations were not distributed to the expense budget level in the budget system. No net agency fiscal impact.

Page F-343 was revised to eliminate General fund dedicated receipts of \$120.0 shown in error for FY 2001 and expenditures were reduced by a like amount.

Gambling Control Board:

Pages F-494, F-495, F-497a and F-497b were revised to add new Governor's recommendation to cover a deficiency at the Board. This change item has a net effect to the General fund of increasing expenditures by \$114.0 for FY 2002 and \$152.0 for FY 2003.

Veterans Affairs:

Pages F-485 and F-487 were revised to correct the allocation of the change item reduction between budget activities. No agency fiscal impact.

Lottery:

Page F-501 and F-502 were revised to reflect forecast changes.

Minnesota State Retirement System:

Pages F-505, F-507, F-508 and F-509 were revised to reflect forecast changes. This revised open appropriation increase has a net effect to the General fund of increasing expenditures by \$2,756.0 for FY 2001, \$2,686.0 for FY 2002 and \$2,759.0 for FY 2003.

Transportation & Other Agencies Budget Book:**Department of Transportation:**

Page G-11, federal funds in the Transit and State Roads programs were revised to reflect the latest changes to federal fund receipt estimates and expenditures.

Pages G-20 through G-22, the Revenue Summary narrative and fiscal pages were revised to reflect the latest revenue changes to federal highway funds deposited in the Trunk Highway Fund and other federal programs.

Pages G-23 through G-28, the Federal Funds Summary were revised to reflect the latest federal fund receipt estimates.

Page G-44 was revised to correct the tails for out years. The correct amounts are \$50.0 each year from FY 2004 through 2007.

Pages G-51, G-61, G-99, G-100 and G-121 were revised to reflect the latest changes to federal fund receipt estimates and expenditures.

Pages G-71 and G-73 were revised to repoint capital outlay and real property expenditures from the Railroads and Waterways Admin. activity to the Rail and Waterways Improvement activity.

Pages G-107 and G-131 were revised to correct an error in the Increase in Construction Governor's change item by moving \$6,945.0 of program delivery dollars from State Road Construction activity to the Design & Construction Engineering activity.

Pages G-115 and G-121 were revised to correct the distribution of the Reduce Research Activities change item between the Research and Investment activity and the Central Engineering Services activity.

Pages G-159 and G-160, revised to correct the tails for out years. The correct amount is \$6,600.0 each year from FY 2004 through 2007.

Metropolitan Council:

Pages G-177 & G-178 are revised to remove references to expanding services outside the transit taxing district.

Department of Public Safety:

Pages G-189 and G-224 were revised to reflect the latest estimates for Motor Vehicle Registration Tax and Motor Vehicle Sales Tax revenue. The Highway Tax Distribution revenue was increased in FY 2003 through FY 2005 to include Motor Vehicle Sales Tax revenue that will be deposited to the HUTD fund beginning in FY 2003.

Criminal Justice Budget Book:

Tax Court:

Pages H-84 & H-85 were revised to include a new Governor's Recommendation. A deficiency request for unexpected severance costs in the amount of \$14.0 for FY 2001. This is an additional expenditure to the General fund and affects the fund balance.

Page H-85 was updated for fee collections omitted in the amount of \$10.0 per year for a \$20.0 revenue increase to the General Fund in the 2002-03 biennium

Department of Human Rights:

Pages H-93, H-94 and H-103 were revised to reduce a base adjustment for a lease that was renegotiated. Net effect to the General fund of reducing expenditures of \$13.0 for FY 2002, \$24.0 for FY 2003, \$24.0 for FY 2004 and 24.0 for FY 2005.

Department of Corrections:

Page H-115 was revised to show a reduction in the caseload forecast base adjustment of \$331.0 in FY 2002 and \$992.0 in FY 2003 and additional federal funds of \$31.0 in FY 2001 and \$19.0 in FY 2002.

Page H-116 was revised to show the updated caseload forecast base adjustment. Pages H-121 and H-123 were revised to show the additional federal funds and to correct the usage of funds for the juvenile justice and delinquency program.

Pages H-128, H-129, H-160, and H-161 were revised to show updated prison population projections and the revised caseload forecast base adjustment.

Pages H-131 and H-132 were revised to show the updated prison population projections and to correct the target per diem summary.

Pages H-134, H-136, H-138, H-140, H-142, H-144, H-146, H-148, H-150, H-154 and H-166 were revised to show corrected and updated average daily population and costs, financing information, and target per diems.

Pages H-177, H-179, H-182, and H-183 were revised to show additional federal funds of \$31.0 in FY 2001 and \$19.0 in FY 2002.

Department of Public Safety:

Pages H-245, H-254, H-255, H-318, H-319 & H-321 were revised to lower Auto Theft Surcharge revenue for FY 2002 to FY 2005 which reflects the sunset of the surcharge on January 1, 2002.

Pages H-247, H-255, H-259, H-261 & H-319 were revised to increase Federal funds by \$4,700.0 for FY 2002 due to additional funds from the Crime Identification Technology Act. This is a forecast change for increased revenues and expenditures.

Pages H-245, H-247, H-248, H-249, H-274, H-275, H-275a and H-291 were revised to add a change item for Bureau of Criminal Apprehension overtime. This change item is for \$200.0 General fund base budget increase.

Departmental Earnings Report**Children, Families and Learning Dept:**

Pages 14 and 15 were revised to correct the receipts collected for Teacher and Administrator Licensing in FY 2002 and FY 2003 from \$1.5 million to \$1.3 million.

Commerce Department:

Pages 372 and 373 were revised to reflect fee changes that were requested in the Worker's Comp/Self-Insurance revenue category.

Pages 348 and 349 were revised to reflect fee changes that were requested for the Collections revenue category.

Agency: HIGHER EDUCATION SVCS OFFICES

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Program:									
STUDENT FINANCIAL AID SERVICES	130,700	132,915	157,665	151,184	161,687	149,831	151,301	174,064	158,908
STATE STUDENT LOAN SERVICES	73,187	92,689	109,069	114,053	114,053	114,053	119,053	119,053	119,053
RESEARCH & PROGRAM SERVICES	1,524	1,678	1,758	1,649	1,909	1,649	1,665	1,925	1,665
LIBRARY & TECHNOLOGY SERVICES	12,489	15,412	23,152	13,816	17,116	15,616	13,816	17,041	15,541
AGENCY/LOAN ADMINISTRATION	2,185	1,980	12,915	12,896	13,060	12,896	12,956	13,073	12,956
Total Expenditures	220,085	244,674	304,559	293,598	307,825	294,045	298,791	325,156	308,123
Financing by Fund:									
Carry Forward:									
GENERAL	3	7	50	50	50	50	50	50	50
Direct Appropriations:									
GENERAL	141,244	144,815	176,463	160,602	174,829	161,049	160,670	187,035	170,002
Statutory Appropriations:									
GENERAL	0	0	318	250	250	250	250	250	250
SPECIAL REVENUE	130	228	161	162	162	162	162	162	162
FEDERAL	1,522	2,402	3,242	3,206	3,206	3,206	3,306	3,306	3,306
MISCELLANEOUS AGENCY	3,057	3,652	3,669	3,669	3,669	3,669	3,669	3,669	3,669
HIGHER EDUCATION SVCS OFFICE	74,129	93,570	120,656	125,659	125,659	125,659	130,684	130,684	130,684
Total Financing	220,085	244,674	304,559	293,598	307,825	294,045	298,791	325,156	308,123
FTE by Employment Type:									
FULL TIME	63.6	83.4	86.7	85.7	88.7	85.7	86.7	89.7	86.7
Total Full-Time Equivalent	63.6	83.4	86.7	85.7	88.7	85.7	86.7	89.7	86.7

HIGHER EDUCATION SVCS OFFICES - BUDGET BRIEF

Fund: **GENERAL**

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations	\$160,527	\$160,527	\$321,054
BASE ADJUSTMENT			
Doc. Space Rental/Lease	17	26	43
2002-03 Salaries & Benefits	58	117	175
BASE LEVEL (for 2002 and 2003)	\$160,602	\$160,670	\$321,272
CHANGE ITEMS			
State Grants- Individual Tuition & Fees	450	5,140	5,590
State Grants- Length of Eligibility	5,090	5,560	10,650
State Grants- LME Adjustment & Reallocation	(4,880)	(1,120)	(6,000)
State Grants- Tuition & Fee Changes	3,230	6,540	9,770
State Grants- Summer Academic Enrichment	50	50	100
State Grants- Program Rewrite	164	117	281
Child Care	2,150	2,150	4,300
Work Study	3,000	3,000	6,000
Learning Network of Minnesota	1,500	1,500	3,000
Post Secondary Service Learning	260	260	520
Student Parent Information	55	60	115
Interstate Tuition Reciprocity	750	750	1,500
Intervention Investment Grants	500	500	1,000
Get Ready- Greater Minnesota	100	125	225
Minitex	1,800	1,725	3,525
Midwestern Higher Education Commission	8	8	16
AGENCY REQUEST	174,829	187,035	361,864
GOVERNOR'S RECOMMENDATION			
State Grants- Individual Tuition and Fees	450	5,140	5,590
State Grants- LME Adjustment & Reallocation	(11,900)	(8,100)	(20,000)
State Grants- Length of Eligibility	5,090	5,560	10,650
State Grants- Financial Aid for Ind. Students	7,000	7,000	14,000
Interstate Tuition Reciprocity	750	750	1,500
Intervention Investment Grants	3,520	3,520	7,040
Reallocate Minnesota College Savings Plan	(1,520)	(1,520)	(3,040)
Minitex	1,800	1,725	3,525
Child Care Consolidation	(4,743)	(4,743)	(9,486)
TOTAL	\$161,049	\$170,002	\$331,051

BRIEF EXPLANATION OF BUDGET DECISIONS:

The Budget Recommendations of the Minnesota Higher Education Services Office (HESO) and the Services Council were developed following careful review of the Governor's *Big Plan* priorities and an extensive process of public hearings and focus groups around the State.

The public hearings and focus groups enabled students, parents, financial aid administrators, and members of the public to present their views on the programs administered by the Office and to offer advice and recommendations. The public hearings were held in Duluth, Mankato, Moorhead, Rochester, St. Cloud, and St. Paul and the focus groups in Duluth, Moorhead, and Pipestone.

Further, HESO management utilized the agency mission to ensure that budget proposals were mission aligned. Agency staff questioned whether programs established ten or more years ago were meeting contemporary needs of Minnesotans. Non-mission-relevant proposals were discarded and program innovations were introduced wherever evaluative information or research showed that contemporary service needs were not being met as fully as possible.

Finally, HESO examined ways in which federal dollars received within the State could be leveraged to fund innovations in successful services and to minimize new spending. One primary example of this is the use of state revenues freed by federal increases in the maximum Pell Grant award to fund significant innovation in the length of student eligibility for Minnesota State Grants.

Collectively, these resources, processes and actions guided HESO and the Services Council in making budget decisions.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends an increase of \$447,000 in FY 2002 and \$9.332 million in FY 2003 for the Higher Education Services Office (HESO). This appropriation increases State Grant awards for independent students, extends the period which a student is eligible to receive a State Grant, and includes individual tuition and fees in the grant calculation. It reallocates \$1.52 million per year from the Minnesota College Savings program to the Intervention Investment Grants program. It also provides funding to continue the Interstate Tuition Reciprocity program, increases funding for Intervention Investment Grants, and increases support for MINITEX library services.

Program: STUDENT FINANCIAL AID SERVICES
 Agency: HIGHER EDUCATION SVCS OFFICES

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>Expenditures by Activity:</u>									
STATE GRANTS	113,903	114,366	133,286	129,162	135,252	125,059	129,162	147,482	134,019
MN COLLEGE SAVINGS PLAN	8	15	3,025	1,520	1,520	0	1,520	1,520	0
INTERSTATE TUITION RECIPROCITY	4,111	4,195	4,805	4,500	5,250	5,250	4,500	5,250	5,250
STATE WORK STUDY	11,398	11,955	12,933	12,444	15,444	12,444	12,444	15,444	12,444
STUDENT & PARENT INFORMATION	646	1,749	2,845	2,829	3,484	6,349	2,934	3,619	6,454
STUDENT FINANCIAL AID SERVICES	634	635	771	729	737	729	741	749	741
Total Expenditures	130,700	132,915	157,665	151,184	161,687	149,831	151,301	174,064	158,908
<u>Change Items:</u>									
(B) STATE GRANTS- LENGTH OF ELIGIBILITY	GEN				5,090	5,090		5,560	5,560
(B) STATE GRANT- LME ADJ & REALLOCATION	GEN				(4,880)	(11,900)		(1,120)	(8,100)
(B) STATE GRANTS-INDIVIDUAL TUITION & FEES	GEN				450	450		5,140	5,140
(B) STATE GRANTS- TUITION & FEE CHANGES	GEN				3,230			6,540	
(B) STATE GRANTS- SUMMER ACADEMIC ENRICH	GEN				50			50	
(B) FINANCIAL AID-INDEPENDENT STUDENTS	GEN					7,000		7,000	
(B) CHILD CARE	GEN				2,150			2,150	
(B) CHILD CARE CONSOLIDATION	GEN					(4,743)		(4,743)	
(B) REALLOCATE MN COLLEGE SAVINGS PLAN	GEN					(1,520)		(1,520)	
(B) INTERSTATE TUITION RECIPROCITY	GEN				750	750		750	750
(B) STATE WORK STUDY	GEN				3,000			3,000	
(B) GET READY - GREATER MINNESOTA	GEN				100			125	
(B) INTERVENTION INVESTMENT GRANTS	GEN				500	3,520		500	3,520
(B) STUDENT PARENT INFORMATION	GEN				55			60	
(B) MIDWESTERN HIGHER EDUCATION COMM	GEN				8			8	
Total Change Items					10,503	(1,353)		22,763	7,607
<u>Financing by Fund:</u>									
Carry Forward:									
GENERAL	3	7	50	50	50	50	50	50	50
Direct Appropriations:									
GENERAL	129,926	131,414	154,853	148,441	158,944	147,088	148,458	171,221	156,065
Statutory Appropriations:									
GENERAL	0	0	318	250	250	250	250	250	250
SPECIAL REVENUE	12	3	0	0	0	0	0	0	0
FEDERAL	759	1,491	2,444	2,443	2,443	2,443	2,543	2,543	2,543
Total Financing	130,700	132,915	157,665	151,184	161,687	149,831	151,301	174,064	158,908

Program: STUDENT FINANCIAL AID SERVICES

Agency: HIGHER EDUCATION SVCS OFFICES

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>FTE by Employment Type:</u>									
FULL TIME	18.2	37.8	40.7	41.7	43.7	41.7	42.7	44.7	42.7
Total Full-Time Equivalent	18.2	37.8	40.7	41.7	43.7	41.7	42.7	44.7	42.7

BUDGET CHANGE ITEM (62016) (Continued)

Budget Activity: STATE GRANTS

Program: STUDENT FINANCIAL AID SERVICES

Agency: HIGHER EDUCATION SVCS OFFICES

proposals are not enacted, the resources required to fund this proposal will change.

Item Title: CHILD CARE CONSOLIDATION

Although the demand for the consolidated program will be forecast, it will include a cost containment measure to limit program expenditures, if necessary. Due to the lack of directly comparable historical data on which to base forecasts, and the need to ensure that risk to the state budget can be mitigated, the program will include a cost containment feature. If projected expenditures at the end of any quarter exceed 110% of the forecast appropriation, program entry will be limited until projected expenditures returned to forecasted levels.

OUTCOMES:

Consolidation of child care will emphasize self-sufficiency for families by targeting resources in an equitable manner to the highest priority families. By de-coupling access to the system from MFIP cash assistance, resources will follow families as they transition to self-sufficiency without the disruptions that risk contributing to families falling (back) into welfare. Consolidation will also simplify administration at the county level.

DETAILED FINANCING:

Child Care Consolidation (Nov 2000 Forecast)

	Dollars in Thousands			
	FY 2002	FY 2003	FY 2004	FY 2005
General Fund	\$130,961	\$127,980	\$132,937	\$135,999
Special Revenue	2,096	2,009	1,930	1,901
Federal Funds(CCDF)	51,852	53,761	54,254	54,254
Federal Funds (TANF)	20,973	20,637	10,200	10,200
County Share	2,914	2,914	2,914	2,194
HESO (GF)	4,743	4,743	4,743	4,743
DCTC (GF)	-0-	12,000	12,000	12,000
Total Current Resources	213,539	224,044	218,978	222,011
MFIP Changes (TANF)	2,663	18,857	24,148	27,657
Total Anticipated Resources	216,202	242,902	243,126	249,668
Total Consolidation Cost	226,545	233,704	245,120	256,944
Marginal Cost (TANF)	\$ 10,343	\$ (9,198)	\$ 1,994	\$ 7,276

The proposal as presented in this document assumes the enactment of the MFIP eligibility changes recommended in the Department of Human Services (DHS) budget, which have resulting child care assistance costs. If these

BUDGET ACTIVITY SUMMARY

Budget Activity: MN COLLEGE SAVINGS PLAN
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

ACTIVITY PROFILE:

Individuals and families are encouraged to save for post-secondary education with the Minnesota College Savings Plan. Tax advantages are provided by Internal Revenue Code 529 and Minnesota Statutes 136A.241-136A.245. In addition, the state of Minnesota provides a matching grant to low and middle income Minnesota families.

STRATEGIES AND PERFORMANCE:

The Minnesota College Savings Plan is designed to provide federal tax advantages included in the Tax Reform Act of 1997. Under Section 529 of the Internal Revenue Code, taxpayers can receive tax deferment on investment earnings in a "qualified state tuition program". Parents, grandparents or other individuals can establish an account on behalf of a designated beneficiary who will attend college in the future. Contributions to a qualified state tuition program are not tax deductible. Earnings on investments accumulate tax-free until used to pay for college. At the time funds are withdrawn to pay for college expenses, the tax on earnings is paid by the student, who typically is taxed at a lower rate than the account owner.

Federal law does not permit the account owner or the designated beneficiary of qualified state tuition programs to direct the investment. Minnesota College Savings Plan investment decisions are made by the Minnesota State Board of Investment.

Minnesota College Savings Plan funds can be used to pay for tuition and fees at a public or a private post-secondary education institution located in any state. Withdrawals can also be used to pay for room and board if the student is attending half-time or more as defined by federal law.

Minnesota's program offers a state paid matching grant based on family income and contributions. The matching grant is available to Minnesota resident designated beneficiaries whose parents file a Minnesota individual income tax return with family income at or below \$80,000. If the beneficiary's family income is \$50,000 or less, 15% of the contribution can be matched up to a total of \$300 annually. If the beneficiary's family income is between \$50,000 and \$80,000, 5% of the contribution can be matched up to a total of \$300 annually. A minimum \$200 contribution is required in order to be considered for a matching grant. Matching grants must remain invested for a minimum of three years, cannot be transferred, and cannot be withdrawn for reasons other than a qualified higher education expenditure as defined by federal law. The matching

grant is not an entitlement. Availability is limited by the amount of funds appropriated.

In 1999, legislation was approved permitting Plan investments in mutual funds. In June 2000, the Minnesota Department of Administration approved a temporary classification of account holder data as private. Both of these actions were necessary to make the Plan viable.

The Minnesota Higher Education Services Office and the Minnesota State Board of Investment are contracting with TIAA-CREF, Tuition Financing, Inc. to administer the Minnesota College Savings Plan. TIAA-CREF, Tuition Financing Inc. is administering state programs in New York, Missouri, and California. Contract language has been agreed upon. The Plan's participation agreement and enrollment forms have been produced. Marketing materials and a draft web page are in place. Pending the Minnesota Legislature's approval of an extension of special rule making authority for this program, the Plan is ready for launch.

FINANCING INFORMATION:

Investment management, record keeping and other administrative expenses are paid by Minnesota College Savings Plan account owners through an annual fee equivalent to .065% of their account balances. The Minnesota Plan will be among the least costly to account owners for a fully contracted plan in the United States. Matching grants are financed from a General Fund direct appropriation.

BUDGET ISSUES:

The General Fund appropriation of \$1.52 million is used to provide matching grants to Minnesota College Savings Plan account owners. Because the Minnesota College Savings Plan is not yet operational, it is not known whether the base appropriation will be sufficient to meet the demand of matching grants. Administrative expenses for the Higher Education Services Office are less than \$75,000 annually.

GOVERNORS RECOMMENDATION:

The Governor recommends the appropriation of \$1.52 million each year be reallocated to increase funding for the Intervention Investment Grant program. This appropriation has been cancelled to the General Fund each of the three years for which funds have been appropriated, and the funds will also likely cancel again in FY 01, while HESO has been establishing rules for the program. While the concept has some merit, the delay in implementing the program suggests this program is not a high priority for HESO. The Governor recommends that HESO continue to make the program operational so taxpayers making qualifying contributions can receive tax deferment on investment earnings.

Activity: MN COLLEGE SAVINGS PLAN
 Program: STUDENT FINANCIAL AID SERVICES
 Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	0	0	47	51	51	0	53	53	0
OTHER OPERATING EXPENSES	8	15	28	19	19	0	17	17	0
Subtotal State Operations	8	15	75	70	70	0	70	70	0
PAYMENTS TO INDIVIDUALS	0	0	2,950	1,450	1,450	0	1,450	1,450	0
Total Expenditures	8	15	3,025	1,520	1,520	0	1,520	1,520	0
Change Items:	Fund								
(B) REALLOCATE MN COLLEGE SAVINGS PLAN	GEN						(1,520)		(1,520)
Total Change Items							(1,520)		(1,520)
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	8	15	3,025	1,520	1,520	0	1,520	1,520	0
Total Financing	8	15	3,025	1,520	1,520	0	1,520	1,520	0
<u>FTE by Employment Type:</u>									
FULL TIME	0.0	0.0	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Total Full-Time Equivalent	0.0	0.0	0.8	0.8	0.8	0.8	0.8	0.8	0.8

BUDGET ACTIVITY SUMMARY

Budget Activity: INTERSTATE TUITION RECIPROCITY
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

ACTIVITY PROFILE:

Minnesota's tuition reciprocity agreements enhance student access by eliminating nonresident admission barriers and expand student choice by reducing non-resident tuition prices. Minnesota has ongoing tuition reciprocity agreements with Wisconsin, North Dakota, South Dakota, one institution in Iowa, and the Canadian province of Manitoba. The purpose of tuition reciprocity is the mutual improvement of educational advantages for the residents of Minnesota and other states or provinces with whom agreements are made (*Minnesota Statutes 136A.08*).

Residents of the participating jurisdictions are considered residents for purposes of admission to public post-secondary institutions under tuition reciprocity. A Minnesota resident may enroll in an undergraduate or graduate program at a public institution in Wisconsin, North Dakota, South Dakota, Manitoba, or Iowa Lakes Community College without paying higher non-resident tuition rates, through tuition reciprocity. Similarly, residents of Wisconsin, North Dakota, South Dakota, Manitoba, and the Iowa Lakes Community College attendance area may enroll at Minnesota public institutions without paying higher non-resident tuition rates.

The Minnesota Higher Education Services Office is responsible for negotiating and administering tuition reciprocity agreements. The University of Minnesota Board of Regents and the Minnesota State Colleges and Universities Board of Trustees must ratify the agreements. Modifications to Minnesota's tuition reciprocity agreements are negotiated as needed.

STRATEGIES AND PERFORMANCE:

Student participation in tuition reciprocity has grown since Minnesota first entered an agreement with Wisconsin for academic year 1968-69. Over 36,000 tuition reciprocity students were enrolled in public institutions in the participating states and province in fall, 1999. Through its mission, the Higher Education Services Office is committed to helping students achieve financial access to post-secondary education and enabling students to choose among post-secondary educational options. Tuition reciprocity agreements support the mission of the Services Office by reducing price and admissions barriers at public institutions outside the student's state or province of residence.

FINANCING INFORMATION:

The state appropriation for tuition reciprocity meets Minnesota's financial obligation to Wisconsin and North Dakota. Agreements with South Dakota,

Manitoba, and one institution in Iowa do not require interstate payment calculations.

Students and taxpayers share responsibility for financing tuition reciprocity. Minnesota's agreements with Wisconsin and North Dakota require each state to pay the marginal instructional costs of their resident students attending in the other state. Marginal instructional costs are defined in the agreements as 64% of instructional costs. Marginal instructional costs in the Minnesota/Wisconsin and Minnesota/North Dakota agreements exceed \$150 million annually. Student paid tuition is subtracted from marginal instructional costs to determine each state's net financial obligation. The state with the higher net financial obligation makes a payment of the difference to the other state. Interstate tuition reciprocity payments represent less than 5% of the total financial activity involved in the agreements.

BUDGET ISSUES:

Three variables drive Minnesota's tuition reciprocity financial obligation: 1) marginal instructional costs, 2) reciprocity tuition rates, and 3) student enrollment choices. Minnesota's tuition reciprocity payments have varied as much as \$4 million between any two fiscal years as marginal costs, tuition rates and student enrollment choices vary. Minnesota's interstate tuition reciprocity payments to Wisconsin and North Dakota are estimated at \$4.2 million in FY 2001. Increases in reciprocity enrollment, marginal instructional costs, and changes in tuition rates are projected to result in Minnesota interstate tuition reciprocity payments of \$5.25 million in FY 2002 and \$5.25 million in FY 2003.

Activity: STUDENT & PARENT INFORMATION
 Program: STUDENT FINANCIAL AID SERVICES
 Agency: HIGHER EDUCATION SVCS OFFICES

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
State Operations									
COMPENSATION	381	799	1,402	1,621	1,702	1,621	1,728	1,816	1,728
OTHER OPERATING EXPENSES	263	481	948	713	787	713	711	808	711
Subtotal State Operations	644	1,280	2,350	2,334	2,489	2,334	2,439	2,624	2,439
LOCAL ASSISTANCE	2	469	495	495	995	4,015	495	995	4,015
Total Expenditures	646	1,749	2,845	2,829	3,484	6,349	2,934	3,619	6,454
Change Items:									
(B) GET READY - GREATER MINNESOTA	GEN			100			125		
(B) INTERVENTION INVESTMENT GRANTS	GEN			500		3,520	500		
(B) STUDENT PARENT INFORMATION	GEN			55			60		
Total Change Items				655	3,520		685	3,520	
Financing by Fund:									
Direct Appropriations:									
GENERAL	433	798	1,052	936	1,591	4,456	941	1,626	4,461
Statutory Appropriations:									
SPECIAL REVENUE	12	3	0	0	0	0	0	0	0
FEDERAL	201	948	1,793	1,893	1,893	1,893	1,993	1,993	1,993
Total Financing	646	1,749	2,845	2,829	3,484	6,349	2,934	3,619	6,454
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	20	20	0	0	0	0	0	0	0
FEDERAL	204	947	1,793	1,893	1,893	1,893	1,993	1,993	1,993
Total Revenues Collected	224	967	1,793	1,893	1,893	1,893	1,993	1,993	1,993
FTE by Employment Type:									
FULL TIME	10.5	30.3	32.7	33.7	35.7	33.7	34.7	36.7	34.7
Total Full-Time Equivalent	10.5	30.3	32.7	33.7	35.7	33.7	34.7	36.7	34.7

BUDGET CHANGE ITEM (45235)

Budget Activity: STUDENT & PARENT INFORMATION

Program: STUDENT FINANCIAL AID SERVICES

Agency: HIGHER EDUCATION SVCS OFFICE

Item Title: GET READY! - GREATER MINNESOTA

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$100	\$125	\$125	\$125
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <u> </u> No <u> X </u>				
If yes, statute(s) affected:				
<u> </u> New Activity	<u> X </u>	Supplemental Funding	<u> </u>	Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor does not recommend funds for this request.

RATIONALE:

The proposed expansion of the Get Ready! early intervention/early awareness program to two new Greater Minnesota sites recognizes demographic, academic, and educational achievement trends occurring statewide. Many communities outside the Twin Cities have significant populations of families of color, low income, or no previous higher education and could benefit from Get Ready! The program provides low income students and parents with the motivation, information, skills, and academic support to finish high school and pursue higher education. Students of color, low income, or no previous higher education participate in higher education at much lower rates than their counterparts from more affluent families with college experience. Helping families obtain access to higher education through academic support and information about planning for higher education fits with the goals of the Big Plan. Closing gaps in educational achievement and opportunity will enhance the self-sufficiency of individuals who will develop skills needed by Minnesota's workforce and contribute to the state's economy and its communities.

FINANCING:

Get Ready! program funding represents a partnership with most of the support (\$1.6 million in FY 2001) provided by the federal government, \$283,000 per

year in state appropriations, and additional in kind support from program partners.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Early Intervention/ Early Awareness	\$383,000	\$408,000
Current Base	FY 2002 Percent Change	FY 2003 Percent Change
\$283,000	35.3%	44.2%

OUTCOMES:

Early awareness and intervention services would be provided to 50 students and parents at each site. The program serves 4th to 6th grade students and their families and connects them with middle school and high school programs. As a result of the Get Ready! services, students who historically have not attended post-secondary education are more likely to succeed academically, finish high school, and pursue post-secondary education. In the short term, more students and parents gain increased knowledge of higher education options and careers, view higher education as a possibility, and demonstrate increased academic success.

End of Year Student Get Ready! Evaluation			
Item	Agree	Somewhat Agree	Disagree
Get Ready! has:	%	%	%
Helped me understand importance of going to college	96%	3%	1%
Taught importance of accomplishing goal	95%	4%	1%
Helped me learn about careers	94%	4%	2%
Motivated me to do well in school	86%	11%	3%
Encouraged me to attend school every day	82%	15%	3%
Helped me understand what college campuses look like	88%	10%	2%
Helped me understand different ways to pay for post-secondary education	95%	4%	1%
Prepare for my future	94%	5%	1%

BUDGET CHANGE ITEM (45233)

Budget Activity: STUDENT & PARENT INFORMATION

Program: STUDENT FINANCIAL AID SERVICES

Agency: HIGHER EDUCATION SVCS OFFICE

Item Title: INTERVENTION INVESTMENT GRANTS

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$500	\$500	\$500	\$500
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity	<input checked="" type="checkbox"/> Supplemental Funding	<input type="checkbox"/> Reallocation		

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$3.52 million in FY 2002 and \$3.52 million in FY 2003. This increase will be supported by the reallocation of \$1.52 million each year from the Minnesota College Savings Plan. The Governor also recommends that these grants be increasingly targeted to children of families that do not have a history of participation in higher education.

RATIONALE:

Students from low income families that have not attended college participate in higher education at much lower rates than those from more affluent, educated families. A number of early intervention programs---supported by state, federal, and private sources---have been established to provide information and academic support to these students. The funding supports tutoring, mentoring, summer academic experiences, and parental involvement. The current level of activity in these programs falls far short of the need resulting from demographic, academic, and economic trends. This funding would enable the state to build on programs like Get Ready! which works with elementary age students to establish a continuum of service through college. An appropriation of \$1 million in 1999 enabled the Services Office to award 10 grants to community agencies and colleges to expand or enhance existing early intervention programs. However, the Services Office was able to fund only half the proposals received with the funding available.

Although these initial grant initiatives have not been operational long enough to evaluate them thoroughly, many are patterned after existing early intervention programs, such as Federal TRIO programs that for many years have helped low income students enter college. Over the past 30 years, TRIO programs have been successful in helping students overcome barriers to higher education. For example, students in Upward Bound (one of the TRIO programs), are four times more likely to earn an undergraduate degree than students from similar backgrounds who did not participate in the program.

Helping families obtain access to higher education through academic support and information about planning for future education fits well with the goals of the Big Plan. Closing gaps in educational achievement and opportunity will enhance the self-sufficiency of individuals who will develop skills needed by Minnesota's workforce.

FINANCING:

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Intervention Grants	\$1,000,000	\$1,000,000
Current Base	FY 2002 Percent Change	FY 2003 Percent Change
\$500,000	100%	100%

Staffing is adequate for this activity. No additional FTE are needed

OUTCOMES:

This proposal would provide funding for seven to ten additional early intervention programs.

As a result of this proposal, more students and families will be motivated to plan for and pursue higher education. The gap in achievement and college participation will narrow; and as a result of the knowledge and skills acquired through their educational experience, more students will become self-sufficient.

BUDGET CHANGE ITEM (45207)

Budget Activity: STUDENT & PARENT INFORMATION
Program: STUDENT FINANCIAL AID SERVICES
Agency: HIGHER EDUCATION SVCS OFFICE

Item Title: STUDENT PARENT INFORMATION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$55	\$60	\$60	\$60
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <u> </u> No <u> X </u>				
If yes, statute(s) affected:				
<u> </u> New Activity <u> X </u> Supplemental Funding <u> </u> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor does not recommend funds for this initiative.

RATIONALE:

In view of changing demographics and growing diversity of its population, Minnesota has an expanded number of people who do not speak English. The number of languages spoken in Minnesota has increased significantly. For example, more than 84 languages are spoken in Minneapolis, over 79 languages in St. Paul, and over 50 languages in Rochester. Language barriers deny many families the information they need to help their children succeed academically. In a recent survey by the Blandin Foundation of key issues affecting rural Minnesota, more than four in ten respondents indicated their communities had become more diverse. An increased investment in translating and interpreting information can help non-English speaking populations access information about planning for higher education. The Services Office has translated some publications into Spanish, Hmong, and Somalian, but has identified a need to do more in these and to other languages.

FINANCING:

Current base level funding for student and parent information is \$153,000 per year. This proposal would add \$55,000 in FY 2002 and \$60,000 in FY 2003.

	FY 2002 Change Amount plus Current Base	FY 2003 Change Amount plus Current Base
Student/Parent Information	\$208,000	\$213,000
Current Base	FY 2002 Percent Change	FY 2003 Percent Change
\$153,000	35.9%	39.2%

OUTCOMES:

By translating additional information into foreign languages, the Services Office will give parents and students the tools to access information in order to prepare for higher education opportunities.

Agency: UNIVERSITY OF MINNESOTA

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Program:									
MAINTENANCE & OPERATIONS	742,359	752,410	784,494	777,928	851,628	791,319	784,254	923,654	811,481
UNIVERSITY SPECIALS	72,199	72,279	73,109	73,259	77,294	73,259	73,259	77,624	73,259
OTHER APPROPRIATIONS	4,214	14,759	12,792	13,358	14,996	22,493	15,449	16,157	15,929
LCMR/MN RESOURCES	0	200	0	0	0	0	0	0	0
Total Expenditures	818,772	839,648	870,395	864,545	943,918	887,071	872,962	1,017,435	900,669
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	0	1,723	1,972	0	708	480	0	708	480
GENERAL	574,147	582,471	604,382	597,966	675,701	619,357	604,292	748,057	631,519
MINNESOTA RESOURCES	0	950	0	0	840	565	0	0	0
STATE GOVERNMENT SPECIAL REVENUE	0	0	0	0	90	90	0	0	0
HEALTH CARE ACCESS	2,537	2,837	2,837	2,537	2,537	2,537	2,537	2,537	2,537
SPECIAL REVENUE	0	200	0	0	0	0	0	0	0
MEDICAL EDUCATION & RESEARCH	0	7,840	7,031	7,499	7,499	7,499	7,844	7,844	7,844
Statutory Appropriations:									
GENERAL	240,411	242,218	253,221	253,221	253,221	253,221	253,221	253,221	253,221
MISCELLANEOUS AGENCY	1,677	1,409	952	3,322	3,322	3,322	5,068	5,068	5,068
Total Financing	818,772	839,648	870,395	864,545	943,918	887,071	872,962	1,017,435	900,669

UNIVERSITY OF MINNESOTA - BUDGET BRIEF

Fund: GENERAL

	FY 2002	FY 2003	Biennium
BASE YEAR (FY 2001) (\$000s)			
Appropriations			
Appropriations	\$604,382	\$604,382	\$1,208,764
BASE ADJUSTMENT			
One-time appropriations	(240)	(240)	(480)
Enrollment adjustment 1999	(3,163)	0	(3,163)
Enrollment adjustment 2000	(3,163)	0	(3,163)
Dept of Natural Resources Transfer	150	150	300
BASE LEVEL (for 2002 and 2003)	\$597,966	\$604,292	\$1,202,258
CHANGE ITEMS			
Strengthening the Foundation / Gross Amount	76,335	126,865	203,200
Less Tuition Revenue	(7,600)	(15,400)	(23,000)
Less Reallocation	<u>(15,100)</u>	<u>(15,100)</u>	<u>(30,200)</u>
Strengthening the Foundation / State Request	53,635	96,365	150,000
Investing in the Future	<u>24,100</u>	<u>47,400</u>	<u>71,500</u>
Change Item TOTAL	77,735	143,765	221,500
AGENCY REQUEST	\$675,701	\$748,057	\$1,423,758
GOVERNOR'S RECOMMENDATION			
Strengthening the Foundation	27,986	40,638	68,624
Investing in the Future	16,105	17,089	33,194
Tuition Revenue	(7,600)	(15,400)	(23,000)
Reallocation	<u>(15,100)</u>	<u>(15,100)</u>	<u>(30,200)</u>
GOVERNOR'S RECOMMENDATION	\$619,357	\$631,519	\$1,250,876

BRIEF EXPLANATION OF BUDGET DECISIONS:

The University of Minnesota Board of Regents and President Mark Yudof have set ambitious goals for the 'U'. These goals, based on existing priorities, are designed to keep University programs competitive and to address emerging issues in Minnesota. The overall message of the University's 2002-03 biennial budget proposal is simple: a strong research university is critical to Minnesota's future economy and quality of life.

The biennial budget proposal is a two-part strategy that will simultaneously strengthen the foundation of the University and make the investments needed for Minnesota's future. To use a building analogy, the first floor has to be secure

before the second floor can be built. To "Strengthen the Foundation," the first floor in the U's building, the University proposes \$150 million in additional state funding. To support the "Investment in the Future," the second floor of the U's building, the University proposes \$71.5 million in additional state funding.

The "Strengthening the Foundation" component of the biennial budget proposes funds for inflationary salary adjustments, extraordinary health care costs, the undergraduate experience, the Medical School, State Specials, facilities support, libraries, and technology.

This initiative focuses on the University's efforts to maintain existing strengths, renew core programs and provide the basic level of services necessary to compete with other world-class institutions. Once the foundation components of the University's proposal have been funded, the opportunity exists to make the investments needed to fuel Minnesota's future economic growth.

"Investing in the Future" is the second part of the biennial budget proposal. With a properly supported foundation, working within the framework of established priorities, the University can direct resources to areas critical to Minnesota's long-term social, environmental, and economic health. Success, however, does not happen by chance. As Minnesota makes its decisions about where to invest resources, it needs to give careful consideration to its future. A well-educated population, access to quality health care professionals, and industry partnerships in growing technology-based fields are just some of the outcomes of future-focused investments in the University of Minnesota.

This initiative focuses on the University's efforts to attract and retain the highest quality faculty, address emerging social and environmental issues, meet industry demands for a highly skilled workforce, and compete in rapidly developing technology-based fields. Investments are proposed in competitive compensation; interdisciplinary academic initiatives in the medical and biological sciences, computer and information sciences, and nanotechnology; health professional education; and state special programmatic initiatives focused on rural, agricultural, and environmental issues.

The University's 2002-03 Biennial Budget Proposal represents an increase of \$221.5 million in state funding over adjusted base level funding -- \$150.0 million for Strengthening the Foundation and \$71.5 million for Investing in the Future. In addition, the proposal includes a tuition model to average 3.0% for each of the two years to yield a biennial increase of \$23.0 million in tuition revenue, and a reallocation model to average 2.5% of the University's current state appropriation to yield a biennial reallocation amount of \$30.2 million. The total biennial appropriation request is \$1.423758 billion. The University's current biennial appropriation base is \$1.208764 billion. The adjusted base, or starting point, for FY 2002-03 is \$1.202258 billion.

UNIVERSITY OF MINNESOTA - BUDGET BRIEF

Fund: **GENERAL** (Continued)

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends an increase of \$21.391 million in FY 2002 and \$27.227 million in FY 2003 from the General Fund. This will provide the University with two-thirds of an inflationary adjustment of 3% per year for faculty and staff compensation. The remaining third of the inflationary adjustment would come from increased tuition revenues.

This recommendation also provides an increase of \$8.0 million in FY 2002 from the General Fund to stabilize core funding for the medical school. The Governor also recommends an additional \$8.237 million in FY 2003 and later years to the Department of Health from the Medical and Research Education Fund, generated by the tobacco endowment, as a contingent appropriation for the University's Medical School. Additional details are provided in the Department of Health's budget.

An important principle of the Governor's budget process has been to strongly encourage agencies to reallocate within their existing budget to fund higher priorities. The Governor is encouraged that the University has agreed with this principle. Although the Governor does not recommend specific initiatives to be funded by the University's reallocations, he encourages the University to fund priorities that exceed his recommendations out of these reallocations.

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Program: OTHER APPROPRIATIONS
 Agency: UNIVERSITY OF MINNESOTA

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>Expenditures by Activity:</u>									
LCMR/MN RESOURCES	0	2,673	1,972	0	1,638	1,135	0	708	480
MINNCARE	2,537	2,837	2,837	2,537	2,537	2,537	2,537	2,537	2,537
PERMANENT UNIVERSITY FUND	1,677	1,409	952	3,322	3,322	3,322	5,068	5,068	5,068
TOBACCO MEDICAL EDUCATION	0	7,840	7,031	7,499	7,499	15,499	7,844	7,844	7,844
Total Expenditures	4,214	14,759	12,792	13,358	14,996	22,493	15,449	16,157	15,929
<u>Change Items:</u>									
(A) DENITRIFICATION	EVT				115	115		115	115
(A) EDUCATIONAL TV SERIES	EVT				228			228	
(A) FECAL POLLUTION	MFR				275	275			
(A) FOREST MANAGEMENT PRACTICES	MFR				200	200			
(A) GREEN STRATEGIES	MFR				275				
(A) IMPROVED AIR QUALITY	SGS				90	90			
(A) LANDSCAPE ARBORETUM	EVT				365	365		365	365
(A) STARCH BASED PLASTICS	MFR				90	90			
(P) STRENGTHENING THE FOUNDATION	GEN					8,000			
Total Change Items					1,638	9,135		708	480
<u>Financing by Fund:</u>									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	0	1,723	1,972	0	708	480	0	708	480
GENERAL	0	0	0	0	0	8,000	0	0	0
MINNESOTA RESOURCES	0	950	0	0	840	565	0	0	0
STATE GOVERNMENT SPECIAL REVENUE	0	0	0	0	90	90	0	0	0
HEALTH CARE ACCESS	2,537	2,837	2,837	2,537	2,537	2,537	2,537	2,537	2,537
MEDICAL EDUCATION & RESEARCH	0	7,840	7,031	7,499	7,499	7,499	7,844	7,844	7,844
Statutory Appropriations:									
MISCELLANEOUS AGENCY	1,677	1,409	952	3,322	3,322	3,322	5,068	5,068	5,068
Total Financing	4,214	14,759	12,792	13,358	14,996	22,493	15,449	16,157	15,929

BUDGET ACTIVITY SUMMARY

Budget Activity: LCMR/MN RESOURCES
Program: OTHER APPROPRIATIONS
Agency: UNIVERSITY OF MINNESOTA

ACTIVITY PROFILE:

Projects funded by the Legislative Commission on Minnesota Resources (LCMR) provide research and public service support in accordance with legislative initiatives in the areas of recreation, water, education, agriculture, forestry, fisheries, wildlife, land management, minerals, waste, and energy.

BUDGET ISSUES:

The Legislative Commission on Minnesota Resources project recommendations for the University of Minnesota in the 2002-2003 biennium include the following:

Evaluating Timber Harvesting and Forest Management Guidelines \$200,000

In cooperation with the Minnesota Forest Resources Council to initiate an evaluation of the effectiveness of forest management timber harvesting guidelines for riparian areas.

Green Infrastructure Design Strategies in Washington, Ramsey, and Dakota Counties \$275,000

To develop green infrastructure design strategies for incorporation into public works projects.

Implementing Denitrification Strategies for Minnesota's Contaminated Aquifers \$230,000

To assess denitrification technology to remediate nitrate-contaminated groundwater.

Improving Air Quality by Using Biodiesel in Generators \$90,000

To evaluate the use of biodiesel fuel in diesel powered generators and associated impacts of emissions on air quality.

Determination of Fecal Pollution Sources in Minnesota Watersheds \$275,000

To determine sources of fecal pollution in three impacted watersheds utilizing DNA fingerprinting techniques, and evaluate the efficacy of implemented and proposed abatement procedures to remediate fecal contamination.

Land Acquisition at the Minnesota Landscape Arboretum \$730,000

To the University of Minnesota for an agreement with the University of Minnesota Landscape Arboretum Foundation for the fourth biennium to acquire in-holdings of the Minnesota Landscape Arboretum.

Uncommon Ground: An Educational Television Series \$455,000

To complete production of a multipart televised film series of the history of Minnesota's natural landscapes.

Accelerated Technology Transfer for Starch-Based Plastics \$90,000

To produce and market biodegradable, starch-based plastic.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that funding for the Green Infrastructure Design Strategies and the Uncommon Ground video projects be reallocated to other projects the administration considers to be higher priorities. A discussion of this recommendation is included in the LCMR section of the Environmental Budget. The Governor recommends all other LCMR projects.

Activity: PERMANENT UNIVERSITY FUND
 Program: OTHER APPROPRIATIONS
 Agency: UNIVERSITY OF MINNESOTA

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>Expenditures by Category:</u>									
LOCAL ASSISTANCE	1,677	1,409	952	3,322	3,322	3,322	5,068	5,068	5,068
Total Expenditures	1,677	1,409	952	3,322	3,322	3,322	5,068	5,068	5,068
<u>Financing by Fund:</u>									
Statutory Appropriations:									
MISCELLANEOUS AGENCY	1,677	1,409	952	3,322	3,322	3,322	5,068	5,068	5,068
Total Financing	1,677	1,409	952	3,322	3,322	3,322	5,068	5,068	5,068

BUDGET ACTIVITY SUMMARY

Budget Activity: TOBACCO MEDICAL EDUCATION
Program: OTHER APPROPRIATIONS
Agency: UNIVERSITY OF MINNESOTA

ACTIVITY PROFILE:

The 1999 legislature created the Medical Education Endowment Fund with proceeds from the state's tobacco suit settlement lump sum payments. Earnings from this fund are appropriated for medical education activities in the state of Minnesota. A portion of these earnings is appropriated to the Board of Regents for the instructional costs of health professional programs at the Academic Health Center.

Endowment funds are used within the Academic Health Center to support a variety of medical education expenditures including: faculty salaries in the medical school; nursing education; Twin Cities medical school accreditation standards; rural health school programs; and Academic Health Center programs in Rochester.

FINANCING INFORMATION:

Under M.S. 2000, up to 5% of the fair market value of the Medical Education Endowment Fund is appropriated for medical education activities in the state of Minnesota. The University of Minnesota receives quarterly appropriations based on a percentage of this five percent of the fair market value of the fund.

At the time the endowment was established in statute, the appropriation to the University was estimated to be \$8.0 million per year. For FY 2000, the appropriation totaled \$7.8 million. For FY 2001, the appropriation is estimated to be \$7.0 million. Due to lower than anticipated lump sum payments from the tobacco companies, the endowment principle is \$24.4 million less than originally intended by the legislature. The result of this lower principle is less than intended earnings and therefore, less than intended appropriations to the University for purposes of medical education. (The principle of the Tobacco Prevention Endowment, also established by the legislature in 1999, is \$38.1 million lower than anticipated due to the lower lump sum payment amounts.)

In order for legislative intent to be fully realized (i.e. the annual appropriation from this fund to the University of Minnesota will total approximately \$8.0 million), the principle of the Medical Education Endowment Fund needs to equal the amount originally estimated when the endowment was established. The principle of the endowment is currently \$24.4 million less than originally intended. The University of Minnesota suggests that from the final lump sum payments of the tobacco suit settlement, the state appropriate \$24.4 million to the Medical Education Endowment Fund. In addition, the increased appropriation will also benefit the medical education and research costs trust

fund (MERC) through which the Commissioner of Health distributes funds to Minnesota hospitals and clinics (i.e. those affiliated with the Academic Health Center) to help cover the cost of providing clinical training sites for medical, dental, pharmacy, advanced nursing, and other health professional students and residents.

BUDGET ISSUES:

Budget plans for FY 2000 and 2001 are included as a supplement to this document.

GOVERNOR'S RECOMMENDATION:

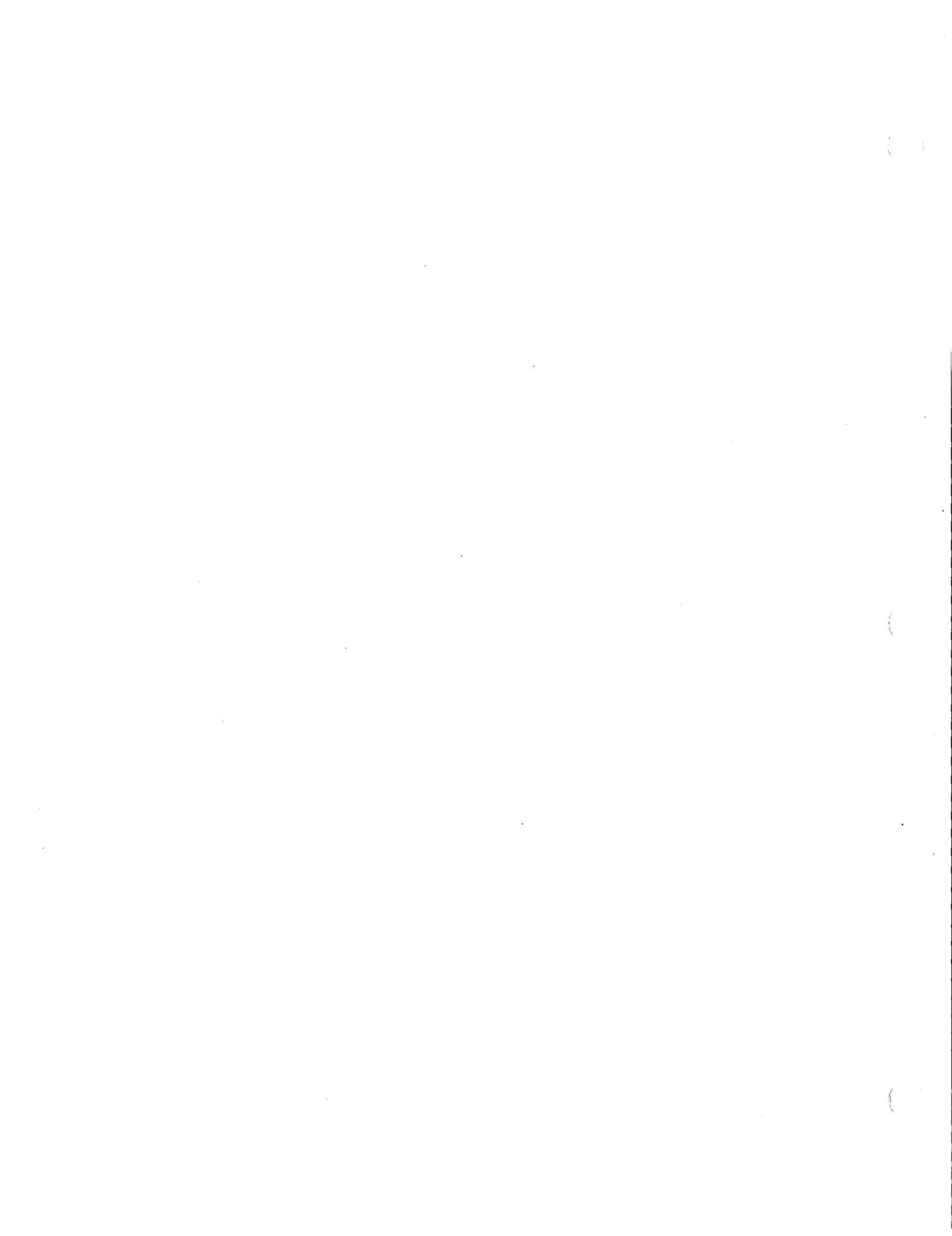
The Governor recommends an increase of \$8.0 million in FY 2002 from the General Fund to stabilize core funding for the medical school. The Governor recommends an additional \$8.237 million in FY 2003 and later years to the Department of Health from the Medical and Research Education Fund (generated by the tobacco endowment) as a contingent appropriation for the University's Medical School. Additional details are provided in the Department of Health's budget.

Activity: TOBACCO MEDICAL EDUCATION
 Program: OTHER APPROPRIATIONS
 Agency: UNIVERSITY OF MINNESOTA

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
LOCAL ASSISTANCE	0	7,840	7,031	7,499	7,499	15,499	7,844	7,844	7,844
Total Expenditures	0	7,840	7,031	7,499	7,499	15,499	7,844	7,844	7,844
Change Items:									
(P) STRENGTHENING THE FOUNDATION	Fund GEN					8,000			
Total Change Items						8,000			
Financing by Fund:									
Direct Appropriations:									
GENERAL	0	0	0	0	0	8,000	0	0	0
MEDICAL EDUCATION & RESEARCH	0	7,840	7,031	7,499	7,499	7,499	7,844	7,844	7,844
Total Financing	0	7,840	7,031	7,499	7,499	15,499	7,844	7,844	7,844

**RECONCILIATION OF F.Y. 2001 TO BASE LEVEL
HIGHER EDUCATION BILL (GENERAL FUND)**

	F.Y. 2001	F.Y. 2002	F.Y. 2003	2002-03 BIENNIIUM
INSTRUCTION:				
APPROPRIATION -- O & M	329,316	312,781	312,781	625,562
COST STUDY ADJUSTMENT (EST.)	(16,535)			
INCOME	253,221	0	0	0
INTENT TUITION	186,781	186,781	186,781	
ADDITIONAL TUITION	66,440	66,440	66,440	
FORMULA ADJUSTMENTS (actual only)				
NON RECURRING (F.Y. 1999)		(3,163)		(3,163)
NON RECURRING (F.Y. 2000)		(3,163)		(3,163)
CURRENT SPENDING	566,002	559,676	566,002	1,125,678
NON-INSTRUCTION:				
APPROPRIATION -- O & M (1)	201,937	218,492	218,492	436,984
COST STUDY ADJUSTMENT (EST.)	16,535			
NON RECURRING (UMD Child Care)		(220)	(220)	(440)
NON RECURRING (Parenting Education Curriculum)	20	(20)	(20)	(40)
APPROPRIATION -- SPECIALS	73,109	73,109	73,109	146,218
RECURRING (Transfer from DNR)		150	150	300
CURRENT SPENDING	291,601	291,511	291,511	583,022
BASE LEVEL SPENDING	857,603	851,187	857,513	1,708,700
DIRECT APPROPRIATIONS SUMMARY:				
BASE LEVEL TOTALS	604,382	597,966	604,292	1,202,258



Agency: POLLUTION CONTROL AGENCY

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Program:									
WATER	14,233	16,639	23,270	22,171	23,859	22,351	23,639	7,589	19.0%
AIR	14,584	10,259	6,845	7,985	8,182	8,131	8,334	(588)	(3.4%)
LAND	10,377	7,588	9,074	11,131	10,281	11,399	10,543	4,162	25.0%
INTEGRATED ENVIRONMENTAL PROGS	37,032	43,383	70,910	58,259	58,349	67,373	67,463	11,519	10.1%
ADMINISTRATIVE SUPPORT	10,648	11,007	12,587	12,410	12,410	12,835	12,835	1,651	7.0%
Total Expenditures	86,874	88,876	122,686	111,956	113,081	122,089	122,814	24,333	11.5%
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	429	745	648	0	0	0	0	0	0
GENERAL	14,092	13,485	16,090	17,184	17,909	17,481	18,206		
MINNESOTA RESOURCES	0	50	50	0	313	0	0		
PETROLEUM TANK RELEASE CLEANUP	3,571	3,382	3,594	3,511	0	3,616	0		
STATE GOVERNMENT SPECIAL REVENUE	45	44	45	47	47	48	48		
SPECIAL REVENUE	464	159	0	0	87	0	0		
ENVIRONMENTAL	20,767	19,429	20,889	21,369	23,347	22,084	23,703		
REMEDIATION	0	0	0	0	9,592	0	9,961		
METRO LANDFILL CONTINGENCY	125	0	0	0	0	0	0		
SOLID WASTE	6,712	6,643	7,643	7,394	0	7,629	0		
Statutory Appropriations:									
PUBLIC FACILITIES AUTHORITY	829	811	787	785	785	785	785		
PETROLEUM TANK RELEASE CLEANUP	2,711	2,967	5,049	5,000	0	5,000	0		
STATE GOVERNMENT SPECIAL REVENUE	1	1	1	1	1	1	1		
SPECIAL REVENUE	12,086	9,410	6,401	11,333	11,333	11,454	11,454		
FEDERAL	11,898	16,582	36,922	26,438	26,438	24,801	24,801		
ENVIRONMENTAL	2,006	3,297	7,385	6,010	508	3,051	508		
REMEDIATION	0	0	0	0	22,721	0	33,347		
METRO LANDFILL CONTINGENCY	5	0	0	0	0	0	0		
SOLID WASTE	11,133	11,871	17,182	12,884	0	26,139	0		
Total Financing	86,874	88,876	122,686	111,956	113,081	122,089	122,814		
FTE by Employment Type:									
FULL TIME	754.3	764.6	750.1	698.4	712.9	673.7	688.2		
PART-TIME, SEASONAL, LABOR SER	28.6	31.5	42.9	36.6	38.1	35.0	35.0		
OVERTIME PAY	1.0	0.8	0.4	0.3	0.3	0.3	0.3		
Total Full-Time Equivalent	783.9	796.9	793.4	735.3	751.3	709.0	723.5		

POLLUTION CONTROL AGENCY - BUDGET BRIEF

Fund: GENERAL

	FY 2002	FY 2003	Biennium
BASE YEAR (FY 2001) (\$000s)			
Appropriations			
	\$16,774	\$16,774	\$33,548
BASE ADJUSTMENT			
One-Time Appropriations	(9)	(84)	(93)
Attorney General Costs	11	23	34
Space Rental/Lease	149	241	390
Salary & Benefits	259	527	786
BASE LEVEL (for 2002 and 2003)	\$17,184	\$17,481	\$34,665
CHANGE ITEMS			
Feedlot Cost Share & Permit Admin	725	725	1,450
GOVERNOR'S RECOMMENDATION	\$17,909	\$18,206	\$36,115

BRIEF EXPLANATION OF BUDGET DECISIONS:

Background:

General funds are appropriated as base resources to support the water program in the point source and non-point source activities which includes pass-through dollars for the clean water partnership grants, county feedlot grant program, and ISTS grants. The land program is appropriated general funds for hazardous waste general operations and for the household hazardous waste program that includes pass-through dollars to counties to subsidize their household hazardous waste programs. Base resources are also appropriated to administrative support, which includes the Commissioner's Office, Fiscal Services, Information Services, Organizational Development and Training, Human Resources, and Public Information.

General Changes:

The one-time adjustment is for the Mercury Reduction program appropriation that continues to be reduced each year.

The Attorney General base adjustment will be transferred to the Attorney General to pay for same level services at increased hourly rates.

The Space Rental/Lease base adjustment will help pay for added costs that will be incurred as our lease rates increase. For our main office in St. Paul, this will be the first per square foot rent increase in ten years.

The Salary and Benefits base adjustment reflects a portion of the added costs of increases anticipated as a result of the next round of collective bargaining.

Change Items:

With one exception, all of the change items presented by the PCA are reprioritizations and involve the reallocation of existing funds from one program use to another program use. They will be most completely described as change item requests in the area of the new use.

The Feedlot change item involves a transfer from Clean Water Partnership Program pass-through grants and reprioritization of that money for county delegated program grants, and funding for cost share for farmers to fix up feedlots to meet environmental standards in priority watersheds. In addition, an appropriation is requested for PCA feedlot permit staff.

GOVERNOR'S RECOMMENDATION

The Governor recommends the agency's base level funding with the following adjustments:

- a biennial increase of \$1.45 million for additional PCA feedlot permit staff;
- a biennial transfer of \$1.4 million from Clean Water Partnership grants to the Board of Water and Soil Resources for cost share assistance to livestock producers for feedlot upgrades required under the revised feedlot rules;
- a biennial transfer of \$1.07 million from Clean Water Partnership grants to the Board of Water and Soil Resources for county feedlot grants to delegated counties for permitting responsibilities.

Agency: POLLUTION CONTROL AGENCY

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
Non-Dedicated Revenue:									
Departmental Earnings:									
GENERAL	0	0	0	8	8	8	8	16	
PETROLEUM TANK RELEASE CLEANUP	13	11	8	8	8	8	8	(3)	(15.8%)
STATE GOVERNMENT SPECIAL REVENUE	39	36	30	37	37	37	37	8	12.1%
CAMBRIDGE DEPOSIT FUND	9	10	8	0	0	0	0	(18)	(100.0%)
ENVIRONMENTAL	13,326	14,480	14,301	14,578	9,539	15,191	9,967	(9,275)	(32.2%)
REMEDIATION	0	0	0	0	62	0	262	324	
Other Revenues:									
GENERAL	23	16	10	260	260	260	260	494	1,900.0%
PETROLEUM TANK RELEASE CLEANUP	152	537	40	40	40	40	40	(497)	(86.1%)
CAMBRIDGE DEPOSIT FUND	38	490	250	0	0	0	0	(740)	(100.0%)
ENVIRONMENTAL	655	619	627	640	3,206	652	3,062	5,022	403.0%
REMEDIATION	0	0	0	0	3,148	0	3,040	6,188	
METRO LANDFILL CONTINGENCY	77	201	166	220	0	273	0	(367)	(100.0%)
CLOSED LANDFILL INVESTMENT	0	375	0	1,417	1,417	1,117	1,117	2,159	575.7%
SOLID WASTE	2,546	3,194	3,777	2,576	0	2,420	0	(6,971)	(100.0%)
Taxes:									
GENERAL	0	0	1	1	1	1	1	1	100.0%
Total Non-Dedicated Receipts	16,878	19,969	19,218	19,785	17,726	20,007	17,802	(3,659)	(9.3%)
Dedicated Receipts:									
Departmental Earnings:									
SPECIAL REVENUE	452	357	477	478	478	338	338	(18)	(2.2%)
ENVIRONMENTAL	62	59	47	52	0	52	0	(106)	(100.0%)
Grants:									
SPECIAL REVENUE	3,377	2,925	3,200	3,131	3,131	2,900	2,900	(94)	(1.5%)
FEDERAL	12,056	16,344	36,459	26,363	26,363	24,781	24,781	(1,659)	(3.1%)
Other Revenues:									
GENERAL	52	0	0	0	0	0	0	0	0
SPECIAL REVENUE	1,186	1,289	1,702	7,608	7,608	8,210	8,210	12,827	428.9%
ENVIRONMENTAL	4,713	3,609	3,466	3,048	30	2,889	32	(7,013)	(99.1%)
REMEDIATION	0	0	0	0	100	0	100	200	
Other Sources:									
ENVIRONMENTAL	126	141	171	192	192	218	218	98	31.4%
Total Dedicated Receipts	22,024	24,724	45,522	40,872	37,902	39,388	36,579	4,235	6.0%
Agency Total Revenues	38,902	44,693	64,740	60,657	55,628	59,395	54,381	576	0.5%

POLLUTION CONTROL AGENCY - FEDERAL FUNDS SUMMARY

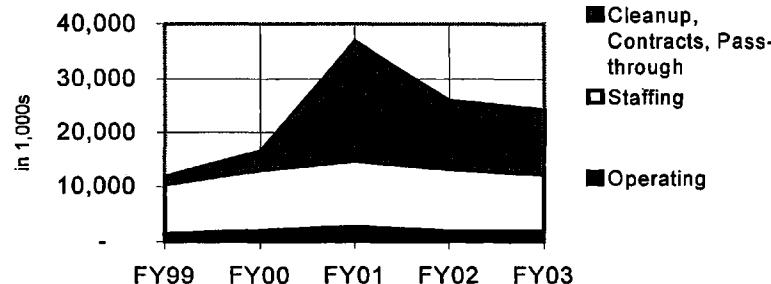
In the 2000-01 biennium, the Pollution Control Agency (PCA) received approximately 23% of its resources from the federal government. This funding comes to the PCA in the form of several large, media specific grants, as well as smaller, specific purpose grants. These grants are made by the United States Environmental Protection Agency (EPA). The funds are important because they enable the PCA to carry out activities specified in the current Environmental Performance Partnership Agreement (EnPPA) between the PCA and EPA and other EPA initiatives.

The PCA again received a Performance Partnership Grant (PPG), this time with a budget period that aligned with state FY 2000-01. The PPG combines eight specific grants into one award, increasing the PCA's flexibility to use federal funds across PCA programs while maintaining its commitments on deliverables. There are, however, 47 other grants—including cleanup and Water's nonpoint source implementation programs—that are not included in the PPG. The EnPPA serves as the program plan for the PPG. Having one award and one work plan streamlines some of the administrative requirements of federal grants.

The PCA received a one-time grant of \$300,000 for the One Stop Project. This grant provides a means for the PCA to make further progress toward meeting our integrated data management needs, including geographic presentation.

Although EPA grants to the PCA increased from 1999 to 2001, reduced funding for administrative expenses is projected for the period FY 2002-03 as compared to FY 2000-01. Most of the increase in federal grant funds from 1999 to 2001 is attributed to receiving funds for cleanup projects moving into the remedial phase, pass-through grants, and contracted services. A decrease however is projected for FY 2002-03 for clean-up projects moving into the remedial phase and pass-through grants. Revenues for staffing and operating costs are also expected to decline overall.

FEDERAL FUND DISTRIBUTION BY CATEGORY



FEDERAL FUND DIRECT EXPENDITURES BY CATEGORY

Table 1	FY 2000-01	FY 2002-03	Change From 2000-01 to 02-03
Operating Costs & Staffing	27,872	25,590	(2,282)
Cleanup, Contracts and Pass-through Grants	25,632	24,643	(989)
Totals	53,504	50,233	(3271)

Land Program activities expect funding changes during the biennium. The Superfund Block Funding Grant (Superfund administrative support, site assessments, brownfields, and voluntary investigation and cleanup (VIC) program) declined by approximately \$400,000 for FY 2001. It is believed that the grant will increase by about \$200,000 in FY 2002 and hold at that level for FY 2003. Total federal Superfund funding will also eventually begin to decline as the number of federal Superfund sites in Minnesota decreases.

Air Program activities expect relatively stable grant funding in the coming biennium for the Section 105/Air Pollution Control program. The PCA received funding for the ambient monitoring of fine particulate matter (PM2.5) which is part of the Section 103/Air Research and Development Program grant. This funding has enabled the PCA to deploy a monitoring network and gather data to determine compliance with the National Ambient Air Quality Standard for PM2.5. Funding levels may decrease slightly once the monitoring networks have been established, largely because equipment purchases will have been completed. Funding should remain relatively stable as the program matures.

Water Program activities have experienced some increased funding. The Water 106/Water Pollution Control funding portion of the PPG is anticipated to increase by \$1.1 million in FY 2002, but it is too early to know if the funds will be earmarked for specific activities. After increasing sharply in 1999 and experiencing relative stability in 2000, the Water 319/Nonpoint Source Implementation program is anticipated to increase by \$1.5 million in FY 2002. It is anticipated that this funding will stabilize in future years.

The PCA received several competitive grants in the air and water programs. One of the larger ones is an \$850,000 grant to study methylmercury in watersheds. Another Air Section 103 grant will provide funding to research the reaction of mercury in various wastes or solids applied to agricultural lands. The PCA has also received a number of grants through the Great Lakes National Program Office (GLNPO) of EPA Region 5 that protect the Great Lakes.

POLLUTION CONTROL AGENCY - FEDERAL FUNDS SUMMARY (Continued)

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
Reimbursement of Technical Services	-0-	State Operations	353	532	532	532
Air Pollution Control Program Support	-0-	State Operations	37	-0-	-0-	-0-
Lake Restoration Cooperative Agreement	-0-	Grants – Political Sub.	-0-	-0-	-0-	-0-
Water Quality Management Planning	-0-	State Operations	192	268	310	310
Non-point Source Implementation Grants	133	Grants – Political Sub.	1,940	6,897	4,132	4,132
Non-point Source Implementation Admin	1,782	State Operations	2,615	2,965	3,012	3,002
Wetlands Protection: Development Grants	33	State Operations	150	124	-0-	-0-
National Pollutant Discharge Elimination	9	State Operations	138	100	-0-	-0-
Great Lakes Programs	4	State Operations	163	369	700	700
Environmental Protection: Consolidated Research	2	State Operations	195	529	238	-0-
Air Pollution Research	15	State Operations	247	184	68	58
Wastewater Pollution Control – Research	-0-	State Operations	10	-0-	-0-	-0-
Performance Partnership Grants	4,364	State Operations	5,237	5,822	6,162	5,100
Surveys, Studies, Investigations, and Special Purpose Grants	103	State Operations	704	1,321	605	493
Training and Fellowship Grants for EPA	13	State Operations	37	33	33	33
One Stop Reporting	-0-	State Operations	7	300	80	-0-
Toxic Substances Compliance Monitoring – Cooperative Agreements	4	State Operations	1	48	55	16
Pollution Prevention Grants Program	7	State Operations	27	-0-	-0-	-0-
State and Tribal Environmental Justice	-0-	State Operations	-0-	58	31	-0-
Superfund State Site-Specific Cooperative Agreements	27	State Operations	2,711	15,328	9,095	9,095

POLLUTION CONTROL AGENCY - FEDERAL FUNDS SUMMARY (Continued)

Federal Programs (S in Thousands)	Related SFY 2000 Spending	Primary PIPs	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
State and Tribal Underground Storage Tank Program	-0-	State Operations	5	12	-0-	-0-
Leaking Underground Storage Tank Trust Fund Program	127	State Operations	1,556	1,329	1,310	1,310
Brownsfield Pilot Cooperative Agreements	-0-	Grants – Political Subdivision	16	150	-0-	-0-
Capitalization Grants for Drinking Water Revolving Fund	-0-	State Operations	-0-	90	-0-	-0-
Special Project Grants	-0-	State Operations	3	-0-	-0-	-0-
Total (Federal Direct)			16,344	36,459	26,363	24,781
Total (Federal Indirect – Special Revenue (P02)			2,953	3,310	3,390	3,190
Agency Total	6,623		19,297	39,769	29,753	27,971

Program: AIR

Agency: POLLUTION CONTROL AGENCY

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
REGULATORY COMPLIANCE	4,548	4,062	4,869	5,521	5,521	5,580	5,580	2,170	24.3%
COMMUNITY & ASSISTANCE	10,036	6,197	1,976	2,464	2,661	2,551	2,754	(2,758)	(33.7%)
Total Expenditures	14,584	10,259	6,845	7,985	8,182	8,131	8,334	(588)	(3.4%)

<u>Change Items:</u>	<u>Fund</u>					
(B) AIR TOXICS/MOBILE SOURCE REDUCTION	ENV			197		203
Total Change Items				197		203

<u>Financing by Fund:</u>							
Direct Appropriations:							
GENERAL	0	84	240	135	135	62	62
SPECIAL REVENUE	464	159	0	0	0	0	0
ENVIRONMENTAL	6,245	5,712	6,126	7,456	7,653	7,689	7,892
Statutory Appropriations:							
SPECIAL REVENUE	7,615	4,086	154	130	130	130	130
FEDERAL	58	23	48	14	14	0	0
ENVIRONMENTAL	202	195	277	250	250	250	250
Total Financing	14,584	10,259	6,845	7,985	8,182	8,131	8,334

<u>FTE by Employment Type:</u>							
FULL TIME	77.9	83.6	72.3	66.9	69.9	65.4	68.4
PART-TIME, SEASONAL, LABOR SER	2.3	4.8	5.8	6.7	6.7	6.7	6.7
OVERTIME PAY	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total Full-Time Equivalent	80.4	88.6	78.3	73.8	76.8	72.3	75.3

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Activity: COMMUNITY & ASSISTANCE
 Program: AIR
 Agency: POLLUTION CONTROL AGENCY

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	1,711	1,220	1,218	1,306	1,477	1,370	1,552	591	24.2%
OTHER OPERATING EXPENSES	8,123	4,782	482	909	935	932	953	(3,376)	(64.1%)
OTHER FINANCIAL TRANSACTIONS	202	195	276	249	249	249	249	27	5.7%
Total Expenditures	10,036	6,197	1,976	2,464	2,661	2,551	2,754	(2,758)	(33.7%)

<u>Change Items:</u>	<u>Fund</u>						
(B) AIR TOXICS/MOBILE SOURCE REDUCTION	ENV				197		203
Total Change Items					197		203

Financing by Fund:							
Direct Appropriations:							
SPECIAL REVENUE	464	159	0	0	0	0	0
ENVIRONMENTAL	1,795	1,822	1,619	2,139	2,336	2,226	2,429
Statutory Appropriations:							
SPECIAL REVENUE	7,575	4,021	80	75	75	75	75
ENVIRONMENTAL	202	195	277	250	250	250	250
Total Financing	10,036	6,197	1,976	2,464	2,661	2,551	2,754

FTE by Employment Type:							
FULL TIME	30.2	22.7	21.3	21.6	24.6	21.7	24.7
PART-TIME, SEASONAL, LABOR SER	0.9	1.7	1.4	1.4	1.4	1.4	1.4
Total Full-Time Equivalent	31.1	24.4	22.7	23.0	26.0	23.1	26.1

BUDGET CHANGE ITEM (46409)

Budget Activity: COMMUNITY & ASSISTANCE
Program: AIR
Agency: POLLUTION CONTROL AGENCY

Item Title: AIR TOXICS/MOBILE SOURCE REDUCTION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Environmental Fund	\$197	\$203	\$203	\$203
Revenues: (\$000s)				
Statutory Change? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input checked="" type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$197,000 in FY 2002 and \$203,000 in FY 2003 be reallocated from the Environmental Fund within the Pollution Control Agency (PCA) to raise awareness among stakeholders and citizens on new air quality issues and to encourage opportunities for self-sufficiency in reducing air pollution. This would be accomplished by developing a better scientific understanding of emerging air quality issues, and using that knowledge to develop incentives for less polluting behavior.

RATIONALE:

This reallocation will allow the PCA to reduce potential cancer risk, asthma, and other health effects associated with breathing outdoor pollutants from nonpoint sources as well as reduce the impacts on wildlife and other ecological systems. Traditional smokestack industries are estimated to be responsible for less than 10% of total air toxics emissions while mobile and area sources, often referred to as nonpoint sources, make up the balance. This reallocation also focuses on educating Minnesotans about the new air pollution issues facing us.

As one of the objectives of the PCA Five-Year Strategic Plan, the agency will reduce exposure to toxic air pollutants by further assessing the extent of the exposure to air toxics, proposing reduction strategies where appropriate, and starting a process to build partnerships to address problems. This is part of a multi-year effort to develop state policy on important environmental problems, one of which is reducing the threat to Minnesota citizens and wildlife from toxic

pollutants. The agency's Five-Year Strategic Plan requires the identification and implementation of partial solutions that are obvious and easy to implement. The requested reallocation will enable the PCA to attain these goals.

One FTE is needed to design and implement the strategies to reduce air emissions from the higher priority area sources, such as gas stations, wood burning stoves, and certain other industrial sectors that are not being addressed at the federal level. Currently, no FTEs are allocated to this effort, even though more than a third of toxic air emissions come from these smaller sources.

One FTE is needed to continue to develop an even better understanding of future air toxics and ozone trends in Minnesota, and potential environmental and economic impacts resulting from those trends.

One FTE is needed for communication of air issues. Currently, air pollution issues, such as greenhouse gases, ozone (smog), and air toxics, are communicated separately on a limited and reactive basis by the PCA. As a result, it is difficult to educate citizens about the environmental problems caused by mobile sources (cars, trucks, and off-road vehicles), which are the largest source of smog-forming and cancer-causing air pollution in Minnesota. Until recently, the PCA only addressed carbon monoxide pollution from these sources, but the PCA has shown that in many parts of the state, concentrations of toxic substances and levels of smog are of concern. At the current level of staffing, it is difficult for the PCA to engage effectively in a proactive air communications campaign. The PCA has developed this reallocation request based on the requirements of the Governor's Big Plan and a larger PCA reorientation toward emerging environmental issues. This reallocation request also responds to stakeholder requests that PCA enhance its communication and demonstrate leadership on this environmental issue.

FINANCING:

Reallocation would be from the salvage yard on-site technical assistance program (in the Land/Community Assistance Budget Activity). The Motor Vehicle Title Transfer Fee currently funds this program. The primary purpose of the Salvage Yard Program has been achieved. The funding is shifted to address more pressing environmental problems caused by motor vehicles and other dispersed sources of air pollution. This reallocation represents an 11% increase in activity directed at reducing air toxics and other pollutants from area and mobile sources.

BUDGET CHANGE ITEM (46409) (Continued)

Budget Activity: COMMUNITY & ASSISTANCE

Program: AIR

Agency: POLLUTION CONTROL AGENCY

Item Title: AIR TOXICS/MOBILE SOURCE REDUCTION

OUTCOMES:

The PCA will measure its success by

- estimating tons of air toxics and other air pollutants emitted from source categories targeted for reductions;
- estimating tons of air toxics and other air pollutants emitted from all source categories on an annual basis;
- measuring the levels of toxic air pollutants in the ambient air;
- measuring the levels of toxic air pollutants at selected facilities;
- using emissions estimates to model the number of Minnesotans exposed to concentrations of air toxics above health benchmarks; and
- conducting a survey to determine whether the public's awareness of air issues is changed from earlier baseline surveys.

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Program: INTEGRATED ENVIRONMENTAL PROGS
 Agency: POLLUTION CONTROL AGENCY

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Activity:</u>									
INTEGRATED ENVIRONMENTAL PROGS	4,257	5,428	6,664	6,693	6,693	5,490	5,490	91	0.8%
ENVIRONMENTAL OUTCOMES	7,129	7,891	10,174	8,283	9,038	8,059	8,484	(543)	(3.0%)
CLEANUP	25,646	30,064	54,072	43,283	42,618	53,824	53,489	11,971	14.2%
Total Expenditures	37,032	43,383	70,910	58,259	58,349	67,373	67,463	11,519	10.1%
<u>Change Items:</u>									
(A) PCA ENVIRONMENTAL TAX REFORM	ENV				(8,755)			(5,952)	
(A) PCA ENVIRONMENTAL TAX REFORM	PET				(6,293)			(6,346)	
(A) PCA ENVIRONMENTAL TAX REFORM	REM				30,544			41,143	
(A) PCA ENVIRONMENTAL TAX REFORM	SW				(15,496)			(28,845)	
(B) MALFORMED FROG SAMPLE COLLECTION	ENV				90			90	
(B) BASIN MONITORING INFORMATION	ENV				665			335	
(B) SUPERFUND REALLOC TO BASIN MONITORING	REM				(665)			(335)	
Total Change Items					90			90	
<u>Financing by Fund:</u>									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	311	333	0	0	0	0	0	0	0
GENERAL	3,773	3,088	3,288	2,556	2,556	2,565	2,565		
MINNESOTA RESOURCES	0	50	50	0	0	0	0	0	0
PETROLEUM TANK RELEASE CLEANUP	1,633	1,429	1,331	1,293	0	1,346	0		
ENVIRONMENTAL	6,202	6,236	6,769	7,829	5,379	8,131	5,195		
REMEDIATION	0	0	0	0	7,275	0	7,578		
METRO LANDFILL CONTINGENCY	117	0	0	0	0	0	0	0	0
SOLID WASTE	522	2,478	1,783	2,777	0	2,871	0		
Statutory Appropriations:									
PETROLEUM TANK RELEASE CLEANUP	2,711	2,967	5,049	5,000	0	5,000	0		
SPECIAL REVENUE	621	548	848	594	594	567	567		
FEDERAL	8,469	11,620	27,897	19,941	19,941	18,328	18,328		
ENVIRONMENTAL	1,645	2,899	6,878	5,550	0	2,591	0		
REMEDIATION	0	0	0	0	22,604	0	33,230		
SOLID WASTE	11,028	11,735	17,017	12,719	0	25,974	0		
Total Financing	37,032	43,383	70,910	58,259	58,349	67,373	67,463		

Program: INTEGRATED ENVIRONMENTAL PROGS

Agency: POLLUTION CONTROL AGENCY

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE by Employment Type:</u>							
FULL TIME	272.8	320.9	313.0	274.9	280.4	256.5	262.0
PART-TIME, SEASONAL, LABOR SER	11.6	14.3	18.6	15.8	15.8	14.2	14.2
OVERTIME PAY	0.4	0.5	0.1	0.1	0.1	0.1	0.1
Total Full-Time Equivalent	284.8	335.7	331.7	290.8	296.3	270.8	276.3

Activity: ENVIRONMENTAL OUTCOMES
 Program: INTEGRATED ENVIRONMENTAL PROGS
 Agency: POLLUTION CONTROL AGENCY

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	3,871	4,766	4,723	4,288	4,622	4,423	4,777	(90)	(0.9%)
OTHER OPERATING EXPENSES	2,376	2,405	4,481	3,437	3,858	3,306	3,377	349	5.1%
Subtotal State Operations	6,247	7,171	9,204	7,725	8,480	7,729	8,154	259	1.6%
LOCAL ASSISTANCE	882	720	970	558	558	330	330	(802)	(47.5%)
Total Expenditures	7,129	7,891	10,174	8,283	9,038	8,059	8,484	(543)	(3.0%)
<u>Change Items:</u>									
(A) PCA ENVIRONMENTAL TAX REFORM	ENV				958			1,010	
(A) PCA ENVIRONMENTAL TAX REFORM	REM				80			80	
(A) PCA ENVIRONMENTAL TAX REFORM	SW				(1,038)			(1,090)	
(B) MALFORMED FROG SAMPLE COLLECTION	ENV				90			90	
(B) BASIN MONITORING INFORMATION	ENV				665			335	
Total Change Items					755			425	
<u>Financing by Fund:</u>									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	140	333	0	0	0	0	0	0	0
GENERAL	3,320	2,592	2,777	2,051	2,051	2,036	2,036		
ENVIRONMENTAL	2,276	2,270	2,357	2,301	4,014	2,383	3,818		
REMEDIATION	0	0	0	0	80	0	80		
SOLID WASTE	292	886	825	1,038	0	1,090	0		
Statutory Appropriations:									
SPECIAL REVENUE	228	150	156	123	123	118	118		
FEDERAL	873	1,660	4,059	2,770	2,770	2,432	2,432		
Total Financing	7,129	7,891	10,174	8,283	9,038	8,059	8,484		
<u>FTE by Employment Type:</u>									
FULL TIME	68.4	79.9	74.3	62.7	68.2	62.5	68.0		
PART-TIME, SEASONAL, LABOR SER	5.4	6.6	5.2	3.9	3.9	2.8	2.8		
OVERTIME PAY	0.3	0.4	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	74.1	86.9	79.5	66.6	72.1	65.3	70.8		

BUDGET CHANGE ITEM (54208)

Budget Activity: ENVIRONMENTAL OUTCOMES
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

Item Title: MALFORMED FROG SAMPLE COLLECTION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Environmental Fund	\$90	\$90	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input checked="" type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$90,000 be reallocated from the Environmental Fund in FY 2002 and \$90,000 in FY 2003 for malformed frog sample collection and census work.

RATIONALE:

The Pollution Control Agency (PCA) has been studying the malformed frog problem for six years. When our research began in 1995, the agency was the only organization that was studying the problem in Minnesota and the nation. To leverage state funds at our disposal the agency chose to partner with other agencies that could contribute resources of their own to the investigation. Today, several federal agencies are researching various aspects of the malformed frog problem in Minnesota including the U.S. Geological Survey, the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Agriculture.

Stakeholder input collected during budget preparation indicated that although malformed frog research is seen an important issue, it is viewed as a problem of nationwide scope and more appropriately led by a federal agency rather than by a state agency.

This initiative would fund a limited continuation of frog census work at identified hot spots and providing samples from Minnesota sites to researchers who are

interested in studying Minnesota's malformed frogs. Frog census work allows us to determine if the problem is getting worse or better with time and may produce information that leads to further research which federal agencies can pursue.

FINANCING:

The \$90,000 per year for FY 2002 and FY 2003 will fund 1.5 FTEs which is the minimum number of staff necessary to conduct the collection of frog samples for federal research. This amount will fund \$80,000 per year for salary, with the balance for related supplies and equipment, and in-state travel to Minnesota sites. A one-time appropriation funded this activity in FY 2000 and FY 2001. This change item represents a 62% decrease in funding for a reduced level of this activity.

The PCA proposes to reallocate \$180,000 for the FY 2002-03 biennium from the PCA's current base funding for the Listed Metals Program (in the Land/Community Assistance Budget Activity). The Listed Metals Advisory Council will complete its work by December 2000 ending the need for listed metals expenditures. The forecasted expenditures are reprioritized to address more pressing environmental problems.

OUTCOMES:

Funding will allow malformed frog census work and sample collection in Minnesota to continue in a cost-effective manner by

- allowing the PCA to continue frog census work, which no other agency is doing;
- allowing non-agency researchers to have a supply of frog, water, and sediment samples with which to work, with the result that information specific to Minnesota can be provided; and
- permitting the agency to continue distributing up-to-date information on the frog malformation problem on its web site and through printed materials.

Measures of the program's success include

- documented progress toward identifying the agents causing malformed frogs in Minnesota;
- number of requests for research samples and percent of positive responses by researchers when PCA provides samples;
- maintenance of contacts with researchers nationwide, which will enable the PCA to provide the latest research results to the citizens of Minnesota through its web site and printed fact sheets, the number of web site hits and requests for information will be documented; and
- publication of additional research articles addressing the potential causes of malformed frogs in Minnesota.

BUDGET CHANGE ITEM (46407)

Budget Activity: ENVIRONMENTAL OUTCOMES
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

Item Title: BASIN MONITORING INFORMATION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Environmental Fund	\$665	\$335	\$500	\$500
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <u> </u> No <u> X </u>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input checked="" type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$665,000 be reallocated from the Environmental Fund in FY 2002 and \$335,000 in FY 2003 for increased monitoring of the water quality of the Upper Mississippi River Basin and to make the resulting water information more readily accessible to stakeholders and the general public.

RATIONALE:

The Pollution Control Agency (PCA) has been receiving an increasing number of requests for environmental data and information. Interest is particularly strong in the Upper Mississippi River Basin because water quality is generally good, but under pressure; development is increasing; and there are a large number of lakes, rivers, and streams in the basin. There is a need both to fill in some of the significant gaps in our current monitoring efforts, and also to interpret and make more easily accessible the data that is collected. Data and information collected by cities and counties will be sought and incorporated with PCA monitoring data and information, then presented together to provide the most complete picture possible. This is a key electronic government service in the environmental area.

This initiative would involve streamflow and chemistry monitoring in areas of the Mississippi River for which such data does not currently exist. Data from monitoring efforts by other units of government, lake associations, and others

would be obtained. The main thrust of the initiative is to make water information that is collected for this area more readily accessible. This would include data analysis, presentation, and delivery. Customer research would be used to determine the means of presentation that would be most useful for various customer groups, primarily local government staff, local elected officials and legislators, but also citizens and citizen groups.

In a series of focus groups conducted around Minnesota in mid 2000 for input on the biennial budget, a strong theme for electronic access to monitoring data and information emerged, particularly among local government staff and elected officials. Those groups also expressed a strong interest in integrating locally-held monitoring data with state-held monitoring data so the most complete environmental picture could be created. Interest in accessing monitoring data and information was expressed by other stakeholder groups as well, including business and environmental groups.

Monitoring data and information is needed at both the state and local levels to determine the "health" of the local and regional environment. Knowing the full environmental health picture in a particular geographic area is a cornerstone upon which to set environmental priorities. When data collected at either the state or local level is not readily available to, and interpreted for the other level, environmental improvement efforts cannot be sufficiently coordinated or well aimed. When this data and information is available, though, individual citizens and citizen groups are able to take local actions to improve their environments.

FINANCING:

Approximately \$40,000 per year is currently spent on project specific monitoring activities in the Upper Mississippi Basin. The increasing information accessibility activities are unlike anything PCA is currently doing. The \$665,000 for FY 2002 includes \$80,000 for purchase of monitoring equipment; \$155,000 for two monitoring staff and related supplies and expense (S&E); \$180,000 for one GIS database administrator, one information technology infrastructure person and related S&E; and \$250,000 for contracting for development of a geographic database and consultation on how to make it accessible through the Internet. The \$335,000 for FY 2003 includes \$155,000 for two monitoring staff and related S&E, and \$180,000 for the GIS database administrator, one information technology infrastructure person and related S&E. This change item represents a 14% increase over current expenditure for the environmental monitoring and evaluation program.

The PCA proposes to reallocate \$1 million per biennium within PCA's current base funding for Superfund (located in the integrated environmental programs/cleanup budget activity.) This will affect clean-up activity. Although there is no statutory deadline, PCA had previously indicated to the legislature that Superfund site construction would be completed by 2006. As a result of this reallocation targeted

BUDGET CHANGE ITEM (46407) (Continued)

Budget Activity: ENVIRONMENTAL OUTCOMES
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

Item Title: BASIN MONITORING INFORMATION

Superfund site construction delays would occur. The remaining sites in the Superfund Program have stable releases that do not pose an immediate threat to the public. Accordingly, the PCA can reasonably delay the completion work at these sites.

Detail on the portion of this initiative designated for information technology funding follows:

Funding Distribution	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
Personnel	166	171	177	183	189	196
Supplies	0	0	0	0	0	0
Hardware	0	0	0	0	0	0
Software	9	4	0	0	0	0
Facilities	0	0	0	0	0	0
Services	250	0	0	0	0	100
Training	5	5	5	5	5	5
Grants	0	0	0	0	0	0
Total	430	180	182	188	194	301

LIFE CYCLE ANALYSIS:

Life Cycle Status	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
Development	X	X	X			
Operations	X	X	X	X	X	X
Modification		X	X	X	X	X
Retirement						

The project will involve:

*Predesign: Raw-monitoring data is of little use to most people, so we will need to understand how people want to use the data and information. We plan to conduct a stakeholder input process (e.g. focus groups) as part of this project to learn as clearly as possible those needs. All predesign will occur in the first half of FY 2002.

*Collection: Collection of additional monitoring data, both by installing more monitors and by acquiring monitoring data from local governments.

*Analysis: That information will drive our decisions about how much analysis of the data to conduct. When data is analyzed, it becomes information because it now has a context. For example, the phosphorus loading in a stream is simply data. How that phosphorus will impact fish and other aquatic life is information.

*Presentation: The stakeholder input process will also dictate how the data and information should be presented. For example, do people want GIS mapping via the web, or graphs for the health of specific lakes, or descriptive narration of the impacts of certain contaminants, or combinations of all these and more.

*Delivery: Once the analysis and presentation components are understood, then we can decide the details of how to deliver the information (e.g.: web, graphics, CD-ROM, etc.).

PLANNING

The IT planning will involve a number of our IT staff, including the IT leadership team and our team of senior technical staff. Planning will be conducted as the predesign is progressing and will be completed in mid FY 2002.

OPERATIONS

The delivery system will be operational before the end of FY 2002, if at all possible. It may be necessary to acquire monitoring data from local governmental units in phases during FY 2003, rather than prior to operational startup.

MAINTENANCE

We will design the system to operate with a minimum of IT staff effort. Ideally, we will create automated processes to acquire local monitoring data and to incorporate additional monitoring data that the PCA monitoring network acquires. Financing for long term maintenance of this system may be sought in future biennia.

RETIREMENT

It may be necessary to retire some portion of the system in the future as different technologies evolve. At present, though, this EGS functionality is seen as long term and there is no plan to retire this system. The system will be tested, however, near the end of the FY 2002-2003 biennium to assess its value to stakeholders. That input will affect our plans for system changes/retirement.

OUTCOMES:

Funding will help provide a more comprehensive picture of water quality in the Upper Mississippi River Basin by:

- supporting collection of information needed for development of the Upper Mississippi River Basin Plan;

BUDGET CHANGE ITEM (46407) (Continued)

Budget Activity: ENVIRONMENTAL OUTCOMES
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

Item Title: BASIN MONITORING INFORMATION

- enabling local government elected official and staff, citizen groups and local residents access on Internet maps and related easy-to-understand water quality information for lakes and streams in their area of concern (this is a geographic area where prevention of adverse impacts is the primary focus); and
- fostering coordination of water program monitoring among state and local governments.

Measures of the program's success include the following:

- There will be adequate data to describe the pollutant loadings from 15 major watersheds to the Upper Mississippi River.
- Usage data for the Internet sites and survey data on use of the sites by local government elected officials and staff, citizen groups, and local residents will be collected.

OFFICE OF TECHNOLOGY ANALYSIS:

Reallocation of existing funds. It seeks to increase monitoring of water quality of the Upper Mississippi River Basin and to make the resulting information more accessible. Deliverables/Objectives: This will be accomplished through positions for a GIS database administrator and IT infrastructure. Funding is distributed into four categories: personnel, software, services, and training. This initiative supports the Big Plan (Self-sufficient People – A Health System for the next 50 years) and infrastructure components. It is identified as a piece of several projects in the Strategic Information Resources Management Plan. Conclusion: Reallocation of funds. This initiative meets information technology criteria for funding. Funding this initiative begins the process of building and accessing critical pollution data. This initiative could prove to be an important resource for other state and local government agencies needing similar data.

BUDGET ACTIVITY SUMMARY

Budget Activity: CLEANUP
Program: INTEGRATED ENVIRONMENTAL PROGS
Agency: POLLUTION CONTROL AGENCY

ACTIVITY PROFILE:

The focus of the clean-up activity is to reduce environmental and human health risk from hazardous substances, pollutants and contaminants. Potential risks may result from uncontrolled hazardous waste, solid waste leachate, methane gas, and petroleum releases. Contaminated soils and ground water can be caused by spills, industrial activities, and land disposal at dumps and solid-waste landfills. Over time the Pollution Control Agency (PCA) efforts to prevent pollution from occurring in the first place will reduce, but not eliminate, future need to conduct clean-up activities.

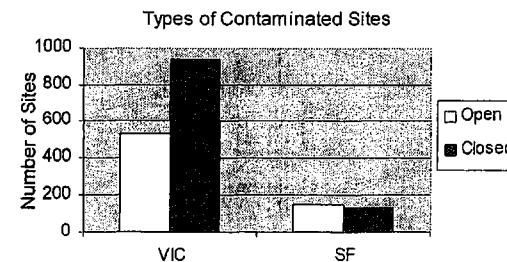
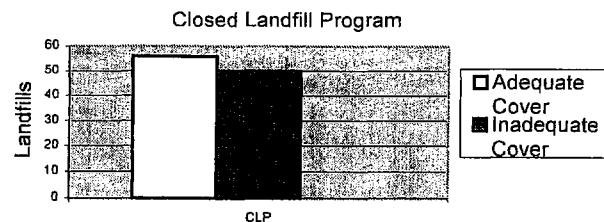
STRATEGIES AND PERFORMANCE:

Elements of clean-up include responding to emergencies and spills, and identifying and mitigating potential releases of hazardous wastes, pollutants or contaminants. Determining the level of risk posed by releases includes identifying potential people who could be affected and assessing human and environmental impacts.

Clean-up activities strive to reduce risk through preventing, investigating, cleaning up and monitoring releases and contamination.

- Emergency response methods are improved through networking, planning exercises with facilities and other responders, and critiquing responses to learn from experience.
- State contractors are directed to conduct cleanup and long-term maintenance of eligible closed landfills that emit greenhouse gases and contaminate ground water.
- Land and management plans will be developed at eligible closed landfills to minimize the impacts of the facility on future land use and to maintain the integrity of the facility. One hundred and one of 106 closed landfills now have signed agreements between the landfill owner and the PCA, allowing the Agency to do cleanup/closure. Forty-eight closed landfills have cover completion; 8 small ones have been consolidated to other closed landfills; and 8 to 16 potential gas problem sites have gas collection systems.

- Developers, local governments, and financial institutions or investors will receive assistance in identifying, investigating, and cleaning up contaminated commercial and industrial property.
- The PCA will conduct or oversee emergency response, investigation, cleanup and long-term maintenance at contaminated sites, maximizing the number of sites cleaned up by responsible parties through voluntary activities and enforcement actions. Many of the voluntary cleanup actions are driven by economic redevelopment of contaminated properties within the urban core of the Twin Cities which supports brownfield versus greenfield development.
- The PCA continues to make significant progress remediating contaminated sites in all the major cleanup programs (Closed Landfill, Superfund, Leaking Underground Storage Tank [LUST], Voluntary Investigation and Cleanup). For example, a major milestone was reached this year with the closure of the 10,000th leak site in the LUST program, which is approximately 75% of the existing total. The cleanup programs have matured, passing the midpoints of their life cycles as completed sites now leave the programs more quickly than new ones enter. Although considerable work remains, a significant performance record has been established that includes a demonstrated commitment to protect human health and the environment and the restoration of contaminated properties to productive use.



Activity: CLEANUP
 Program: INTEGRATED ENVIRONMENTAL PROGS
 Agency: POLLUTION CONTROL AGENCY

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	7,575	9,654	10,148	9,263	9,263	9,493	9,493	(1,046)	(5.3%)
OTHER OPERATING EXPENSES	16,980	16,588	28,042	21,028	20,363	21,490	21,155	(3,112)	(7.0%)
OTHER FINANCIAL TRANSACTIONS	0	0	138	0	0	0	0	(138)	(100.0%)
Subtotal State Operations	24,555	26,242	38,328	30,291	29,626	30,983	30,648	(4,296)	(6.7%)
CAPITAL OUTLAY & REAL PROPERTY	949	3,179	14,982	10,797	10,797	22,675	22,675	15,311	84.3%
LOCAL ASSISTANCE	142	643	762	2,195	2,195	166	166	956	68.0%
Total Expenditures	25,646	30,064	54,072	43,283	42,618	53,824	53,489	11,971	14.2%
<u>Change Items:</u>									
(A) PCA ENVIRONMENTAL TAX REFORM	ENV				(9,661)			(6,908)	
(A) PCA ENVIRONMENTAL TAX REFORM	PET				(6,293)			(6,346)	
(A) PCA ENVIRONMENTAL TAX REFORM	REM				30,412			41,009	
(A) PCA ENVIRONMENTAL TAX REFORM	SW				(14,458)			(27,755)	
(B) SUPERFUND REALLOC TO BASIN MONITORING	REM				(665)			(335)	
Total Change Items					(665)			(335)	
<u>Financing by Fund:</u>									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	171	0	0	0	0	0	0	0	0
GENERAL	450	496	511	505	505	529	529		
MINNESOTA RESOURCES	0	50	50	0	0	0	0	0	0
PETROLEUM TANK RELEASE CLEANUP	1,633	1,429	1,331	1,293	0	1,346	0		
ENVIRONMENTAL	3,758	3,819	4,046	5,189	1,078	5,400	1,083		
REMEDIATION	0	0	0	0	7,143	0	7,444		
METRO LANDFILL CONTINGENCY	117	0	0	0	0	0	0	0	0
SOLID WASTE	230	1,592	958	1,739	0	1,781	0		
Statutory Appropriations:									
PETROLEUM TANK RELEASE CLEANUP	2,711	2,967	5,049	5,000	0	5,000	0		
SPECIAL REVENUE	393	389	623	445	445	423	423		
FEDERAL	3,510	4,688	17,609	10,843	10,843	10,780	10,780		
ENVIRONMENTAL	1,645	2,899	6,878	5,550	0	2,591	0		
REMEDIATION	0	0	0	0	22,604	0	33,230		
SOLID WASTE	11,028	11,735	17,017	12,719	0	25,974	0		
Total Financing	25,646	30,064	54,072	43,283	42,618	53,824	53,489		

Activity: CLEANUP
 Program: INTEGRATED ENVIRONMENTAL PROGS
 Agency: POLLUTION CONTROL AGENCY

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE by Employment Type:</u>							
FULL TIME	138.3	161.6	157.5	136.9	136.9	134.8	134.8
PART-TIME, SEASONAL, LABOR SER	3.8	3.1	5.6	4.4	4.4	4.4	4.4
OVERTIME PAY	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Full-Time Equivalent	142.2	164.8	163.2	141.4	141.4	139.3	139.3

Program: OFFICE OF ENVIRONMENTAL ASSIST
 Agency: ENVIRONMENTAL ASSISTANCE

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
RESEARCH, POLICY ANALYSIS, EVAL	863	1,134	1,075	969	969	1,060	1,060	(180)	(8.1%)
PROJECT IMPLEMENTATION	19,575	22,537	22,330	20,950	20,950	21,031	21,031	(2,886)	(6.4%)
EDUCATION AND INFORMATION	1,317	1,571	1,495	1,529	1,529	1,500	1,500	(37)	(1.2%)
ADMINISTRATIVE SUPPORT	1,212	1,030	1,150	1,080	1,080	1,068	1,068	(32)	(1.5%)
Total Expenditures	22,967	26,272	26,050	24,528	24,528	24,659	24,659	(3,135)	(6.0%)
Change Items:									
(B) LOAN REALLOCATION	GEN				200		200		
(B) DECREASE GRANTS FOR LOAN PROGRAM	GEN				(200)		(200)		
Total Change Items					0		0		
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	0	175	175	0	0	0	0	0	0
GENERAL	20,080	19,104	21,669	20,654	20,654	20,780	20,780		
MINNESOTA RESOURCES	0	250	0	0	0	0	0	0	0
ENVIRONMENTAL	1,314	1,130	1,482	1,294	1,294	1,312	1,312		
Statutory Appropriations:									
SPECIAL REVENUE	125	203	142	0	0	0	0	0	0
FEDERAL	96	73	0	0	0	0	0	0	0
ENVIRONMENTAL	1,352	5,156	2,553	2,580	2,580	2,567	2,567		
GIFT	0	181	29	0	0	0	0	0	0
Total Financing	22,967	26,272	26,050	24,528	24,528	24,659	24,659		
FTE by Employment Type:									
FULL TIME	65.6	69.2	69.1	69.2	69.2	69.2	69.2	69.2	69.2
Total Full-Time Equivalent	65.6	69.2	69.1	69.2	69.2	69.2	69.2		

ENVIRONMENTAL ASSISTANCE - BUDGET BRIEF

Fund: GENERAL

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations	\$20,503	\$20,503	\$41,006
<u>BASE ADJUSTMENT</u>			
Documented Rent Increase	53	78	131
2002-03 Salary and Benefits	98	199	297
BASE LEVEL (for 2002 and 2003)	\$20,654	\$20,780	\$41,434
<u>CHANGE ITEMS</u>			
Loan Reallocation	-0-	-0-	-0-
GOVERNOR'S RECOMMENDATION	\$20,654	\$20,780	\$41,434

BRIEF EXPLANATION OF BUDGET DECISIONS:

- \$14,008,000 per fiscal year of General Fund dollars is dedicated to Select Committee on Recycling and the Environment (SCORE) block grants to counties.
- \$1,875,000 per fiscal year is allocated to competitive grants.
- The base adjustments are \$53,000 in FY 2002 and \$78,000 in FY 2003 for documented rent increase, \$98,000 in FY 2002 and \$199,000 in FY 2003 for salary and benefit compensation.
- Changes to grants:
 - Loan reallocation will shift \$200,000 per year from grants to low-interest loans.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget and the reallocation of \$200,000 from grant funds to a revolving loan account for the OEA Environmental Assistance Loan Program.

Activity: PROJECT IMPLEMENTATION
 Program: OFFICE OF ENVIRONMENTAL ASSIST
 Agency: ENVIRONMENTAL ASSISTANCE

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	1,252	1,411	1,519	1,647	1,647	1,774	1,774	491	16.8%
OTHER OPERATING EXPENSES	432	575	522	227	227	194	194	(676)	(61.6%)
OTHER FINANCIAL TRANSACTIONS	0	0	0	0	200	0	200	400	
Subtotal State Operations	1,684	1,986	2,041	1,874	2,074	1,968	2,168	215	5.3%
LOCAL ASSISTANCE	17,891	20,551	20,289	19,076	18,876	19,063	18,863	(3,101)	(7.6%)
Total Expenditures	19,575	22,537	22,330	20,950	20,950	21,031	21,031	(2,886)	(6.4%)
<u>Change Items:</u>									
	<u>Fund</u>								
(B) LOAN REALLOCATION	GEN				200		200		
(B) DECREASE GRANTS FOR LOAN PROGRAM	GEN				(200)		(200)		
Total Change Items					0		0		
<u>Financing by Fund:</u>									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	0	175	175	0	0	0	0	0	0
GENERAL	16,936	15,984	18,376	17,292	17,292	17,375	17,375		
MINNESOTA RESOURCES	0	250	0	0	0	0	0		
ENVIRONMENTAL	1,131	753	1,182	1,105	1,105	1,116	1,116		
Statutory Appropriations:									
SPECIAL REVENUE	102	141	62	0	0	0	0	0	0
FEDERAL	91	54	0	0	0	0	0	0	0
ENVIRONMENTAL	1,315	5,114	2,526	2,553	2,553	2,540	2,540		
GIFT	0	66	9	0	0	0	0	0	0
Total Financing	19,575	22,537	22,330	20,950	20,950	21,031	21,031		
<u>Revenue Collected:</u>									
Dedicated									
ENVIRONMENTAL	42	75	140	140	140	140	140	140	140
GIFT	0	0	20	0	0	0	0	0	0
Nondedicated									
GENERAL	70	140	106	106	106	106	106	106	106
ENVIRONMENTAL	901	1,156	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Total Revenues Collected	1,013	1,371	1,366	1,346	1,346	1,346	1,346		

Activity: PROJECT IMPLEMENTATION
Program: OFFICE OF ENVIRONMENTAL ASSIST
Agency: ENVIRONMENTAL ASSISTANCE

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE by Employment Type:</u>							
FULL TIME	23.8	25.0	25.0	25.0	25.0	25.0	25.0
Total Full-Time Equivalent	23.8	25.0	25.0	25.0	25.0	25.0	25.0

Activity: ADMINISTRATIVE SUPPORT
 Program: OFFICE OF ENVIRONMENTAL ASSIST
 Agency: ENVIRONMENTAL ASSISTANCE

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	786	751	871	891	891	874	874	143	8.8%
OTHER OPERATING EXPENSES	426	279	279	189	189	194	194	(175)	(31.4%)
Total Expenditures	1,212	1,030	1,150	1,080	1,080	1,068	1,068	(32)	(1.5%)
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	1,174	943	1,043	1,053	1,053	1,041	1,041		
Statutory Appropriations:									
SPECIAL REVENUE	1	45	80	0	0	0	0		
ENVIRONMENTAL	37	42	27	27	27	27	27		
Total Financing	1,212	1,030	1,150	1,080	1,080	1,068	1,068		
<u>Revenue Collected:</u>									
Nondedicated									
GENERAL	0	0	2	2	2	2	2		
Total Revenues Collected	0	0	2	2	2	2	2		
<u>FTE by Employment Type:</u>									
FULL TIME	11.5	13.8	13.7	13.8	13.8	13.8	13.8		
Total Full-Time Equivalent	11.5	13.8	13.7	13.8	13.8	13.8	13.8		

MINN-WISCONSIN BOUNDARY COMM - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

By Interstate Compact, the commission promotes voluntary cooperation with Wisconsin in the St. Croix and Mississippi River valleys, serving citizens, NGOs, local governments and other state agencies. (M.S. Ch. 1.31)

Mission: To protect, use and develop, in the public interest, the lands, river valleys, and waters on the Wisconsin boundary.

Vision: To identify and eliminate counter-productive conflicts and differences for the mutual benefit of the people.

KEY SERVICE STRATEGIES:

- Joint regional planning for the development of boundary areas.
- Measures for controlling air and water pollution, maintaining water quality, and controlling water use.
- Programs for control of soil and river bank erosion and the general improvement of the river basins.
- Diversion of waters from and into the rivers.
- Restrictions and regulation of land use development designed to preserve the scenic and recreational attributes of the river basins.
- Other restrictions, regulations or programs the commission may recommend to the party states.

PERFORMANCE SUMMARY:

- The citizen commission is the only agency devoting full-time attention to the nationally significant river boundaries. It fosters much citizen participation.
- For the St. Croix River valley, the commission:
 - organized a cell tower site work group to get agreement with local units of government, telecommunications companies, and citizen groups, on guidelines to be used to locate cell phone towers in the river valley.
 - provides leadership to citizen-volunteer water quality monitors in collecting base level phosphorus data at various points along the river.
 - organized volunteers to conduct a boat count to measure river traffic for use as baseline data in future studies and trend analysis reports;
 - assembled a comprehensive list of funding resources available to local units of government for wastewater treatment plant upgrades;
 - organizes bi-monthly planning meetings for the staff of the five counties which border the lower river and several of the river municipalities;
 - staffs the state-federal Upper and Lower Management Commissions and their committees;
 - organized the annual "Expo" featuring a kids river stewardship poster contest and attracting several hundred visitors to 25 booths of natural

resource agencies, history groups, and chambers of commerce.

- invited marina operators to contribute their experience and share their concerns about boundary area issues;
- held a public hearing on environmental effects of the Hudson casino proposal.
- participates on many other teams, task forces and partnerships;
- publishes a quarterly River Stewards Journal;
- organizes educational seminars;

■ For the Mississippi River valley, the commission:

- conducts public information and listening sessions to enable the state and federal agencies and the Army Corps of Engineers to coordinate policy for programs like the proposed expansion of the navigation system, the Habitat Needs Assessment Study, the Sedimentation Initiative, and the Endangered Species Act.
- consulted for operation and maintenance of the existing lock and dam system;
- participates in the Upper Mississippi River Basin Association; the Environmental Management Coordinating Committee; the Annual Summit Meeting; the habitat restoration, channel maintenance, and water level management teams; and the River Resources Forum's Recreation Work Group;
- led a law enforcement coordination conference attended by 30+; led a tour of Japanese civil engineers;
- promoted Winona's Agahming Park; and is updating the *Citizens Guide to the Management of the Upper Mississippi*.

ISSUES AFFECTING AGENCY'S OPERATIONS:

Population growth in both river valleys challenges planners and tests the resilience of natural resources. Controversy swirls around the Stillwater bridge, the Chisago power line, the barge shipping economy, boat congestion, cell towers, zebra mussels, and other bi-state concerns. The commission provides direct services and contains costs for Minnesota through coordination.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the agency's base budget.

Activity: ADMINISTRATIVE SUPPORT
 Program: MINNESOTA ZOO
 Agency: MN ZOOLOGICAL GARDEN

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	1,453	1,220	1,551	1,637	1,637	1,727	1,727	593	21.4%
OTHER OPERATING EXPENSES	1,051	868	1,134	1,124	1,124	1,124	1,124	246	12.3%
Total Expenditures	2,504	2,088	2,685	2,761	2,761	2,851	2,851	839	17.6%
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	1,154	1,140	1,147	1,181	1,181	1,217	1,217		
Statutory Appropriations:									
SPECIAL REVENUE	1,057	840	1,363	1,405	1,405	1,459	1,459		
GIFT	293	108	175	175	175	175	175		
Total Financing	2,504	2,088	2,685	2,761	2,761	2,851	2,851		
<u>FTE by Employment Type:</u>									
FULL TIME	20.2	17.0	19.0	19.0	19.0	19.0	19.0		
PART-TIME, SEASONAL, LABOR SER	3.0	2.5	2.5	2.5	2.5	2.5	2.5		
OVERTIME PAY	0.4	0.2	0.2	0.2	0.2	0.2	0.2		
Total Full-Time Equivalent	23.6	19.7	21.7	21.7	21.7	21.7	21.7		

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NATURAL RESOURCES DEPT - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The mission of the Department of Natural Resources is "to work with citizens to protect and manage the state's natural resources, to provide outdoor recreation opportunities, and to provide for commercial uses of natural resources in a way that creates a sustainable quality of life." (*Directions for Natural Resources 2000*, DNR's strategic plan).

The DNR mission is broad. It includes providing hunting and fishing opportunities for millions of Minnesotans; providing high quality recreation opportunities for park and trail users; providing economic opportunities for resource industries; preserving important features of the state's natural heritage. DNR programs include fish and wildlife habitat improvement, fire management, mineral potential research, management of public lands and waters, and many others—all designed to provide sustainable benefits to Minnesotans for the long term. The DNR mission requires sharing stewardship with citizens and partners and working together to address sometimes conflicting interests.

The goal of sustainability guides our work with citizens to manage the state's natural resources. Sustainability depends on healthy ecosystems, a vibrant economy, and viable communities. Healthy ecosystems support natural resource industries, tourism, outdoor recreation, and lifestyles important to Minnesotans.

DNR's mission, goals, and programs support the Governor's Big Plan goals for Healthy, Vital Communities (Initiative: Growing Smart in Minnesota); Service, Not Systems (Initiatives: Active, Engaged Citizens, and State Departments: Best Bang for the Buck); and Minnesota: World Competitor (Initiative: Jesse "The Tourism Governor" Ventura: Promoting Minnesota, Promoting the Industry). See Operating Environment section for specific agency action priorities.

KEY SERVICE STRATEGIES:

The department works with citizens, providing scientific and technical expertise, to set priorities and approaches in managing the diverse natural resource of the state. Operationally, this is done through nine divisions and five bureaus. Staff are located in six regions and over 200 field offices to provide services throughout the state.

In carrying out its mission, DNR administers 12 million acres in mineral rights and 5.3 million acres of land for state forests, wildlife management areas, parks, recreation areas, scientific and natural areas, state trails, and public water access sites.

Activities regulated by the department include hunting; trapping; fishing; boating; snowmobiling; wild rice gathering; timber harvesting; mineral exploration; mining

and mineland reclamation; dredging, filling, and draining protected waters and wetlands; constructing and maintaining dams; appropriating surface and ground waters; establishing lake levels and permitting work in the lake beds; development on shorelands, floodplains, and wild and scenic rivers; private game farms; fish hatcheries; roadside zoo operations; and open burning.

Key management principles outlined in the department's strategic plan will guide our strategies for managing Minnesota's natural resources.

- Our long-term, basic work to sustain natural resources and serve citizens is the backbone of effective resource management.
- Cooperation with other agencies, local units of government, citizens, and stakeholder groups is the best approach to managing natural resources effectively.
- We will emphasize a systems approach to resource management that seeks to coordinate and integrate the broad scope of management efforts.
- Complex challenges of the future will require increased emphasis on good science, accurate information and state-of-the-art technology, especially information systems.
- Good internal and external communication will be essential in managing future natural resource challenges.
- Many resource and land use decisions should be made at the local level, and DNR will expand efforts to provide information and technical assistance to citizens and local government.
- Natural resource stewardship education will be a cornerstone for DNR efforts to develop an environmental stewardship ethic among all Minnesotans.
- Accurate assessment of our effectiveness and management must occur on a regular basis.
- DNR actions should model sustainable use of natural resources.
- Integrating planning and budgeting across area, regional, and state levels will strengthen our ability to accomplish our goals and objectives.
- Sustaining natural resources requires an effective and skilled workforce.
- DNR's products and services will be of the highest quality.

OPERATING ENVIRONMENT:

Minnesota's population has the fastest growth rate in the Upper Midwest. The population is expected to increase to 5.1 million by 2020. Nearly 80% of

NATURAL RESOURCES DEPT - EXECUTIVE SUMMARY (Continued)

Minnesotans live in cities. Surveys indicate that most Americans prefer a single family dwelling in a non-urban setting.

Population growth, housing preferences and the economy are contributing to intense pressures on Minnesota's natural resources. Similarly, technological changes (jet skis, fish finders, off road vehicles) are putting unprecedented recreational pressure on Minnesota's resources. Increased demand on natural resources along with changes in land use and outdoor recreation challenge DNR's ability to meet its goal of sustainability. Land use conversion continues to fragment and reduce the extent of ecological communities, and many ecological communities require restoration and improved management to reverse trends of declining health.

Given this operating environment, DNR will emphasize three broad resource management strategies:

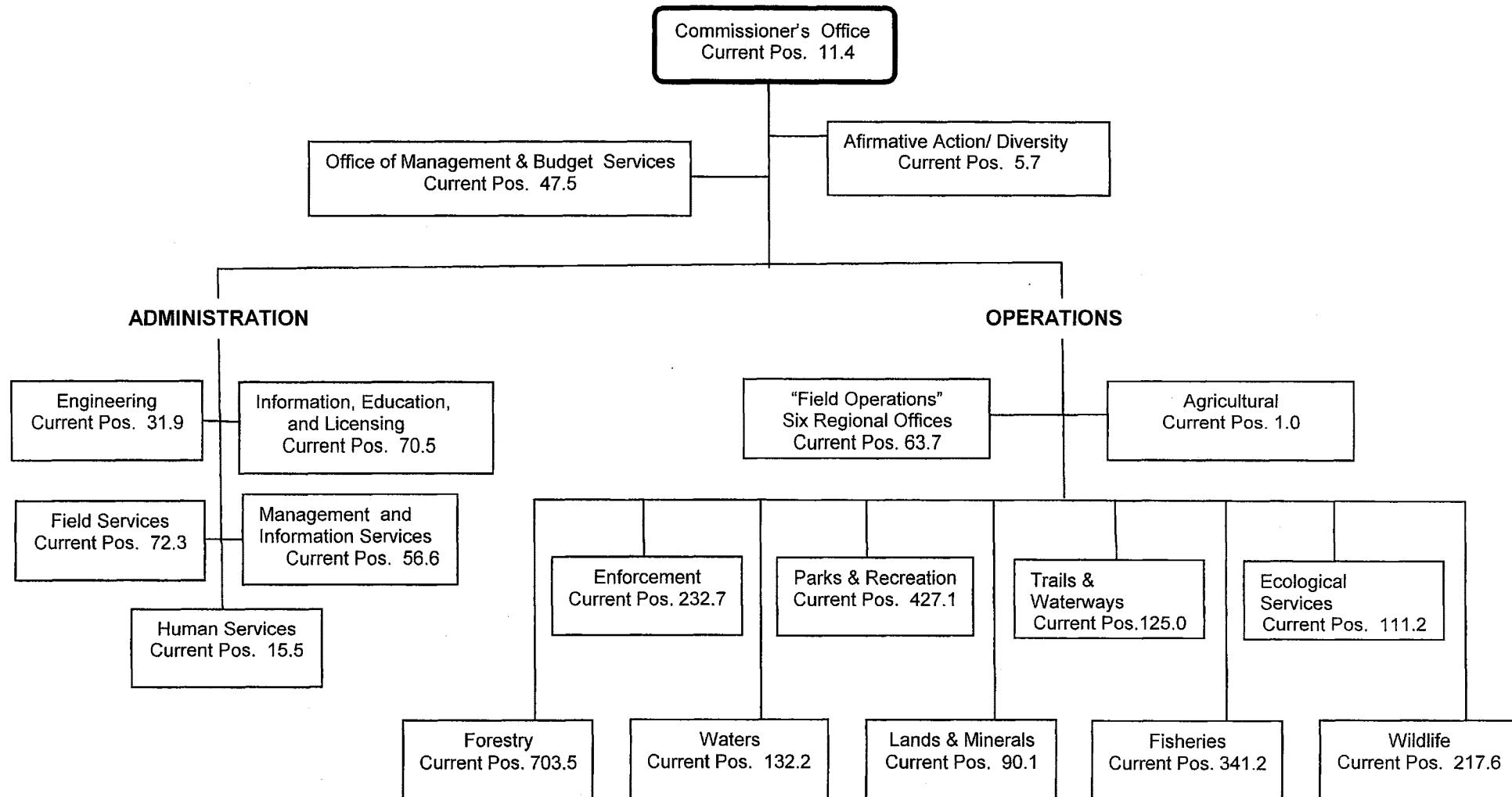
Conservation Connections: DNR will partner with local citizen groups and local governments to establish and maintain land and water connections throughout Minnesota.

Smart Growth: DNR will work with other government, non-profit, and for-profit organizations to sustain healthy ecosystems, a vibrant economy, and livable communities.

Sustainable Forests: DNR recognizes the critical importance of sustainable forest ecosystems and will continue cooperating with other agencies and organizations to accomplish that end.

DNR is guided by "Doing the right things and doing them well." We will work continuously to assure that existing resources are directed toward our highest priorities. The department is proposing internal reallocations that meet our management principle of constantly seeking to improve how we work with stakeholders. These initiatives will result in improved communication and delivery of information to ensure accountability for efficient and active public service.

Minnesota Department of Natural Resources Organization Chart

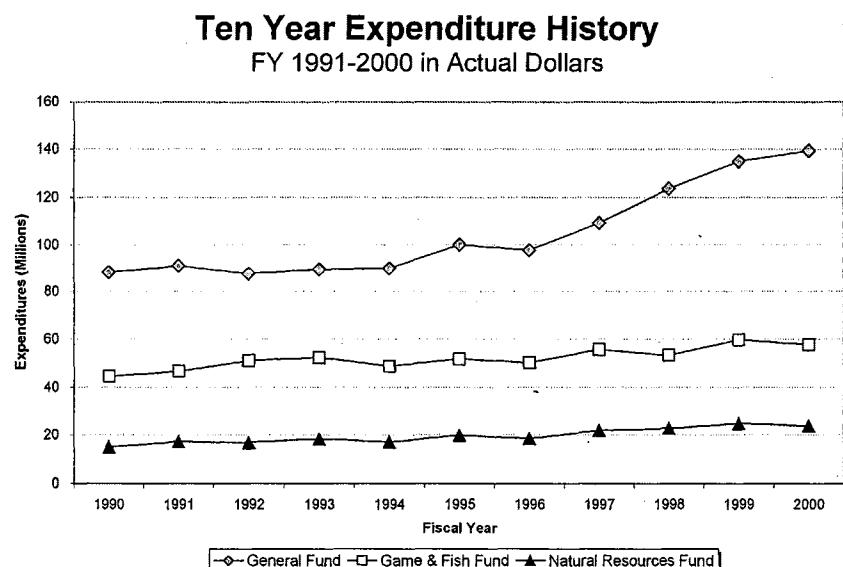


June 30, 2000 FTE: 2,756.7

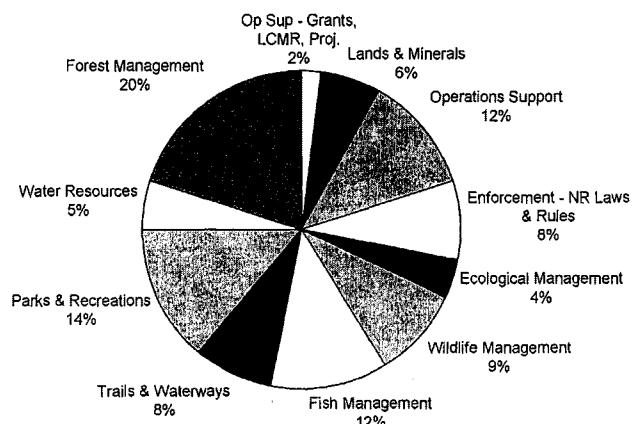
■ ORGANIZATION/PROGRAM STRUCTURE:

NATURAL RESOURCES DEPT - EXECUTIVE SUMMARY (Continued)

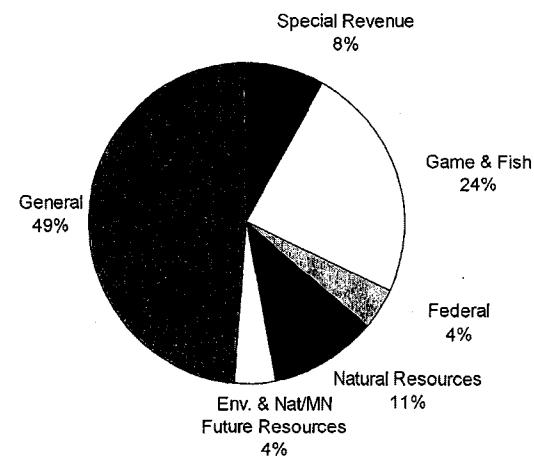
TRENDS AND PERSPECTIVE:



FY 2000-01 Expenditures by Program
Total: \$597 Million



FY 2000-01 Expenditures by Fund
Total: \$597 Million



GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the agency's base budget, and these change items.

General Fund

- Reallocation of Base Resources - \$2.185 million in FY 2002 and \$2.149 million in FY 2003 to be reallocated to higher priorities.

Natural Resources Fund

- Snowmobile Fund Budget Reduction - A \$650 thousand reduction each year to meet forecasted revenues. This reduction is a result of the drop in the snowmobile unrefunded gas tax rate from .1% to .075%.
- Lottery In-Lieu Sales Tax - \$10,482 each year to improve state parks and trails, and metropolitan area regional parks and trails, local trail grants, and the Minnesota, Como and Duluth zoos.

Game and Fish Fund

- Federal Wallop/Breaux - Reductions of \$713 thousand in FY 2002 and \$299 thousand in FY 2003 to meet Federal Sport Fish Restoration match requirements.
- Lottery In-Lieu Sales Tax - \$9,753 in FY 2002 and \$9,816 in FY 2003 to enhance the state's fish and wildlife resources.

Agency: NATURAL RESOURCES DEPT

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Program:</u>									
LAND AND MINERAL RESOURCE MGMT	15,605	15,706	17,995	19,780	19,724	20,287	20,262	6,285	18.6%
WATER RESOURCES MGMT	11,791	15,117	15,500	13,949	14,033	14,187	14,309	(2,275)	(7.4%)
FOREST MANAGEMENT	46,388	50,825	55,984	50,244	50,163	50,745	50,649	(5,997)	(5.6%)
PARKS & RECREATION MGMT	33,300	34,464	49,378	35,131	46,073	35,667	45,921	8,152	9.7%
TRAILS & WATERWAYS MGMT	21,596	20,244	29,212	20,301	25,954	20,496	21,617	(1,885)	(3.8%)
FISH MANAGEMENT	29,887	33,723	40,096	31,894	36,426	32,955	37,359	(34)	0.0%
WILDLIFE MANAGEMENT	22,027	21,589	34,409	22,198	24,936	22,581	25,411	(5,651)	(10.1%)
ECOLOGICAL SERVICES	9,545	8,961	12,829	9,051	13,498	9,198	12,365	4,073	18.7%
ENFORCEMENT-NR LAWS&RULES	20,972	21,091	26,122	23,615	26,284	24,113	25,924	4,995	10.6%
OPERATIONS SUPPORT	38,348	40,640	51,237	44,063	61,115	43,805	55,798	25,036	27.2%
Total Expenditures	249,459	262,360	332,762	270,226	318,206	274,034	309,615	32,699	5.5%

Agency: NATURAL RESOURCES DEPT

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003				
				Base	Governor Recomm.	Base	Governor Recomm.			
Financing by Fund:										
Direct Appropriations:										
ENVIRONMENT & NATURAL RESOURCE	5,837	6,948	8,567	0	15,892	0	15,892			
GENERAL	117,297	116,477	124,315	112,897	112,897	115,259	115,259			
MINNESOTA RESOURCES	3,009	6,407	3,213	0	12,013	0	340			
STATE GOVERNMENT SPECIAL REVENUE	0	0	0	0	233	0	0			
NATURAL RESOURCES	24,054	23,422	41,015	26,135	35,967	26,475	36,307			
GAME AND FISH (OPERATIONS)	58,778	55,997	82,717	67,894	77,904	69,347	78,864			
IRON RANGE RESOURCES & REHAB	1	749	0	0	0	0	0			
ENVIRONMENTAL	0	0	0	0	100	0	100			
SOLID WASTE	100	100	100	100	0	100	0			
PERMANENT SCHOOL	0	0	200	0	0	0	0			
Open Appropriations:										
GENERAL	15,986	21,780	21,035	27,652	27,652	28,180	28,180			
NATURAL RESOURCES	216	282	330	330	330	330	330			
GAME AND FISH (OPERATIONS)	735	897	1,112	1,112	1,112	1,112	1,112			
Statutory Appropriations:										
GENERAL	587	1,140	1,124	826	826	801	801			
NATURAL RESOURCES	521	215	1,665	571	571	571	571			
SPECIAL REVENUE	13,736	16,295	23,713	14,580	14,580	14,739	14,739			
GAME AND FISH (OPERATIONS)	147	931	2,367	2,066	2,066	2,066	2,066			
FEDERAL	6,092	6,957	15,754	12,986	12,986	12,025	12,025			
ENVIRONMENTAL	0	3	48	260	260	260	260			
REINVEST IN MINNESOTA	698	1,369	1,116	1,036	1,036	1,036	1,036			
MISCELLANEOUS AGENCY	48	84	116	106	106	80	80			
GIFT	1,222	2,112	3,451	1,421	1,421	1,399	1,399			
PERMANENT SCHOOL	395	195	804	254	254	254	254			
Total Financing	249,459	262,360	332,762	270,226	318,206	274,034	309,615			

FTE by Employment Type:							
FULL TIME	2,098.5	2,102.5	2,281.5	2,188.1	2,256.4	2,188.1	2,258.9
PART-TIME, SEASONAL, LABOR SER	553.4	578.7	642.3	547.9	620.6	547.9	610.8
OVERTIME PAY	62.2	76.7	70.0	69.5	69.5	69.5	69.5
Total Full-Time Equivalent	2,714.1	2,757.9	2,993.8	2,805.5	2,946.5	2,805.5	2,939.2

NATURAL RESOURCES DEPT - BUDGET BRIEF

Fund: GENERAL

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations (FY2001)	\$114,975	\$114,975	\$229,950
BASE ADJUSTMENT			
One-Time Appropriations	(4,215)	(4,215)	(8,430)
2002-03 Salary and Benefits	2,260	4,591	6,851
Attorney General Costs	27	58	85
Transfers Between Agencies	(150)	(150)	(300)
BASE LEVEL (for 2002 and 2003)	\$112,897	\$115,259	\$228,156
CHANGE ITEMS			
Internal Reallocation Reduction	(2,185)	(2,149)	(4,334)
Internal Reallocation Increase	2,185	2,149	4,334
GOVERNOR'S RECOMMENDATION	\$112,897	\$115,259	\$228,156

BRIEF EXPLANATION OF BUDGET DECISIONS:

- The following one-time appropriation base adjustments were made to remove non-recurring items from the budget: \$150,000 grant to the Cannon River Watershed Partnership; \$500,000 for the activities of the Minnesota Forest Resources Council; \$1.5 million grant to the Metropolitan Council for metropolitan area regional parks and trails; \$1.565 million for fish and wildlife management programs, and \$500,000 for expansion of the walleye stocking program.
- The FY 2002-03 Salary and Benefits compensation base budgets were increased 3.0% annually in the amounts of \$2.260 million for FY 2002 and \$4.591 million for FY 2003.
- The appropriation of \$150,000 each year for a grant to the University of Minnesota's College of Natural Resources for research to reduce the impact of blister rust on Minnesota's white pine would be transferred to the University.
- The reallocation of \$2.185 million for FY 2002 and \$2.149 million for FY 2003 represents only those funds that are recommended for transfer between programs. The transfer of funds is summarized by program as follows:

Program	FY 2002	FY 2003
Lands and Minerals	\$ (56)	\$ (25)
Water Resources	(76)	(38)
Forest Management	(653)	(669)
Parks and Recreation	(707)	(716)
Trails and Waterways	(69)	(75)
Fish Management	(138)	(121)
Wildlife Management	(117)	(125)
Ecological Services	284	280
Enforcement	(369)	(380)
Operations Support	1,901	1,869
Total	\$ -0-	\$ -0-

- The net internal reallocation of base resources addresses the following high priority agency needs:

Agency Priorities

Minnesota Forest Resources Council
 Minnesota County Biological Survey
 Regional Operations
 Minnesota Conservation Connections
 Human Resource Bureau Services
 Performance and Results Management
 MIS Sub-Regional Connectivity
 MIS Software Engineering Services

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base level general fund budget, and the internal reallocations identified above. Further information on the impact of, and rationale for, these reallocations is provided on the change item narrative.

NATURAL RESOURCES DEPT - BUDGET BRIEF

Fund: NATURAL RESOURCES

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations (FY 2001)	\$38,103	\$38,103	\$76,206
BASE ADJUSTMENT			
One-Time Appropriations	(12,304)	(12,304)	(24,608)
2002-03 Salary and Benefits	333	673	1,006
Attorney General Costs	3	3	6
BASE LEVEL (for 2002 and 2003)	\$26,135	\$26,475	\$52,610
CHANGE ITEMS			
Snowmobile Fund Budget Reduction	(650)	(650)	(1,300)
Lottery in-Lieu Sales Tax	10,482	10,482	20,964
GOVERNOR'S RECOMMENDATION	\$35,967	\$36,307	\$72,274

BRIEF EXPLANATION OF BUDGET DECISIONS:

- The one-time base adjustment of \$12.304 million removed the FY 2001 appropriation amounts made from the lottery in-lieu of sales tax revenue deposited to the Natural Resources Fund under Laws 2000, Chapter 463, Section 23, Subd. 3.
- The FY 2002-03 Salary and Benefits compensation base budgets were increased 3.0% annually in the amounts of \$333,000 for FY 2002 and \$673,000 for FY 2003.
- The Lottery in-Lieu Sales Tax budget change item of \$10.482 million for FY 2002 and \$10.482 million for FY 2003 would provide funds for state parks, state trails, metropolitan area regional parks and trails, local trail grants, and grants to the Minnesota Zoological Garden, the Como Park Zoo and Conservatory, and the Duluth Zoo.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the Natural Resources base budget and the change items listed below.

- Snowmobile Fund Budget Reduction - A reduction of \$650 thousand each year to align expenditures with forecasted revenues resulting from the reduction in the unrefunded gas tax from .1% to .075%.
- Lottery In-Lieu - \$10.482 million in FY 2002 and \$10.482 million in FY 2003 for improvements in state parks and trails, and to fund local trail grants. This change item also includes operating grants to the Metropolitan Council for metropolitan and regional parks, and the three zoos.

NATURAL RESOURCES DEPT - BUDGET BRIEF

Fund: GAME AND FISH (OPERATIONS)

BASE YEAR (FY 2001) (\$000s)	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
Appropriations (FY 2001)	\$78,301	\$78,301	\$156,602
<u>BASE ADJUSTMENT</u>			
One-Time Appropriations	(12,304)	(12,304)	(24,608)
2002-03 Salary and Benefits	1,388	2,831	4,219
New Programs to Agency Base	500	500	1,000
Attorney General Costs	9	19	28
BASE LEVEL (for 2002 and 2003)	\$67,894	\$69,347	\$137,241
<u>CHANGE ITEMS</u>			
Federal Wallop/Breaux	(713)	(299)	(1,012)
Lottery in-Lieu Sales Tax	9,753	9,816	19,569
Wildlife Conservation and Restoration	970	-0-	-0-
GOVERNOR'S RECOMMENDATION	\$77,904	\$78,864	155,798

BRIEF EXPLANATION OF BUDGET DECISIONS:

- The one-time base adjustment of \$12.304 million removed the FY 2001 appropriation made from 50% of the in-lieu of sales tax for lottery tickets revenue deposited to the Heritage Enhancement Account in the Game and Fish Fund under Laws 2000, Chapter 463, Section 23, Subd. 2.
- The FY 2002-03 Salary and Benefits compensation base budgets were increased by 3.0% annually in the amounts of \$1.388 million for FY 2002 and \$2.831 million for FY 2003.
- The New Programs to Agency Base reflects the \$500,000 annual adjustment in the Heritage Enhancement Account for expansion of the walleye stocking program as directed in Laws of 2000, Chapter 463, Section 23 (b).
- Federal Wallop/Breaux - The Federal Sport Fish Restoration Program administered by the U.S. Fish and Wildlife Service, requires the state to allocate 15% of the funds apportioned to it for each fiscal year for the payment of up to 75% of the costs of acquisition, development, renovation or improvement of public access facilities for recreational boating purposes. The budget reduction is necessary to align the level of state funds in the FY 2002-03 biennium with the forecasted federal 15% apportionment.

- The Lottery in-Lieu Sales Tax budget change item of \$9.753 million for FY 2002 and \$9.816 million for FY 2003 would provide funds from the Heritage Enhancement Account for the Fisheries, Wildlife, Ecological Services, and Enforcement programs.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the Game and Fish fund base budget and the change items listed below.

- Federal Wallop/Breaux - Reductions of \$713 thousand in FY 2002 and \$299 thousand in FY 2003 to comply with federal spending levels in the Sport Fish Restoration Program.
- Lottery In-Lieu - \$10.253 million in FY 2002 and \$10.316 million in FY 2003 for improvements in fish and wildlife management, ecological services, and enforcement. This includes the \$500 thousand each year for the walleye stocking program.
- Wildlife Conservation and Restoration - \$970 thousand in FY 2002 from the federal reimbursements deposited to the Game and Fish fund for wildlife conservation, education, and recreation projects.

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NATURAL RESOURCES DEPT - REVENUE SUMMARY

REVENUE SOURCES:

In FY 2000, the DNR deposited receipts of \$139.1 million and received \$15.4 million in transfers, mainly from the unrefunded gasoline tax. Total revenues of \$154.5 million for the year were 57.4% of \$269.1 million, which is the sum of agency expenditures of \$261.0 million and transfers out of \$8.1 million.

Revenues are derived from a wide variety of activities and sources and are deposited to a complex account structure. The major revenue categories are 1) fishing and hunting licenses; 2) taxes including sales tax and unrefunded gas tax; 3) vehicle registrations including watercraft, snowmobile, all-terrain vehicle, off-highway motorcycle and off-road vehicle; 4) sale and use of natural resources, such as timber and mineral leases, land sales and leases, and water appropriations; 5) use permits, such as park vehicle permits; 6) federal grants and reimbursements; and 7) special revenues.

FEE STRUCTURE:

These revenue sources are deposited to a number of funds that each has a statutory purpose. The major fund groupings are listed below.

- **General Fund – Dedicated and Non-Dedicated.** For FY 2000 total revenues deposited was \$15.5 million. This total includes the revenues deposited in the Cambridge Deposit Fund. Major sources include: timber sales, \$3.6 million; park permits, \$3.1 million; water appropriations, \$2.9 million; camping fees, \$2.9 million, fire fighting, \$768,000; and sales tax, \$652,000. General fund revenues for FY2002-03 are estimated at \$30.6 million.
- **Natural Resources Fund.** The Natural Resources Fund is comprised of eight distinct subfunds. The funds within the Natural Resources Fund include Water Recreation, Snowmobile, All-Terrain Vehicle, Off-Highway Motorcycle, Off-Road Vehicle, Nongame Wildlife, Land Acquisition and Lottery in-lieu-of-sales tax. In FY 2000 receipts of \$12.6 million were deposited and an additional \$14.1 million of unrefunded gasoline tax was transferred to the Natural Resources Fund. Major revenue categories include watercraft registrations, \$3.3 million; watercraft surcharge, \$1.2 million; snowmobile registrations, \$4.4 million; nongame wildlife donations, \$995,000; and ATV registrations, \$950,000.

Starting in FY 2001, 50% of the total available to the agency from in-lieu-of-sales tax generated by the sale of lottery tickets will be deposited in a new subfund. This source of revenue is estimated at \$12.7 million in FY 2001 and \$23.0 million in FY 2002-03.

For FY 2002-03 total receipts deposited and the unrefunded gas tax transferred to the Natural Resources Fund are estimated at \$48.3 million and \$26.4 million respectively.

- **Game and Fish Fund.** The Game and Fish Fund is comprised of ten separate subfunds. This fund receives the proceeds from the sale of hunting and fishing licenses, federal reimbursements, and other revenues. The resources in this fund are dedicated to hunting and fishing programs and related support activities. In FY 2000 major revenue categories included fishing licenses, \$25.8 million; hunting licenses, \$16.5 million; federal reimbursements, \$14.1 million; and the sportsperson's license, \$6.3 million.

Starting in FY 2001, 50% of the total available to the agency from in-lieu-of-sales tax generated by the sale of lottery tickets will be deposited in a new subfund, the Heritage Enhancement Account. This source of revenue is estimated at \$12.7 million in FY 2001 and \$23.0 million in FY 2002-03.

For FY 2002-03 total revenues deposited in the Game and Fish Fund are estimated at \$164.6 million.

- **Special Revenue Funds.** These funds were set up for the revenues dedicated for a specific purpose. In FY 2000 revenues of \$17.1 million were deposited to these special revenue accounts: Parks Working Capital and Douglas Lodge, \$3.8 million; Forest Nursery Account, \$1.5 million; Consolidated Conservation Account, \$3.1 million (50% of this amount is paid to the county, 50% is transferred to the General Fund); cooperative agreements, workshops, seminars, publications, sale of merchandise and revolving accounts, \$8.7 million. For FY 2002-03 revenues to the special revenue accounts are estimated at \$31.3 million.
- **Federal Funds.** In FY 2000 the agency received \$7.1 million in federal grants and reimbursements. This amount does not include the Dingell-Johnson and Pittman-Robertson federal reimbursements deposited in the Game and Fish Fund. For FY 2002-03 the agency expects to receive \$24.7 million in federal funds.
- **Gift Funds.** In FY 2000 the agency received \$2.5 million in gifts. For FY 2002-03 gifts are estimated at \$2.8 million.
- **Permanent School.** In FY 2000 the agency deposited \$12.1 million in the Permanent School Account. Proceeds come from timber sales, mining rents and royalties, land sales and leases. For FY 2002-03 the proceeds are estimated at \$27.7 million.

NATURAL RESOURCES DEPT - REVENUE SUMMARY (Continued)

RECENT CHANGES:

The DNR has a complex revenue structure. The agency takes in more than \$139 million in receipts, which is collected at sites throughout the state. Receipts are credited to over 400 accounts established for the various revenues. The agency is working to prepare more accurate income forecasts, to better manage its account receivables, to expedite revenue deposits, and to provide more relevant management information for resource decisions. The agency has proposed a reallocation of current base funding to continue the development of a new department-wide revenue management system.

FORECAST BASIS:

The methodologies and assumptions used for future forecasts vary according to the revenue category. For example, mining rents and royalties are based on lease agreements and company mining plans. Timber forecasts are based on stumpage rates, available cut, and many other factors. Revenue from the sale of hunting and fishing licenses is based on historical trends, demographics, weather, census data, and more. Each revenue category is unique and must be analyzed and projected using the relevant factors.

Agency: NATURAL RESOURCES DEPT

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01				
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent			
Non-Dedicated Revenue:												
Departmental Earnings:												
GENERAL	0	0	0	13,589	13,589	13,689	13,689	27,278				
NATURAL RESOURCES	10,250	10,635	10,881	10,730	10,730	10,719	10,719	(67)	(0.3%)			
CAMBRIDGE DEPOSIT FUND	12,908	13,613	13,568	0	0	0	0	(27,181)	(100.0%)			
GAME AND FISH (OPERATIONS)	56,968	68,494	62,045	67,488	67,488	66,753	66,753	3,702	2.8%			
Other Revenues:												
GENERAL	150	129	130	130	130	130	130	1	0.4%			
NATURAL RESOURCES	353	455	1,348	1,348	1,348	1,348	1,348	893	49.5%			
GAME AND FISH (OPERATIONS)	869	921	1,336	1,536	1,536	1,536	1,536	815	36.1%			
Other Sources:												
GENERAL	3	6	12	12	12	12	12	6	33.3%			
Taxes:												
GENERAL	656	652	702	686	686	701	701	33	2.4%			
NATURAL RESOURCES	0	0	12,524	11,402	10,397	11,573	10,568	8,441	67.4%			
GAME AND FISH (OPERATIONS)	0	0	12,523	11,402	10,397	11,572	10,567	8,441	67.4%			
Total Non-Dedicated Receipts	82,157	94,905	115,069	118,323	116,313	118,033	116,023	22,362	10.6%			

Agency: NATURAL RESOURCES DEPT

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01				
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent			
Dedicated Receipts:												
Departmental Earnings (Inter-Agency):												
GAME AND FISH (OPERATIONS)	183	71	67	70	70	70	70	2	1.4%			
MISCELLANEOUS AGENCY	45	0	0	0	0	0	0	0	0			
Departmental Earnings:												
GENERAL	485	768	750	750	750	750	750	(18)	(1.2%)			
NATURAL RESOURCES	1,187	427	571	571	571	571	571	144	14.4%			
SPECIAL REVENUE	15,205	16,480	18,107	14,896	14,896	15,114	15,114	(4,577)	(13.2%)			
GAME AND FISH (OPERATIONS)	289	926	2,084	2,092	2,092	2,097	2,097	1,179	39.2%			
MISCELLANEOUS AGENCY	2,281	1,125	3,796	5,542	5,542	8,045	8,045	8,666	176.1%			
GIFT	0	(1)	0	0	0	0	0	1	(100.0%)			
PERMANENT SCHOOL	10,351	11,112	13,161	13,076	13,076	13,376	13,376	2,179	9.0%			
Grants:												
FEDERAL	6,012	7,121	14,510	13,614	13,614	12,117	12,117	4,100	19.0%			
Other Revenues:												
GENERAL	2,023	281	188	80	80	51	51	(338)	(72.1%)			
NATURAL RESOURCES	1,012	1,109	1	0	0	0	0	(1,110)	(100.0%)			
SPECIAL REVENUE	501	515	597	596	596	596	596	80	7.2%			
GAME AND FISH (OPERATIONS)	2	210	500	500	500	500	500	290	40.8%			
REINVEST IN MINNESOTA	142	94	165	165	165	165	165	71	27.4%			
MISCELLANEOUS AGENCY	72	73	117	117	117	117	117	44	23.2%			
GIFT	1,514	2,511	1,421	1,400	1,400	1,400	1,400	(1,132)	(28.8%)			
PERMANENT SCHOOL	1,115	971	620	620	620	620	620	(351)	(22.1%)			
Other Sources:												
GENERAL	63	82	0	0	0	0	0	(82)	(100.0%)			
SPECIAL REVENUE	25	29	35	35	35	35	35	6	9.4%			
MISCELLANEOUS AGENCY	0	338	112	0	0	0	0	(450)	(100.0%)			
Total Dedicated Receipts	42,507	44,242	56,802	54,124	54,124	55,624	55,624	8,704	8.6%			
Agency Total Revenues	124,664	139,147	171,871	172,447	170,437	173,657	171,647	31,066	10.0%			

NATURAL RESOURCES DEPT - FEDERAL FUNDS SUMMARY

Agency: Natural Resources, Department of (DNR)

This report includes all federal revenues and anticipated revenues to be deposited in federal fund accounts as well as anticipated federal reimbursements to be deposited in the Game and Fish Fund for the Sport Fish Restoration and the Wildlife Restoration programs. Federal FEMA reimbursements passed through another state agency are also included.

Benefits:

Federal funding augments DNR's financial resources. It is sought and accepted to support the department's goals and strategies outlined in this budget and in DNR's strategic plans. Also, in some cases federal funding fosters federal, state and local cooperation and coordination in the management of natural resources.

Major New Program Pending Legislative Approval:

All new programs whose funding is pending legislative approval are followed with an asterisk.

At the time of this printing, the Conservation and Reinvestment Act (CARA) funding remains unclear. The estimated funding levels included here are based on the most recent information. The level of funding and type of activities funded has changed since our last estimate (under the title "teaming with wildlife") in the FY 2000-2001 Biennial Budget. The current compromise proposal establishes a six-year fund, beginning with FFY 2001(10-1-2000) and ending in September of 2006. Funding will be subject to annual discretionary appropriations and states will have to compete with federal and other programs for funding. The state match requirements vary from 25-50% of the funded projects. Currently the department is in the process of identifying base level funds that can be used for eligible match. If the department cannot identify the amounts necessary within the base level we will develop a proposal for additional state funds that will be submitted in the future for legislative consideration. The following is a breakdown of the program elements and related funding.

- Land and Water Conservation. \$1.5 million
- Coastal Stewardship (Department Of Commerce). \$2.5 million
- State and other Conservation Programs (includes state wildlife grants; Endangered Species, and North American Wetlands Conservation Act and Forest Legacy funds). \$1 million
- Urban and Community Forest and Youth Conservation Corps. \$250,000

These new funds are all listed below under the "Conservation and Reinvestment Act" title, even though there is a relationship to existing federally funded

programs. This was done to differentiate the new funding from ongoing funding for these programs.

Changes:

- The Coastal Zone Management funding levels reflect a delayed start up of the program. FY 2001 includes both those contracts that would have started in FY 2000 and the current year activity. FY 2002 and 2003 reflect continuing funding estimates.
- The Federal Emergency Management Agency (FEMA) Flood Mitigation Program, previously located in the Department of Public Safety, is now managed by DNR Waters Division who will be the direct recipient of federal funding beginning in FY 2001. This follows the shift of direct federal funding during the 2000-2001 biennium of the FEMA Community Assistance Program to DNR from Public Safety. Both programs' focus is local assistance.
- National funding for the Conservation Reserve Program has been drastically reduced affecting state allocations.
- Funding for the Forest Legacy program included under "Special Forestry Federal" has diminished as we moved from land acquisition and maintenance (FY 2000) to just land maintenance.
- The increase in the North American Waterfowl Act Program is related to two large projects-Heron and Swan Lakes.
- The apparent increase in the Recreational Boating Safety Program from FY 2000 to 2001 is related to a combination of factors. First, is a variable project work schedule that depends on when larger projects are bid and billed during the two year spend out period (e.g. FY 1999 was \$2,184,000, and FY 2000 much lower). Second, the FY 2001-2003 amounts are estimated at the maximum DNR could earn.

Related State Spending:

Per budget instructions "related state spending " shows state spending for "the same purpose whether mandated or not. "Mandated" was interpreted to mean required state match. Therefore, this column shows more state spending than is required for federal match needs.

NATURAL RESOURCES DEPT - FEDERAL FUNDS SUMMARY (Continued)

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
FEMA Dam Safety Program	-0-	State Operations	19	86	86	86
Federal Flood Plain Management	70	State Operations	115	108	108	108
Waters Coastal Issues	-0-	State Operations	3	-0-	-0-	-0-
Waters Federal Flood Forecast	-0-	State Operations	106	17	-0-	-0-
Mississippi National Riverway	45	State Operations	122	60	-0-	-0-
Waters Coastal Zone Management	44	Grants Political Subdiv.	161	1,000	1,000	1,000
Waters Wetland Protection EPA	37	State Operations	-0-	50	50	50
FEMA Flood Mitigation Assistance	-0-	Grants- Political Subdiv.	-0-	136	136	136
GAP Analysis	170	State Operations	170	130	130	130
Forest Stewardship	151	Grants Political Subdiv.	155	363	363	363
Forest Health Program	240	State Operations	240	202	202	202
Urban Forestry	217	Grants Political Subdiv.	217	330	330	330
Conservation Reserve Program	-0-	Grants- Individuals	582	46	46	46
Special Forestry Federal (Coop)	300	State Operations	296	883	162	162
Forestry Federal Focus Funds (Coop)	89	State Operations	89	80	80	80
Rural Community Fire Protection (Coop)	79	Grants Political Subdiv.	79	104	104	104
FEMA Icestorm Mitigation-Forestry	98	State Operations	98	-0-	-0-	-0-
MCC Americorps Administration Grant*	0	State Operations	-0-	43	-0-	-0-
MCC Americorps Insurance	13	State Operations	13	-0-	-0-	-0-

NATURAL RESOURCES DEPT - FEDERAL FUNDS SUMMARY (Continued)

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
Clean Vessel Act	-0-	Grants-Individuals	25	-0-	-0-	-0-
Boating Infrastructure	-0-	State Operations	-0-	200	100	100
National Recreational Trails (Tea-21)	-0-	Grants Political Subdiv	698	1,000	1,000	1,000
Hazard Mitigation-Old Mill Park*	-0-	State Operations	0	30	45	0
Conservation and Appreciation	-0-	State Operations	7	10	20	20
North American Waterfowl Act	80	State Operations	221	851	600	600
Forest Research	-0-	State Operations	-0-	15	20	-0-
Sport Fish/ Wildlife Restoration Admin Grants	304	State Operations	60	165	-0-	-0-
Long term Resource Monitoring	64	State Operations	489	350	350	350
Fish and Wildlife Coordination	-0-	State Operations	-0-	70	155	175
Endangered species Section 6	10	State Operations	30	-0-	-0-	-0-
Endangered Species	104	State Operations	47	50	50	50
Wetlands Protection Grants	10	State Operations	35	41	-0-	-0-
Great Lakes Program	20	State Operations	113	125	125	125
Surveys, studies, special grants	200	State Operations	127	125	125	125
Pesticide Enforcement	37	State Operations	19	25	25	25
Commercial Fish Assessment	22	State Operations	25	12	12	12
Harvest Information Program	-0-	State Operations	-0-	20	-0-	-0-
Community Oriented Policing	48	State Operations	25	120	70	65

NATURAL RESOURCES DEPT - FEDERAL FUNDS SUMMARY (Continued)

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
FEMA Disaster Public Assistance-thru DEM	363	State Operations	1,254	353	114	2
Recreational Boating Safety	3,400	State Operations	1,376	2,300	2,300	2,300
Land and Water Conservation	105	Grants Political Subdiv.	105	760	446	112
Conservation and Reinvestment Act*	-0-	State Operations	-0-	4,250	5,250	4,250
EPA Environmental Education*	-0-	State Operations	-0-	-0-	10	9
<i>Sub total-federal fund appropriations</i>			7,121	14,510	12,614	12,117
Wildlife Restoration-Game and Fish Fund	1600	State Operations	4,876	5,200	5,300	5,300
Sport Fish Restoration- Game and Fish Fund	3100	State Operations	9,211	9,000	9,000	9,000
<i>Subtotal federal game and fish fund</i>	4700		14,087	14,200	14,300	14,300
Agency Total			21,208	28,710	26,914	26,417

BUDGET CHANGE ITEM (48557)

Agency: NATURAL RESOURCES DEPT

Item Title: REALLOCATION OF BASE RESOURCES

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$2,185	\$2,149	\$2,149	\$2,149
-State Operations	(\$2,185)	(\$2,149)	(\$2,149)	(\$2,149)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <u> </u> No <u> X </u>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input checked="" type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends an internal reallocation of base resources to address the following high priority agency needs.

- Minnesota Forest Resources Council
- Minnesota County Biological Survey
- Regional Operations
- Minnesota Conservation Connections
- Human Resource Bureau Services
- Performance and Results Management
- Management Information Systems: Sub-Regional Connectivity
- Management Information Systems: Software Engineering Services

The reallocation of \$2.185 million for FY 2002 and \$2.149 million for FY 2003 identifies only those funds that are recommended to be moved between programs.

RATIONALE:

In keeping with the Governor's Big Plan and Budget Principles and with the agency's strategic plan management principles, DNR reaffirms its commitment to cost-conscious state government and to increasing the efficiency and quality

of services. This will be accomplished through reallocating base resources to address high priority agency needs.

FINANCING:

DNR will reallocate a net amount of \$2.185 million for FY 2002 and \$2.149 million for FY 2003 in base level resources. The amounts reallocated in the General Fund represent 1.9% of the agency's operating budget financed by direct appropriations from this fund. Also, included in the agency's reallocation plan is a reduction in the operating costs of the fleet management program.

OUTCOMES:

Minnesota Forest Resources Council

Continuation of the Minnesota Forest Resources Council at a reduced level of funding (\$375,000 per year reallocated from within the Forest Management Program). Amendments to the Sustainable Forest Resources Act (SFRA) in the 1999 legislative session included an extension of a repealer through FY 2001 for the purpose of evaluating progress. With legislative approval to remove the repealer, funding will continue implementation of a few of the sustainable forest management efforts. SFRA implementation has impacts not only on the department, but also on other land management organizations within the state, such as USDA-Forest Service, forest industry, and county land departments. Examples of potential impacts for the department are: application of comprehensive timber harvesting/forest management guidelines on DNR-administered lands, involvement in landscape planning/coordination activities, participation on the Minnesota Forest Resources Council. Similar impacts could be expected for other agencies (3.0 FTE).

Minnesota County Biological Survey: \$400,000 (FY 2002) \$400,000 (FY 2003) Identify the status and distribution of rare resources in all Minnesota counties; enter data into Rare Features Database of the Natural Heritage Information System. Citizens, businesses, and local communities will be better able to protect and manage important elements of Minnesota's biological diversity by using the information in the Rare Features Database and by receiving technical assistance from County Biological Survey staff (9.0 FTE).

Regional Operations: \$432,000 (FY 2002) \$526,000 (FY 2003)

Enhance the state's ability to provide coordinated resource management services at the local level. The state and the department will meet key strategic goals of an accessible service-oriented government that works with local communities and citizens to build strong and healthy communities.

Program direction will be set through biennial workplans. Performance will be assessed annually and will be measured based on the quality and volume of internal business services that are provided, resources leveraged, the number of

BUDGET CHANGE ITEM (48557) (Continued)

Agency: NATURAL RESOURCES DEPT

Item Title: REALLOCATION OF BASE RESOURCES

cooperative efforts involving partners, and the number of integrated departmental projects (8.0 FTE).

Minnesota Conservation Connections: \$270,000 (FY 2002) \$270,000 (FY 2003)

Increase collaboration between local government and the DNR that results in protecting and restoring community ecological infrastructure (1.0 FTE). Specific outcomes are:

- Locally financed capital investments to protect and conserve habitats.
- Locally developed actions to link and conserve habitats.
- Healthier fish and wildlife habitat and populations.
- Increased recreation opportunities.
- Diverse economic opportunities.
- Improved quality of life.
- Enhanced DNR-local government partnerships.

Human Resource Bureau Services: \$155,000 (FY 2002) \$155,000 (FY 2003)

Services will be more timely. Work force/succession planning activities will result in DNR having staffing levels and numbers needed to complete necessary natural resource and other support work at the time it is needed, with no "down-time" for recruitment, scoring applications, etc. (2.0 FTE).

Performance and Results Management: \$150,000 (FY 2002) \$150,000 (FY 2003)

Intermediate and long-term outcomes of strengthened performance measurement (2.0 FTE) include:

- A set of indicators and performance measures that link agency activities to actual natural resource outcomes and public benefits.
- Periodic State of the Natural Resources Report.
- Measurable goals, objectives, and corresponding indicators in DNR strategic plans. Biennial performance reports on progress toward agency strategic goals.
- Inter-agency coordination on common natural resource results and agency performance.

- Greater accountability in demonstrating how financial resources are being spent on the highest priorities.
- Common baseline information for citizens and legislators leading to sounder policy and management options.
- A better informed citizenry knowledgeable about complex resource issues.

Management Information Systems—Sub-Regional Connectivity: \$250,000 (FY 2002) \$140,000 (FY 2003)

Field natural resource managers will have fast, reliable, and continuous access to a wide range of information resources, within the DNR, at other agencies across levels of government, and via the Internet. They will also be able to provide information about their own resources and management activities in a fast and reliable manner. Field natural resource managers will be able to collaborate much more quickly and conveniently with other DNR managers as well as outside partners by communicating and exchanging information via e-mail.

Management Information Systems—Software Engineering Services: \$950,000 (FY 2002) \$950,000 (FY 2003)

The DNR will have trained and experienced Information Technology staff on board, whose technical and institutional (business) knowledge can be used to maintain existing databases and applications, as well as develop and deploy new ones that will be well-integrated (4.0 FTE).

The DNR will have an integrated, streamlined Revenue Management System that will efficiently and effectively manage income across a wide-range of DNR revenue-producing activities, and will allow these funds to be deposited into interest-bearing accounts more quickly.

The DNR will have an integrated Forest Management System that will contribute to achieving the forest resource goals in the department's strategic plan.

The DNR will move towards an integrated State Land Records system that will -

- Enhance the ability of the DNR divisions to manage state land by determining ownership, restrictions, qualifications, encumbrances, funding, etc., matching current DNR business practices, legislative mandates, and cooperative agreements with public and private interests.
- More effectively answer questions on Con-Con Lands, PILT payments, trust fund land, fiduciary responsibilities, etc.
- Create the opportunity to be more productive in designating lands available for sale and exchange.

BUDGET CHANGE ITEM (48557) (Continued)

Agency: NATURAL RESOURCES DEPT

Item Title: REALLOCATION OF BASE RESOURCES

- Provide increasingly more detailed information that is being requested by our customers through a "point and click" graphical user interface over existing internet technologies.
- Improve data accuracy and the ability of citizens to utilize the information we store on land management and the resulting revenue and costs.

REDUCTIONS:

Lands and Minerals - small reductions to Environmental Cooperative Research, Iron Ore Cooperative Research Mineral Diversification activities and a small reduction to general fund program operations (\$140,000 each year of internal reallocations within the Lands and Minerals Division will remain to continue support of the Land Exchange Program).

Waters - reduction to pass through grants (\$25,000 per year for the Lewis and Clark Rural Water System, \$40,000 per year to the Mississippi Headwaters Board and \$7,000 per year to the Leach Lake Band). Red River Mediation grants will be reduced by \$150,000 per year and exploratory drilling and observation well programs will also be reduced (\$200,000 each year of internal reallocations within the Waters Division will remain to continue support for delivery of mandated activities).

Forestry - significant reductions in forest road maintenance (requiring additional seasonal closure of roads), forest campground and recreational facility operation, Youth Programs (approximately 20%), forest stand improvement and private landowner assistance.

Parks - reductions in park maintenance (2 full-time positions and some season labor) and park naturalist activities (2 naturalists) and post-pone the implementation of the second half of the Campground Management Program.

Trails and Waterways - small negative impact on Trails and Waterways Program activities.

Fish - small reductions to General Fund appropriations to lake aeration systems, fishing piers, lake and stream habitat improvement, spawning area development, shoreline stabilization, creel surveys and hatchery maintenance and improvement.

Wildlife - reductions to General Fund appropriations to the Private Land Wildlife Habitat technical Assistance (eliminate two temporary positions), brush land

and open land habitat enhancement (approximately 1000 acres/yr reduction) and wildlife population inventory and survey work.

Ecological Services - need to leave one position vacant in the Environmental Review activity and to eliminate the analytical chemistry work that supports lake surveys, and a few smaller program adjustments that impact the collection and delivery of ecological information

Enforcement - restructuring of work responsibilities within the central office, not filling certain support positions vacated through retirement and extending leases on computer equipment.

BUDGET CHANGE ITEM (46609)

Agency: NATURAL RESOURCES DEPT

Item Title: SNOWMOBILE BUDGET REDUCTION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Natural Resources				
-State Operations	\$ (262)	\$ (262)	\$ (262)	\$ (262)
-Grants	\$ (388)	\$ (388)	\$ (388)	\$ (388)
Revenues: (\$000s)				
Natural Resources	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Statutory Change? Yes <u> </u> No <u> X </u>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity	<input type="checkbox"/> Supplemental Funding	<input checked="" type="checkbox"/> Reallocation		

GOVERNOR'S RECOMMENDATION:

The Governor recommends a \$650,000 annual reduction in the department's operating budget funded from the Snowmobile Trails and Enforcement Account in the Natural Resources Fund. The reduction is necessary in order to maintain a positive balance in the account at the end of the FY 2004-05 biennium. Fifty percent of the reduction will be allocated to the Snowmobile Grants-in-Aid (GIA) Program and 50% to the remainder of the department's operating budget, which includes \$63,000 of Snowmobile Safety Enforcement grants to county sheriffs.

RATIONALE:

The percentage of the unrefunded gas tax attributed to snowmobiling was raised from .75% to 1% for 2 years by the 1997 legislature. The rationale for this was the increasing snowmobile registrations and trail use resulting from several excellent snow years. During this time, the legislature directed the Department of Administration to do a study on the gas tax attributed to snowmobiling. The study has been completed and it recommends that .75% is appropriate. The study showed that the upper limit for a good winter is 1.067% and the lower limit for an average year is .62%.

Even though the GIA program realized a \$3 million increase per year for the 1998-99 biennium, these proportional reductions would honor the budget structure set during a prior biennial budget session. This structure was to

balance the appropriation between the GIA program and the rest of the appropriations to DNR.

FINANCING:

Funding reductions attributed to the sunsetting of the 1% gas tax back to .75%.

	2002-03 Biennium	
	FY 2002	FY 2003
Expenditures: (000s)		
Trails and Waterways-		
- Grants	\$ (325)	\$ (325)
- Operations	(160)	(160)
Enforcement		
- Grants	(63)	(63)
- Operations	(63)	(63)
Information, Education & License Bureau	(14)	(14)
Minnesota Conservation Corps (MCC)	(8)	(8)
Management Information System (MIS)	(17)	(17)
Total	\$ (650)	\$ (650)

OUTCOMES:

Trails and Waterways

Grant-in-Aid Program will be reduced by \$325,000 each fiscal year. The snowmobile plan, developed four years ago, called for four major initiatives with the increased funding.

- Get the existing grants to a level that would accommodate most winters.
- To allow existing non-GIA trails into the GIA program.
- Modernization of the existing system where possible.
- New trails.

The first two initiatives have been completed and the modernization effort is nearing completion. This reduction leaves no funding for new trails, and would reduce funding available for existing grants by approximately 10%.

Trails and Waterways Operations will be reduced by \$160,000 each year. This will impact the quality and quantity of grooming on DNR operated trails.

Enforcement Division

Annual grants to county sheriffs' offices and local enforcement agencies will be reduced by \$63,000, or 16%. It is anticipated that their enforcement and training hours would be reduced by the same level.

BUDGET CHANGE ITEM (46609) (Continued)

Agency: NATURAL RESOURCES DEPT

Item Title: SNOWMOBILE BUDGET REDUCTION

Enforcement Division operations will be reduced by \$63,000 annually. This will result in the reduction of approximately 2,600 hours of snowmobile enforcement each year.

Information, Education and Licensing Bureau

Operations will be reduced by \$14,000 each year.

Minnesota Conservation Corps

This annual reduction (\$8,000) will result in the loss of one full-time corps member position

Management Information System (MIS)

The MIS Bureau budget will be reduced by \$17,000 annually in the area of data entry for snowmobile registrations.

BUDGET CHANGE ITEM (55982)

Agency: NATURAL RESOURCES DEPT

Item Title: LOTTERY IN-LIEU SALES TAX

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Game and Fish Fund				
- State Operations	\$9,418	\$9,481	\$9,481	\$9,481
- Grants	\$335	\$335	\$335	\$335
Natural Resource Fund				
- State Operations	\$4,717	\$4,717	\$4,717	\$4,717
- Grants	\$5,765	\$5,765	\$5,765	\$5,765
Revenues: (\$000s)				
Game and Fish Fund	\$(1,006)	\$(1,006)	\$(1,006)	\$(1,006)
Natural Resource Fund	\$(1,006)	\$(1,006)	\$(1,006)	\$(1,006)
Statutory Change? Yes <u>X</u> No _____				

If yes, statute(s) affected:

New Activity Supplemental Funding Reallocation

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$9.753 million in FY 2002 and \$9.816 million in FY 2003 from the Heritage Enhancement Account in the Game & Fish Fund, and \$10.482 million in FY 2002 and \$10.482 million in FY 2003 from the Natural Resources Fund for improved Fish Management, Wildlife Management, Ecological Services, Enforcement, Parks & Recreation, and Trails & Waterways programs at DNR and for the Metropolitan Regional Park System and Zoo Grants. The amounts made available by the 2000 Legislative Session from these two new funding sources were designated as one-time appropriations for FY 2001.

RATIONALE:

In keeping with the Governor's Big Plan and with the agency's strategic plan, DNR reaffirms its commitment to smart growth; tourism; strong basic services that provide recreation opportunities, protect and improve habitat, and manage natural resources for sustainable use; partnerships with local units of government; science, information, and technology; and technical assistance. These efforts will be accomplished through continued funding from the lottery in-lieu of sales tax.

FINANCING:

The level of funds included in this recommendation are based on proposed changes to the state's sales tax rate of 6.5% to 6% under the Governor's tax reform plan, and the distribution rate of the lottery in-lieu of sales tax receipts of 87% to 86% under MS 297A.44, Subdivision 1(e). Reducing the distribution rate by 1% will provide additional resources in the General Fund to finance the payment in-lieu-of taxes on 102,000 acres of Consolidated Conservation Area (Con-Con) Lands that the Department is proposing to manage as wildlife management areas pending approval by the 2001 Legislative Session.

OUTCOMES:

Fish Management: \$3.4 million (FY 2002) \$3.4 million (FY 2003)

- Statewide field projects (lake aeration, fishing piers, stream improvement and restoration, fish barriers, shoreline stabilization, spawning area improvement, lake and stream surveys, creel surveys).
- Urban fishing programs (Metro Twin Cities and East Grant Forks).
- Aquatic plant management and habitat protection.
- Fish culture improvements (fish hatching and rearing facilities).
- Aquatic education (Metro Twin Cities).
- Access and management of small lakes (central and northern Minnesota), remove access barriers for physically disabled anglers.
- Marketing and human dimensions research on angler expectations.

Wildlife Management: \$2.4 million (FY 2002) \$2.5 million (FY2003)

- Con-Con WMA boundary surveys, posting, management , and record keeping (protect and manage 102,000 acres).
- Con-Con WMA PILT increases.
- Con-Con WMA public use promotion.
- Wildlife inventory, monitoring, and research completion of applied population research and monitoring in each of the forest, wetland, and wildlife groups.
- Prescribed burning for grasslands, wetlands, forests (additional 5,700 acres).
- Brushland management (additional 7,500 acres burned or sheared).
- Prairie grassland development - native species restoration and improvement (additional 3,300 acres of grasslands).
- Forest habitat improvement (additional 4,500 acres forest habitat).

BUDGET CHANGE ITEM (55982) (Continued)

Agency: NATURAL RESOURCES DEPT

Item Title: LOTTERY IN-LIEU SALES TAX

- Forest wildlife landscape planning and coordination (influence habitat sustainability on 410,000 acres).
- Wetland wildlife habitat development - wetland restoration and shallow lake habitat development (6,700 acres of habitat improvement).
- Private land technical assistance and cost-share to improve wildlife habitat on private lands (additional 9,500 acres of habitat development improvement).
- Increased support for waterfowl habitat development in Canada pursuant to MS 97A.127 (additional 2,500 acres of habitat to benefit waterfowl migrating through Minnesota).
- Development of newly acquired WMA's to meet minimum development standards (additional 2,280 acres of development).
- Prairie chicken reintroduction and monitoring activities; to provide state match for private contributions, and program continuity of an LCMR project.
- Wolf management and the long-term survival of wolves; effective resolution of wolf and human conflict, and resumption of state management authority.

Ecological Services: \$1.655 million (FY 2002) \$1.555 million (FY 2003)

- Collect and manage ecological data on important ecosystems and species to support statewide investigations of critical species and habitats in forest and river systems, including a contribution to the County Biological Survey and inventory and management efforts of the Nongame Wildlife Program.
- Deliver ecological information on terrestrial and aquatic systems to landowners, business leaders, public resource agencies, and local public officials.
- Expand education and outreach efforts on the value and importance of the state's native plants, animals, and native plant communities
- Cover the increased salary costs of the Hay Classification Study.

Enforcement: \$2.298 million (FY 2002) \$2.361 million (FY 2003)

- Maintain basic services (14-20 Conservation Officers, increase contact with the public and improving resource protection).
- Equipment replacement (implement a replacement schedule).
- Retiree insurance costs for 42 in FY 2002 and 50 in FY 2003.
- Increase in fleet costs

Parks and Recreation: \$3.865 million (FY 2002) \$3.865 million (FY 2003)

- Restore camping to 30 parks, opening all campgrounds for the entire operating system.
- Extend open hours for park interpretive centers.
- Provide day use activities and revenue collection for spring, summer, and fall for all parks.
- Provide partial funding for winter public use activities.
- Accelerate natural and cultural resource management and protection.
- Accelerate facility maintenance and emergency maintenance.

Trails & Waterways: \$1.481 million (FY 2002) \$1.481 (FY 2003)

- Local trail grants (\$629,000 annually, resulting in an estimated 9 projects each year).
- Operation and maintenance of state trails.
- Expand customer services (maps brochures, interpretive services).
- Plan, acquire, develop, and manage Gitchi Gami State Trail.

Metropolitan Council: \$4.717 million (FY 2002) \$4.717 million (FY 2003)

- Operation and maintenance for the Metropolitan Regional Park System.

Zoo Grant: \$419,000 (FY 2002) \$419,000 (FY 2003)

- Minnesota Zoological Garden.
- City of Saint Paul, Como Zoo and Conservatory.
- City of Duluth, Duluth Zoo.

BUDGET CHANGE ITEM (62494)**Agency:** NATURAL RESOURCES DEPT**Item Title:** PCA ENVIRONMENTAL TAX REFORM

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Solid Waste	\$100	\$100	\$100	\$100
Environmental Fund				
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity	<input type="checkbox"/> Supplemental Funding	<input checked="" type="checkbox"/> Reallocation		

GOVERNOR'S RECOMMENDATION:

The Governor recommends the change in funding source for the Enforcement Division as part of the PCA Tax Reform change item.

RATIONALE:

In an effort to improve the ability of the legislature and affected agencies to direct money to the highest environmental priorities, the PCA is proposing to reform the way that the state funds certain environmental activities. Specifically, PCA is proposing to restructure the Environmental Fund, create a new Remediation Fund, and abolish the Solid Waste and the Metropolitan Landfill Contingency Action Trust Funds. For more information on this initiative, please see the PCA's budget.

This change item simply appropriates base level funding to the Department of Natural Resources from the new Remediation Fund rather than the Solid Waste Fund. No change in the use or oversight of these funds is proposed.

FINANCING:

Funding will be changed from the Solid Waste Fund to the new Remediation Fund.

OUTCOMES:

Please see PCA's budget document for a discussion of the outcomes expected from their tax proposal.

No change in funding level, use of funds, or oversight is proposed for the Department of Natural Resources.

PROGRAM SUMMARY

Program: LAND AND MINERAL RESOURCE MANAGEMENT
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

The Division of Lands and Minerals was formed as the result of a 1999 merger of the former Division of Minerals and the Bureau of Real Estate Management.

The new division provides land management direction for the department and manages all department real estate transactions. The division also provides technical assistance to local government on mining related issues and is responsible for generating leasing revenue from state-owned mineral resources for the state trust funds and local taxing districts throughout the state.

Lands

The division provides real estate services for all units of the department. It provides transaction services for land acquisitions and sales, leasing, conservation easements, licensing, and land exchanges.

The division also manages the state land records and mineral rights information systems for state owned and administered lands including state acquired land, county administered tax-forfeited land, and land held in trust for the Permanent University Fund and Permanent School Fund. The system's five million records include data for recording: 1) land ownership, sales, acquisitions, exchanges, easements, deeds, and contracts; 2) mineral ownership, leases, and lease sales; 3) payments-in-lieu-of-taxes, Public Hunting Ground payments, and general assessments; and 4) billings, reconciliations, and mineral lease sales.

Minerals

The division's responsibilities are fully integrated with the administration's strategic direction. Minnesota's mining industry is a world competitor, providing commodities and products for the global and regional marketplace. Environmentally sound mineral extraction is directly related to maintaining healthy, vital communities. Mineral commodities produced locally are vital to our public infrastructure, including light rail, highways, bridges, and airports.

The division is actively engaged in providing technical support to local government on mining and reclamation issues. It manages a number of research and development programs supporting mineral research statewide, and is a fiduciary for state trust funds.

State lands managed for mineral revenue include those held in trust for the Permanent School Fund, Permanent University Fund, and local units of government.

The lands include:

- twelve million acres of state-owned trust and tax-forfeited mineral rights, including 18% of the mineral rights on the Mesabi Iron Range; and
- eight million acres of surface rights and mineral rights for horticulture peat, industrial minerals, and construction materials.

STRATEGIES AND PERFORMANCE:

Strategically the division's goal is to provide department customers with expert, timely real estate services in support of legislative mandates and department goals. Land related performance is tied to providing market-based returns for the use of state lands by the private sector and governmental entities.

The division also generates revenue from state-owned lands by leasing lands for exploration and mining. Its goal is to help sustain a strong and viable mineral industry using environmentally sound mining practices. In 1999, Minnesota ranked eighth in the nation in nonfuel mineral production, valued at \$1.6 billion.

Minnesota is the nation's leading producer of taconite. Other major nonfuel minerals mined in the state include horticultural peat and construction sand and gravel, ranked third and seventh in the nation, respectively. In addition, the state is a producer of industrial sand (silica sand), crushed stone, agricultural lime, kaolin, common clay, and dimension stone.

Lands and Minerals staff provide the following services:

- *Mineral Potential and Engineering.* Mineral potential and engineering staff inspect mining properties having state leases. All taconite mining companies operating in the state hold state leases, i.e., USX Corporation, Hibbing Taconite Co., LTV Steel Mining Co., Northshore Mining Co., EVTAC Mines LLC, National Steel Pellet Co., and Ispat Inland Mining Co. The division provides computer-generated resource estimates for new mine proposals and expansions. It also markets Minnesota's mineral resources by developing and distributing information on mineral resources potential. The current emphasis is: 1) mapping construction aggregate resources for county government; and 2) developing computerized data on non-ferrous metallic minerals for exploration companies.
- *Mineland Reclamation.* In addition to reclaiming mined lands, reclamation staff also provide technical assistance on industrial mineral mining operations to local governments throughout the state. The current focus is: 1) developing hydrological data necessary for watershed restoration for LTV Steel Mining Co.'s Hoyt Lakes plant closure in February, 2001; and 2) permit issues related to renewed interest and foreign investment in copper, nickel, and platinum properties.

PROGRAM SUMMARY (Continued)

Program: LAND AND MINERAL RESOURCE MANAGEMENT
Agency: NATURAL RESOURCES DEPT

- **Leasing, Sales, and Acquisitions.** These responsibilities cover a broad range of land and mineral tasks. The division is implementing a policy of an annual land sale, the first of which was held in July, 2000, with 11 parcels offered and nine sold. As the division does for mineral lease sales, it used the Internet to advertise the properties. It completed multiple acquisitions, including the McQuade Road Safe Harbor access site. It completed substantial work on the Lakeshore Leased Lot Exchange project. Eighty-nine metallic mineral leases encompassing about 32,000 acres have been issued during the current biennium.
- **Regional Operations.** The division maintains staff in each of the six department regions. A goal of the merger was to strengthen regional responsibilities and expand over-the-counter services for the public. Regional operations staff work to coordinate decisions on land exchange proposals, land acquisitions, land sales, acquisition of road and conservation easements, and permanent utility corridor reviews with other department staff.
- **Research and Development.** The division manages three research and development programs that address mineral processing, metallurgical, geological, and environmental questions related to mining throughout the state. The research is funded through cost-sharing programs with the mining industry, nonprofits, and federal and local governments. Examples of applied research topics:

Environmental Cooperative Research

- restoration projects using native vegetation on construction aggregate properties in Rochester and in Clay County;
- reclamation projects on the Mesabi Iron Range using dredged material from Duluth Harbor as a soil amendment;
- use of rock fines, a by-product of the aggregate industry, as a soil amendment for organic farmers in central Minnesota; and
- research on the impact of taconite processing on mercury levels in natural systems.

Iron Ore Cooperative Research

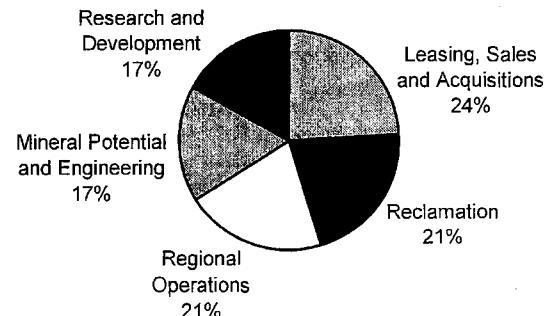
- agglomeration studies focused on developing alternative binders for pelletization;
- process modeling for induration furnaces;
- survey of dust suppression techniques for tailings basins;
- an evaluation of the environmental impacts of disposing tailings in existing mine pits.

Mineral Diversification

- mapping aggregate resources in Nicollet, Benton, and Chisago counties;
- geochemical evaluation of platinum group element mineralization in northeastern Minnesota;
- an inventory of aggregate resources in the seven-county metropolitan area; and
- a statewide evaluation and cataloguing of mining industry by-products that have market values for other uses.

The following chart illustrates the level of effort the division plans to direct toward each functional area:

Projected Allocation of Funding FY 2002 - 03



FINANCING INFORMATION:

The real estate program is funded by a variety of sources, including General Fund, the Game and Fish Fund, and the Water Recreation Account. The costs of land acquisitions are billed to the acquiring division and/or funding accounts. The minerals program is funded solely by General Fund dollars.

REVENUE SUMMARY

Lands

Real estate related activities generated about \$3.07 million in FY 2000. Revenue related to various types of sales and leases constituted 93% of the total.

PROGRAM SUMMARY (Continued)

Program: LAND AND MINERAL RESOURCE MANAGEMENT
 Agency: NATURAL RESOURCES DEPT

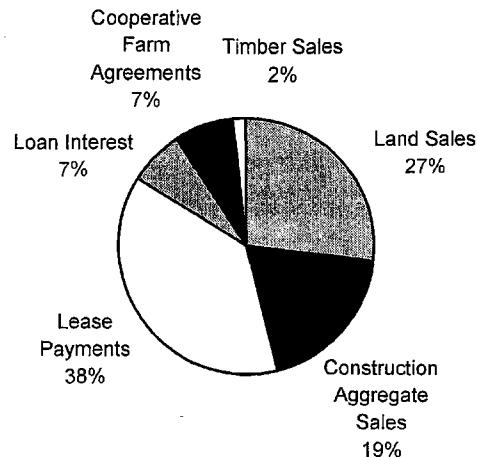
Cooperative farm agreements contributed the remaining 7%. The chart illustrates the types and levels of activity that produced revenue in FY 2000.

Minerals

Mineral revenue totaled \$6.5 million in FY 2000. The graph illustrates revenue generated from state mineral leases for the 10-year period through FY 2000. The revenues are depicted according to the account in which the revenue is deposited, i.e., Permanent School Fund, Permanent University Fund, Tax-forfeited land funds, and the Special Advanced Royalties Account. Other accounts include the Consolidated Conservation Land and the General Fund.

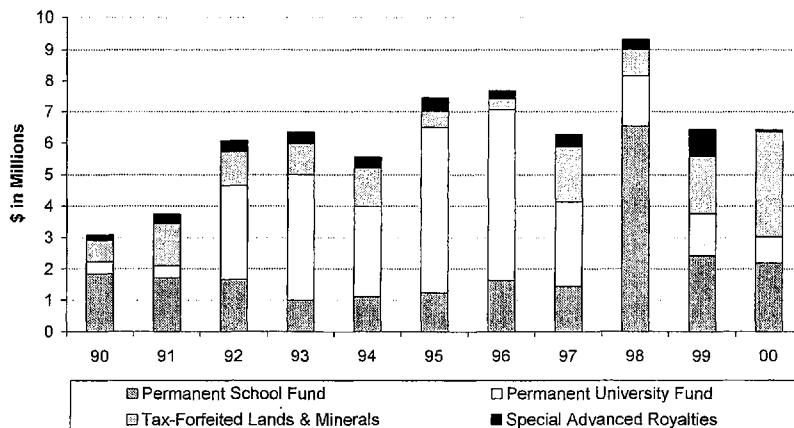
Land Revenue FY 2000

\$3.07 Million



State Mineral Lease Revenues

Fiscal Years 1991-2000



The FY 1998 revenues include a one-time transfer of \$4.2 million from the Taconite Iron Ore Special Advance Royalty Account to the Permanent School Fund due to state lease assignments between USX and Ontario Iron Company in the Kinney-Buhl area. This payment has been used as a credit against royalties due on several state leases and was depleted in April of 2000.

Under the provisions of M.S. 93.335, Subd. 4, the department annually distributes 80% of the mineral rents and royalties generated from the tax-forfeited lands, which are held in trust by the state for local taxing districts. FY 2000 reflected an increase in mining on tax forfeited land, with a projected revenue distribution of about \$2.65 million to local government.

Mineral revenue projections for the near term are weakening. The closure at LTV Steel Mining Co., which provided about 40% of FY2000 revenue, and the idling of an agglomerator line that represents about 12 percent annual output at USX will dramatically reduce revenue generated from tax forfeited lands and school trust fund lands. On the eastern Mesabi Iron Range, the LTV closure will abruptly end the mining revenue generated from tax forfeited lands, 80% of which is transferred to local government. Somewhat offsetting the reductions in taconite revenue is National Steel Pellet Co.'s recent mining on university trust lands, which will increase revenue to the Permanent University Fund.

PROGRAM SUMMARY (Continued)

Program: LAND AND MINERAL RESOURCE MANAGEMENT
Agency: NATURAL RESOURCES DEPT

BUDGET ISSUES:

The division's budget issues are fully integrated with the department's management principals outlined in *Directions 2000* and proposed department internal reallocations.

The broad division issues are 1) maintaining adequate staffing for real estate transactions, and 2) maintaining a healthy mining industry, associated revenues from state mineral rights, and supporting environmentally-sound mining practices that provide mineral commodities for societal needs. Specific issues for the forthcoming biennium include the following:

- *Maintaining staff positions for legislatively-mandated land exchanges and annual land sales.* Since 1998, two division positions have been funded by revenue from state lakeshore lot lease payments. The state will have mostly completed the exchange of these lakeshore lots with county governments by 12-31-2000, and the lease revenue will end.
- *Need for a new Land Records and Revenue System.* The department currently manages revenue of about \$100 million per year from state lands. The current land records system is outdated, reflecting technologies and business practices of the early 1980s, and does not have a GIS interface necessary to portray spatial information or provide accounting functions for state lands, such as for Con-Con land and PILT payments. In addition the system can not track legislatively mandated land policy changes or department land management practices. In order to provide accurate and timely information to customers, or to provide access to this information over the Internet, a new system needs to be developed. The primary beneficiaries of a new system would be local government, including county auditors, land use planners, tax assessors, and highway departments.
- *A vibrant state economy has increased demand for construction aggregates and has led to increased county requests for county aggregate mapping.* M.S. 84.94 mandates that the department identify potentially valuable publicly or privately owned aggregate resources for county government. Current funding levels allow the division to produce only one county map per year. The division has completed only six of 80 counties (the Minnesota Geological Survey is responsible for metropolitan counties). The division cannot currently respond to county requests for aggregate resource information in a timely manner; subsequently, county governments do not have a means to introduce aggregate resource protection into comprehensive planning or zoning decisions.

■ Reallocation of Base Resources

Proposals to reallocate monies within the department would alleviate some of the division's concerns relating to two of the budget issues described above. The first, "*Maintaining staff positions for legislatively-mandated land exchanges and land sales*" would cease to be an issue because internal reallocations would provide funding for that purpose. The second, "*Need for a new Land Records and Revenue System*" would be addressed, in part, by directing funding to "*Software engineering services*" described in the department's Change Item, Reallocation of Base Resources.

These reallocation proposals will result in reductions to Environmental Cooperative Research, Iron Ore Cooperative Research, Mineral Diversification activities and a small reduction to general fund program operations. (\$140,000 each year of internal reallocations within the Lands and Minerals Division will remain to continue support of the Land Exchange Program).

GOVERNOR'S RECOMMENDATION:

The Governor recommends the Lands and Minerals budget request, including the base budget reallocation.

Activity: LAND AND MINERAL RESOURCE MGMT
 Program: LAND AND MINERAL RESOURCE MGMT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	4,968	5,376	5,402	5,338	5,305	5,499	5,497	24	0.2%
OTHER OPERATING EXPENSES	2,877	1,909	3,887	2,322	2,299	2,324	2,301	(1,196)	(20.6%)
TRANSFERS	0	0	0	11,618	11,618	11,876	11,876	23,494	
Subtotal State Operations	7,845	7,285	9,289	19,278	19,222	19,699	19,674	22,322	134.7%
CAPITAL OUTLAY & REAL PROPERTY	257	51	50	50	50	50	50	(1)	(1.0%)
LOCAL ASSISTANCE	7,503	8,370	8,656	452	452	538	538	(16,036)	(94.2%)
Total Expenditures	15,605	15,706	17,995	19,780	19,724	20,287	20,262	6,285	18.6%
<u>Change Items:</u>									
(A) REALLOCATION OF BASE RESOURCES		Fund GEN				(56)		(25)	
Total Change Items						(56)		(25)	
<u>Financing by Fund:</u>									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	0	300	450	0	0	0	0	0	
GENERAL	6,097	5,884	6,805	6,556	6,500	6,704	6,679		
MINNESOTA RESOURCES	0	8	92	0	0	0	0	0	
NATURAL RESOURCES	141	142	151	152	152	156	156		
GAME AND FISH (OPERATIONS)	1,297	408	418	427	427	438	438		
PERMANENT SCHOOL	0	0	200	0	0	0	0	0	
Open Appropriations:									
GENERAL	5,570	5,634	5,718	11,658	11,658	11,916	11,916		
Statutory Appropriations:									
SPECIAL REVENUE	2,052	3,135	3,357	733	733	819	819		
GAME AND FISH (OPERATIONS)	51	0	0	0	0	0	0	0	
MISCELLANEOUS AGENCY	2	0	0	0	0	0	0	0	
PERMANENT SCHOOL	395	195	804	254	254	254	254		
Total Financing	15,605	15,706	17,995	19,780	19,724	20,287	20,262		

Activity: LAND AND MINERAL RESOURCE MGMT
 Program: LAND AND MINERAL RESOURCE MGMT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>Revenue Collected:</u>							
Dedicated							
NATURAL RESOURCES	8	0	0	0	0	0	0
SPECIAL REVENUE	2,427	3,779	4,138	1,021	1,021	1,128	1,128
GAME AND FISH (OPERATIONS)	110	0	0	0	0	0	0
MISCELLANEOUS AGENCY	2,221	926	3,729	5,473	5,473	7,973	7,973
PERMANENT SCHOOL	4,856	4,491	6,275	5,990	5,990	5,990	5,990
Nondedicated							
GENERAL	20	14	15	286	286	286	286
CAMBRIDGE DEPOSIT FUND	230	200	271	0	0	0	0
GAME AND FISH (OPERATIONS)	93	224	91	91	91	91	91
Total Revenues Collected	9,965	9,634	14,519	12,861	12,861	15,468	15,468
<u>FTE by Employment Type:</u>							
FULL TIME	79.8	81.7	86.0	84.2	83.2	84.2	83.8
PART-TIME, SEASONAL, LABOR SER	8.3	8.3	5.9	5.7	5.7	5.7	5.7
OVERTIME PAY	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	88.2	90.1	91.9	89.9	88.9	89.9	89.5

PROGRAM SUMMARY

Program: WATER RESOURCES MGMT
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

DNR Waters plays a major role in the management of Minnesota's water resources and since all Minnesotans are dependent on water resources, wise management is critical for the state. DNR Waters monitors all phases of the hydrologic cycle (the mechanism by which water is delivered from the atmosphere to the landscape and back again) and manages human interactions with wetland, lake, river, and ground water phases of the hydrologic cycle.

The Waters Division also

- maintains an extensive precipitation reporting network of over 1,200 volunteers to collect information for analysis.
- The division monitors groundwater levels at over 700 observation wells, conducts technical studies, maps ground water aquifers, manages water appropriations from aquifers and analyzes ground water/surface water interaction.
- It inventories streams, lakes and wetlands; collects and analyzes information about water levels and flows at over 1,500 lake and stream gage sites; conducts technical studies of water budgets and flows; manages water appropriations and use; regulates the construction and operation of dams; helps people solve water related problems and conflicts; works with local governments to manage development in shoreland and floodplain areas to protect people from floods and high lake levels; and works with local, state and federal agencies to protect lakes, streams, wetlands from unwise construction activities.
- Waters' staff provide information, technical assistance and advice to citizens and over 500 local government zoning and watershed planning staff.
- It has a staff of water experts with a wide variety of skills located in offices throughout the state to help resolve complex water problems. These staff help people and local governments solve water resources problems and to strike a balance between the utilization and protection of water resources.

STRATEGIES AND PERFORMANCE:

Waters 1998 strategic plan identifies a goal of promoting water conservation and sustainability by working with others to develop a common understanding of water resources. Eight strategies to accomplish comprehensive water management in the beginning of the 21st century were also identified.

- Use social, economic, and environmental information to improve water resource decision-making.

- Increase regulatory effectiveness by simplifying the process and making regulations less prescriptive.
- Provide more information and technical assistance to help people solve their water related problems.
- Increase opportunities for environmental education so future generations will take better care of water resources and the environment.
- Improve services by clarifying and integrating responsibilities so people have a clear idea of who to contact when they need help.
- Enhance accountability by making timely decisions at the appropriate level of the organization.
- Enhance communication and outreach by listening to peoples concerns and helping them resolve problems.
- Expand partnerships to help develop trust and understanding among agencies at different levels of government.

Some of the division's recent successes are:

- Simplification of the permit process by using general permits. These general permits cover a class of permits that generally have minor impacts so Waters staff are able to spend time on more significant issues. Efforts are underway to further streamline wetland regulation by increasing local government authority.
- Since the 1997 floods, over 875 homes have been removed from floodplain areas through cooperative efforts of local, state and federal agencies.
- DNR Waters has added considerable information and access to data via an expanded web site. Updates are made as new county geologic atlas maps, current monitoring data, and technical studies and reports become available. (<http://www.dnr.state.mn.us/waters/>)
- Project WET, a water resources curriculum planning program, has been implemented for grades K-12. This has become a priority program because of its long-term benefits for the wise use of our water resources and provides training to more than 50 teachers annually.
- DNR Waters, in cooperation with local dam owners, has removed nine river dams to improve public safety and restore riverine ecosystems.

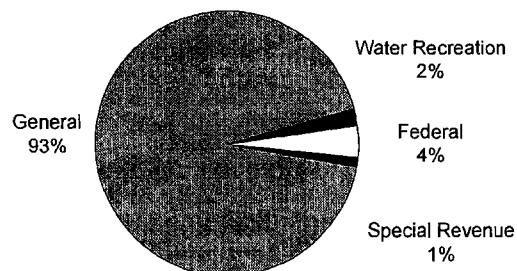
PROGRAM SUMMARY (Continued)

Program: WATER RESOURCES MGMT
Agency: NATURAL RESOURCES DEPT

FINANCING INFORMATION:

DNR Waters is primarily funded through the General Fund. Other funding sources include the Water Recreation Fund, Special Revenue, Federal Project funds, and the capital budget (not included with graph).

FY 2000 Funding Source



Funding has been essentially flat for the last ten years. New initiatives for water monitoring and flood damage reduction were funded in 1998 and 1999, but they came with new responsibilities and have not kept up with inflation.

REVENUE SUMMARY

- Non-dedicated fees collected for permit applications and annual water use fees totaling approximately \$3 million annually are deposited in the General Fund.
- The change in federal revenue from FY 2000 to FY 2001 on the fiscal page is attributable to increased funding in the Coastal Zone Management Program.

GRANTS SUMMARY

The budget for grants administered from all funding sources through the Waters Division is approximately \$3.1 million annually for the FY 2002-03 biennium. The primary types of grants the following:

- Flood damage reduction grants to assist local governments that demonstrate that they have flooding problems. These cost sharing grants are made on a 50% local match basis.
- Coastal Management Program grants will be used by local units of government, nonprofit organizations and agencies to do a variety of planning, education, construction, and acquisition projects in the coastal boundary area.
- Grants to facilitate the Red River Mediation Flood Damage Reduction work group efforts.
- Grant to be used to equally match funds with the United States Geological Survey (USGS) for hydrologic studies and water monitoring activities.

BUDGET ISSUES:

- Salary, and supply and expnse inflation in excess of base adjustments, and other fixed cost increases continue to erode the spending power of DNR Water's budget. Budget increases have been for grants or new or expanded responsibilities. The division will continue to manage this cost by reallocating resources to the highest priority needs.
- Reallocation of Base Resources
Proposals to reallocate base resources within the Department will address a number of the Waters Resources Management Program and departmental concerns.

These reallocation proposals will also result in reductions to pass through grants (\$25,000/yr to Lewis and Clark Rural Water System, \$40,000/yr to Mississippi Headwaters Board and \$7,000/yr to Leach Lake Band). Red River Mediation grants would be reduced by \$150,000/yr and exploratory drilling and observation well programs would be cut back. (\$200,000 each year of internal reallocations within the Waters Division will remain to continue support for delivery of mandated activities).

LCMR RECOMMENDATIONS – DIRECT

- *Hydraulic Impacts of Quarries and Gravel Pits*
To research and evaluate the impact of aggregate extraction on groundwater quality and quantity (\$320,000 Environmental Trust Fund).

GOVERNOR'S RECOMMENDATION:

The Governor recommends the requested amount, including the base budget reallocation and the LCMR project.

Activity: WATER RESOURCES MGMT
 Program: WATER RESOURCES MGMT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	7,507	7,673	8,242	8,324	8,608	8,553	8,863	1,556	9.8%
OTHER OPERATING EXPENSES	2,271	2,211	3,999	2,556	2,578	2,565	2,599	(1,033)	(16.6%)
OTHER FINANCIAL TRANSACTIONS	0	1,100	38	2	2	2	2	(1,134)	(99.6%)
Subtotal State Operations	9,778	10,984	12,279	10,882	11,188	11,120	11,464	(611)	(2.6%)
CAPITAL OUTLAY & REAL PROPERTY	10	1	0	0	0	0	0	(1)	(100.0%)
LOCAL ASSISTANCE	2,003	4,132	3,221	3,067	2,845	3,067	2,845	(1,663)	(22.6%)
Total Expenditures	11,791	15,117	15,500	13,949	14,033	14,187	14,309	(2,275)	(7.4%)
Change Items:									
(A) REALLOCATION OF BASE RESOURCES						(76)		(38)	
(B) WATERS LCMR ALLOCATIONS						160		160	
Total Change Items						84		122	
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	0	0	0	0	160	0	160		
GENERAL	11,003	13,102	13,466	12,248	12,172	12,480	12,442		
MINNESOTA RESOURCES	0	80	0	0	0	0	0		
NATURAL RESOURCES	268	210	320	274	274	280	280		
Statutory Appropriations:									
SPECIAL REVENUE	127	1,217	97	41	41	41	41		
FEDERAL	370	498	1,499	1,380	1,380	1,380	1,380		
GIFT	23	10	118	6	6	6	6		
Total Financing	11,791	15,117	15,500	13,949	14,033	14,187	14,309		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	111	123	41	41	41	41	41		
FEDERAL	372	526	1,457	1,380	1,380	1,380	1,380		
GIFT	57	63	27	6	6	6	6		
Nondedicated									
GENERAL	76	0	0	3,027	3,027	3,027	3,027		
CAMBRIDGE DEPOSIT FUND	3,084	2,892	3,027	0	0	0	0		
Total Revenues Collected	3,700	3,604	4,552	4,454	4,454	4,454	4,454		

Activity: WATER RESOURCES MGMT
 Program: WATER RESOURCES MGMT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE by Employment Type:							
FULL TIME	123.6	121.1	136.6	131.6	135.1	131.6	135.1
PART-TIME, SEASONAL, LABOR SER	11.4	11.0	9.4	9.4	10.4	9.4	10.4
OVERTIME PAY	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Full-Time Equivalent	135.1	132.2	146.1	141.1	145.6	141.1	145.6

PROGRAM SUMMARY

Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

The Forest Management Program includes 3 budget activities. Each is discussed in a separate activity narrative:

- Forest Management budget activity addresses agency efforts to affect the sustainable management of forest lands in the state (including community forests) to meet long-term management objectives for multiple forest resources, including timber, wildlife habitat, recreation, and aesthetics.
- Fire Fighting budget activity addresses efforts to protect citizens, property, and natural resources from destructive wildfires.
- Sustainable Forest Resources Act Implementation (M.S. 89A) budget activity includes efforts to bring together the state's varied forest resource interests to develop and implement programs that promote sustainable site- and landscape-based forest management practices.

STRATEGIES AND PERFORMANCE:

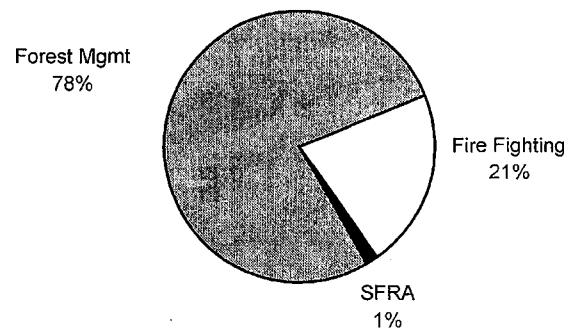
These are discussed at the activity level.

FINANCING INFORMATION:

Revenue summary: This program generates dedicated and non-dedicated revenue of approximately \$20 million each year from FY 1999-01.

Grants summary: This program distributes approximately \$4.0 million each year to other units of government, communities, local fire departments, education/research institutions, and non-government organizations.

Forest Management Expenditures
By Budget Activities
FY 1999-01



BUDGET ISSUES:

- Reallocation of Base Resources
Proposals to reallocate base resources within the Department will address two of the Division of Forestry's most immediate concerns:
 - continuation of the Minnesota Forest Resources Council at a reduced level (\$375,000/year);
 - development and implementation of the forestry information system (FORIST) by shifting \$400,000/yr from the Forest Management program to Operations Support for Management Information Systems to accomplish systems design and implementation.

Additional dollars will be transferred to address broader Forest Program and department concerns. Reallocation proposals will result in significant reductions in forest road maintenance (requiring additional seasonal closure of roads), forest campground and recreational facility operation, forest stand improvement and private landowner assistance.

- Transfer of \$150,000 per year for white pine research from the forest management program to the University of Minnesota.

PROGRAM SUMMARY (Continued)

Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

LCMR RECOMMENDATIONS - DIRECT:

- **Forest and Prairie Stewardship of Private Lands:** In cooperation with the Minnesota Forestry Association and the Nature Conservancy, to develop stewardship plans for private prairie and forested lands and to implement natural resource projects by providing matching money to private landowners (\$545,000 Environmental and Natural Resources Trust Fund).

GOVERNOR'S RECOMMENDATION:

The Governor recommends Forestry's base budget, the reallocation of base resources and the LCMR project.

Program: FOREST MANAGEMENT
 Agency: NATURAL RESOURCES DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
FOREST MANAGEMENT	36,954	36,232	40,667	35,300	34,844	36,001	35,530	(6,525)	(8.5%)
FIRE FIGHTING	8,116	14,056	14,594	14,944	14,944	14,744	14,744	1,038	3.6%
SUSTAIN RES ACT IMPLEMENTATION	1,318	537	723	0	375	0	375	(510)	(40.5%)
Total Expenditures	46,388	50,825	55,984	50,244	50,163	50,745	50,649	(5,997)	(5.6%)
Change Items:									
(A) REALLOCATION OF BASE RESOURCES	GEN				(353)			(369)	
(B) FORESTRY LCMR ALLOCATIONS	EVT				272			273	
Total Change Items					(81)			(96)	
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	400	473	687	0	272	0	273		
GENERAL	34,824	31,930	34,607	32,509	32,156	33,206	32,837		
MINNESOTA RESOURCES	319	555	40	0	0	0	0		
Total Financing	46,388	50,825	55,984	50,244	50,163	50,745	50,649		
FTE by Employment Type:									
FULL TIME	384.7	381.2	380.3	363.7	356.2	363.7	356.2		
PART-TIME, SEASONAL, LABOR SER	128.2	156.8	151.2	141.0	141.0	141.0	141.0		
OVERTIME PAY	30.3	46.3	42.4	42.4	42.4	42.4	42.4		
Total Full-Time Equivalent	543.2	584.3	573.9	547.1	539.6	547.1	539.6		

BUDGET ACTIVITY SUMMARY
**** PERFORMANCE PILOT ****

Budget Activity: FOREST MANAGEMENT
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

ACTIVITY PROFILE:

This activity exists to sustain and enhance forest ecosystems; to provide a sustainable supply of forest products to meet human needs (material, economic, and social); and to provide income to the permanent school trust fund.

Specific activities and services:

- Managing 4.3 million acres of lands, including
 - forest vegetation management planning;
 - timber sales and harvesting;
 - reforestation;
 - timber stand improvement;
 - old growth and extended rotation forest management;
 - maintenance and operation of the 2,064 mile state forest road system primarily for public recreation use, travel and access to state lands;
 - maintenance and operation of 46 state forest campgrounds, 44 day use areas, and 1,200 miles of recreational trails;
 - enforcement of state forest rules and regulations.
- Forest stewardship planning, technical advice, and cost-share assistance for non-industrial private forest landowners.
- Technical urban forestry and cost-share assistance to Minnesota communities.
- Producing and selling tree and shrub seedlings for conservation planting on public and private lands.
- Monitoring the health, growth and composition of Minnesota forests.
- Technical assistance to counties.
- Developing, monitoring and evaluating evolving management concepts.
- Coordinating forestry related education programs in schools.

Our goals:

- Provide a long-term, sustainable yield of forest resources that includes timber and other forest crops, fish and wildlife habitat, clean water, rare flora and fauna, air, soil, educational opportunities, and aesthetic and historic values.

- Manage school trust lands to fulfill the fiduciary responsibilities to the permanent school trust.
- Improve the health and productivity of public and private (including community) forest lands.

The basic purposes for which these forestry programs were created are still valid:

- maintain the forest land base;
- encourage professional management of forest lands to meet public demand for products and uses;
- reforest and restore forest lands altered by harvesting, wildfires, insects and diseases, wind storms, and flooding.

Minnesota's growing population has intensified pressures on forest lands:

- Urban and lakeshore development is the major cause of forest land loss.
- Expanding development in forested areas increases the risks of wildfires, and reduces the quality of and ability to manage forest lands.
- Recreational use of forest lands and recreational facilities has increased.
- The list of recreational users has grown to include off-highway vehicles, horse-back riders, mountain biking, cross-country skiing, and snowmobiling.
- Timber harvesting demand has increased.

These pressures will continue to grow and challenge forest managers to achieve a proper balance between meeting human needs and protecting other values of the forest (wildlife habitat, biodiversity, clean water, aesthetics, cultural resources, soil productivity). Greater understanding of biological processes has helped with this challenge, but has also increased the complexity of forest management decision making.

This activity serves a wide range of stakeholders:

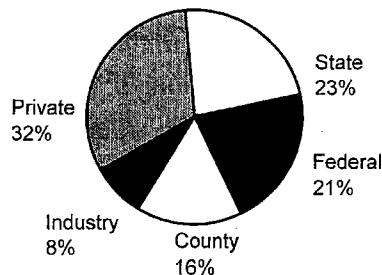
- non-industrial private forest landowners,
- forest industries,
- environmental groups,
- outdoor recreationists,
- other state agencies and levels of government,
- consulting foresters and other forestry professionals.

Other units of government and the private sector are involved in the management of forest lands in Minnesota. This broad involvement is driven primarily by the diverse ownership of the state's forest lands. Each forest land owner has their

BUDGET ACTIVITY SUMMARY (Continued)
**** PERFORMANCE PILOT ****

Budget Activity: FOREST MANAGEMENT
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

MN Forest Land Ownership
 16.7 Million Acres
 FY 1999-01



own forest management objectives, that while often similar, are also sometimes unique.

STRATEGIES AND PERFORMANCE:

The DNR Division of Forestry embraces collaborative approaches in the management of Minnesota forests, including critical efforts supported by the 1995 Sustainable Forest Resources Act.

Program strategies include a mix of

- direct action;
- technical and cost-share assistance;
- enforcement;
- standard setting and monitoring;
- information and education.

Specific efforts to respond to evolving issues and scientific information:

- comprehensive site-level forest management guidelines are being implemented across all ownerships to address soil productivity, riparian area management, wildlife habitat, historical/cultural resources, water

quality, wetlands, and aesthetic quality. Efforts to monitor guideline implementation and effectiveness will be very important this biennium;

- forest stewardship plans to improve private forest management. Pursuing the ambitious goal of having 50% of the non-industrial private forest land (in parcels over 20 acres) under Forest Stewardship plans by the year 2005;
- DNR subsection forest resource management planning to provide an open, public process for directing vegetation management on DNR forest lands;
- old-growth forest evaluation and designation on state lands;
- extended rotation forest management on state lands;
- ecological classification system (ECS) to provide ecological, landscape-based information to guide planning and site-level management decisions;
- annual forest inventory updates, an important nation-wide change in the permanent plot inventory system to provide continual updates to the statewide inventories across all ownerships;
- white pine protection, planting, and research to increase white pine in the state;
- third party certification of public forest land management in Aitkin County that meets international standards for sustainable forest management;
- continuing logger education and training through the MN Logger Education Program (MLEP).

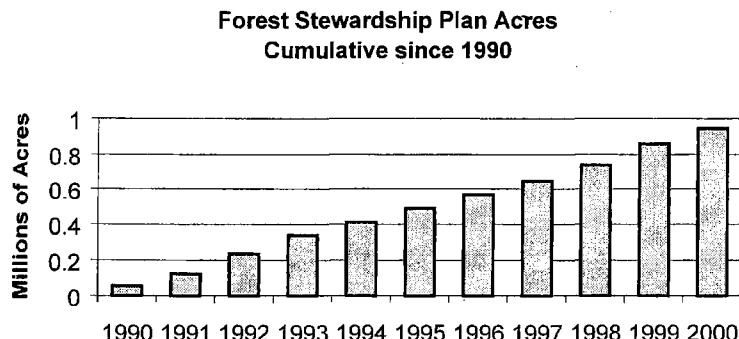
Performance Measures	FY 96	FY 97	FY 98	FY 99	FY 00
Cords of wood harvested state wide from all ownerships (millions)	3.7	3.7	3.7	3.8	3.8 (est.)
Cords of wood sold from DNR lands (000's)	750.0	603.7	575.8	539.8	619.0
Cords of wood harvested from DNR lands (000's)	549.8	635.1	605.6	642.5	672.3
Acres of reforestation on DNR administered land (000's)	26.5	31.4	27.3	31.2	32.4 (est.)
Tree and shrub seedlings sold by DNR nurseries (millions)	9.7	8.7	11.9	12.3	10.3

BUDGET ACTIVITY SUMMARY (Continued)
**** PERFORMANCE PILOT ****

Budget Activity: FOREST MANAGEMENT
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

Examples of selected indicators to measure progress toward achieving forest ecosystem goals and targets include:

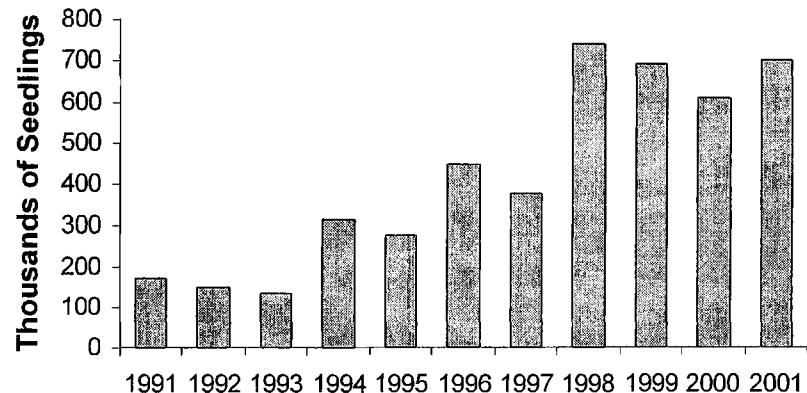
DNR has established a target of having 50% of non-industrial private forest land (parcels over 20 acres) under Forest Stewardship plans by the year 2005.



The white pine initiative established in 1998 set a target to double the acreage of young white pine over the next seven years (i.e., 1998 - 2004).

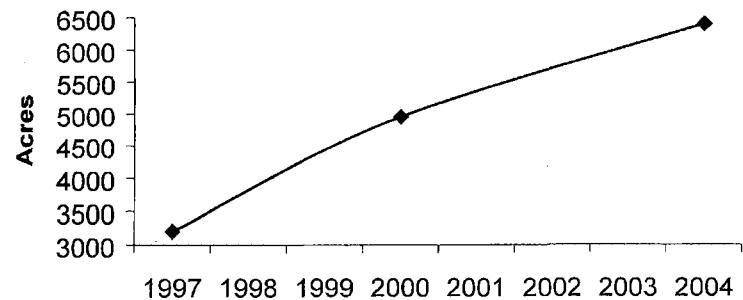
Applying this target to state lands, the number of white pine seedlings planted on state forest lands per year has already doubled compared to years prior to 1998. From 1991 to 1997, the average number of white pine planted per year was 267,000. Since the initiative began, an average of 684,000 white pine seedlings per year have been planted on state forest lands.

White Pine Planting
DNR Forest Lands



Using the white pine cover type acres as a measure, the amount of young white pine on DNR forest lands increased 57 percent since the initiative began in 1998, from 3163 acres in 1997 to 4957 acres in 2000. The target for doubling young white pine acres on DNR lands is 6400 acres by 2004.

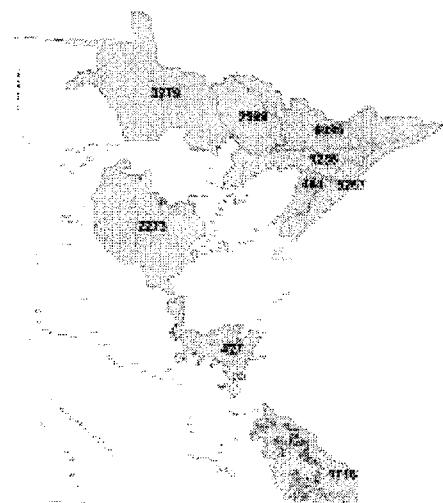
Young White Pine Acres
DNR Forest Lands



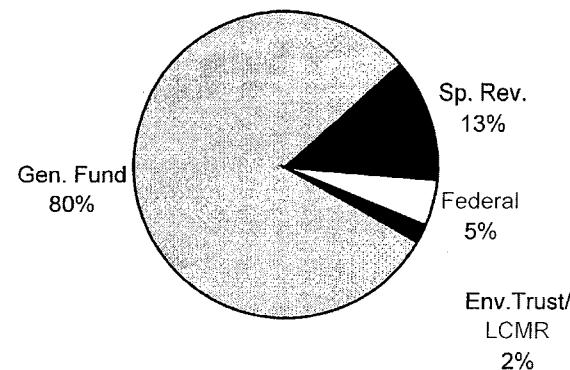
BUDGET ACTIVITY SUMMARY (Continued)
** PERFORMANCE PILOT **

Budget Activity: FOREST MANAGEMENT
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

The 1994 DNR Old-growth Forest Guideline established 27,000 acres as an old-growth forest protection target. The numbers in shaded ecological regions are acres of designated old-growth (totaling 23,000 acres). In unshaded regions evaluation is in progress with final designation to be complete by 2002.



Forest Management Activity
Funding by Source
FY 1999-01



FINANCING INFORMATION:

Revenue Summary: This activity generates dedicated and non-dedicated revenue of approximately \$19 million each year for FY 1999-01. The major sources of this income are:

- state land timber sales (\$12-15 million per year)
 - paid by loggers and forest products companies;
 - deposited in permanent school trust suspense, Cambridge bank General Fund, con-con lands, and various smaller dedicated accounts.
- tree seedling sales (\$1.8 million per year)
 - paid by individual private landowners, and state and county government;
 - deposited in dedicated nursery account to fund nursery operations DNR nurseries became self-supporting in 1989.

BUDGET ACTIVITY SUMMARY (Continued)
**** PERFORMANCE PILOT ****

Budget Activity: FOREST MANAGEMENT
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

Grants summary - Significant items include:

\$(000s)	FY 2000	FY 2001	FY 2002	FY 2003
County Forest Roads (Gas Tax)	\$ 327	\$ 312	\$ 362	\$ 362
Federal Forest Health, Urban Forestry, and Stewardship	184	219	84	84
MN Re-Leaf & Community Forest Ecosystem Health	735	379	-0-	-0-
White Pine Restoration & Research	341	363	185	185
Consolidated Conservation Areas	1,579	1,561	1,610	1,660

BUDGET ISSUES:

- The department will reallocate \$375,000 in FY 2002 and FY 2003 from the Forest Management budget activity to the Sustainable Forest Resources Act Implementation budget activity. Another \$286,000 in FY 2002 and \$302,000 in FY 2003 will be reallocated from the Forest Management budget activity to fund high priority agency needs. This will result in a 10.5 FTE reduction in division field staffing and reduced efforts under the Forest Management budget activity, including an estimated 25-30% reduction in private land Forest Stewardship accomplishments by division staff, a substantial (30-50%) reduction in community forestry assistance efforts, reduced maintenance and increased seasonal closures of forest roads.
- Re-authorization of the 1995 Sustainable Forest Resources Act. If SFRA is not re-authorized, additional burden and expectations will be placed on the DNR.
- Reallocation will provide department resources to continue development and implementation of the Forestry Information System (FORIST) during the FY 2002-03 biennium. FORIST will integrate operational applications on a large scale with traditional and spatial data streams. It is a cornerstone project that will be critical in meeting future program information needs. FORIST will directly support DNR management

principles, including basic program services, integrated approaches, use of accurate information and technology, improved communication (i.e. ability to provide more timely information and reports), increase ability to track and report performance, and better integration of planning and budgeting throughout program operations.

- DNR is proposing to transfer \$150,000 per year for white pine blister rust research from the forest management program to the University of Minnesota agricultural experiment station budget.
- The base budget includes \$726,000 in FY 2002 and \$728,000 in FY 2003 to increase the presence of white pine in areas of Minnesota where it was previously in greater abundance (planting, seeding, and protection).

Activity: FOREST MANAGEMENT
 Program: FOREST MANAGEMENT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	19,477	21,363	21,782	21,824	21,363	22,457	21,980	198	0.5%
OTHER OPERATING EXPENSES	11,627	9,883	14,624	11,146	10,986	11,157	10,998	(2,523)	(10.3%)
Subtotal State Operations	31,104	31,246	36,406	32,970	32,349	33,614	32,978	(2,325)	(3.4%)
CAPITAL OUTLAY & REAL PROPERTY	2,613	1,487	985	44	209	44	209	(2,054)	(83.1%)
LOCAL ASSISTANCE	3,237	3,499	3,276	2,286	2,286	2,343	2,343	(2,146)	(31.7%)
Total Expenditures	36,954	36,232	40,667	35,300	34,844	36,001	35,530	(6,525)	(8.5%)
Change Items:									
	Fund								
(A) REALLOCATION OF BASE RESOURCES	GEN				(728)			(744)	
(B) FORESTRY LCMR ALLOCATIONS	EVT				272			273	
Total Change Items					(456)			(471)	
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	400	473	687	0	272	0	273		
GENERAL	29,981	27,097	29,434	28,765	28,037	29,403	28,659		
MINNESOTA RESOURCES	319	555	40	0	0	0	0		
Statutory Appropriations:									
GENERAL	26	278	0	0	0	0	0		
NATURAL RESOURCES	20	76	144	0	0	0	0		
SPECIAL REVENUE	4,572	4,859	7,207	5,012	5,012	5,075	5,075		
FEDERAL	1,603	2,818	2,925	1,417	1,417	1,417	1,417		
GIFT	33	76	230	106	106	106	106		
Total Financing	36,954	36,232	40,667	35,300	34,844	36,001	35,530		

Activity: FOREST MANAGEMENT
 Program: FOREST MANAGEMENT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
Revenue Collected:							
Dedicated							
NATURAL RESOURCES	42	80	0	0	0	0	0
SPECIAL REVENUE	6,158	5,006	5,729	5,829	5,829	5,930	5,930
FEDERAL	1,379	1,926	2,138	1,417	1,417	1,417	1,417
MISCELLANEOUS AGENCY	77	175	84	86	86	89	89
GIFT	75	104	106	106	106	106	106
PERMANENT SCHOOL	6,610	7,592	7,506	7,606	7,606	7,906	7,906
Nondedicated							
GENERAL	34	53	55	3,274	3,274	3,374	3,374
CAMBRIDGE DEPOSIT FUND	2,801	3,713	3,218	0	0	0	0
Total Revenues Collected	17,176	18,649	18,836	18,318	18,318	18,822	18,822

FTE by Employment Type:							
FULL TIME	357.3	351.4	350.1	350.1	339.6	350.1	339.6
PART-TIME, SEASONAL, LABOR SER	60.3	58.8	54.3	48.3	48.3	48.3	48.3
OVERTIME PAY	3.5	2.6	0.2	0.2	0.2	0.2	0.2
Total Full-Time Equivalent	421.1	412.8	404.6	398.6	388.1	398.6	388.1

BUDGET ACTIVITY SUMMARY

Budget Activity: FIRE FIGHTING
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

ACTIVITY PROFILE:

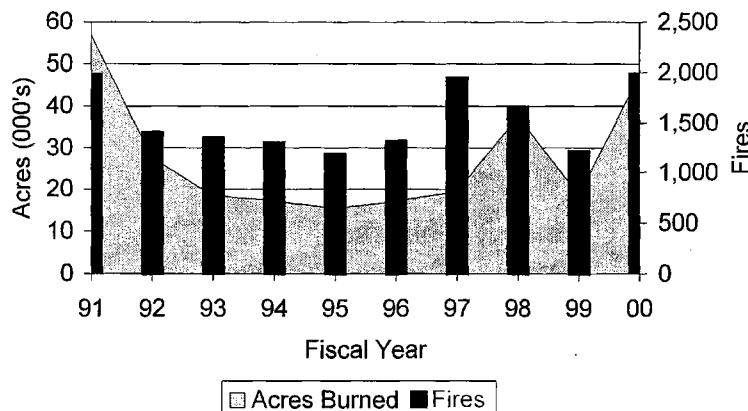
The Division of Forestry is charged with preventing and suppressing wildfires on 45.5 million acres of public and private land in Minnesota. Our goals are to:

- provide wildfire protection to avoid loss of life;
- minimize the loss of property and natural resources;
- provide emergency response in Minnesota and other states;
- use prescribed fire as an effective natural resource management tool.

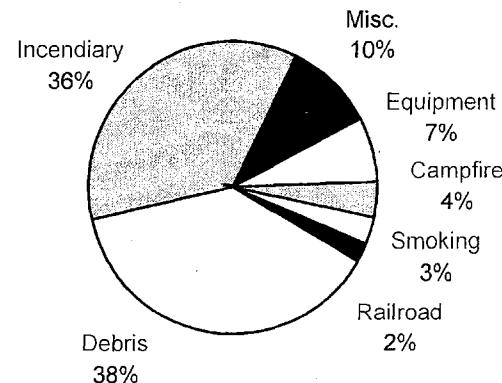
Wildfire control efforts under state authority originated in the early 1900's after a series of devastating wildfires that destroyed Hinckley, Baudette, Chisom, and Cloquet. After a severe wildfire season in 1976 the legislature created an open appropriation account to fund emergency fire suppression efforts. Since then, we've worked with the legislature to find the appropriate balance between direct and open appropriation.

Our aging workforce and reduced number of seasonal positions reduces our ability to effectively fight wildfires. This will potentially lead to a critical shortage in the number of trained and experienced firefighting leadership positions over the next 5-10 years. Staffing for wildfire and rural structural fire response is reaching a crisis nationally as well as in Minnesota.

Wildfires Suppressed



Causes of Wildfires FY 2000



To overcome the national shortage of wildfire response staff, the division will need to maintain strong reciprocal relationships with other state, federal and provincial wildfire agencies. This will impact other division programs through the expanded sharing of our experienced and skilled leadership staff.

STRATEGIES AND PERFORMANCE:

- Prevention activities include:
 - education (e.g., Smokey Bear, fire prevention week, school visits);
 - regulation of open burning (i.e., issuing open burning permits);
 - enforcement of state wildfire and open burning statutes.
- Presuppression activities include:
 - train firefighters and support personnel;
 - develop and maintain partnerships with other fire protection agencies;
 - operate the Minnesota Interagency Fire Center;
 - maintain a national interagency fire equipment cache;
 - contract for heavy ground and aerial suppression equipment;
 - maintain radio communications network;
 - develop mobilization and dispatch plan.
- Suppression is accomplished by a balanced force of trained firefighters, support personnel, and aerial and ground equipment. Activities include:
 - locating wildfires using aircraft and lookout towers (i.e., detection);
 - getting to wildfires quickly (i.e., initial attack);
 - controlling the spread and extinguish the fire (i.e., suppression);
- Emergency response assistance includes:

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: FIRE FIGHTING

Program: FOREST MANAGEMENT

Agency: NATURAL RESOURCES DEPT

- maintaining expertise in the national Incident Command System (ICS);
- providing direct emergency response assistance with equipment and staff trained in ICS command, support, and other overhead functions.
- Prescribed burning helps prepare sites for seeding, control insects, diseases, and invasive weeds, improve wildlife habitat, maintain certain natural community types, reduce the risk and severity of wildfires, and provide valuable fire suppression training. Activities include:
 - prescribed fire planning;
 - conducting prescribed fires;
 - reporting, monitoring and evaluation;
 - training.
- Federal Excess Property Program: through grants, contracts, and cooperative agreements, this program enables federal excess personal property to be loaned to local fire forces via the state.

FINANCING INFORMATION:

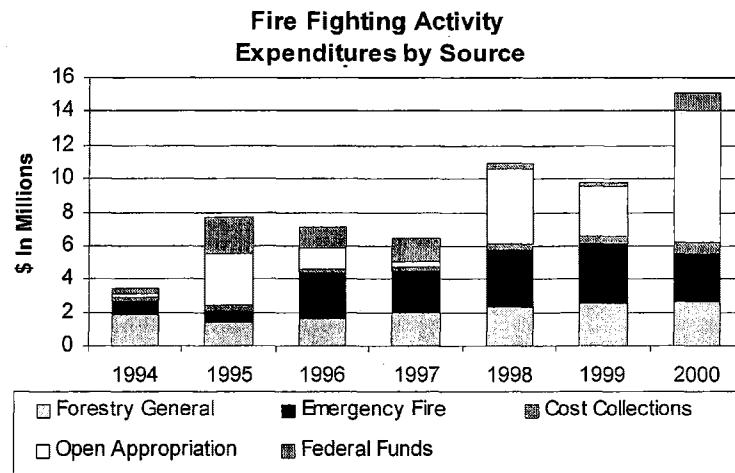
Beginning in FY 1998, the legislature increased the direct appropriation for emergency fire fighting to \$3.5 million annually (inflation adjusted to \$3.7 million in FY 2001). This enabled the division to operate at a level that more closely approximates a normal years expense of \$9.4 million (includes all funding sources). However, the unique fire conditions created by the July 1999 windstorms in northeast Minnesota have resulted in long-term increases in wildfire preparedness costs.

REVENUE SUMMARY

This activity generates dedicated and non-dedicated revenue in the amount of approximately \$1-2 million annually. The major source of this revenue is reimbursements from the U.S. Forest Service for assistance in fighting fires outside Minnesota.

GRANTS SUMMARY

The division activity distributes approximately \$85,000 per year to communities with populations under 10,000 to organize, train, and equip their fire departments for preventing and suppressing fires.



BUDGET ISSUES:

- Additional demands will continue to be placed on the emergency fire open appropriation in responding to the potentially catastrophic wildfire situation in northeast Minnesota. Nearly $\frac{1}{2}$ million acres of forest land were damaged in July 1999 windstorms, leaving unprecedented levels of dead and downed trees.
- Expanded authority to use fire-fighting personnel for search and rescue will result in marginal increases in demands upon division resources.
- Reductions in federal grants and the availability of surplus equipment limit our ability to work with rural fire departments to help reduce wildfire suppression costs. Rural community fire departments' difficulties in recruiting and retaining experienced and trained personnel also limit their ability to respond to fires in the wildland/urban interface.

Activity: FIRE FIGHTING
 Program: FOREST MANAGEMENT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	4,475	6,685	7,049	7,105	7,105	7,163	7,163	534	3.9%
OTHER OPERATING EXPENSES	3,641	5,904	7,545	7,839	7,839	7,581	7,581	1,971	14.7%
Subtotal State Operations	8,116	12,589	14,594	14,944	14,944	14,744	14,744	2,505	9.2%
CAPITAL OUTLAY & REAL PROPERTY	0	8	0	0	0	0	0	(8)	(100.0%)
LOCAL ASSISTANCE	0	1,459	0	0	0	0	0	(1,459)	(100.0%)
Total Expenditures	8,116	14,056	14,594	14,944	14,944	14,744	14,744	1,038	3.6%
Financing by Fund:									
Direct Appropriations:									
GENERAL	3,525	4,296	4,450	3,744	3,744	3,803	3,803		
Open Appropriations:									
GENERAL	3,002	7,822	7,720	8,785	8,785	8,526	8,526		
Statutory Appropriations:									
GENERAL	486	778	750	750	750	750	750		
SPECIAL REVENUE	1,103	1,160	1,674	1,665	1,665	1,665	1,665		
Total Financing	8,116	14,056	14,594	14,944	14,944	14,744	14,744		
Revenue Collected:									
Dedicated									
GENERAL	477	768	750	750	750	750	750		
SPECIAL REVENUE	1,050	1,350	1,590	1,590	1,590	1,590	1,590		
Total Revenues Collected	1,527	2,118	2,340	2,340	2,340	2,340	2,340		
FTE by Employment Type:									
FULL TIME	18.7	24.3	24.6	13.6	13.6	13.6	13.6		
PART-TIME, SEASONAL, LABOR SER	67.5	97.8	96.7	92.7	92.7	92.7	92.7		
OVERTIME PAY	26.8	43.7	42.2	42.2	42.2	42.2	42.2		
Total Full-Time Equivalent	113.0	165.8	163.5	148.5	148.5	148.5	148.5		

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BUDGET ACTIVITY SUMMARY

Budget Activity: SUSTAIN RES ACT IMPLEMENTATION
Program: FOREST MANAGEMENT
Agency: NATURAL RESOURCES DEPT

ACTIVITY PROFILE:

This budget activity supports implementation of the Sustainable Forest Resources Act (SFRA), M.S. 89A. The SFRA was identified by a broad cross-section of the state's forest resource interests as the most effective way to implement the major recommendations contained in the Timber Harvesting GEIS. The Timber Harvesting GEIS was commissioned by the Minnesota Environmental Quality Board to analyze the effects expanded timber harvesting might have on the state's forest resources.

The public goal to be achieved through the SFRA is promoting the sustainable management of Minnesota's forest resources. The SFRA does so by bringing together the state's forest resource interests to develop and implement programs that promote sustainable site and landscape-based forest management practices. It also provides the information needed to support sustainable forest management through research, monitoring, and information management initiatives. With the likelihood that forests will be increasingly looked to for their commodity, ecological, and amenity values, the SFRA provides a framework by which varying perspectives can work collaboratively to determine how best to use, manage, and protect Minnesota's forest resources.

STRATEGIES AND PERFORMANCE:

Strategies for achieving sustainable forest resources management through the SFRA:

- Addressing important state forest resource issues. The Minnesota Forest Resources Council (MFRC), representing a wide range of interests in the state's forest resources, serves as a forum for developing recommendations to address important state forest resource issues. The MFRC also coordinates implementation of the SFRA.
- Encouraging the use of appropriate site-based forest management practices. The MFRC has developed voluntary timber harvesting and forest management guidelines. These guidelines identify recommended practices for managing forested riparian areas, for enhancing forest wildlife habitat and visual quality, and for protecting forest soil productivity, historic/cultural resources, water quality, and forest wetlands.
- Promoting the sustainability of large forest landscapes. Through the landscape planning and coordination program, forest sustainability is promoted by 1) encouraging better coordination among the state's resource managers in carrying out forest management activities; 2)

developing comprehensive regional (substate) forest resource assessments; and 3) promoting the discussion and resolution of locally-based forest resource issues.

- Addressing forest resources research needs. Through its research advisory committee, the MFRC has prepared an assessment of important forest resources research needs, and it's sponsoring research to evaluate the effectiveness of alternative forest management practices on riparian areas, wildlife habitat, and soil productivity.
- Monitoring the application and effectiveness of timber harvesting practices, and forest resource conditions and trends. The DNR, with oversight and program direction from the MFRC, is annually monitoring the application of Minnesota's voluntary timber harvesting and forest management practices, changes occurring in the state's forest resources (with special emphasis on riparian forest systems), and the effectiveness of various forest management practices. The MFRC has established a process for gathering information on negligent timber harvesting and forest management practices reported by the public.
- Managing forest resources information. An interagency information cooperative has been established to coordinate the development and increase the availability of forest resource data to forest managers and the public.
- Developing tools to assess changes in forest landscapes. The MFRC is working collaboratively with several public and non-profit organizations to develop better tools for assessing forest conditions across large areas (landscapes). The project will assess historical landscape patterns of Minnesota's forests and develop tools for predicting and assessing future forest landscape conditions resulting from alternative forest management strategies.
- Promoting continuing education for Minnesota's loggers and natural resource professionals. Support the education and training efforts of the Minnesota Logger Education Program and the College of Natural Resources' Institute for Sustainable Resource Management Education to promote sustainable timber harvesting and forest management practices.

SFRA implementation performance will ultimately be judged by the degree to which its initiatives contribute to the state's goal of sustainable forest management. Information on the extent and condition of Minnesota's forest resources will be generated through both regional forest resource assessments as well as monitoring overall forest health conditions. Use of voluntary forest practice guidelines will be evaluated and compared to desired use rates established by the MFRC. Field evaluations of forest practices will also evaluate the effectiveness of various forest management practices, as will forest resources research initiatives.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: SUSTAIN RES ACT IMPLEMENTATION

Program: FOREST MANAGEMENT

Agency: NATURAL RESOURCES DEPT

sponsored by the MFRC. The sustainability of Minnesota's forests will be enhanced through the MFRC's landscape planning and coordination initiatives.

Financing Information:

Program Financing:

	Dollars in Thousands			
	FY 2000	FY 2001	FY 2002	FY 2003
General Fund	\$500	\$500	\$375	\$375

BUDGET ISSUES:

The SFRA contains a repealer that sunsets the entire act effective 6-30-01. The repealer was included with the reauthorization of the act in 1999, as a continuing mechanism for evaluating SFRA usefulness and implementation progress. Elimination of the repealer is needed if this program activity is to be continued.

Because of the repealer clause, no FY 2002-03 base appropriations for this activity were provided. The department will reallocate \$375,000 in FY 2002 and FY 2003 from the Forest Management budget activity to the Sustainable Forest Resources Act Implementation budget activity to continue only a few of the critical sustainable forest management efforts currently under this program activity.

Activity: SUSTAIN RES ACT IMPLEMENTATION
 Program: FOREST MANAGEMENT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	511	358	375	0	375	0	375	17	2.3%
OTHER OPERATING EXPENSES	435	179	348	0	0	0	0	(527)	(100.0%)
Subtotal State Operations	946	537	723	0	375	0	375	(510)	(40.5%)
LOCAL ASSISTANCE	372	0	0	0	0	0	0	0	0
Total Expenditures	1,318	537	723	0	375	0	375	(510)	(40.5%)
Change Items:									
	<u>Fund</u>								
(A) REALLOCATION OF BASE RESOURCES	GEN					375		375	
Total Change Items						375		375	
Financing by Fund:									
Direct Appropriations:									
GENERAL	1,318	537	723	0	375	0	375		
Total Financing	1,318	537	723	0	375	0	375		
FTE by Employment Type:									
FULL TIME	8.7	5.5	5.6	0.0	3.0	0.0	3.0		
PART-TIME, SEASONAL, LABOR SER	0.4	0.2	0.2	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	9.1	5.7	5.8	0.0	3.0	0.0	3.0		

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PROGRAM SUMMARY

Program: PARKS & RECREATION MGMT
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

The mission of the Minnesota State Park System is to provide a state park system which preserves and manages Minnesota's natural, scenic, and cultural resources for present and future generations, while providing appropriate recreational and educational opportunities.

Minnesota State Parks are the spectacular natural gems in Minnesota's tourism package. This program provides management, maintenance, operation, planning and development of 248,000 acres of outstanding natural resources that comprise 66 parks, 6 recreation areas, 9 waysides and 1 state trail. The 235 permanent staff are assisted by approximately 500 seasonal and part-time employees and 50 people employed under contract with Greenview, Incorporated. The staff

- maintains and operates the park system's diverse recreational facilities;
- manages natural and cultural resources;
- enforces state laws and rules;
- operates and leases concessions;
- provides night security; and
- conducts environmental education and interpretive programs.

Issues associated with these activities:

- providing adequate funding to ensure quality public service;
- implementing sustainable management practices to preserve our natural, cultural, archeological, and historical resources;
- providing appropriate recreational opportunities;
- fostering a sense of citizen stewardship through interpretive services.

State parks provide personal, social, economic and environmental benefits for Minnesota citizens, and visitors. State parks pay for approximately one third of their operating cost through fees. The remainder comes from the General Fund and in-lieu of sales tax proceeds on lottery ticket sales. State parks generate additional income by attracting out-of-state visitors that spend their money in Minnesota. A 1991 study found that the out-of-state revenue state parks generate, was greater than the appropriation not covered by collected fees. ("Do State Parks Pay for Themselves?" Dr. Tim Kelly 1992.)

STRATEGIES AND PERFORMANCE:

The citizens of Minnesota and visitors will help direct the future of Minnesota State Parks. State parks have a long history of involving the public in decision making and all park specific management plans and statewide plans will include extensive public involvement opportunities.

The division will continue to increase the amount of state park lands maintained in their desired future condition. Detailed inventories and community assessments are needed to adequately measure the potential of the existing communities and identify their desired future condition. Resource inventories are proceeding, and have been modestly accelerated with FY 2000 funding.

The state park system preserves and manages the uniqueness and diversity of Minnesota's natural, scenic, and cultural resources for current and future generations. State park natural and cultural resource preservation efforts are often endangered by private in-holdings of land within a state park. Private in-holdings within state parks create numerous constraints for effective park operations. The division will work to acquire the remaining 26,800 acres of private land within the statutory boundaries of state parks by 2020. The division will seek funding to complete acquisition of 2,000 acres of land within state park statutory boundaries by the end of FY 2001.

Division managers must continually balance the amount of effort invested in resource management and customer service. Both of these activities are necessary to continue to satisfy our customers. Each visitor has a different idea of what the mix should be. Division management will decide as each budget is distributed what staff hours can be dedicated to providing public service as compared to managing park resources. The division's goal is to ensure that 94% or more of state park customers are satisfied with services provided. Visitor research is needed to help determine these funding priorities and measure results.

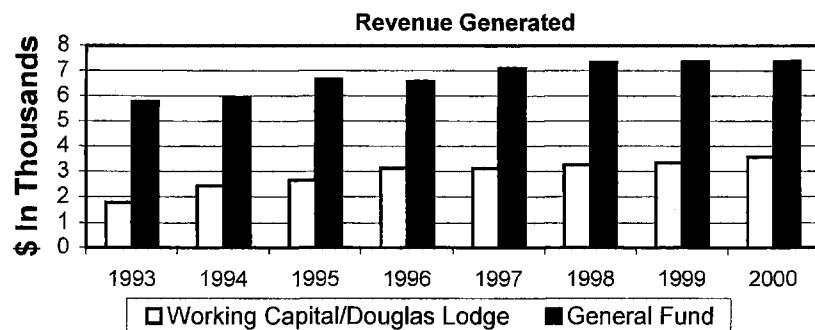
We will continue to have a positive effect on the environmental awareness of park visitors, and increase the number of people participating in formal environmental learning opportunities in state parks if sufficient funding is available.

The State Park Management Program Evaluation Report by the Office of the Legislative Auditor in January of 2000 supported state park management and minimum operating standards budgeting process. The division's management staff will continue to seek efficiency measures and to reevaluate the minimum operating standards to assure a viable state park system for future generations.

PROGRAM SUMMARY (Continued)

Program: PARKS & RECREATION MGMT
 Agency: NATURAL RESOURCES DEPT

FINANCING INFORMATION:



REVENUE SUMMARY:

State parks generated \$7.376 million of General Fund revenue in FY 2000. These revenues have increased by 27.7% over the past seven years. Further revenue growth is expected in the FY 2002-03 biennium.

GRANTS SUMMARY:

Included in this program are 2 grants to the Metropolitan Council for metropolitan area regional parks and trails maintenance and operations: \$3.0 million each year from the General Fund, and \$4.717 million each year from the lottery in-lieu of sales tax proceeds.

BUDGET ISSUES:

- In 1990, the division established minimum standards of maintenance and operations. This system provides a responsible means to establish budgets, allocate funds, communicate expectations, and hold people accountable. In FY 2000 the division was approximately \$8.0 million dollars short of division wide standards. Funding was provided from the lottery-in-lieu of sales tax in FY 2001 (\$4.537 million) to fund critical public service and facility protection activities. This funding
 - restored camping to 30 parks, opening all campgrounds for the entire operating season;
 - extended open hours for park interpretive centers to accommodate user demands;
 - provided day use activities and revenue collection for spring, summer and fall at all parks;

- provided partial funding for winter public use activities;
- accelerated natural and cultural resource management and protection;
- accelerated facility maintenance and emergency maintenance.

- The lottery-in-lieu of sales tax funding for FY 2001 was a one-time appropriation and therefore requires a budget change request to be considered by the 2001 Legislative Session. The change request includes \$3.865 million for FY 2002 and \$3.865 million for FY 2003 and is needed to maintain the critical public service, facility and resource protection activities listed above.
- Reallocation of Base Resources
 Proposals to reallocate base resources within the Department will address a number of the Parks Program and Departmental concerns. These reallocation proposals will result in reductions in park maintenance (two full-time positions and some seasonal labor) and park naturalist activities (two naturalists), and postpone the implementation of the second half of the Campground Management Program.
- In 2000, the capital budget provided \$2.017 million for the development of the Big Bog State Recreation Area in Beltrami County and \$1.0 million for the development of the Red River State Recreation Area in Polk County. No operational funding for these two new units to the state park system was appropriated.

LCMR RECOMMENDATIONS - DIRECT

- *Preserving Grey Cloud Island as a Public Resource*
 To acquire land on Grey Cloud Island in Washington County (\$3.185 million Environmental Trust Fund).
- *Gitchi- Gami Trail*
 In cooperation with the Gitchi-Gami Trail Association, for the second biennium to acquire and develop approximately 4 miles of the Gitchi-Gami Trail between Gooseberry Falls State Park and the Split Rock River (\$910,000 Environmental Trust Fund).
- *State Park Acquisition*
 For acquisition of in-holdings for state park and recreation areas (\$616,000 Mn Future Resources Fund).

(see the LCMR section of the Environmental Budget for more information)

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the Parks division's base budget, the reallocation of base resources, lottery-in-Lieu, and Land and Water Conservation Fund change items, and the LCMR projects.

Activity: PARKS & RECREATION MGMT
 Program: PARKS & RECREATION MGMT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	19,161	20,149	24,651	21,482	23,421	22,084	23,979	2,600	5.8%
OTHER OPERATING EXPENSES	9,135	8,933	13,041	10,241	11,667	10,220	11,580	1,273	5.8%
Subtotal State Operations	28,296	29,082	37,692	31,723	35,088	32,304	35,559	3,873	5.8%
CAPITAL OUTLAY & REAL PROPERTY	1,864	832	1,649	408	3,268	363	2,645	3,432	138.3%
PAYMENTS TO INDIVIDUALS	2	0	0	0	0	0	0	0	0
LOCAL ASSISTANCE	3,138	4,550	10,037	3,000	7,717	3,000	7,717	847	5.8%
Total Expenditures	33,300	34,464	49,378	35,131	46,073	35,667	45,921	8,152	9.7%
<u>Change Items:</u>									
	Fund								
(A) REALLOCATION OF BASE RESOURCES	GEN				(707)			(716)	
(A) LOTTERY IN-LIEU SALES TAX	NRF				8,582			8,582	
(P) LAWCON REIMBURSEMENT	MFR				404			340	
(B) PARKS LCMR ALLOCATIONS	EVT				2,047			2,048	
(B) PARKS LCMR ALLOCATIONS	MFR				616				
Total Change Items					10,942			10,254	
<u>Financing by Fund:</u>									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	1,680	522	1,347	0	2,047	0	2,048		
GENERAL	27,275	29,328	30,383	29,534	28,827	30,135	29,419		
MINNESOTA RESOURCES	143	0	0	0	1,020	0	340		
NATURAL RESOURCES	729	617	10,727	638	9,220	640	9,222		
Statutory Appropriations:									
NATURAL RESOURCES	93	50	83	0	0	0	0		
SPECIAL REVENUE	3,321	3,876	6,382	4,782	4,782	4,782	4,782		
FEDERAL	2	0	39	45	45	0	0		
ENVIRONMENTAL	0	3	48	0	0	0	0		
GIFT	57	68	369	132	132	110	110		
Total Financing	33,300	34,464	49,378	35,131	46,073	35,667	45,921		

Activity: PARKS & RECREATION MGMT
 Program: PARKS & RECREATION MGMT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>Revenue Collected:</u>							
Dedicated							
NATURAL RESOURCES	35	23	0	0	0	0	0
SPECIAL REVENUE	3,519	4,444	4,860	4,860	4,860	4,860	4,860
FEDERAL	4	0	30	45	45	0	0
GIFT	72	187	110	110	110	110	110
PERMANENT SCHOOL	0	0	0	100	100	100	100
Nondedicated							
GENERAL	605	621	673	7,729	7,729	7,744	7,744
NATURAL RESOURCES	0	0	10,258	9,338	8,516	9,479	8,657
CAMBRIDGE DEPOSIT FUND	6,793	6,808	7,052	0	0	0	0
Total Revenues Collected	11,028	12,083	22,983	22,182	21,360	22,293	21,471
<u>FTE by Employment Type:</u>							
FULL TIME	223.9	225.0	254.1	250.1	251.1	250.1	251.1
PART-TIME, SEASONAL, LABOR SER	190.0	198.3	255.9	196.9	253.5	196.9	252.2
OVERTIME PAY	3.6	3.8	3.0	3.0	3.0	3.0	3.0
Total Full-Time Equivalent	417.5	427.1	513.0	450.0	507.6	450.0	506.3

BUDGET CHANGE ITEM (69613)

Program: PARKS & RECREATION MGMT
Agency: NATURAL RESOURCES DEPT

Item Title: LAWCON REIMBURSEMENT

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Future Resources Fund	\$404	\$340	-0-	-0-
Revenues: (\$000s)				
Statutory Change? Yes <u> </u> No <u> X </u>				
If yes, statute(s) affected:				
<input checked="" type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$404,000 in FY 2002 and \$340,000 in FY 2003 from the Minnesota Future Resources Fund for State Park Development. These funds are recommended to complete the development of the Lac Qui Parle State Park campground. The source of this appropriation is reimbursements from the Federal Land and Water Conservation Fund (LAWCON), earned through expenditure on state park and similar acquisition and development projects. The reimbursements are deposited in the Federal Reimbursement Account as directed in M.S. 86.72.

Because M.S. 86.72 is silent as to where these funds are appropriated or where the funds are actually expended, the Governor recommends that the funds be transferred from the Natural Resources Federal Reimbursement Account to the MN Future Resources Fund, and appropriated there.

RATIONALE:

The Federal FY 2001 Interior Appropriations bill Title VIII, "Land Conservation, Preservation, and Infrastructure Improvement" apportioned \$1.6 million to the state from the Land and Water Conservation Fund. Half of these funds are used by the state for local government projects, the other half is available for state government projects.

The sponsor expends 100% of the cost of qualified projects and is reimbursed for 50% of the cost. Federal law and rule limit the use of this reimbursement to

federally approved projects.

FINANCING:

The local government portion will be spent through the Local Recreation Grants Program operated by the Department of Natural Resources. The other half must be earned by state projects, including acquisition and development of State Parks, State Forest Recreation Areas, State Scientific and Natural Areas, and State Trails. The state will capture the federal reimbursement with projects funded with existing appropriations.

OUTCOMES:

Expenditures on State Park Development provide for access to and enjoyment of State Parks. State Parks illustrate and exemplify Minnesota's natural phenomena and to provide for the use, enjoyment, and understanding of such resources without impairment for the enjoyment and recreation of future generations. [M.S.86A.05, Subd. 2 (a)]

The project these funds will be applied to, the Lac Qui Parle campground, replaces the existing campground which is subject to seasonal flooding and is located at a distance from other park visitor resources. It is the highest ranking unfunded project on which these funds can be applied.

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PROGRAM SUMMARY

Program: TRAILS & WATERWAYS MGMT
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

Trails and Waterways' (T&W) mission is "to create recreation opportunities through a system of trail and water recreation facilities that contributes to a sustainable quality of life."

Major program activities include providing

- access to lakes, streams, river corridors and designated canoe and boat routes for boaters, anglers, and other users;
- trails that accommodate a variety of motorized and non-motorized recreational activities.

The Trails and Waterways program seeks to attain the following long-term goals:

- Satisfy public demand for additional recreational trail miles.
- Secure safe and adequate public access to Minnesota's lakes and rivers.

STRATEGIES AND PERFORMANCE:

Since Trails and Waterways began in 1979, this system of recreational facilities has grown in popularity and demand. Communities all across the state now look to T&W for help in meeting their outdoor recreation objectives. The division responds with innovative ideas that highlight cooperation, partnership, volunteerism, community service, and environmental stewardship. Trails and Waterways serves as a catalyst for local recreation initiatives, bringing together the people and resources needed to achieve common goals. This flexibility has led to the development of innovative services and facilities funded through the capital budget process and through the funding recommended by the Legislative Commission on Minnesota Resources (LCMR).

It has also led to cooperative ventures wherein T&W provides financial or technical assistance to local governments or organized interest groups. Examples of cooperative projects include the following:

- the construction of boat accesses and fishing piers;
- the acquisition of shore fishing sites;
- Lake Superior Safe Harbors Program;
- administration of the Cooperative Trail Grant Program, the Trail Grants-in-Aid (GIA) Program; and
- administration of the Adopt-A-River Stewardship Program.

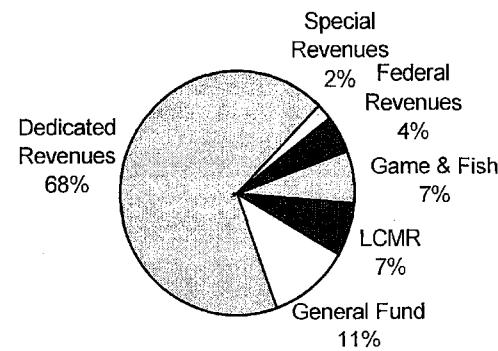
FINANCING INFORMATION:

Trails and Waterways' budget is comprised of General funds, Game and Fish funds, LCMR appropriations, TEA-21 (FHWA) funds, special revenues, cooperative projects, gifts, and dedicated revenues generated through vehicle and watercraft registration fees and unrefunded gas tax receipts. Dedicated receipts are deposited into six accounts:

- Water Recreation
- Snowmobile
- All-Terrain Vehicle (ATV)
- Off-Highway Motorcycle (OHM)
- Off-Road Vehicle (ORV or 4x4 trucks)
- Cross Country Ski.

The following chart shows the percentage of expenditures from these dedicated accounts in relation to the total expenditures for the Trails and Waters Program for FY 2000-01.

**Trails & Waterways Expenditures
2000-2001 Expenditure by Funding Source**



PROGRAM SUMMARY (Continued)

Program: TRAILS & WATERWAYS MGMT
Agency: NATURAL RESOURCES DEPT

BUDGET ISSUES:

Major budget issues facing T&W include the following:

- The Snowmobile Program must be reduced through the year 2005 in order to maintain a positive account balance. This will be accomplished by reducing grants by \$325,000 per fiscal year and reducing DNR snowmobile activities by \$160,000 per year.
- The portion of the Water Access Program financed from the Game and Fish Fund must be reduced by \$713,000 for FY 2002 and \$299,000 for FY 2003 to properly align the level of state funding with the mandated federal 15% apportionment of the Wallop Breaux Act.
- Additional funding is being requested from the lottery-in-lieu for Cooperative Trail Grant Program \$629,000 in FY 2002 and \$629,000 in FY 2003 and also for the State Trail Program \$852,000 in FY 2002 and \$852,000 in FY 2003.
- Reallocation of Base Resources
Proposals to reallocate base resources within the Department will address a number of the Trails and Waterways Program and Departmental concerns.

These reallocation proposals will have a small negative impact on Trails and Waterways Program activities.

LCMR RECOMMENDATIONS – DIRECT

- *Gateway Trail Bridge*
For a trail bridge over State Highway 96 and expanded parking (\$530,000 MN Future Resources Fund).
- *State Trail Projects*
To provide matching funds for state trail projects eligible to receive federal TEA-21 funds (\$910,000 MN Future Resources Fund).
- *Regional and Local Trail Grants*
For matching trail grants to local units of government under MS 85.019 for trail linkages between communities, trails, and parks, and for locally funded trails of regional significance outside the metropolitan area under MS 473.12 (\$1.0 million MN Future Resources Fund).
- *Grays Bay, Lake Minnetonka Public Water Access*
In cooperation with the city of Minnetonka to acquire approximately five acres for a multi-use water access site on Grays Bay, Lake Minnetonka (\$2.0 million MN Future Resources Fund).

- *Water Recreation: Boat Access, Fishing Piers and Shorefishing*
To acquire and develop public water access sites statewide, to construct shorefishing and pier sites, and to restore shorelands at existing public accesses (\$910,000 Environmental Trust Fund).

- *McQuade Public Access*

In cooperation with the McQuade Joint Powers Board, U.S. Army Corps of Engineers, and local units of government to develop a public access for Lake Superior (\$500,000 Mn Future Resources Fund).

(See the LCMR section of the Environmental Budget for more information.)

GOVERNOR'S RECOMMENDATION:

The Governor recommends the program budget, and the following change items:

In the Trails and Waterways Management activity, the Governor recommends \$1.482 million each year from the lottery-in-lieu funds for state trails and local trail grants, and a reduction of \$69,000 in FY 2002 and \$75,000 in FY 2003 as part of the base reallocation change item.

In the Water Access and Recreation activity, a \$713,000 reduction in FY 2002 and a \$299,000 reduction in FY 2003 for the federal Wallop/Breaux change item. The Governor also recommends the LCMR projects.

In Trails Recreation, the Governor recommends a reduction of \$441,000 each year as part of the snowmobile fund budget reduction change item, and the LCMR projects.

Program: TRAILS & WATERWAYS MGMT
 Agency: NATURAL RESOURCES DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
TRAILS & WATERWAYS MGMT	2,513	4,130	6,723	2,943	4,355	2,976	4,382	(2,116)	(19.5%)
WATER ACCESS & RECREATION	9,664	7,010	8,717	6,977	9,219	7,075	7,231	723	4.6%
TRAILS RECREATION	9,419	9,104	13,772	10,381	12,380	10,445	10,004	(492)	(2.2%)
Total Expenditures	21,596	20,244	29,212	20,301	25,954	20,496	21,617	(1,885)	(3.8%)
Change Items:									
(A) REALLOCATION OF BASE RESOURCES	GEN				(69)			(75)	
(A) SNOWMOBILE FUND BUDGET REDUCTION	NRF				(441)			(441)	
(A) LOTTERY IN-LIEU SALES TAX	NRF				1,481			1,481	
(B) WATER ACCESS - FEDERAL WALLOP/BREAUX	G&F				(713)			(299)	
(B) WATER ACCESS LCMR ALLOCATIONS	EVT				455			455	
(B) WATER ACCESS LCMR ALLOCATIONS	MFR				2,500				
(B) TRAILS LCMR ALLOCATIONS	MFR				2,207				
(B) TRAILS LCMR ALLOCATIONS	SGS				233				
Total Change Items					5,653			1,121	
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	206	423	727	0	455	0	455		
GENERAL	3,062	3,045	3,267	2,122	2,053	2,158	2,083		
MINNESOTA RESOURCES	1,477	966	1,317	0	4,707	0	0		
STATE GOVERNMENT SPECIAL REVENUE	0	0	0	0	233	0	0		
NATURAL RESOURCES	12,498	12,331	18,200	14,070	15,110	14,228	15,268		
GAME AND FISH (OPERATIONS)	1,123	1,381	2,124	1,608	895	1,609	1,310		
IRON RANGE RESOURCES & REHAB	1	749	0	0	0	0	0		
Open Appropriations:									
NATURAL RESOURCES	214	278	326	326	326	326	326		
Statutory Appropriations:									
NATURAL RESOURCES	132	11	864	500	500	500	500		
SPECIAL REVENUE	1,346	232	830	420	420	420	420		
FEDERAL	1,227	819	1,369	1,225	1,225	1,225	1,225		
GIFT	310	9	188	30	30	30	30		
Total Financing	21,596	20,244	29,212	20,301	25,954	20,496	21,617		

Program: TRAILS & WATERWAYS MGMT
Agency: NATURAL RESOURCES DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE by Employment Type:</u>							
FULL TIME	84.9	84.6	80.1	80.1	80.1	80.1	80.1
PART-TIME, SEASONAL, LABOR SER	41.7	40.0	38.7	38.7	45.7	38.7	45.7
OVERTIME PAY	0.6	0.4	0.2	0.2	0.2	0.2	0.2
Total Full-Time Equivalent	127.2	125.0	119.0	119.0	126.0	119.0	126.0

BUDGET ACTIVITY SUMMARY

Budget Activity: TRAILS AND WATERWAYS MANAGEMENT
Program: TRAILS AND WATERWAYS MANAGEMENT
Agency: NATURAL RESOURCES DEPT.

ACTIVITY PROFILE:

This activity provides trail recreation for state residents and tourists. It supports Department of Natural Resources (DNR) trail related activities not supported through dedicated funding accounts. Our major functions include the following:

- administration of the State Trail Program;
- trail planning and surveying work;
- management of capital budget acquisition and development projects;
- management of LCMR projects;
- administration of the Adopt-a-River project;
- administration of the Cooperative Trails Grant Program (local trail connections, regional trails, and national recreation trail grants (TEA-21);
- administration of the National Recreation Trail Grant Program;
- development of interpretive and vegetation management projects;
- development of trail amenities (e.g., parking, picnic areas, drinking water);
- maintenance of non-motorized state trails; and
- development and distribution of public information materials (e.g., maps, brochures, etc.) for non-dedicated account activities.

STRATEGIES AND PERFORMANCE:

This activity administers the 1,072-mile State Trail System. State trails appeal not only to bicyclists, in-line skaters, joggers, walkers, and those who simply enjoy the out-of-doors, they also appeal to local business and commercial interests. Trail user associations and advocacy groups have actively promoted trail extensions and connections to recreation sites, population centers, and other destinations.

State Trail / Unit Trail Mileages

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
State Trails	1,067	1,072	1,082	1,102
DNR Division Trails	2,287	2,287	2,287	2,287
State Trails (Bike)	<u>330</u>	<u>335</u>	<u>345</u>	<u>365</u>
TOTAL	3,684	3,694	3,714	3,754

The Adopt-a-River Program enlists volunteers to remove rubbish along sections of Minnesota's rivers, lakes, wetlands, and ravines. Some 250 groups have now adopted over 900 miles of shoreline. This restores the health and natural beauty of these rivers and improves fish and wildlife habitat.

Number of Volunteer Groups and Miles of Shoreline Adopted

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Groups	255	270	285	300
Miles	922	1,000	1,050	1,100

FINANCING INFORMATION:

This budget activity is primarily funded with General Funds and also provides for the administration of other programs through a variety of funding sources including federal, capital bonding, LCMR, and the Lottery in-Lieu of Sales Tax.

GRANTS SUMMARY

The Cooperative Trail Grant Program provides for grants to local units of government in one of the following categories:

- *National Recreational Trails Program (N RTP).* Under direction of DNR, the N RTP provides federal funding to local sponsors for various motorized and non-motorized trail projects in Minnesota and is advised by the Minnesota Recreation Trail Users Association (MRTUA).
- *Local Trail Connections (LTC).* This program helps local units of government to complete trail connections to cities, towns, recreation areas, and other points of interest. Fifty percent state reimbursement is available for trail acquisition and development.
- *Regional Trail (RT).* The primary purpose is to promote development of regionally significant trails funded with local or federal funding. Fifty percent state reimbursement is available for trail acquisition and development.

Summary of Grant Dollars (In thousands)

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
N RTP	\$630	981	\$1,000	\$1,000
LTC	49	-0-	-0-	-0-
RT	373	-0-	-0-	-0-
Local Grants	-0-	843	629	629
LCMR	335	-0-	-0-	-0-
Other	1,090	15	15	15
TOTAL	\$2,477	\$1,839	\$1,644	\$1,644

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: TRAILS AND WATERWAYS MANAGEMENT
Program: TRAILS AND WATERWAYS MANAGEMENT
Agency: NATURAL RESOURCES DEPT.

BUDGET ISSUES:

- As new miles of trail are added, proportional increases in the maintenance budget are needed to avoid compounding current statewide problems in providing adequate maintenance for the trail system.
- The budget change item of \$629,000 per year from the lottery-in-lieu for the Cooperative Trail Grant Program would establish permanent base level funding for this program.
- The requested increase in FY 2002 of \$852,000 and in FY 2003 of \$852,000 from the lottery-in-lieu would provide for increased funding for operations, maintenance and customer service for non-motorized activities on state trails.

Activity: TRAILS & WATERWAYS MGMT
 Program: TRAILS & WATERWAYS MGMT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	1,073	1,045	1,725	1,308	1,728	1,340	1,774	732	26.4%
OTHER OPERATING EXPENSES	591	502	3,084	581	944	582	925	(1,717)	(47.9%)
Subtotal State Operations	1,664	1,547	4,809	1,889	2,672	1,922	2,699	(985)	(15.5%)
CAPITAL OUTLAY & REAL PROPERTY	323	106	75	39	39	39	39	(103)	(56.9%)
LOCAL ASSISTANCE	526	2,477	1,839	1,015	1,644	1,015	1,644	(1,028)	(23.8%)
Total Expenditures	2,513	4,130	6,723	2,943	4,355	2,976	4,382	(2,116)	(19.5%)
<u>Change Items:</u>									
	<u>Fund</u>								
(A) REALLOCATION OF BASE RESOURCES	GEN					(69)		(75)	
(A) LOTTERY IN-LIEU SALES TAX	NRF					1,481		1,481	
Total Change Items						1,412		1,406	
<u>Financing by Fund:</u>									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	205	33	117	0	0	0	0	0	0
GENERAL	2,148	2,639	2,501	1,913	1,844	1,946	1,871		
MINNESOTA RESOURCES	38	757	1,216	0	0	0	0		
NATURAL RESOURCES	0	0	1,738	0	1,481	0	1,481		
Statutory Appropriations:									
NATURAL RESOURCES	15	2	31	0	0	0	0	0	0
FEDERAL	107	698	1,000	1,000	1,000	1,000	1,000	1,000	1,000
GIFT	0	1	120	30	30	30	30	30	30
Total Financing	2,513	4,130	6,723	2,943	4,355	2,976	4,382		
<u>Revenue Collected:</u>									
Dedicated									
NATURAL RESOURCES	4	0	0	0	0	0	0	0	0
SPECIAL REVENUE	201	228	308	308	308	308	308	308	308
FEDERAL	54	0	0	0	0	0	0	0	0
GIFT	94	0	0	0	0	0	0	0	0
Nondedicated									
NATURAL RESOURCES	0	1	0	0	0	0	0	0	0
GAME AND FISH (OPERATIONS)	0	19	0	0	0	0	0	0	0
Total Revenues Collected	353	248	308	308	308	308	308		

Activity: TRAILS & WATERWAYS MGMT

Program: TRAILS & WATERWAYS MGMT

Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE by Employment Type:							
FULL TIME	13.4	13.8	11.0	11.0	14.5	11.0	14.5
PART-TIME, SEASONAL, LABOR SER	9.8	7.8	7.5	7.5	14.5	7.5	14.5
OVERTIME PAY	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total Full-Time Equivalent	23.4	21.7	18.6	18.6	29.1	18.6	29.1

BUDGET ACTIVITY SUMMARY

Budget Activity: WATER ACCESS AND RECREATION
Program: TRAILS AND WATERWAY MANAGEMENT
Agency: NATURAL RESOURCES DEPT.

ACTIVITY PROFILE:

The purpose of the Water Access and Recreation activity is to provide the public with water-based recreational opportunities and services.

Minnesotans rely heavily on public water access sites. A survey conducted by the University of Minnesota showed that three-fourths of state boat owners launch at public boat access sites at least once a year.

Minnesota ranks fourth in the nation for total boats registered (793,000) and first in the nation in the number of boats per capita (one boat for every six people). Major responsibilities of the activity:

- **Boat Access Sites**

Sites are 1-7 acres in size, contain a boat launch ramp, a parking lot, an entrance road, and amenities such as toilets, docks, security lights, and information kiosks. When we build or upgrade access sites, we look for partnerships where we provide the capital investment and the local community maintains and operates the facility.

In the 1996 Metro and 1998 Brainerd boating studies, boat access users gave high marks to the quality of boat access.

In the Brainerd study, boat accesses were identified as becoming an asset to lakeside homeowners and resorts, who accounted for nearly 40% of access use. Public accesses are becoming a necessity for all boaters, especially since boat size has increased and rendered many small private accesses useless.

- **River Recreation**

Provide facilities and services on 23 designated rivers, including primitive campsites, rest areas, portage trails, and launch sites. Services include river cleanup, snag removal, printing of maps and information guides, water level reports, and marking and signing of hazards. New access sites are acquired and developed according to management objectives and demonstrated need.

- **Fishing Piers and Shore Fishing Sites**

Piers are a very popular part of the program and are constructed in cooperation with local units of government. Priorities are determined based on a ranking system that considers the site characteristics, fisheries resource, local initiatives, and proximity to population centers. Piers and

shore fishing sites are designed to be accessible to children, persons with disabilities, and the elderly. We currently have over 250 sites in operation.

- **Lake Superior Safe Harbors**

Implementation of the North Shore Harbors Plan and subsequent legislation establishing safe harbors began in 1999 with the completion of the Silver Bay safe harbor and marina. Taconite Harbor, a boat access and safe harbor only, will be completed in spring 2001. State and federal funds have been appropriated for additional harbors and accesses at Two Harbors and McQuade Road (Duluth) which are in land acquisition and design phase. All of the sites have active local participation. The facilities will provide boat access and protection from storms, and some will provide gas, dockage, sewage pumpouts, and other services related to boating and fishing.

STRATEGIES AND PERFORMANCE:

The goal of this activity is to increase the number of boat access sites, fishing piers, and other water recreation facilities and improve the quality of existing sites through regular maintenance and periodic rehabilitation.

Performance Statistics:

- Increased the number of boat launch sites by 10 in FY 1999 and 2000.
- Increased the number of fishing piers/shore accesses sites by 20 in FY 1999 and 2000.
- Constructed two safe harbors on Lake Superior; one at Silver Bay with full marina facilities and one at Taconite Harbor with a boat access.
- Constructed a shore fishing site on Ringo Lake near Willmar, which has received very heavy use.
- Constructed numerous boat access sites in cooperation with local units of government. High profile examples include an extensive rehabilitation and enlargement of the public access at Warroad on Lake of the Woods. Another example is Lake Vermillion, where the department worked with St. Louis County to rehabilitate several county accesses.
- Completed a feasibility study for the Mississippi River Whitewater Trail in Minneapolis.

FINANCING INFORMATION:

Almost 58% of the current funding for this budget activity is appropriated from the Water Recreation Fund. This fund has two revenue sources: unrefunded highway gas tax collected on gasoline used in boats; and watercraft registration fees. We also receive federal Wallop/Breaux funds for boat access from the following two sources: 1) the Game and Fish Fund, based on a federal law requiring 15% of

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: WATER ACCESS AND RECREATION
Program: TRAILS AND WATERWAYS MANAGEMENT
Agency: DEPT.

federal receipts from the Sport Fish Restoration Program be spent on public access facilities (75% reimbursement); and 2) the Boat Safety Account administered by the U.S. Coast Guard (50% match).

BUDGET ISSUES:

- *Acquisition:*
Because lakeshore is a high demand commodity and the cost of lakeshore rises faster than any other land type, our primary emphasis has been on acquiring good access sites when land becomes available. Purchasing now will reduce acquisition costs as land prices continue to escalate. We believe this strategy will maximize public interest and funding over the long run. We are committed to retaining this as our highest priority. Acquisition funding is provided from LCMR and bond funds.
- *Development:*
With the existing state and federal capital funds, we are upgrading and expanding existing boat access sites. The trend of larger boats and bigger motors impacts facility size, design, and cost.
- *Maintenance:*
The continued addition of new and expanded boat access sites, fishing piers, and more miles of designated canoe routes require additional maintenance. The number of boat access sites has increased by nearly 150 over the last 10 years. Current budget resources will be used to address increased maintenance demands by prioritizing the most critical repairs.

Activity: WATER ACCESS & RECREATION
 Program: TRAILS & WATERWAYS MGMT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	2,831	3,069	3,380	3,485	3,485	3,583	3,583	619	9.6%
OTHER OPERATING EXPENSES	2,522	2,346	3,647	2,287	2,074	2,287	1,988	(1,931)	(32.2%)
Subtotal State Operations	5,353	5,415	7,027	5,772	5,559	5,870	5,571	(1,312)	(10.5%)
CAPITAL OUTLAY & REAL PROPERTY	4,152	1,312	1,690	1,205	3,570	1,205	1,660	2,228	74.2%
LOCAL ASSISTANCE	159	283	0	0	90	0	0	(193)	(68.2%)
Total Expenditures	9,664	7,010	8,717	6,977	9,219	7,075	7,231	723	4.6%
Change Items:									
(B) WATER ACCESS - FEDERAL WALLOP/BREAUX	G&F				(713)			(299)	
(B) WATER ACCESS LCMR ALLOCATIONS	EVT				455			455	
(B) WATER ACCESS LCMR ALLOCATIONS	MFR				2,500				
Total Change Items					2,242			156	
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	1	390	610	0	455	0	455		
GENERAL	253	161	103	0	0	0	0		
MINNESOTA RESOURCES	913	209	101	0	2,500	0	0		
NATURAL RESOURCES	4,637	4,540	5,039	4,929	4,929	5,026	5,026		
GAME AND FISH (OPERATIONS)	1,123	1,381	2,124	1,608	895	1,609	1,310		
Open Appropriations:									
NATURAL RESOURCES	131	169	195	195	195	195	195		
Statutory Appropriations:									
NATURAL RESOURCES	117	0	3	0	0	0	0		
SPECIAL REVENUE	1,059	31	105	20	20	20	20		
FEDERAL	1,120	121	369	225	225	225	225		
GIFT	310	8	68	0	0	0	0		
Total Financing	9,664	7,010	8,717	6,977	9,219	7,075	7,231		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	521	0	20	20	20	20	20		
FEDERAL	0	25	200	100	100	100	100		
GIFT	0	63	30	30	30	30	30		
Total Revenues Collected	521	88	250	150	150	150	150		

Activity: WATER ACCESS & RECREATION

Program: TRAILS & WATERWAYS MGMT

Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE by Employment Type:							
FULL TIME	39.9	41.0	39.8	39.8	39.8	39.8	39.8
PART-TIME, SEASONAL, LABOR SER	22.5	21.3	21.3	21.3	21.3	21.3	21.3
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	62.5	62.3	61.1	61.1	61.1	61.1	61.1

BUDGET CHANGE ITEM (52755)**Budget Activity: WATER ACCESS & RECREATION****Program: TRAILS & WATERWAYS MGMT****Agency: NATURAL RESOURCES DEPT****Item Title: FEDERAL WALLOP/BREAUX**

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Game and Fish Fund				
-State Operations	\$ (713)	\$ (299)	\$ (299)	\$ (299)
Revenues: (\$000s)				
Game and Fish Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <u> </u> No <u> X </u>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity	<input type="checkbox"/> Supplemental Funding	<input checked="" type="checkbox"/> Reallocation		

GOVERNOR'S RECOMMENDATION:

The Governor recommends reductions in the level of state resources that will be needed in the next biennium from the Game and Fish Fund to meet the mandates of the Federal Sport Fish Restoration Program. The budget reductions are \$713,000 for FY 2002, which includes a one-time adjustment for prior years and \$299,000 for FY 2003.

RATIONALE:

The Federal Sport Fish Restoration Program administered by the U.S. Fish and Wildlife Service, requires the state to allocate 15% of the funds apportioned to it for each fiscal year for the payment of up to 75% of the costs of acquisition, development, renovation or improvement of public access facilities for recreational boating purposes. This budget change item is necessary to align the level of state funds with the required federal 15% apportionment.

FINANCING:

The base level funding from the Game and Fish Fund for this program is \$1.608 million for FY 2002 and \$1.609 million for FY 2003.

OUTCOMES:

The Federal Wallop/Breaux Funds are used to improve the quality of public access by providing additional boating opportunities through the land acquisition and development of new boat access sites and expansion and renovation of existing boat access sites throughout the state. This budget change item is necessary to align the level of state funds with the required federal apportionment and will reduce the number of new boat access sites acquired and developed.

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BUDGET ACTIVITY SUMMARY

Budget Activity: TRAILS RECREATION
Program: TRAILS AND WATERWAYS MANAGEMENT
Agency: NATURAL RESOURCES DEPT.

ACTIVITY PROFILE:

This activity provides Minnesotans and visitors the opportunity to access and enjoy the outdoors in a safe, responsible manner while protecting sensitive resources and fostering local economic development. It helps with the maintenance of those trails within, or managed by other DNR divisions, (parks, forestry), the maintenance of the State Trail System, and the maintenance, planning, grant administration, and public information dissemination activities required for cross-country ski, all-terrain vehicle (ATV), off-highway motorcycle (OHM), off-road vehicle (ORV) and snowmobile trails.

The Grant-in-Aid (GIA) Program makes up a significant portion of this activity. The DNR has been directed by the state legislature to administer a cost-sharing program for the acquisition, development and maintenance of public trails. The program's goal is to spur the development of local trails at the initiative of clubs or organizations acting through their local units of government. State financial assistance ensures that locally controlled facilities may exist where none otherwise would without such support. The first priority is to maintain the existing GIA system. Grants are provided for snowmobile, ATV, ORV, OHM, and cross-country ski trails.

STRATEGIES AND PERFORMANCE:

Objective: Acquire and develop additional trail miles to meet growing demand for recreational trails.

Miles of State Trails				
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
DNR Snowmobile	2,135	2,135	2,135	2,135
DNR Trail Cross-Country Ski	789	789	789	789
DNR Trail – ATV	250	500	800	1,300
DNR Trail – OHM	238	600	800	1,000
DNR Trail – ORV	11	100	250	500
TOTAL	3,423	4,124	4,774	5,724

Objective: Administer a trail system that anticipates and responds to changing public demand through local trail grants.

Miles of Grant-In-Aid Trails

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
GIA – Snowmobile	15,000	15,200	15,400	15,600
GIA – Cross-Country Ski	1,003	1,003	1,003	1,003
GIA – ATV	468	700	1,200	1,500
GIA – OHM	88	250	450	600
GIA – ORV	0	45	100	150
TOTAL	16,559	17,198	18,153	18,853

FINANCING INFORMATION:

This activity is funded primarily through dedicated revenues and with supplemental funding from the General Fund for cross-country ski. Revenues generated for the OHM, ORV, ATV, and snowmobile funds come from vehicle registrations and unrefunded gas tax. The Cross-Country Ski Account is funded from the sale of the ski pass. Unrefunded gas taxes are those tax dollars attributed to fuel consumed using public lands and trails. The percentages, .75% for snowmobiles; .15% for ATVs; .164% for ORVs; and .046% for OHMs, were determined by studies undertaken by the Department of Administration, DNR, and Minnesota Department of Transportation (MN/DOT) and approved by the state legislature. In FY 2002 revenue from the unrefunded gas taxes is estimated at \$5.6 million.

REVENUE

Non-dedicated revenues listed are from registrations. Dedicated revenues include the cross-country ski permit and issuing fee.

	Revenue Dollars (In Thousands)			
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
NON-DEDICATED				
Snowmobile	4,369	4,370	4,370	4,370
ATV	951	900	900	900
OHM	56	50	50	50
ORV	11	9	9	9
DEDICATED				
Cross Country Ski	228	384	384	384
TOTAL	\$5,615	\$5,713	\$5,713	\$5,713

GRANTS

Trail Grants-In-Aid (GIA) Program: The GIA Program pays 65% of the costs for corridor acquisition, trail development, maintenance and administration, with the local sponsor providing the remaining 35%. State funds pay for 90% of trail grooming costs. Allowable costs and reimbursement rates are established and

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: TRAILS RECREATION
Program: TRAILS AND WATERWAYS MANAGEMENT
Agency: NATURAL RESOURCES DEPT.

administered through a formal GIA system. A new system of performance-based snowmobile grants is currently available. Although the basic system is built upon past reimbursement, disbursements are made based upon various performance-based criteria. Grants are also made available to local units of government to repair damage to trails caused by the use of snowmobile traction devices on surfaced recreational trails.

Summary of Grants Dollars (In Thousands)

	FY 2000	FY 2001	FY 2002	FY 2003
Snowmobile	\$3,678	\$3,899	\$4,574	\$4,574
ATV	228	482	482	482
Cross-Country Ski	173	33	33	33
OHM	32	129	129	129
ORV	-0-	235	235	235
TOTAL	\$4,111	\$4,778	\$5,453	\$5,453

BUDGET ISSUES:

- The GIA snowmobile grant reduction of \$325,000 per fiscal year would result in approximately a 7% reduction of funding available to the local units of government and local snowmobile clubs.
- The \$160,000 per fiscal year snowmobile reduction for Trails and Waterways Operations would primarily impact the quantity and quality of grooming on DNR trails.

Activity: TRAILS RECREATION
 Program: TRAILS & WATERWAYS MGMT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	2,005	2,055	2,441	2,458	2,381	2,522	2,445	330	7.3%
OTHER OPERATING EXPENSES	1,864	1,513	6,352	1,944	3,245	1,944	1,805	(2,815)	(35.8%)
Subtotal State Operations	3,869	3,568	8,793	4,402	5,626	4,466	4,250	(2,485)	(20.1%)
CAPITAL OUTLAY & REAL PROPERTY	54	1,425	201	201	201	201	201	(1,224)	(75.3%)
LOCAL ASSISTANCE	5,496	4,111	4,778	5,778	6,553	5,778	5,553	3,217	36.2%
Total Expenditures	9,419	9,104	13,772	10,381	12,380	10,445	10,004	(492)	(2.2%)
Change Items:									
(A) SNOWMOBILE FUND BUDGET REDUCTION									
NRF									
(B) TRAILS LCMR ALLOCATIONS									
MFR									
(B) TRAILS LCMR ALLOCATIONS									
SGS									
Total Change Items						1,999			(441)
Financing by Fund:									
Direct Appropriations:									
GENERAL	661	245	663	209	209	212	212		
MINNESOTA RESOURCES	526	0	0	0	2,207	0	0		
STATE GOVERNMENT SPECIAL REVENUE	0	0	0	0	233	0	0		
NATURAL RESOURCES	7,861	7,791	11,423	9,141	8,700	9,202	8,761		
IRON RANGE RESOURCES & REHAB	1	749	0	0	0	0	0		
Open Appropriations:									
NATURAL RESOURCES	83	109	131	131	131	131	131		
Statutory Appropriations:									
NATURAL RESOURCES	0	9	830	500	500	500	500		
SPECIAL REVENUE	287	201	725	400	400	400	400		
Total Financing	9,419	9,104	13,772	10,381	12,380	10,445	10,004		
Revenue Collected:									
Dedicated									
NATURAL RESOURCES	1,102	339	500	500	500	500	500		
SPECIAL REVENUE	40	131	90	80	80	80	80		
FEDERAL	107	698	1,000	1,000	1,000	1,000	1,000		
Nondedicated									
NATURAL RESOURCES	5,573	5,833	7,468	7,311	7,169	7,334	7,192		
Total Revenues Collected	6,822	7,001	9,058	8,891	8,749	8,914	8,772		

Activity: TRAILS RECREATION
 Program: TRAILS & WATERWAYS MGMT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE by Employment Type:							
FULL TIME	31.6	29.8	29.3	29.3	25.8	29.3	25.8
PART-TIME, SEASONAL, LABOR SER	9.4	10.9	9.9	9.9	9.9	9.9	9.9
OVERTIME PAY	0.3	0.3	0.1	0.1	0.1	0.1	0.1
Total Full-Time Equivalent	41.3	41.0	39.3	39.3	35.8	39.3	35.8

PROGRAM SUMMARY
**** PERFORMANCE PILOT ****

Program: FISH MANAGEMENT
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

The Fish Management Program protects, maintains, and enhances Minnesota's fishery resources and aquatic communities for recreational, ecological, and economic benefits to the state.

- The Division of Fisheries manages recreational and commercial fisheries and aquatic habitat on approximately 5,400 lakes and 16,000 miles of fishable streams and rivers.
- Over 35 million pounds of fish are harvested annually in Minnesota.
- Over 27 million person-days are spent each year on recreational angling in Minnesota.
- Fishing related activity generates about \$1.9 billion each year in direct expenditures to the state's economy.

The Division of Fisheries services and goals are to

- maintain and enhance game fish populations for the state's anglers and businesses that depend on fishing;
- protect and improve aquatic habitat;
- monitor the status of fish populations and aquatic habitat for management purposes and public information;
- develop fisheries management plans for individual lakes and streams;
- provide opportunities for citizen participation in fisheries management planning and decision-making; and
- provide informational and educational materials to the public to increase understanding of the aquatic environment and encourage people to participate in recreational fishing.

The Division of Fisheries is the sole entity responsible for managing the state's public fisheries resources. In addition to other units in the DNR, state environmental agencies, such as Agriculture, Health, Pollution Control, and the Board of Soil and Water Resources, have responsibility for environmental regulation and management that impact water quality and aquatic habitat. Local units of government also have regulatory authority that impacts aquatic resources.

Major fisheries issues include increasing fishing pressure and harvest, and most important, the continual degradation of fish habitat from shoreline and watershed developments and non-point source pollution.

STRATEGIES AND PERFORMANCE:

Fisheries management strategies:

- Improve habitat in lakes and streams to increase the number of fish available for anglers.
- Prevent or limit the destruction of fish habitat through various permitting and environmental review processes.
- Propagate and stock desirable species of fish.
- Regulate and allocate fish harvest.
- Collect information on fish populations, aquatic habitat, and anglers.
- Conduct fisheries-related research.
- Provide information on fishing and fisheries resources.
- Conduct aquatic education programs.
- Develop fisheries management plans for individual waters.
- Coordinate and cooperate with internal and external constituents to manage aquatic resources for long-term sustainability.

Primary outcomes for the fish management program:

- Game fish abundance and average size as measured by net catches and other sampling from the survey and assessment program.
- Angler catch rates and average size of various fish species as measured by creel surveys.
- Angler satisfaction as measured by attitude surveys.
- Fisheries management plans developed with constituent input for each managed water.
- Regulations that protect the fisheries resource and provide sustainable quality angling opportunities.
- Aquatic habitat capable of sustaining recreational and commercial fisheries.
- A public knowledgeable of the fisheries resource and the ecology, conservation, and ethics of fishing.

PROGRAM SUMMARY (Continued)
**** PERFORMANCE PILOT ****

Program: FISH MANAGEMENT
Agency: NATURAL RESOURCES DEPT

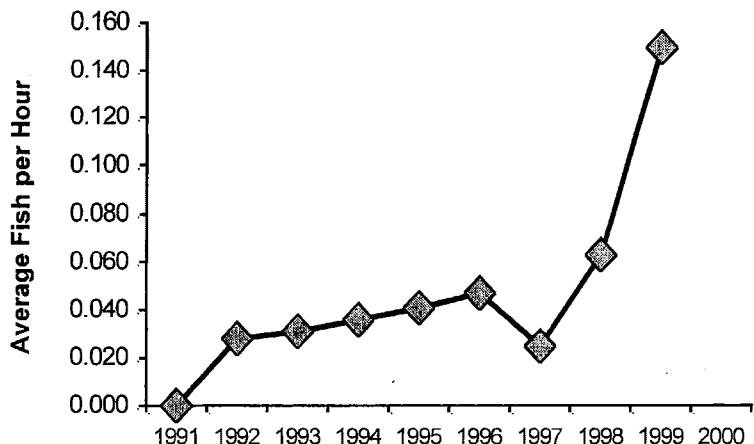
Examples of current performance:

The walleye stocking program provides fish for approximately 900 lakes where natural reproduction is thought to be insufficient to provide good fishing. Due to more effective stocking, walleye populations as measured by survey gill net catches have been increasing on average since 1977. The goal of the accelerated walleye program is to further increase the average gill net catch on stocked lakes, which will improve fishing success.

The muskellunge stocking program has increased the percentage of muskie fishing trips that occur on stocked waters from 29% in 1986 to 74% in 1997. This has greatly enhanced statewide opportunities to fish for muskies.

Steelhead catch rates (fish/angler-hour) on tributaries to Lake Superior have

Steelhead Catch Rate

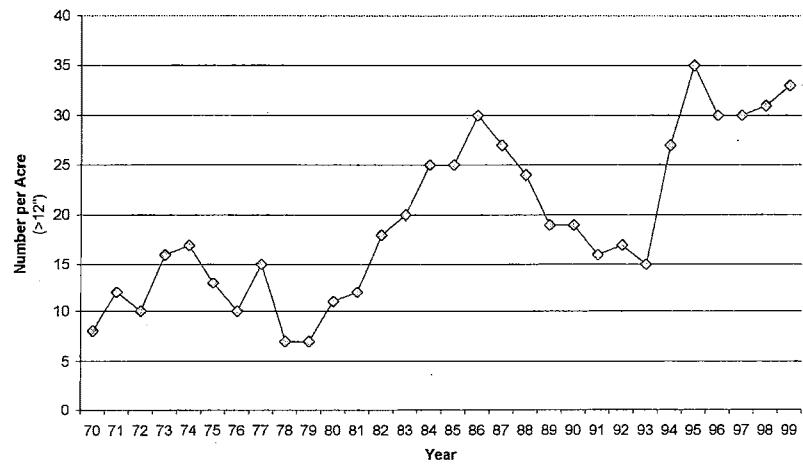


increased throughout the 1990's after development of a Lake Superior Steelhead plan and implementation of restrictive harvest regulations in 1992.

Brown trout abundance in southeast Minnesota has increased dramatically since the 1970's due to a combination of improved watershed practices, habitat improvement, and better stocking practices.

Primary outputs for the Fish Management Program:

Brown Trout Populations 12" and Larger



- Surveys and assessments – approximately 900 surveys and assessments and 370 management plans are completed annually.
- Fish culture and stocking - over 1,200 lakes and 125 streams currently have stocking programs.
- Habitat improvement - miles and acres improved varies annually depending on the number of projects and funding. In FY 2000, 30 lakes (73,335 acres) and 43 miles of stream were improved.
- Aquatic education/information - over 25,000 people are reached by education programs and hundreds of thousands of inquiries are answered each year.

In general, fisheries for many of Minnesota's important game fish species are in good condition including largemouth and smallmouth bass, muskellunge, brook and brown trout, and lake trout in Lake Superior. Walleye numbers in lakes with natural reproduction are generally good to excellent. There is some concern that

PROGRAM SUMMARY (Continued)
** PERFORMANCE PILOT **

Program: FISH MANAGEMENT
Agency: NATURAL RESOURCES DEPT

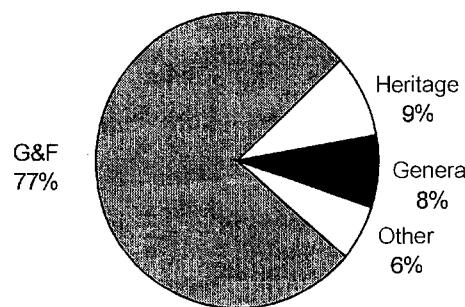
stocking reductions over the past decade have caused declining numbers of walleye on some waters that depend on stocking. An accelerated walleye program has been funded and is being implemented to address these concerns. Bluegill and black crappie numbers remain high, but decreasing average size is a major concern. The same is true of northern pike and yellow perch. Fisheries managers are working with the public and legislature to address these issues.

FINANCING INFORMATION:

The Division of Fisheries is supported by several funding sources, primarily relying on allocations from the Game and Fish Fund. The 2000 Legislature expanded the Game and Fish Fund by including lottery in-lieu of sales tax proceeds and allocating a portion of this to the fisheries program.

Budgets and activities are developed at the field stations and coordinated at the regional and central office levels. Fisheries field stations have local budget authority and responsibility and are allocated base budgets each fiscal year. Annual budget meetings are held to prioritize project funding that is outside base.

2000-2001 Expenditures by Funding Source



REVENUE SUMMARY:

This program generates revenue from the sale of fishing licenses and from reimbursement under the Federal Aid to Sport Fish Restoration Program. These

revenues are deposited in the dedicated Game and Fish Fund to support the program. In addition, the division generates dedicated revenue from cooperative agreements, sales of publications, and gifts.

GRANTS SUMMARY:

The FY 2002-03 grants budget is \$7.5 million annually. This amount includes payments required under the Leech Lake and 1854 Treaty Area agreements and \$60,000 annually for aquatic plant restoration. The treaty payments have been included in the Fish Management Program budget, but actually cover obligations for the entire department. The aquatic plant restoration grants are cost-share grants awarded to external cooperators who are establishing buffer zone demonstration sites on highly visible shoreline areas.

BUDGET ISSUES:

The Fish Management Program budget reflects base increases resulting from license fee increases and a General Fund match passed by the 2000 legislature. In FY 2001, the base increase included \$521,000 in fee increase dollars and \$500,000 in General Fund dollars. The General Fund dollars were allocated for the accelerated walleye program and fee increase dollars were used to restore base budgets at field stations and hatcheries, and to fund 4 field positions that had been left vacant during all or part of FY 2000. These base increases are reflected in the Fish Management Program budget and include \$527,000 in FY 2002 and \$533,000 in FY 2003 from the fee increase and \$500,000 each year in Heritage Enhancement dollars for the accelerated walleye stocking program.

The Division of Fisheries is requesting \$3.9 million annually in Heritage Enhancement dollars. This includes \$500,000 annually, which is a base adjustment for the accelerated walleye program, as described above. The remaining \$3.4 million annual amount is a budget change item of which \$1.1 million is a replacement for the one-time General Fund appropriation Fisheries received as part of the fee increase and match package for FY 2001.

The budget change item would be used for statewide field projects, expansion of the urban fishing program in the metro region, expansion of the aquatic plant management program, fish hatchery maintenance and improvement, walleye stocking research, expansion of the aquatic education program, and increased access and management for small lakes in north central Minnesota. Failure to fund this initiative would result in a reduction to base increases that the division was able to secure in FY 2001.

PROGRAM SUMMARY (Continued)
** PERFORMANCE PILOT **

Program: **FISH MANAGEMENT**
Agency: **NATURAL RESOURCES DEPT**

■ Reallocation of Base Resources

Proposals to reallocate General Fund base resources within the department will address a number of the Fish Management Program and departmental concerns.

These reallocations will result in small reductions to General Fund appropriations to lake aeration systems, fishing piers, lake and stream habitat improvement, spawning area development, shoreline stabilization, creel surveys and hatchery maintenance and improvement.

LCMR RECOMMENDATIONS – DIRECT:

■ *State Fish Hatchery Rehabilitation*

To accelerate hatchery rehabilitation (\$145,000 MN Future Resources Fund).

■ *Restoring Minnesota's Fish and Wildlife Habitat Corridors*

For acceleration of agency programs and cooperative agreements with the Minnesota Waterfowl Association and 11 other organizations, to restore and acquire fragmented landscape corridors that connect areas of quality habitat to sustain fish, wildlife, and plants (\$2.250 million Environmental Trust Fund).

(See the LCMR section of the Environmental Budget for more information.)

GOVERNOR'S RECOMMENDATION:

The Governor recommends the Fish Management base budget, the reallocation of base resources and lottery-in-lieu change items, and the LCMR allocations.

Activity: FISH MANAGEMENT
 Program: FISH MANAGEMENT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	16,174	16,799	19,347	19,029	20,259	19,561	20,791	4,904	13.6%
OTHER OPERATING EXPENSES	6,499	9,505	9,865	5,623	6,942	5,623	6,945	(5,483)	(28.3%)
Subtotal State Operations	22,673	26,304	29,212	24,652	27,201	25,184	27,736	(579)	(1.0%)
CAPITAL OUTLAY & REAL PROPERTY	963	487	3,204	19	2,002	19	1,871	182	4.9%
LOCAL ASSISTANCE	6,251	6,932	7,680	7,223	7,223	7,752	7,752	363	2.5%
Total Expenditures	29,887	33,723	40,096	31,894	36,426	32,955	37,359	(34)	0.0%

<u>Change Items:</u>	<u>Fund</u>					
(A) REALLOCATION OF BASE RESOURCES	GEN			(138)		(121)
(A) LOTTERY IN-LIEU SALES TAX	G&F			3,400		3,400
(B) FISHERIES LCMR ALLOCATIONS	EVT			1,125		1,125
(B) FISHERIES LCMR ALLOCATIONS	MFR			145		
Total Change Items				4,532		4,404

<u>Financing by Fund:</u>							
Direct Appropriations:							
ENVIRONMENT & NATURAL RESOURCE	182	177	331	0	1,125	0	1,125
GENERAL	928	5,423	2,600	646	508	660	539
MINNESOTA RESOURCES	0	0	0	0	145	0	0
NATURAL RESOURCES	175	172	194	191	191	197	197
GAME AND FISH (OPERATIONS)	21,830	19,625	27,428	22,575	25,975	23,087	26,487
Open Appropriations:							
GENERAL	6,036	6,941	7,551	7,163	7,163	7,692	7,692
GAME AND FISH (OPERATIONS)	735	897	1,112	1,112	1,112	1,112	1,112
Statutory Appropriations:							
NATURAL RESOURCES	3	2	7	0	0	0	0
SPECIAL REVENUE	0	426	459	100	100	100	100
FEDERAL	(1)	0	122	12	12	12	12
REINVEST IN MINNESOTA	0	0	23	0	0	0	0
GIFT	(1)	60	269	95	95	95	95
Total Financing	29,887	33,723	40,096	31,894	36,426	32,955	37,359

Activity: FISH MANAGEMENT
 Program: FISH MANAGEMENT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
Revenue Collected:							
Dedicated							
NATURAL RESOURCES	0	0	1	0	0	0	0
SPECIAL REVENUE	157	492	195	195	195	195	195
FEDERAL	22	25	43	12	12	12	12
GIFT	83	89	95	95	95	95	95
Nondedicated							
GAME AND FISH (OPERATIONS)	27,941	37,192	37,414	38,842	38,464	38,906	38,528
Total Revenues Collected	28,203	37,798	37,748	39,144	38,766	39,208	38,830

FTE by Employment Type:							
FULL TIME	291.3	293.4	321.1	310.1	319.1	310.1	319.1
PART-TIME, SEASONAL, LABOR SER	49.5	47.5	59.9	46.6	57.2	46.6	57.2
OVERTIME PAY	1.1	0.3	0.3	0.3	0.3	0.3	0.3
Total Full-Time Equivalent	341.9	341.2	381.3	357.0	376.6	357.0	376.6

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PROGRAM SUMMARY

Program: WILDLIFE MANAGEMENT
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

The Wildlife Management Program exists to provide management, protection, use, understanding, and enjoyment of the state's wildlife. It contributes to smart growth objectives, including using land and natural resources wisely to sustain them in the future, protecting the environment that supports outdoor recreation, and supporting tourism and natural resource based industries.

The Wildlife Management Program is the primary responsible authority in Minnesota for wildlife population management and harvest regulation, providing healthy wildlife populations for hunting and viewing activities, as well as resolving conflicts between humans and wildlife.

Because of the critical role of habitat in maintaining healthy and diverse wildlife populations, this program is also the primary lead for other programs that deal with acquiring, managing, and restoring wildlife habitats on public and private lands, and some public waters, and will contribute to conservation connections objectives by protecting and connecting natural resources and by enhancing the department's ability to partner with public and private landowners, other agencies, all levels of government, nonprofit organizations, and citizens.

The Wildlife Management Program also improves the state's ability to support sustainable forests by helping to integrate timber and wildlife goals through landscape level planning and coordination and implementation of site-level guidelines. It supports sustainable agricultural environments by providing technical assistance and cost-share to farmers, supporting agricultural conservation programs, and managing wildlife populations to be compatible with agriculture.

Primary clientele include 600,000 hunters and trappers and 1.3 million wildlife viewers/photographers.

The activity has four major goals:

- to provide sustainable wildlife populations;
- to provide sustainable recreational opportunities for users;
- to effectively resolve problems or conflict caused by wildlife;
- to increase the public's understanding of Minnesota wildlife and habitats.

STRATEGIES AND PERFORMANCE:

The Wildlife Management Program has eight primary strategies:

- Acquire, develop, and maintain Wildlife Management Areas (WMAs) for wildlife habitat, public hunting, and wildlife observation.
- Inventory and monitor the state's wildlife populations and habitats.
- Provide technical assistance to land owners and land managers to improve wildlife habitat.
- Improve the quality of Minnesota's shallow lakes.
- Provide technical assistance and cost-sharing to resolve wildlife problems.
- Conduct applied research on management-related wildlife topics.
- Provide customer service through regulated harvesting seasons, wildlife information, and education.
- Partner with organizations, individuals, and agencies to accomplish mutual objectives.

Wildlife management performance can be measured in terms of quantities of public lands and waters administered, populations of wildlife species, and public recreation and information.

- **Wildlife Management Areas.** This program manages an extensive system of over 1,300 Wildlife Management Areas totaling over 730,000 acres, with another 370,000 acres of cooperatively managed lands. Minnesota pioneered wetland protection efforts in the early 1950s with the "Save the Wetlands" program of acquiring shallow wetlands and managing them for wildlife - a program that has since become the model for other federal and state programs. The Minnesota WMA system is one of the largest in the country.
- **Wildlife Populations.** Populations of many species are at or near all-time highs, including wild turkeys, bald eagles, black bears, and locally breeding Canada geese. Minnesota also has some of the best ruffed grouse populations in the country, is a major waterfowl production state, and has successful programs of trumpeter swan and peregrine falcon restoration. However, some species are not doing well and considerable efforts are devoted to addressing the needs of rare or declining species. Conversely, abundant populations of wildlife such as deer, bears, and geese can also cause conflicts with humans so the Division of Wildlife also maintains programs to address wildlife damage and nuisance problems.

Basic population inventory, monitoring and research is essential to responsible management of populations, including the management of quota systems, setting hunting seasons, and investigating applied population and

PROGRAM SUMMARY (Continued)

Program: **WILDLIFE MANAGEMENT**
Agency: **NATURAL RESOURCES DEPT**

habitat management needs. For example, current projects are investigating issues as diverse as the causes of long-term moose population declines in northwestern Minnesota, the effects of logging practices on winter deer habitat, sources of mortality and movements of deer in agricultural environments; the conservation benefits of lands retired in CRP, the effects of fish or bait rearing on wildlife productivity of shallow wetlands, and the current distribution and abundance of gray wolves in the state.

- **Wildlife Habitat.** In addition to direct management of WMAs, the program provides technical assistance for wildlife habitat management and improvement on other public as well as private lands by consulting with forest managers, providing wildlife expertise for agricultural land conservation programs such as CRP, CREP, and RIM Reserve, assessing and managing shallow lakes with high wildlife production potential, and providing technical assistance to private individuals and organizations on improving their lands for wildlife.
- **Public Recreation and Information.** Minnesota has a rich and diverse wildlife component of great importance to the state's citizens. The state's many types of prairie, wetland, forest and other plant communities support 403 migratory and resident bird species, 240 nesting bird species that breed in the state, 80 species of mammals, and 48 species of amphibians, reptiles, and mussels. In addition to providing areas for wildlife recreation and managing hunting and trapping seasons for over 100 game species, the Wildlife Management Program provides public information and education about wildlife through publications, mass media, and personal presentations.

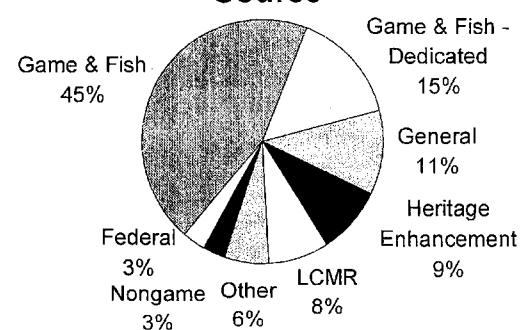
FINANCING INFORMATION:

The Wildlife Division receives funding from many sources with the bulk of funding from the Game and Fish Fund (60%). The 2000 Legislature expanded the Game and Fish Fund by including lottery in-lieu of sales tax proceeds and allocated a portion of this to the wildlife program. Effective January 2001, the Nongame Wildlife Management program will be transferred to the Division of Ecological Services. The revenue and budget for FY 2000-01 is shown in the Division of Wildlife and is shifted to the Division of Ecological Services starting in FY 2002.

REVENUE SUMMARY

This program generates revenue from the sale of hunting licenses and from reimbursement under the Federal Aid in Wildlife Restoration Act. These revenues are deposited in the dedicated Game and Fish Fund to support the program. In addition, the division generates dedicated revenue from cooperative agreements, sales of publications and gifts.

2000-2001 Expenditures by Funding Source



GRANTS SUMMARY

The FY 2000-01 grants budget was \$2.8 million annually. This amount included the payment in-lieu of taxes made to the counties for public hunting grounds. Under the provisions of Laws 2000, Chapter 490, the budget and responsibility for processing these payments will be transferred to the Department of Revenue beginning in FY 2002. The calculation for these payments will continue to be made by the DNR Division of Lands and Minerals. Other grants include the wildlife habitat cost share agreements, research projects, and LCMR projects.

BUDGET ISSUES:

Restoration of Services

Services restored by the 2000 Legislature will be continued. These include:

- Improved maintenance, restoration, and management of Wildlife Management Area (WMA) habitats and facilities; completion of WMA GIS inventory and mapping; increased habitat enhancement projects on public lands and waters; accelerated management of shallow lakes for wildlife benefits with emphasis on large lake restorations and wild rice lake management; grassland renovation and habitat management on WMAs to improve nesting, migration, and wintering habitats and reduce the need for annual noxious weed control; and restoration of base fleet and office budgets.
- More wildlife technical assistance in decisions affecting wildlife habitat and populations on public and private forest and agricultural lands; improve wildlife involvement with programs involving wildlife habitat, including Forest Resource Council landscape planning, the DNR Division of Forestry, the U.S. Forest Service, counties, the Conservation Reserve Program, the

PROGRAM SUMMARY (Continued)

Program: WILDLIFE MANAGEMENT
Agency: NATURAL RESOURCES DEPT

Conservation Reserve Enhancement Program, and the Reinvest In Minnesota Reserve land retirement program; expand wildlife damage management assistance to maintain good landowner relations and tolerance for healthy wildlife populations.

- Enhanced surveys of public and stakeholders and improved efficiency of wildlife population and habitat surveys and inventories and investigations on population estimation, trend monitoring, mortality, and habitat needs (especially for wintering wildlife); improved population management and monitoring for deer, bear, moose, furbearers, and other wildlife; expanded wetland wildlife/migratory bird habitat and population inventory and management-related investigations; continued wildlife population model verification and enhancement for improved population and harvest models to refine setting hunting and trapping harvest quotas and population management.
- Enhanced WMA facilities and public land access; improved information availability through the internet; increased publications and maps, brochures, direct mailings, and publicity; and enhanced management and accessibility of wildlife databases and budgets to improve access to information, efficiency, and accountability.

Heritage Enhancement Account

Wildlife habitat and population management has been expanded through the Heritage Enhancement account. Expenditures from this account began in FY 2001 with the first appropriation authorized in Laws of 2000, Chapter 463, Section 23.

First-year expenditures were to: enhance wildlife habitat conservation on private lands; provide food plots; increase prescribed burning; improve brushland habitats; restore and improve wetlands and prairie grasslands; improve forest habitats; and acquire high priority sites and inholdings for WMAs.

Planned expenditures for FY 2002 and FY 2003 include: increased Con-Con PILT and boundary surveys, posting, management, record keeping, and public use promotion for new WMAs; wolf management and population monitoring; improved wildlife population monitoring; prescribed burning; brushland habitat shearing and burning; restoration and improvement of prairie grasslands; forest habitat improvement; forest wildlife landscape level planning and coordination; wetland restoration and development; increased support for waterfowl habitat management in Canada; private land wildlife management technical assistance and cost-share; habitat development on newly acquired WMA lands; and matching funds to continue prairie chicken restoration efforts.

Office consolidation and more efficient staff administrative support

The Division of Wildlife will continue to consolidate Wildlife offices to reduce the overall number of areas and budget locations, and to increase administrative efficiency. This will allow professionals to spend more time on wildlife projects, and less time doing routine administrative tasks.

This consolidation was begun in 1994 when four areas were combined into two. Since then, four more areas were consolidated. This strategy will continue as vacancies and retirements create opportunities. Consolidations will not reduce the overall number of professional managers at the area/field level. Resulting savings and reallocation of existing operating dollars will be used to provide administrative assistance at all field area offices. At the conclusion of this process, the net result will be an increase in secretarial staff at area offices statewide. This will relieve professional staff of many routine administrative duties.

- **Reallocation of Base Resources** The proposal to reallocate General Fund base resources within the Department will address a number of the Wildlife Management Program and Departmental concerns. These reallocation proposals will result in small reductions to General Fund appropriations to the Private Land Wildlife Habitat technical Assistance (eliminate two temporary positions), brush land and open land habitat enhancement (approximately 1000 acres/year reduction) and wildlife population inventory and survey work.

LCMR RECOMMENDATION – DIRECT:

- **Restoring Minnesota's Fish and Wildlife Habitat Corridors** For acceleration of agency programs and cooperative agreements with Minnesota Waterfowl Association and 11 other organizations, to restore and acquire fragmented landscape corridors that connect areas of quality habitat to sustain fish, wildlife, and plants (\$910,000 Environmental Trust Fund).

(See the LCMR section of the Environmental Budget for more information.)

GOVERNOR'S RECOMMENDATION:

The Governor recommends the Wildlife Management base budget, the reallocation of base resources and lottery in-lieu change items, and the LCMR allocations.

Activity: WILDLIFE MANAGEMENT
 Program: WILDLIFE MANAGEMENT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	10,859	11,549	14,387	13,237	14,718	13,606	14,986	3,768	14.5%
OTHER OPERATING EXPENSES	4,891	3,669	13,160	7,465	8,387	7,479	8,594	152	0.9%
TRANSFERS	0	0	60	46	46	46	46	32	53.3%
Subtotal State Operations	15,750	15,218	27,607	20,748	23,151	21,131	23,626	3,952	9.2%
CAPITAL OUTLAY & REAL PROPERTY	3,152	3,509	4,080	1,004	1,004	1,004	1,004	(5,581)	(73.5%)
PAYMENTS TO INDIVIDUALS	15	18	4	4	4	4	4	(14)	(63.6%)
LOCAL ASSISTANCE	3,110	2,844	2,718	442	777	442	777	(4,008)	(72.1%)
Total Expenditures	22,027	21,589	34,409	22,198	24,936	22,581	25,411	(5,651)	(10.1%)
Change Items:									
(A) REALLOCATION OF BASE RESOURCES		Fund							
(A) LOTTERY IN-LIEU SALES TAX		GEN						(125)	
(B) WILDLIFE LCMR ALLOCATIONS		G&F						2,400	2,500
Total Change Items		EVT						455	455
								2,738	2,830
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	1,472	805	1,071	0	455	0	455		
GENERAL	2,371	2,228	2,281	1,720	1,603	1,744	1,619		
MINNESOTA RESOURCES	76	546	1,594	0	0	0	0		
NATURAL RESOURCES	645	636	739	0	0	0	0		
GAME AND FISH (OPERATIONS)	13,968	12,678	24,268	18,236	20,636	18,585	21,085		
Open Appropriations:									
GENERAL	1,378	1,383	46	46	46	46	46		
NATURAL RESOURCES	2	4	4	0	0	0	0		
Statutory Appropriations:									
GENERAL	2	1	297	50	50	50	50		
NATURAL RESOURCES	58	3	386	0	0	0	0		
SPECIAL REVENUE	293	278	895	240	240	250	250		
GAME AND FISH (OPERATIONS)	20	20	21	20	20	20	20		
FEDERAL	798	425	1,138	620	620	620	620		
REINVEST IN MINNESOTA	698	1,369	1,093	1,036	1,036	1,036	1,036		
GIFT	246	1,213	576	230	230	230	230		
Total Financing	22,027	21,589	34,409	22,198	24,936	22,581	25,411		

Activity: WILDLIFE MANAGEMENT
 Program: WILDLIFE MANAGEMENT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>Revenue Collected:</u>							
Dedicated							
GENERAL	107	0	106	50	50	50	50
NATURAL RESOURCES	891	981	0	0	0	0	0
SPECIAL REVENUE	416	377	355	340	340	350	350
GAME AND FISH (OPERATIONS)	289	293	308	316	316	321	321
FEDERAL	870	228	881	620	620	620	620
REINVEST IN MINNESOTA	142	94	165	165	165	165	165
GIFT	274	1,203	281	230	230	230	230
Nondedicated							
NATURAL RESOURCES	97	39	1,025	0	0	0	0
GAME AND FISH (OPERATIONS)	29,132	31,133	35,034	36,509	36,272	35,814	35,577
Total Revenues Collected	32,218	34,348	38,155	38,230	37,993	37,550	37,313

FTE by Employment Type:							
FULL TIME	160.2	165.5	243.8	210.1	226.1	210.1	231.1
PART-TIME, SEASONAL, LABOR SER	58.3	52.7	44.8	39.5	46.0	39.5	46.0
OVERTIME PAY	0.7	0.6	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	219.2	218.8	288.6	249.6	272.1	249.6	277.1

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PROGRAM SUMMARY

Program: ECOLOGICAL SERVICES
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

Ecological Services works with many others inside and outside the DNR to help ensure that present and future Minnesotans receive the benefits of healthy, resilient ecosystems.

The benefits of healthy, resilient ecosystems include the following: high quality outdoor recreation (such as hunting, fishing, wildlife viewing); sustainable renewable resources (such as timber resources); vital ecosystem services (such as flood control and stable soils); enriched human settlements (such as beautiful open space); and diverse and abundant native plant and animal populations and communities (such as wet sedge meadows and forest songbirds).

Ecological Services has five overarching goals that focus our collaborative management of Minnesota's ecosystems:

- Goal 1. Opportunities to enjoy, research, and understand Minnesota's ecosystems will be enhanced.
- Goal 2. Native plants, animals, and natural communities will be sustained in Minnesota ecosystems.
- Goal 3. Key ecological structures, functions, and processes will be sustained in Minnesota ecosystems.
- Goal 4. Rare species and communities will not diminish further or disappear from Minnesota ecosystems.
- Goal 5. Key rare species populations will be enhanced.

STRATEGIES AND PERFORMANCE:

Ecological Services employs state-of-the-art strategies to achieve its goals by:

- collecting data on native species, communities, and ecosystems;
- analyzing data and transforming it into meaningful information;
- delivering meaningful information and helping people use it;
- educating various audiences about ecosystems and biological diversity;
- regulating activities that impact listed species;
- working with others to regulate activities that impact aquatic plants;
- working with others to restore ecological processes critical for desired biological diversity;
- creating opportunities to enjoy and research Minnesota's biodiversity;

- creating and managing integrated information systems; and
- providing financial assistance to combat exotic species infestations.

Outputs

Ecological Service's outputs result from the successful implementation of these strategies. The following are some example measures of Ecological Services' performance over the past several years:

Collection of Ecological Data

- recorded over 11,000 new locations of rare features and entered data from over 6,300 vegetation plots in the Heritage Rare Features Database (see figure);
- intensively surveyed all or portions of 64 Minnesota counties (41 completed; 23 underway) for locations of rare plant and animal species, remaining native plant communities, and rare landscape features.

Delivery of Ecological Information

- Created maps displaying rare features information for 23 counties that are available for use by citizens, agencies, business leaders, and public officials;
- Inspected over 40,000 boats annually at public accesses for the presence of exotic species and informed those boaters about threats posed by exotic species in Minnesota waters; responded to over 500 environmental review requests per year with information on listed species, natural communities, effects on other local resources, and alternative development options;
- Responded to over 500 environmental review requests per year with information on listed species, natural communities, effects on other local resources, and alternative development options;
- Organized over 25 workshops reaching at least 1,000 citizens and resource managers with information on lakescaping, keeping nature in your neighborhood, forest bird management, and stream classification and restoration;

Enhancement of Ecosystem Health and Resilience

- Maintained and restored rare species, communities, and natural systems on the 132 Scientific and Natural Areas located around the state. Provided appropriate research, education, and recreation (including some hunting, fishing, and trail use) on SNAs;
- Completed the restoration of 3.5 miles of the Whitewater River channel to a naturally meandering condition, reducing sediment deposition in the Weaver Bottoms - a valuable backwater habitat of the Mississippi River;

PROGRAM SUMMARY (Continued)

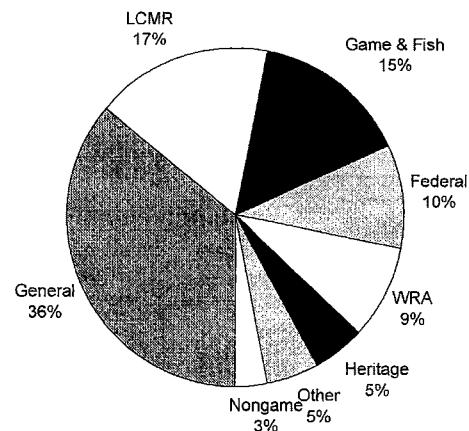
Program: ECOLOGICAL SERVICES
Agency: NATURAL RESOURCES DEPT

- Reduced the threats posed by purple loosestrife (an invasive exotic species) to biological diversity in Minnesota wetlands through the release of several insects that act as biological control agents.

FINANCING INFORMATION:

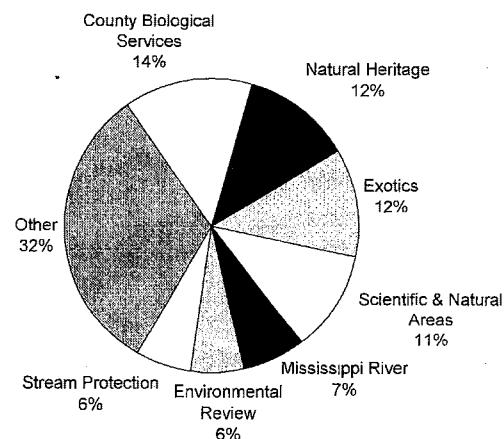
Ecological Services is supported by a diversity of funding sources. During the FY 2000-01 biennium, the relative proportion of these sources is shown under expenditures by funding source.

2000-2001 Expenditures by Funding Source



The relative proportion of the division budget allocated to its major programs is shown in the second chart labeled major program expenditures:

2000-01 Major Program Expenditures



REVENUE SUMMARY

The Division generates dedicated and non-dedicated revenue. Examples include the following funds:

- Game & Fish Fund—revenues from aquatic nuisance permits. The Division also contributes to the Department's earning of PR/DJ federal aid reimbursement dollars.
- Special Revenue Funds—includes revenue from cooperative agreements, sales of publications, and seminars/workshop fees.
- Federal Funds—includes proceeds from various federal agencies.

GRANTS SUMMARY

The grants budget administered by Ecological Services was \$1.3 million for the FY 2000-01 biennium. This amount included grants for the following activities: milfoil control, mussel study, birding trails, wild rice weed control, native vegetation restoration, exotic species, Lake Superior, and critical habitat for native amphibians.

PROGRAM SUMMARY (Continued)

Program: ECOLOGICAL SERVICES
Agency: NATURAL RESOURCES DEPT

BUDGET ISSUES:

- The department is requesting \$1.655 million for FY 2002 and \$1.555 million for FY 2003 from the Heritage Enhancement Account in the Game & Fish Fund, as a new investment initiative, to improve the Ecological Services Division's ability to collect and provide vital ecological information to citizens, governments and local communities. Providing ecological information is a key strategy to reach the following DNR goal, as outlined in Directions 2000, "Local communities will have the information, expertise and resources to plan for and manage natural resources."
- Included in the Division's Heritage Enhancement Investment Initiative is a request for \$457,000 that was allocated to the Division in FY 2001 to expand game and fish projects and cover the increased salary costs of a classification study. The 2000 legislature approved increased hunting and fishing license fees, and an increased appropriation from the Game and Fish Fund (\$3.591 million) to the former Division of Fish and Wildlife. The appropriation was matched with a one-time General Fund appropriation of \$1.565 million. Ecological Services' portion of the fee increase was allocated from the General Fund match. Beginning in FY 2002, the Department is proposing that these General Fund dollars become part of the base budget allocated from the Heritage Enhancement Account.
- **Reallocating of Base Resources**
Proposals to reallocate General Fund base resources within the Department will address a number of the Ecological Services program and Departmental concerns. The reallocation proposal will result in the need to leave one position vacant in the Environmental Review activity, to eliminate the analytical chemistry work that supports lake surveys, and a few smaller program adjustments that impact the collection and delivery of ecological information.
- In January 2001, the Nongame Wildlife Program will be transferred from the Division of Wildlife into the Division of Ecological Services. The transfer will enhance the DNR's ability to deliver important information on native nongame resources to citizens, government, and local communities. In FY 2001, the program includes 14 FTE and a budget of about \$1 million.

LCMR RECOMMENDATIONS – DIRECT:

- *Restoring Minnesota's Fish and Wildlife Habitat Corridors*
For acceleration of agency programs and cooperative agreements with Minnesota Waterfowl Association and 11 other organizations, to restore and

acquire fragmented landscape corridors that connect areas of quality habitat to sustain fish, wildlife, and plants (\$625,000 Environmental Trust Fund).

- *Biological Control of Eurasian Watermilfoil and Purple Loosestrife Continuation*
To develop and implement biological controls for Eurasian watermilfoil and purple loosestrife (\$90,000 Environmental Trust Fund).
- *Acquisition of Lands as Scientific and Natural Areas*
To acquire land with natural features of statewide significance in the Scientific and Natural Area Long Range Plan (\$455,000 Environmental Trust Fund).
- *Minnesota County Biological Survey-Continuation*
Provides for the 8th biennium of a 12 biennium project to accelerate the survey that identifies significant natural areas and systematically collects and interprets data on the distribution and ecology of natural communities, rare plants and animals (\$800,000 Mn Future Resources Fund).

(see the LCMR section of the Environmental Budget for more information)

GOVERNOR'S RECOMMENDATION:

The Governor recommends Ecological Services base budget, the lottery in-lieu and the Wildlife Conservation and Restoration Program change items, and the LCMR projects. In addition, the Governor recommends \$225 thousand in FY 2002 and \$225 thousand in FY 2003 from the environmental trust fund for the Forest Bird Diversity project, and \$123 thousand in FY 2002 and \$122 thousand in FY 2003 from the environmental trust fund, and \$205 thousand in FY 2002 from the future resources fund for the Mussel Resource Survey project. See the Governor's recommendation in the LCMR section for more information on these projects.

Activity: ECOLOGICAL SERVICES
 Program: ECOLOGICAL SERVICES
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	4,558	5,597	6,566	5,971	8,123	6,117	7,905	3,865	31.8%
OTHER OPERATING EXPENSES	4,034	2,362	5,409	2,855	4,584	2,856	3,878	691	8.9%
Subtotal State Operations	8,592	7,959	11,975	8,826	12,707	8,973	11,783	4,556	22.9%
CAPITAL OUTLAY & REAL PROPERTY	183	9	458	50	476	50	407	416	89.1%
PAYMENTS TO INDIVIDUALS	43	53	0	0	0	0	0	(53)	(100.0%)
LOCAL ASSISTANCE	727	940	396	175	315	175	175	(846)	(63.3%)
Total Expenditures	9,545	8,961	12,829	9,051	13,498	9,198	12,365	4,073	18.7%
<u>Change Items:</u>									
(A) REALLOCATION OF BASE RESOURCES	GEN				284			280	
(A) LOTTERY IN-LIEU SALES TAX	G&F				1,655			1,555	
(P) WILDLIFE CONSERVATION & RESTORATION PROG	G&F				970				
(B) ECOLOGICAL SERVICES LCMR ALLOCATIONS	EVT				985			985	
(B) FOREST BIRD DIVERSITY - GOV'S LCMR RECS	EVT				225			225	
(B) MUSSEL RESOURCE SURVEY - GOV'S LCMR	EVT				123			122	
(B) MUSSEL RESOURCE SURVEY - GOV'S LCMR	MFR				205				
Total Change Items					4,447			3,167	
<u>Financing by Fund:</u>									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	1,162	1,659	1,718	0	1,333	0	1,332		
GENERAL	4,287	3,096	4,715	3,745	4,029	3,818	4,098		
MINNESOTA RESOURCES	306	464	0	0	205	0	0		
NATURAL RESOURCES	1,203	1,131	1,351	1,979	1,979	2,013	2,013		
GAME AND FISH (OPERATIONS)	1,811	1,497	2,818	1,787	4,412	1,827	3,382		
Open Appropriations:				4	4	4	4		
NATURAL RESOURCES	0	0	0	4	4	4	4		
Statutory Appropriations:									
NATURAL RESOURCES	149	9	108	0	0	0	0		
SPECIAL REVENUE	17	66	738	325	325	325	325		
FEDERAL	610	956	1,188	850	850	850	850		
ENVIRONMENTAL	0	0	0	260	260	260	260		
GIFT	0	83	193	101	101	101	101		
Total Financing	9,545	8,961	12,829	9,051	13,498	9,198	12,365		

Activity: ECOLOGICAL SERVICES
 Program: ECOLOGICAL SERVICES
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>Revenue Collected:</u>							
Dedicated							
NATURAL RESOURCES	51	47	0	0	0	0	0
SPECIAL REVENUE	110	125	110	130	130	130	130
FEDERAL	577	920	935	850	850	850	850
GIFT	32	53	50	101	101	101	101
Nondedicated							
NATURAL RESOURCES	0	0	0	1,025	1,025	1,025	1,025
GAME AND FISH (OPERATIONS)	98	133	1,142	1,962	1,799	1,990	1,827
Total Revenues Collected	868	1,278	2,237	4,068	3,905	4,096	3,933
<u>FTE by Employment Type:</u>							
FULL TIME	81.5	95.0	103.8	88.7	118.3	88.7	115.5
PART-TIME, SEASONAL, LABOR SER	12.4	15.1	19.8	16.9	32.4	16.9	23.9
OVERTIME PAY	0.5	1.1	1.1	0.6	0.6	0.6	0.6
Total Full-Time Equivalent	94.4	111.2	124.7	106.2	151.3	106.2	140.0

BUDGET CHANGE ITEM (69414)

Program: ECOLOGICAL SERVICES
 Agency: NATURAL RESOURCES DEPT

Item Title: WILDLIFE CONSERVATION & RESTORATION PROG

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Game and Fish Fund				
-State Operations	\$970	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
Game and Fish Fund	\$(971)	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <u> </u> No <u>X</u>				
If yes, statute(s) affected:				
<u>X</u> New Activity <u> </u> Supplemental Funding <u> </u> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$970,000 in FY 2002 from the Game and Fish Fund to enhance fish and wildlife conservation and restoration programs in Minnesota. The source of this appropriation will be reimbursements deposited to the Game and Fish Fund in FY 2002 from the newly created federal Wildlife Restoration and Conservation Program. At this time, federal program funding is authorized for only one year.

RATIONALE:

Title IX of the 2000 Commerce, Justice, State Appropriations Act (Wildlife Conservation and Restoration Account) provides \$50 million in Federal Fiscal Year 2001 by creating and authorizing a subaccount under the Pittman-Robertson Act for a Wildlife Conservation and Restoration Program. The funds are to be used for the planning and implementation of a program that addresses wildlife conservation and restoration, wildlife-conservation education, and wildlife-associated recreation. Priority for funding shall be on those species with the greatest conservation need.

This is a formula-driven apportionment to the states based one-third on the ratio of a state's land area to the total land area of all states and two-thirds on the ratio of a state's population to the overall population of all states. Based on this formula, Minnesota's share of the apportionment is \$971,175. The Wildlife Conservation and Restoration Program is statutorily established as a subaccount of the existing Federal Aid in Wildlife Restoration Fund. The unappropriated balance will stay in the Game and Fish fund.

FINANCING:

The program is established as a 75% reimbursement effort for one year only (i.e. Minnesota must spend \$1.294 million on wildlife conservation and restoration programs to receive reimbursements of \$971,175). The state can capture the \$971,175 with existing expenditures and would direct the reimbursement on the outcomes listed below. Stakeholders throughout the U.S. are working to establish a base appropriation for the program in future years.

OUTCOMES:

Expenditures for Minnesota's Wildlife Conservation and Restoration Program will focus on three primary outcome areas:

1. **Wildlife Conservation** (\$775,000): This category includes management and assessment projects directed at improving our knowledge about wildlife species (including fish) and their critical habitats. Partnerships with other conservation groups and resource agencies are a key component of all efforts. Priorities include:
 - Developing a shallow wetland demonstration site targeting management at providing important habitat for shorebirds and other waterbirds;
 - Developing an initiative focused on the wildlife of Minnesota's native prairies and grasslands that includes delineation of the most important grassland habitats and identification of their conservation and management needs;
 - Leveraging funds to provide support for critical habitat acquisition, management and restoration projects that benefit species in greatest conservation need;
 - Compilation of baseline information needed to develop a long-term wildlife monitoring program for a demonstration forest designed to emphasize greater diversity in forest vegetation and age composition;
 - Initiation of the Important Bird Areas program in Minnesota, a national effort designed to identify, monitor and conserve the most essential areas for bird conservation.
2. **Wildlife Education** (\$100,000): Improve the Wildlife Management Area web site by adding native animal and plant information.
3. **Wildlife Recreation** (\$95,000): Federal regulation requires that wildlife associated recreation be limited to no more than 10% of the state's apportionment. Priority initiatives in Minnesota include:
 - Match local community and conservation groups to develop and publish educational materials for Minnesota's birding trails; and
 - Establish hunter walking trails and wildlife viewing areas at significant wildlife sites.

PROGRAM SUMMARY

Program: ENFORCEMENT--NR LAWS&RULES
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

The Enforcement Division is responsible for ensuring compliance with state game, fish, and recreational vehicle laws. Major responsibilities include enforcement of the rules and regulations related to

- hunting and fishing seasons, methods of taking animals and fish, bag and possession limits;
- public safety, especially where it concerns alcohol consumption while hunting or operating recreational vehicles;
- commercial use and possession of natural resources and products;
- the protection of the state's land, air, and water.

In addition, the Enforcement Division provides educational training programs in firearms safety, hunter and trapper education, youth and adult snowmobile safety, all terrain vehicle safety, and off-highway motorcycle safety. These activities ensure that natural resources will be available for future generations to enjoy and that citizens will be safe in their recreational pursuits.

All Minnesotans and tourists use natural resources and this program serves them by protecting natural resources and ensuring public safety. The Enforcement Division administers two pass-through grants. Boat and Water Safety grants provide \$1.082 million to sheriffs' offices each year. Snowmobile grants provide \$400,000 to sheriffs' offices and local law enforcement agencies each year.

STRATEGIES AND PERFORMANCE:

Our strategic plan identifies 5 primary strategies to accomplish Division responsibilities within the existing budget:

- Continue to involve staff at all levels in the Division decision making.
- Continue our traditional game and fish role of law enforcement services.
- Increase voluntary compliance through education.
- Remain responsive to emerging trends and new responsibilities.
- Increase recreational vehicle and alcohol enforcement.

The Enforcement Division uses a variety of approaches to protect natural resources:

- Saturate problem areas with specialized task force.
- Use CO work plans to communicate workload priorities.
- Require CO's to perform training activities.

- Use media to highlight new laws and regulations.
- Provide boat and water safety grants to local law enforcement.

These approaches have proven to be effective in enhancing public safety. This can be seen in the reduction in the number of hunting fatalities in comparison to states with similar regulatory schemes. The Enforcement Division attributes this success to the Youth Firearm Safety and Advanced Hunter Education programs. An average of 20,000 students take the hunting safety and education courses each year and approximately 200,000 students have completed them over the past 10 years.

	Accident Rate/100,000 Licenses Sold					
	1990	1992	1994	1997	1998	1999
Total Licenses Sold	890,000	835,000	866,000	865,000	864,225	896,276
Cumulative Students Certified	691,000	732,000	779,000	849,553	866,014	888,313
Accident Rate	.007%	.005%	.003%	.004%	.004%	.004%
Total Accidents	63	41	28	35	42	39

An average of 12,000 students take the Division's adult and youth snowmobile safety and education courses each year, and approximately 91,321 students have completed them over the past 10 years.

Increased snowmobile law enforcement activity has decreased the number of fatalities and snowmobile accidents. The table below compares accidents and fatalities for the last five winter seasons. The trend of increasing number of accidents and fatalities was reversed in the 1997-1998 season, in large measure because of high profile enforcement efforts during the 1996-1997 season by conservation officers.

Season	Fatal	Non-Fatal
1995-96	26	582
1996-97	32	615
1997-98	19	275
1998-99	18	336
1999-00	11	238

PROGRAM SUMMARY (Continued)

Program: ENFORCEMENT--NR LAWS&RULES
Agency: NATURAL RESOURCES DEPT

During the 1998-99 and 1999-2000 winter seasons Michigan had 33/40 and Wisconsin 20/38 snowmobile fatalities under very similar snow conditions.

FINANCING INFORMATION:

The Enforcement Division has a very complex funding mechanism. The following table shows the direct appropriations for the FY 2000-01 biennium and the relative proportion of each funding source, not including grants:

Fund/Account	Percent	\$(000's)
Game and Fish	60.4	26,464
General	15.8	6,905
Water Recreation	7.6	3,310
Snowmobile	5.0	2,176
Police State Aid	4.9	2,145
Heritage Enhancement	4.0	1,744
ATV	1.3	587
Solid Waste	.5	200
Off-Highway M/C	.3	137
Off-Road Vehicle	.2	106

The funding mix is changed to reflect actual changes in conservation officer activities based on a three-year average. The most recent changes resulted from an increase in recreational usage, and legislatively assigned responsibilities.

REVENUE:

The Enforcement Division generates revenues from criminal and civil fines, restitution penalties from criminal prosecutions, the sale of confiscated property, and safety training fees. A statutory change made during the last legislative session now annually appropriates the safety training fees to the Enforcement Division for administration of the snowmobile, all-terrain vehicle (ATV), firearms, and hunter and trapper education courses.

GRANTS:

The Enforcement Division annually provides grants to counties for boat and water safety, and to local law enforcement agencies for snowmobile enforcement activities above and beyond current levels of local law enforcement activities. Also included in FY 2002 is a \$910,000 cost-share grant project recommended

by the LCMR for the Development and Rehabilitation of Recreational Shooting Ranges.

BUDGET ISSUES:

Over the past 10 years, the Enforcement Division's budget base has been diminished by increased costs of salary and fringe benefits that have exceeded allowable salary supplement adjustments, the implementation of a Hay Study, and increased vehicle and fleet costs.

The 2000 legislative session provided the Enforcement Division with \$825,000 per year from the Game and Fish Fund license fee increase. These funds have enabled the division to begin the process of hiring and training seven new officers to fill vacant stations.

Also, for FY 2001 the Enforcement Division received one-time funding from the new Heritage Enhancement Account in the Game & Fish Fund to hire 20 new officers to fill vacant enforcement stations and to begin replacing needed equipment. Screening and hiring of new officer candidates has been conducted and training is ongoing. It is anticipated that the first new officers will be assigned to their stations by February 2001. Replacement of equipment is ongoing.

Continued funding from the Heritage Enhancement Account is being requested in the amount of \$2,298 million for FY 2002 and \$2,361 million for FY 2003. These funds will allow the division to meet the following needs:

- \$1.2 million each year to retain the new officers that were hired to fill vacant stations, through the initial FY 2001 appropriation. Many of these officers have just received their station assignments, and the 20 officers going through the academy beginning in 2001 will complete their field training and be assigned to their stations in approximately August of 2001.
- \$664,000 per year to implement an equipment replacement program. Prior to FY 2001, the Enforcement Division was unable to fund the purchase of replacement equipment (snowmobiles, all-terrain vehicles, small outboard motors, small boats, and other equipment). The one-time funding provided in FY 2001 will allow us to catch up on the backlog of equipment needed.
- \$264,000 for FY 2002 and \$317,000 for FY 2003 to cover the significant increase in retiree insurance costs along with providing coverage to a larger number of retirees. The Division anticipates additional conservation officer retirements of six in FY 2002 and seven in FY 2003.

PROGRAM SUMMARY (Continued)

Program: ENFORCEMENT--NR LAWS&RULES
Agency: NATURAL RESOURCES DEPT

- \$170,000 for FY 2002 and \$180,000 for FY 2003 to provide for higher vehicle/fuel operational costs. This change request will enable the division to restore the prior enforcement patrol and response capabilities for existing stations with officers and stations to be filled with new hires.
- Reallocation of Base Reduction. A proposal to reallocate General Fund base resources within the department will address a number of the broader Enforcement Program and Department mental concerns. This will result in a restructuring of work responsibilities within the central office, not filling certain support positions vacated through retirement, and extending leases on computer equipment.
- An annual budget reduction of \$126,000 in the Snowmobile Trails and Enforcement Account in order to maintain a positive balance in the account through the FY 2004-05 biennium. Snowmobile grants to local law enforcement agencies will be reduced each year by \$63,000 or 16%. The Enforcement Division's operating budget will be reduced each year by \$63,000 which will result in the loss of approximately 2,600 hours of snowmobile enforcement activities.

LCMR RECOMMENDATIONS – DIRECT:

- *Development and Rehabilitation of Recreational Shooting Ranges*
To provide cost-share grants to local recreational shooting clubs for the purpose of developing or rehabilitating shooting sports facilities for public use (\$910,000 Mn Future Resources Fund).

(See the LCMR section of the Environmental Budget for more information.)

GOVERNOR'S RECOMMENDATION:

The Governor recommends the program's base budget, the reallocation of the General Fund base budget, the snowmobile fund budget reduction and lottery in-lieu change items, and the LCMR recommendations.

Activity: ENFORCEMENT--NR LAWS&RULES
 Program: ENFORCEMENT--NR LAWS&RULES
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	14,728	15,159	16,504	16,597	17,462	17,093	18,010	3,809	12.0%
OTHER OPERATING EXPENSES	4,741	4,223	8,100	5,536	6,515	5,538	6,517	709	5.8%
Subtotal State Operations	19,469	19,382	24,604	22,133	23,977	22,631	24,527	4,518	10.3%
LOCAL ASSISTANCE	1,503	1,709	1,518	1,482	2,307	1,482	1,397	477	14.8%
Total Expenditures	20,972	21,091	26,122	23,615	26,284	24,113	25,924	4,995	10.6%

Change Items:	Fund						
(A) REALLOCATION OF BASE RESOURCES	GEN			(369)			(380)
(A) SNOWMOBILE FUND BUDGET REDUCTION	NRF			(170)			(170)
(A) LOTTERY IN-LIEU SALES TAX	G&F			2,298			2,361
(A) PCA ENVIRONMENTAL TAX REFORM	ENV			100			100
(A) PCA ENVIRONMENTAL TAX REFORM	SW			(100)			(100)
(B) ENFORCEMENT LCMR ALLOCATIONS	MFR			910			
Total Change Items				2,669			1,811

Financing by Fund:							
Direct Appropriations:							
GENERAL	3,588	3,390	4,131	3,741	3,372	3,836	3,456
MINNESOTA RESOURCES	0	315	35	0	910	0	0
NATURAL RESOURCES	4,374	4,414	4,769	4,691	4,521	4,736	4,566
GAME AND FISH (OPERATIONS)	12,805	12,772	16,702	14,782	17,080	15,145	17,506
ENVIRONMENTAL	0	0	0	0	100	0	100
SOLID WASTE	100	100	100	100	0	100	0
Statutory Appropriations:							
NATURAL RESOURCES	66	64	73	71	71	71	71
SPECIAL REVENUE	37	3	32	10	10	10	10
GAME AND FISH (OPERATIONS)	0	0	146	146	146	146	146
FEDERAL	0	25	120	70	70	65	65
GIFT	2	8	14	4	4	4	4
Total Financing	20,972	21,091	26,122	23,615	26,284	24,113	25,924

Activity: ENFORCEMENT--NR LAWS&RULES
 Program: ENFORCEMENT--NR LAWS&RULES
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
Revenue Collected:							
Dedicated							
NATURAL RESOURCES	66	66	71	71	71	71	71
SPECIAL REVENUE	9	13	10	10	10	10	10
GAME AND FISH (OPERATIONS)	0	0	146	146	146	146	146
FEDERAL	0	25	120	70	70	65	65
GIFT	1	8	4	4	4	4	4
Nondedicated							
GENERAL	0	1	0	0	0	0	0
NATURAL RESOURCES	107	115	86	94	94	94	94
GAME AND FISH (OPERATIONS)	540	681	2,187	2,986	2,759	3,024	2,797
Total Revenues Collected	723	909	2,624	3,381	3,154	3,414	3,187
FTE by Employment Type:							
FULL TIME	207.1	206.5	222.3	219.3	227.8	219.3	227.8
PART-TIME, SEASONAL, LABOR SER	9.6	4.1	2.1	2.1	2.1	2.1	2.1
OVERTIME PAY	22.7	22.1	22.1	22.1	22.1	22.1	22.1
Total Full-Time Equivalent	239.4	232.7	246.5	243.5	252.0	243.5	252.0

PROGRAM SUMMARY

Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

PROGRAM PROFILE:

The Operations Support Program provides the administrative support to all other DNR programs, as well as direct services to the general public. It also includes the management of the youth programs (Minnesota Conservation Corps and the Youth in Natural Resources Programs) that were formerly included in the Forest Management Program. The Operations Support Program is comprised of five separate budget activities. Each of these activities will be discussed in more detail on the following pages. The five budget activities and their sub-units are the following:

- Field Operations Support
 - Field Services Bureau
 - Engineering Bureau
- Regional Operations Support
- Administrative Management
 - Office of Affirmative Action and Diversity
 - Commissioner's Office
 - Human Resources Bureau
 - Bureau of Information, Education and Licensing
 - Management Information Services Bureau
 - Office of Management and Budget Services
- Recreation and Local Initiative Grants
- Youth Programs

STRATEGIES AND PERFORMANCE:

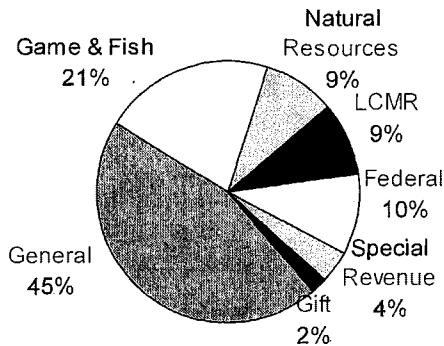
The Operations Support program uses the following strategies:

- Constantly monitor and modify our business practices to deliver a high quality of service at the lowest possible cost.
- Assess the financial impact to support services when considering new budget initiatives.
- Develop partnerships with local units of government and other natural resource organizations on resource issues and management objectives.
- Improve communication with, and services for, stakeholders and citizens.

- Provide leadership in establishing standards for evaluating ecosystem health.
- Provide leadership in evaluating the effectiveness of ecosystem-based management efforts.
- Improve the integration of support services, including budgeting and planning.

FINANCING INFORMATION:

Operations Support Expenditures/Budget by Fund FY 2000-01



BUDGET ISSUES:

The single greatest budget issue for the Operations Support program is securing funding for the proper level of administrative support that field programs require. Often with dedicated funding, there is tendency to underfund administrative support activity. Thus, operations support expenditures have not kept pace with programmatic expenditures.

■ Reallocation of Base Resources

The following proposals to reallocate base resources within the Department will add resources to activities within Operations Support to address a number of departmental concerns:

PROGRAM SUMMARY (Continued)

Program: OPERATIONS SUPPORT

Agency: NATURAL RESOURCES DEPT

- Put department resources toward working with local units of government to ensure the preservation of open space through DNR's Conservation Connections program.
- Add staff to DNR's Human Resources Bureau to enhance turnaround time so that personnel hires and transactions are handled in a timely manner.
- Convert LCMR funded Environmental Indicators staff to develop a departmental formal program evaluation function for improved operations.
- Shift resources to improve inter-disciplinary resource management and community assistance at the department's six regional offices.
- Add resources to the department's Management Information Systems unit to contract for or add staff contract to address systems development needs (includes the forest information system, FORIST, Revenue Management System and an integrated Land Management System) and to continue efforts to connect area offices to the Department's computer network. Connecting area offices will allow data to be available at local level and improve coordination.

The primary financial challenge is finding how to provide an increased level of support services in a more efficient manner.

External factors that impact the cost of providing support services:

- Changes in technology.
- Increased public desire for natural resource information.
- Changes in mandates-federal and state law, regulation and policy.

Internal factors impacting the cost of support services:

- An increased need to collect data and make it available to stakeholders.
- Integrated services and improved efficiency.

LCMR RECOMMENDATIONS – DIRECT

Metro Greenways

For the Metro Greenways Program to provide assistance for planning, improving, and protecting important natural areas in the metropolitan region through grants, conservation easements and fee acquisition (\$2.73 million Environmental Trust Fund).

Neighborhood Wilds Program

For the Neighborhood Wilds Program to assist neighborhoods adjacent to public lands and natural areas in restoration and management of habitat through demonstration projects (\$135,000 Mn Future Resources Fund).

Pass-Through Administration

To the commissioner of natural resources for contract administration activities assigned to the commissioner in the Minnesota Resources Section (\$110,000 Environmental Trust Fund; \$40,000 Mn Future Resources Fund).

Local Grants Initiative Program: Outdoor Recreation Grants

(\$3.4 million Environmental Trust Fund; \$605,000 Mn Future Resources Fund).

1. For regional parks outside the metropolitan area under MS 473.121, for recreation areas and natural and scenic areas under MS 85.019.
2. For local parks, outdoor recreation areas, and natural and scenic areas under MS 85.019.
3. For statewide conservation partners grants of up to \$20,000 each to encourage private organizations and local governments to cost share improvements of fish, wildlife, and native plant habitats and research and surveys of fish and wildlife.
4. For environmental partnerships program grants of up to \$20,000 each for environmental service projects and related education activities through public and private partnerships.

Grants under clause (1) may provide up to 60% of the nonfederal share of the project cost. Grants under clauses (2) to (4) may provide up to 50% of the nonfederal share of the project cost.

LCMR RECOMMENDATIONS – PASS THROUGH:

Enhancing Canada Goose Hunting and Management

An agreement with the Minnesota Waterfowl Association to acquire leases on private farmlands for foraging sites and public hunting opportunities and to provide technical assistance to local units of government in developing controlled hunts for nuisance geese (\$340,000 Mn Future Resources Fund).

Restoring Minnesota's Fish and Wildlife Habitat Corridors

For acceleration of agency programs and cooperative agreements with Minnesota Waterfowl Association and 11 other organizations, to restore and acquire fragmented landscape corridors that connect areas of quality habitat to sustain fish, wildlife, and plants (\$7.960 million Environmental Trust Fund).

PROGRAM SUMMARY (Continued)

Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

Engineering Support for Public Lands Waterfowl Projects

For an agreement with Ducks Unlimited to provide survey and engineering support to natural resources agencies for waterfowl projects on public lands (\$275,000 Mn Future Resources Fund).

Big Rivers Partnership: Helping Communities to Restore Habitat

For an agreement with Great River Greening to implement private and public habitat projects on a cost share basis in the Mississippi and Minnesota River Valleys (\$910,000 Environmental Trust Fund).

Acquisition and Restoration of Eagle Creek's Last Private Land

An agreement with the city of Savage to acquire a buffer strip along Eagle Creek as an aquatic management area (\$910,000 Mn Future Resources Fund).

Metropolitan Regional Parks Acquisition, Rehabilitation, and Development

For an agreement with the Metropolitan Council for sub-grants for acquisition, development, and rehabilitation in the Metropolitan Regional Park System, consistent with the Metropolitan Council Regional Recreation Open Space Capital Improvement Plan (\$5.645 million Environmental Trust Fund).

Outdoors For Everyone: Accessing Recreational Trails and Facilities

An agreement with Wilderness Inquiry to provide technical assistance to local units of government for development of publicly funded trails and outdoor recreation facilities to ensure that new federal standards for accessibility for persons with disabilities are met (\$230,000 Environmental Trust Fund).

Development of Mesabi Trail Facility

An agreement with the St. Louis and Lake Counties Regional Rail Authority to acquire land and design a Mesabi Trail Center Building (\$190,000 Mn Future Resources Fund).

Regional Trailhead Building

An agreement with the Itasca County Land Department to complete construction of a trailhead building at Itasca County Fairgrounds to serve regional trail users (\$135,000 Mn Future Resources Fund).

Itasca County Fairground Conservation Building

An agreement with the Itasca County Agricultural Association to renovate a 1934 WPA log building at the Itasca County Fairgrounds as an environmental learning facility, and to develop curricula and exhibits on lakes and fishing (\$45,000 Mn Future Resources Fund).

Alternative Storm Water Systems

An agreement with the Metropolitan Council to provide incentives in Metropolitan Council grants to communities and land developers for alternative storm water conveyance systems that minimize the runoff quantity and improve runoff quality (\$180,000 Mn Future Resources Fund).

Mississippi Headwaters Board: Environmental Economic Assessments

For an agreement with Mississippi Headwaters Board to accelerate the River Watch Watershed Monitoring Program and integrate economic and water data analysis into decision-making tools for landowners and local units of government (\$100,000 Mn Future Resources Fund).

GIS Management in Koochiching County

An agreement with Koochiching County to develop parcel-based GIS capability for Koochiching County for land use, natural resource, and fiscal data (\$70,000 Mn Future Resources Fund).

Environmental Practices on Dairy Farms

An agreement with Minnesota Milk Producers Association to assist dairy producers in complying with environmental quality regulations (\$245,000 Mn Future Resources Fund).

Sustainable Inner-City Communities Through Environmental Literacy

An agreement with Sabathani Community Center for collaborative community environmental education and youth outreach (\$545,000 Mn Future Resources Fund).

Project Green Start: Environmental Education

An agreement with the Minnesota Children's Museum to construct habitat exhibits for environmental education activities (\$340,000 Mn Future Resources Fund).

Raptor Propagation: Student Education

An agreement with Stillwater Area High School to build a captive breeding facility for raptors and develop associated education activities (\$35,000 Mn Future Resources Fund).

Hennepin Parks Farm Education

An agreement with suburban Hennepin Regional Park District to develop and implement a coordinated farm education program at Gale's Woods Special Recreation Area and North Mississippi Regional Park (\$100,000 Mn Future Resources Fund).

PROGRAM SUMMARY (Continued)

Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

Residential Environmental Education For Youth and Community Leaders

An agreement with Camp Courage for student scholarships and marketing for the Residential Environmental Education Program (\$90,000 Mn Future Resources Fund).

(See the LCMR section of the Environmental Budget for more information.)

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends the Operations Support program's base budget, and the reallocation of base resources, snowmobile fund budget reduction, and lottery in-lieu sales tax change items.

The Governor also recommends that funding for the following LCMR projects be reallocated to other projects the administration considers higher priorities. A discussion of this recommendation is included in the LCMR section of the Environmental Budget. The following projects are recommended for reallocation:

- the Development of Mesabi Trail Facility,
- the Regional Trailhead Building,
- GIS Management in Koochiching County,
- Sustainable Inner City Communities Through Environmental Literacy,
- the Itasca County Fairground Conservation Building,
- the Alternative Storm Water Systems project, and
- the Big Rivers Partnership projects

Funds from this reallocation are recommended as follows: \$500,000 from the Future Resources Fund in FY 2002 for Conservation Connections; \$335,000 in FY 2002 and \$335,000 in FY 2003 from the Environmental Trust fund for the Minnesota Land Use Census; and \$655,000 in FY 2002 from the Future Resources Fund to purchase the Oliver Kelly Farm addition.

The Governor recommends all other projects recommended by the LCMR in the Operations Support program.

Program: OPERATIONS SUPPORT
 Agency: NATURAL RESOURCES DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
FIELD OPERATIONS SUPPORT	8,938	9,520	11,338	9,642	9,508	9,824	9,684	(1,666)	(8.0%)
REGIONAL OPERATIONS SUPPORT	4,938	4,641	5,278	5,051	6,936	4,557	6,401	3,418	34.5%
ADMINISTRATIVE MANAGEMENT	20,003	18,336	27,284	24,394	26,108	24,751	26,305	6,793	14.9%
REC & LOCAL INITIATIVE GRANTS	1,299	5,373	3,976	1,834	15,729	1,500	10,543	16,923	181.0%
YOUTH PROGRAMS	3,170	2,770	3,361	3,142	2,834	3,173	2,865	(432)	(7.0%)
Total Expenditures	38,348	40,640	51,237	44,063	61,115	43,805	55,798	25,036	27.2%
Change Items:									
(A) REALLOCATION OF BASE RESOURCES	GEN				1,601			1,569	
(A) SNOWMOBILE FUND BUDGET REDUCTION	NRF				(39)			(39)	
(A) LOTTERY IN-LIEU SALES TAX	NRF				419			419	
(B) REGIONAL OPS SUPPORT LCMR PROJECTS	EVT				1,365			1,365	
(B) REGIONAL OPS SUPPORT LCMR PROJECTS	MFR				135				
(B) ADMINISTRATIVE MGMT LCMR ALLOCATIONS	EVT				55			55	
(B) ADMINISTRATIVE MGMT LCMR ALLOCATIONS	MFR				40				
(B) CONSERVATION CONNECTIONS - GOV'S LCMR	MFR				500				
(B) MN LAND USE CENSUS - GOV'S LCMR RECS	EVT				335			335	
(B) REC & LOCAL GRANTS LCMR ALLOCATIONS	EVT				8,290			8,289	
(B) REC & LOCAL GRANTS LCMR ALLOCATIONS	MFR				4,351				
Total Change Items					17,052			11,993	
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	735	2,589	2,236	0	10,045	0	10,044		
GENERAL	23,862	19,051	22,060	20,076	21,677	20,518	22,087		
MINNESOTA RESOURCES	688	3,473	135	0	5,026	0	0		
NATURAL RESOURCES	4,021	3,769	4,564	4,140	4,520	4,225	4,605		
GAME AND FISH (OPERATIONS)	5,944	7,636	8,959	8,479	8,479	8,656	8,656		
Statutory Appropriations:									
GENERAL	73	83	77	26	26	1	1		
SPECIAL REVENUE	868	1,043	2,042	1,252	1,252	1,252	1,252		
GAME AND FISH (OPERATIONS)	76	911	2,200	1,900	1,900	1,900	1,900		
FEDERAL	1,483	1,416	7,354	7,367	7,367	6,456	6,456		
MISCELLANEOUS AGENCY	46	84	116	106	106	80	80		
GIFT	552	585	1,494	717	717	717	717		
Total Financing	38,348	40,640	51,237	44,063	61,115	43,805	55,798		

Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE by Employment Type:</u>							
FULL TIME	461.5	448.5	453.4	450.2	459.4	450.2	459.1
PART-TIME, SEASONAL, LABOR SER	44.0	44.9	54.6	51.1	26.6	51.1	26.6
OVERTIME PAY	2.5	1.9	0.8	0.8	0.8	0.8	0.8
Total Full-Time Equivalent	508.0	495.3	508.8	502.1	486.8	502.1	486.5

BUDGET ACTIVITY SUMMARY

Budget Activity: FIELD OPERATIONS SUPPORT
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

ACTIVITY PROFILE:

This activity provides professional support services to the entire agency. The services are managed on a department-wide basis to minimize duplication of costs while providing the maximum flexibility to address department-wide priorities. This budget activity includes three bureaus.

Bureau of Field Services (BFS). Provides centralized management of facilities, equipment, safety and health, and materials. Primary activities:

- Manage, maintain, and repair 2,000+ buildings and facilities.
- Maintain, repair and replace 4,000+ pieces of fleet and radio equipment.
- Provide safety training and services to all DNR divisions and the PCA.
- Provide procurement, inventory, warehousing, signs, uniforms and surplus services to all DNR divisions.
- Provide a complete loss control program for all the DNR staff. This includes accident prevention, safety training, and workers' compensation claims management.

Bureau of Engineering (BOE). Provides professional architectural, engineering, surveying, and landscape architecture services that

- design and build recreational facilities such as trails, campgrounds, fishing piers and public access sites for public use;
- design resource facilities, such as water control structures and stream realignments that restore wetlands, improve habitat, control erosion, and enhance hunting and fishing opportunities;
- provide land surveying expertise for acquisition and development, and to assist resource managers in protecting critical habitat and being "good neighbors";
- provide design and oversight for new building construction, major remodeling, and rehabilitation projects.

STRATEGIES AND PERFORMANCE:

The Field Services Bureau uses the following strategies to achieve its goals:

- Establishes incentives to encourage divisions to share equipment and other resources in order to maximize use and minimize cost.

- Establish maintenance, repair, and replacement schedules that stress preventative maintenance to minimize downtime and expensive repairs.
- Minimize workplace injuries, employee lost-time, and workers compensation costs by proactive delivery of safety and health programs.
- Actively explore opportunities to streamline the procurement process and acquire goods and services in the most cost effective manner.
- Reduction in the number of accidents and the severity of job-related injuries in the past years due to the Department's safety program activities. The department is working to reduce its current rate of over 250 injury-producing accidents and more than \$1.0 million in workers' compensation costs annually.

The Bureau of Engineering's strategies:

- Maintain a complex cost accounting and project tracking system to equitably balance one-time versus ongoing projects and charge both fairly.
- Maintain a department project priority list so that the time limits on capital budget and LCMR projects are honored without abandoning base level responsibilities to ongoing division programs.
- Blend in-house professional staff time with the use of consultants to effectively and efficiently deliver needed professional services.

MAJOR ACCOMPLISHMENTS:

Field Services accomplished the following during the FY 2000-01 biennium:

- Implemented the use of credit cards for purchase of items less than \$2,500. This reduced payment transactions and increased financial accountability.
- Expanded the purchasing card program to include travel and lodging.
- Established a vinyl sign program to assist divisions with special use signs.
- Partnered with the Division of Parks and Recreation to provide warehousing responsibilities for the Nature Store and reduced department overhead costs.
- Increased department personnel productivity through timely maintenance and/or replacement of vehicular equipment.
- Increased personnel and equipment safety by striving to supply equipment suited to perform the necessary department work functions.

BUDGET ACTIVITY SUMMARY (Continued)

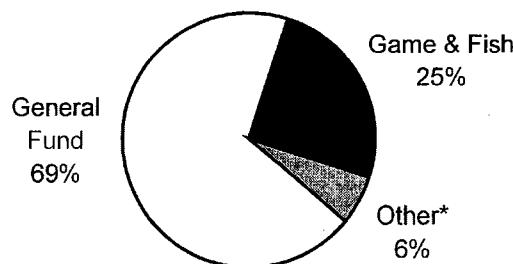
Budget Activity: FIELD OPERATIONS SUPPORT
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

The Bureau of Engineering increased their productivity as follows:

	<u>FY 1999</u>	<u>FY 2000</u>
Contracts Bid	96	82
Bid Amount (\$ millions)	\$10.8	\$17.0
Contracts Completed	72	93
Construction Value (\$ millions)	\$16.9	\$17.6
Surveys Received	191	170
Surveys Completed	125	114
Acquisitions Options Reviewed	118	84
Value of Land Optioned (\$ millions)	\$10.3	\$8.2

FINANCING INFORMATION:

Field Operations Support FY 2000-01 Expenditures by Fund



* Federal Natural Resources Special Revenue.

BUDGET ISSUES:

Bureau of Field Services issues include the following:

- Budget pressures resulting from inflation and cutbacks have resulted in a reduction in staffing with the following efficiency and effectiveness impacts:
 - The equipment program is understaffed to provide full fleet and radio management services for the department. This results in opportunities lost to enhance utilization as well as an impaired ability to aggressively manage costs. We will adjust to these circumstances by allocating our personnel and material resources as effectively as possible.
 - The under funding of the Asset Preservation and Repair Program results in deferred maintenance of aging buildings as well as a reduced ability to meet the facility needs of the department. We will manage this perennial problem by prioritizing the most critical repairs.
- Reallocation of base resources to department priorities will result in 2 to 3 FTE positions held vacant in the areas of equipment and safety services.

An important budget issue for the Bureau of Engineering is the lack of staff needed to help resource managers make strategic decisions about maintaining the existing facility infrastructure. The result is resource staff making engineering decisions that may lead to additional costs, non-feasible project proposals and potential public safety issues. We will manage this problem through the judicious use of the resources available to us.

Activity: FIELD OPERATIONS SUPPORT
 Program: OPERATIONS SUPPORT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	5,619	5,742	6,508	6,634	6,550	6,816	6,729	1,029	8.4%
OTHER OPERATING EXPENSES	2,957	3,176	4,790	3,008	2,958	3,008	2,955	(2,053)	(25.8%)
Subtotal State Operations	8,576	8,918	11,298	9,642	9,508	9,824	9,684	(1,024)	(5.1%)
CAPITAL OUTLAY & REAL PROPERTY	362	602	40	0	0	0	0	(642)	(100.0%)
Total Expenditures	8,938	9,520	11,338	9,642	9,508	9,824	9,684	(1,666)	(8.0%)
<u>Change Items:</u>									
(A) REALLOCATION OF BASE RESOURCES		Fund							
		GEN							
Total Change Items						(134)		(140)	
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	4,868	6,619	7,675	6,342	6,208	6,475	6,335		
NATURAL RESOURCES	354	322	340	341	341	347	347		
GAME AND FISH (OPERATIONS)	3,411	2,328	2,687	2,567	2,567	2,610	2,610		
Statutory Appropriations:									
SPECIAL REVENUE	158	108	497	250	250	250	250		
GAME AND FISH (OPERATIONS)	76	71	67	70	70	70	70		
FEDERAL	71	72	72	72	72	72	72		
Total Financing	8,938	9,520	11,338	9,642	9,508	9,824	9,684		
<u>Revenue Collected:</u>									
Dedicated									
SPECIAL REVENUE	151	192	250	250	250	250	250		
GAME AND FISH (OPERATIONS)	75	71	67	70	70	70	70		
Nondedicated									
GENERAL	0	1	1	1	1	1	1		
GAME AND FISH (OPERATIONS)	1	1	0	0	0	0	0		
Total Revenues Collected	227	265	318	321	321	321	321		
<u>FTE by Employment Type:</u>									
FULL TIME									
PART-TIME, SEASONAL, LABOR SER	100.4	99.4	107.3	108.3	105.8	108.3	105.8		
OVERTIME PAY	4.5	4.4	4.4	3.6	3.1	3.6	3.1		
	0.3	0.4	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	105.2	104.2	111.7	111.9	108.9	111.9	108.9		

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BUDGET ACTIVITY SUMMARY

Budget Activity: REGIONAL OPERATIONS SUPPORT
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

ACTIVITY PROFILE:

Regional Operations, with offices located in Bemidji, Grand Rapids, Brainerd, New Ulm, Rochester, and Saint Paul enhances the effectiveness of resource management by

- coordinating the design and delivery of agency programs in the region;
- filling gaps in service delivery through development of innovative community partnerships and creating a more informed public; and
- providing professional support services that allow resource managers to spend more time in the field.

In each of the six regions, these services are provided by a regional director, a regional planner, a regional business office, a regional information officer, community assistance coordinators and clerical support personnel. Their efforts are concentrated in three areas:

Public Outreach and Coordination:

The goal of sustainability guides the agency's work with citizen's to manage the state's natural resources. Partnerships with other agencies, local governments, and stakeholder groups is one of the agency's key strategies for meeting this goal. Additionally, DNR emphasizes a system approach that seeks to coordinate and integrate the scope of its management efforts. Regional Operations plays an important role both in building partnerships at the local level and in ensuring the coordinated delivery of program services.

Regional Directors work closely with legislators, local units of government, businesses, and citizen groups. They coordinate and advocate interdisciplinary local approaches with partners. Regional Directors carry regional concerns of staff and local citizen interests forward for resolution.

Regional Planners develop interdisciplinary work plans and budgets for the region, coordinate grant programs including the Environmental Partnership, Conservation Partners, and Greenways and Natural Areas grants, and coordinate development and implementation of resource management plans at the regional level for Old Growth Forest designation, Off-Highway Vehicles, and natural shoreline areas.

Community Coordinators work closely with citizens and field staff on natural landscapes and watershed projects such as: the Big Woods, Oak Savanna,

Red River Valley, Metro trout streams, Blue Earth Watershed, and urban greenways in the Twin Cities Metro area. Coordinators link DNR staff with counties, landowners, cities, non-profit organization and other agencies. Their work extends and leverages the abilities of field staff and community partners to address local resource issues and needs.

Information and Education:

Information and Education staff provide critical links to the public and stakeholders by producing and disseminating information. They maintain relations with regional media, develop and implement communication plans to further resource initiatives, and provide various forms of education and outreach services to environmental and conservation groups. They provide information in a range of forms including, news releases, radio programs, reports, brochures, newsletters, community meetings, and by one-on-one discussions with citizens.

Business Offices

Regional Operations business offices manage payroll, benefits administration, and personnel transaction services. They provide budget management expertise and handle a wide variety of financial transactions and reports. Regional business offices manage FEMA application and reimbursement for regional facilities in natural disasters. They process all DNR contracts for repair, construction, development and maintenance projects within the region and provide immediate fiscal support for fire fighting teams.

STRATEGIES AND PERFORMANCE:

In its efforts to achieve greater efficiency and effectiveness in resource management, Regional Operations relies on four strategies:

- Emphasize local interdisciplinary and broad external partnerships to achieve community-based approaches to resource management.
- Leverage resources from non-profits, citizen groups, and other government units.
- Provide financial incentives through grants.
- Provide the efficient and effective delivery of business services.

Over the past biennium these strategies have resulted in positive measurable outcomes. Some of these outcomes include

- Metro Trout Streams leveraged \$1.4 million dollars and restored/protected 3 miles of trout streams in the metro area.
- Business Offices processed 1,000 contracts annually for services supporting natural resources work department-wide.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: REGIONAL OPERATIONS SUPPORT

Program: OPERATIONS SUPPORT

Agency: NATURAL RESOURCES DEPT

- Regional Planners coordinated the work of area forestry, wildlife and ecological services staff to designate Old Growth Forests lands.
- Worked with the Department of Transportation and the Pollution Control Agency in road construction and redevelopment, i.e. Highways 23, 28, 61, 169, and 371.
- Big Woods staff leveraged \$678,000 federal dollars and acquired easements protecting 593 acres of woodland.

FINANCING INFORMATION:

REVENUE:

This activity generates dedicated revenue. The following are significant items:

- *Federal Fund.* Disaster Public Assistance advances and reimbursements passed through the Department of Public Safety, Division of Emergency Management (DEM) to DNR for emergency work, debris clearance, and damage on DNR land.
- *General Fund.* Dedicated state-match for Disaster Public Assistance.
- *Special Revenue.* Revenues from seminars, workshops, and cooperative efforts with outside entities, and the sale of DNR merchandise.

GRANTS:

Program grants administered through this budget activity include: The Environmental Partnership, Conservation Partners, and the Greenways and Natural Areas grants.

BUDGET ISSUES:

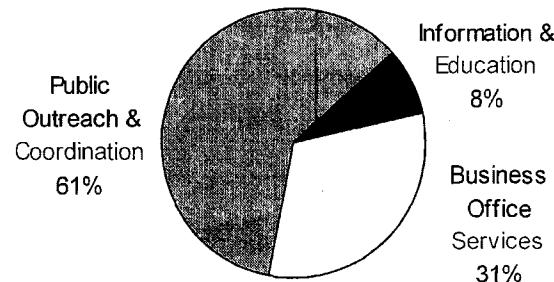
Inflation continues to erode the services provided by Regional Operations. During the past biennium 3 positions were held vacant due to budget shortfalls. To address this funding problem, the department is proposing to reallocate base level resources in the amount of \$432,000 for FY 2002 and \$526,000 for FY 2003 (See the "Reallocation of Base Resources" change item). These funds would provide budget resources for the positions that were held vacant in 2001. The remaining amount of the reallocation would be used to provide funding for 4 current positions that would be eliminated in FY 2002 and FY 2003 without additional resources.

Regional Operations services are necessary for continuation for DNR's effort to work with the public for quality natural resources management.

Regional Operations Budget

Component Categories

For FY 2002 Base



Activity: REGIONAL OPERATIONS SUPPORT
 Program: OPERATIONS SUPPORT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	3,412	3,523	3,496	3,611	4,043	3,719	4,245	1,269	18.1%
OTHER OPERATING EXPENSES	887	600	1,226	1,174	1,172	686	684	30	1.6%
Subtotal State Operations	4,299	4,123	4,722	4,785	5,215	4,405	4,929	1,299	14.7%
CAPITAL OUTLAY & REAL PROPERTY	182	31	205	124	1,389	10	1,275	2,428	1,028.8%
LOCAL ASSISTANCE	457	487	351	142	332	142	197	(309)	(36.9%)
Total Expenditures	4,938	4,641	5,278	5,051	6,936	4,557	6,401	3,418	34.5%
Change Items:									
	Fund								
(A) REALLOCATION OF BASE RESOURCES	GEN				385			479	
(B) REGIONAL OPS SUPPORT LCMR PROJECTS	EVT				1,365			1,365	
(B) REGIONAL OPS SUPPORT LCMR PROJECTS	MFR				135				
Total Change Items					1,885			1,844	
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	0	202	207	0	1,365	0	1,365		
GENERAL	4,158	2,918	3,239	3,191	3,576	3,270	3,749		
MINNESOTA RESOURCES	93	37	0	0	135	0	0		
NATURAL RESOURCES	236	241	248	255	255	262	262		
GAME AND FISH (OPERATIONS)	0	822	1,007	944	944	966	966		
Statutory Appropriations:									
GENERAL	73	83	77	26	26	1	1		
SPECIAL REVENUE	123	195	290	43	43	43	43		
FEDERAL	248	138	205	588	588	11	11		
GIFT	7	5	5	4	4	4	4		
Total Financing	4,938	4,641	5,278	5,051	6,936	4,557	6,401		

Activity: REGIONAL OPERATIONS SUPPORT

Program: OPERATIONS SUPPORT

Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>Revenue Collected:</u>							
Dedicated							
GENERAL	139	363	82	30	30	1	1
SPECIAL REVENUE	31	32	43	43	43	43	43
FEDERAL	342	1,254	353	124	124	11	11
GIFT	8	3	4	4	4	4	4
Nondedicated							
GENERAL	2	1	0	0	0	0	0
Total Revenues Collected	522	1,653	482	201	201	59	59

<u>FTE by Employment Type:</u>							
FULL TIME	58.4	57.2	56.2	56.2	59.4	56.2	59.4
PART-TIME, SEASONAL, LABOR SER	8.7	6.5	4.3	4.3	4.3	4.3	4.3
Total Full-Time Equivalent	67.1	63.7	60.5	60.5	63.7	60.5	63.7

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BUDGET ACTIVITY SUMMARY

Budget Activity: ADMINISTRATIVE MANAGEMENT

Program: OPERATIONS SUPPORT

Agency: NATURAL RESOURCES DEPT

ACTIVITY PROFILE:

This activity provides overall agency management, including formulating and establishing policies and priorities, and integrating department operations in a cohesive direction. The activity includes the following units and activities:

- Office of Affirmative Action and Diversity manages programs and policies to ensure compliance with federal and state laws, rules and regulations related to affirmative action, and equal opportunity. In addition, minority outreach and recruitment activities are coordinated by this office.
- Commissioner's Office provides leadership for the department and specialists in regulatory and legislative affairs, agricultural policy, ethics, and professional standards.
- Bureau of Human Resources serves all bureaus and divisions by providing advice to management on employee relations issues, including
 - labor agreements and plans covering agency employees;
 - conducting audits, studies and exams for over 400 agency job classifications;
 - developing and implementing or coordinating agency-wide employee development and training opportunities;
 - coordinating the agency's employee recognition programs, providing personnel, payroll and insurance expertise and processing.
- The Bureau of Information, Education and Licensing manages game, fish, and commercial licensing, manages recreational vehicle registration and titling, and provides information and communication products and services to the general public. It provides media, communication, special event and educational products and services to DNR units and projects. A sample of activities measured:
 - Distributes over 3.0 million copies of DNR publications to groups, license and registration agents and the general public each year.
 - Receives and responds to 250,000 phone inquiries, requests, and questions annually.
 - Manages the transactions and collects revenues from 2.5 million DNR license buyers, 500,000 registration and titling customers.
 - Provides information and services to 70,000 walk-in visitors to the St. Paul office annually.
- Office of Management and Budget Services (OMBS) provides management, budget, and financial services to all divisions. It also works with outside communities to balance ecosystem sustainability with recreational and commercial use of the state's natural resources. Together, these units

- integrate strategic planning, budgeting and financial reporting;
- conduct internal audits;
- provide accounting, business, and policy services for all units;
- provide integrated ecological and resource information to government and private sector decision makers through the environmental review process;
- administer five matching grant programs and pass-through appropriations;
- coordinate volunteer programs;
- provide leadership and scientific support for innovative resource management policy such as Conservation Connections, Smart Growth, and ecosystem approaches to resource management.

- Bureau of Management Information Services provides the following information infrastructure, tools, training and technical support:
 - Computer hardware and software procurement. Establishes PC, workstation and laptop standards, establishes software standards and negotiates vendor contracts for hardware and software purchases.
 - Data and application development. Leads development of an integrated database and application development architecture. Defines a framework for establishing data standards, contract management and application programming services. Builds and maintains the DNR web site and DNR net, the department Intranet.
 - Geographic Information Systems (GIS). Provides department level management of GIS planning, data development and access, and application development.
 - Network services. Provides support for the development, maintenance and security of the DNR computer network.
 - Library services. Services include research using computer databases and other information locator tools. The public uses DNR library resources on site.

STRATEGIES AND PERFORMANCE:

This budget activity employs advances in technology and management in six strategic areas:

- *Customer Service.* Improve customer access to DNR information and services by using state of the art technology, such as electronic licensing and registration, toll-free information numbers, Internet access.
- *Decision Making.* Provide resource managers with information systems, data bases, and analytical models essential to managing natural resources effectively. Spatial analyses using both GIS and tabular data will provide critical information for sound decision-making in the wise, sustainable use of Minnesota's land and natural resources. Through internal reallocation, expand bureau capabilities to develop video-based and broadcast quality communication products to support natural resource management objectives.

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: ADMINISTRATIVE MANAGEMENT
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

- *Management Efficiency.* Use computer technology to achieve high quality services at a reasonable cost. Through its ongoing sub regional connectivity project, the MIS Bureau directly engages in efforts to extend telecommunications capability to outstate Minnesota. Via its networking infrastructure efforts and its integration of GIS and tabular.
- *Internal Partnerships.*
 - Support services work teams collaborate to provide a unified service concept to internal clients (resource managers, personnel liaisons and business managers).
 - Focus teams work on geographic areas and assign staff to work with Regional Management Teams to deliver services directly to regional clients.
- *Provide Leadership For Smart Growth And Conservation Connections.* Provide support to managers in adopting ecosystems and sustainability concepts into natural resource management.
 - Develop tools to measure progress in towards sustainability goals.
 - Provide communication and education tools (workshops, environmental education opportunities, and written materials) to provide staff and stakeholders with the information they need to make informed decisions
- *Delegation.* Organize work teams to serve specific internal clients and work with unit specialists (personnel liaisons and business managers) and delegate responsibilities to teams and individuals.

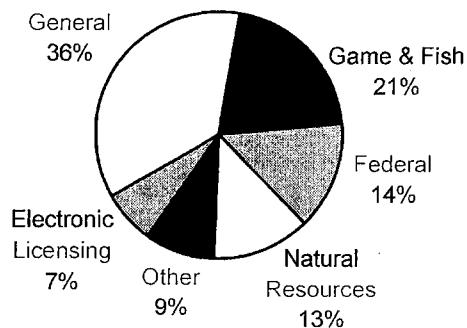
MAJOR ACCOMPLISHMENTS:

- The Information Center provided a one-stop, statewide toll free telephone e-mail information source and a DNR web page to serve the public.
- Licensing sold over 2.5 million licenses and permits and issued over 500,000 recreational vehicle and boating registrations in 1999.
- The process of identifying sustainability issues was developed and implemented, resulting in work plans that reflected cooperation, coordination and partnerships across geographic and discipline boundaries.
- The merger of the Bureau of Information and the Bureau of Education and Licensing was started in 2000 to ensure better integration of the customer service initiatives.

- Implemented the Electronic Licensing System (ELS) for purchasing fishing and hunting licenses.

FINANCING INFORMATION:

Operation Support Administrative Management FY 2000-01 Expenditures by Fund



* Other includes Special Revenue, Gift, Minnesota Resources and Environmental and Natural Resources.

REVENUE:

The significant forecasted revenues for this activity are included for the following funds:

- *Natural Resources Fund.* Watercraft registration, titling, and surcharge.
- *Game and Fish Fund.* Issuing fee from the sale of fishing and hunting licenses via the department's electronic licensing system.
- *Federal Fund.* Recreational Boating Safety Program, LAWCON project reimbursements, and the Conservation and Reinvestment Act (CARA).
- *Gift Fund.* Private donations for the Volunteer magazine.

GRANTS:

- *Recreational Boating Safety.* Federal funds (\$284,00 annually in FY2002-03) are provided through the U.S. Coast Guard for boating safety and are

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: ADMINISTRATIVE MANAGEMENT
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

allocated by the department to selected counties for an increased level of patrol with emphasis of enforcement of boating-while-intoxicated laws.

- *Minnesota Conservation Connections.* Funds are recommended (\$170,000 annually in FY 2002-03) to increase collaboration between local units of government and the department that will result in protecting and restoring community ecological infrastructures.

BUDGET ISSUES:

Reductions in the level of dedicated funds used for administrative costs has resulted in an administrative support budget that has remained flat in spite of rising operating budgets and an increasing demand on administrative services.

Snowmobile Budget Reduction will result in an annual \$14,000 reduction in operations for the Bureau of Information, Education and Licensing and an annual \$17,000 reduction for snowmobile registration data entry in the MIS Bureau.

Reallocation of base resources will result in \$59,000 reallocated from OMBS/County Auditor in Game and Fish license activities to the Minnesota Conservation Connection Program. The county auditor activities are no longer needed due to the electronic licensing system. Base resources will be reallocated to the following high priority agency needs: Human Resources activities (\$155,000 annually), performance and results management (\$150,000 annually), and management information systems: sub-regional connectivity (\$250,000 for FY 2002 and \$140,000 for FY 2003) and software engineering services (\$950,000 annually). Conservation Connections will receive \$145,000 in FY 2002, and \$135,000 in FY 2003. The remaining funding for this program comes from reallocations within the program.

Activity: ADMINISTRATIVE MANAGEMENT
 Program: OPERATIONS SUPPORT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	11,068	11,490	12,597	12,625	13,464	12,968	13,736	3,113	12.9%
OTHER OPERATING EXPENSES	8,634	6,509	13,927	11,430	12,135	11,444	12,060	3,759	18.4%
OTHER FINANCIAL TRANSACTIONS	24	29	35	35	35	35	35	6	9.4%
TRANSFERS	0	0	334	20	20	20	20	(294)	(88.0%)
Subtotal State Operations	19,726	18,028	26,893	24,110	25,654	24,467	25,851	6,584	14.7%
CAPITAL OUTLAY & REAL PROPERTY	45	0	0	0	0	0	0	0	
LOCAL ASSISTANCE	232	308	391	284	454	284	454	209	29.9%
Total Expenditures	20,003	18,336	27,284	24,394	26,108	24,751	26,305	6,793	14.9%
<u>Change Items:</u>									
(A) REALLOCATION OF BASE RESOURCES	GEN				1,650			1,530	
(A) SNOWMOBILE FUND BUDGET REDUCTION	NRF				(31)			(31)	
(B) ADMINISTRATIVE MGMT LCMR ALLOCATIONS	EVT				55			55	
(B) ADMINISTRATIVE MGMT LCMR ALLOCATIONS	MFR				40				
Total Change Items					1,714			1,554	
<u>Financing by Fund:</u>									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	135	157	243	0	55	0	55		
GENERAL	12,210	7,613	8,999	8,483	10,133	8,669	10,199		
MINNESOTA RESOURCES	247	334	107	0	40	0	0		
NATURAL RESOURCES	2,944	2,798	3,119	3,058	3,027	3,117	3,086		
GAME AND FISH (OPERATIONS)	2,533	4,486	5,265	4,968	4,968	5,080	5,080		
Statutory Appropriations:									
SPECIAL REVENUE	316	401	804	519	519	519	519		
GAME AND FISH (OPERATIONS)	0	840	2,133	1,830	1,830	1,830	1,830		
FEDERAL	1,073	1,183	5,175	4,873	4,873	4,873	4,873		
GIFT	545	524	1,439	663	663	663	663		
Total Financing	20,003	18,336	27,284	24,394	26,108	24,751	26,305		

Activity: ADMINISTRATIVE MANAGEMENT

Program: OPERATIONS SUPPORT

Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>Revenue Collected:</u>							
Dedicated							
GENERAL	1,848	0	0	0	0	0	0
SPECIAL REVENUE	497	451	560	370	370	370	370
GAME AND FISH (OPERATIONS)	0	843	2,130	2,130	2,130	2,130	2,130
FEDERAL	2,261	1,476	5,476	6,162	6,162	5,162	5,162
MISCELLANEOUS AGENCY	0	338	132	20	20	20	20
GIFT	818	680	663	663	663	663	663
Nondedicated							
GENERAL	72	96	100	100	100	100	100
NATURAL RESOURCES	4,826	5,102	5,415	5,256	5,256	5,245	5,245
GAME AND FISH (OPERATIONS)	32	32	36	36	36	36	36
Total Revenues Collected	10,354	9,018	14,512	14,737	14,737	13,726	13,726

FTE by Employment Type:	189.7	187.3	199.6			195.4	204.9	195.4	204.6
				11.2	10.2				
FULL TIME	189.7	187.3	199.6	195.4	204.9	195.4	204.9	195.4	204.6
PART-TIME, SEASONAL, LABOR SER	17.6	19.8	13.9	11.2	10.2	11.2	10.2	11.2	10.2
OVERTIME PAY	1.3	1.1	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Total Full-Time Equivalent	208.6	208.2	214.3	207.4	215.9	207.4	215.6	207.4	215.6

BUDGET ACTIVITY SUMMARY

Budget Activity: REC & LOCAL GRANTS INITIATIVE
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

ACTIVITY PROFILE:

This activity provides financial assistance to local governments and private organizations to build recreational facilities and to protect and enhance natural areas. These projects promote more livable communities, healthier population, and greater public appreciation and knowledge of natural resource benefits.

■ Grants Summary

The Local Parks Grants and Natural and Scenic Area Grants programs are established in M.S. 85.019. The Conservation Partners and Community Environmental Partnerships Grants programs are not established in statute, but are referenced and outlined in the recommendation of the Legislative Commission on Minnesota Resources (LCMR) since 1995. The Regional Park Grants (Outside Metro) program was funded by the 2000 Legislature and is not established in statute.

- Local Park Grants provide matching grants to encourage the creation or enhancement of high quality outdoor recreation facilities.
- Natural and Scenic Area Grants provide matching grants to protect and enhance natural and scenic areas.
- Conservation Partners Grants provide matching grants to encourage enhancement of fish, wildlife and native plant habitats, and research and surveys of fish and wildlife directly related to specific habitat improvements.
- Environmental Partnership Grants provide matching grants to encourage environmental service projects and related education activities through public and private partnerships.
- Regional Park Grants (Outside Metro) provides grants to public regional parks organizations outside the Twin Cities Metro Area to acquire land, design, construct, and redevelop regional parks and trails, open space, and recreational facilities. Each \$3 of state grants must be matched by \$2 of nonstate funds.

In addition to the Local Grants Initiative Programs, the Trails and Waterways Division administers two related matching grant programs for trails. The Local Trail Connections Grant Program provides matching grants to promote access between people and desirable destinations via trail linkages. The Regional Trail Grant Program provides matching grants to promote development of regionally significant trails funded with local or federal funding.

GRANT PROGRAM (\$000's)	1999 SESSION	2000 SESSION
Local Park Grants	\$1,953	\$ -0-
Natural and Scenic Area Grants	870	-0-
Conservation Partners Grant	610	-0-
Environmental Partnership Grants	200	-0-
Regional Parks Outside Metro	-0-	500
Totals	\$3,633	\$500

■ Significant Changes

- The 2000 legislature appropriated funds for a new program for regional parks outside the Metro Area.
- Congress appropriated federal FY 2000 funds to the states from the Land and Water Conservation Fund for the first time in several years. An additional appropriation is expected for federal FY 2001. One half of the funds that come to Minnesota through this program are used for local recreation grants.
- The LCMR is recommending that the 2001 legislature appropriate \$5.005 million for Recreation and Local Grants Initiative (including the two trail grant programs).

STRATEGIES AND PERFORMANCE:

■ Program Strategies

- Mass mailing of promotional material.
- Application review and ranking.
- Processing grant agreements and project billing.
- Ongoing project monitoring to ensure compliance with grant agreements.
- Technical assistance. Review proposals for facility design, accessibility and appraisal requirements, environmental and historical/archeological impact.

■ Performance Summary – Numbers of grants made in the last few years:

- Local Park Grants: 152 projects funded during the last four grant rounds.
- Natural and Scenic Area Grants: 36 projects funded and approximately 1,140 acres proposed for acquisition and protection since 1996.
- Conservation Partners Grants: 196 approved since 1996.
- Community Environmental Partnerships Grants: 35 projects funded in 1997.

- The Local Grants Initiative, plus the pass-through appropriations administered by the local grants staff in DNR, represent a significant contribution to protecting and enhancing natural areas and outdoor recreation areas. One key characteristic of all this activity is that it involves a variety of partnerships and cooperative efforts among state, local government, private organization and private citizen stakeholders. All of these projects are undertaken as positive, voluntary initiatives on the part of the participants.

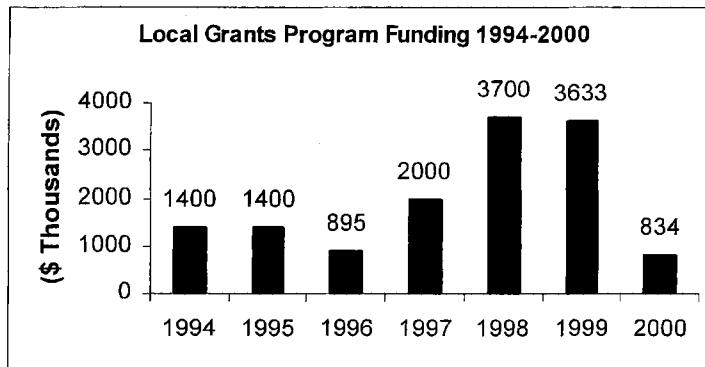
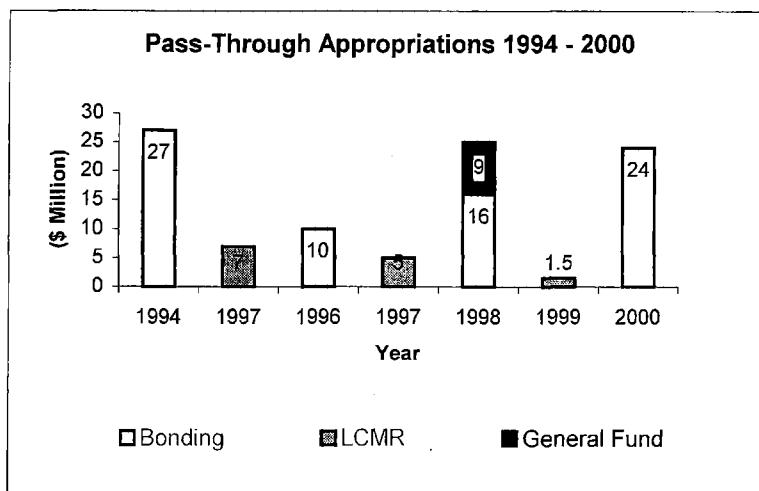
BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: REC & LOCAL GRANTS INITIATIVE

Program: OPERATIONS SUPPORT

Agency: NATURAL RESOURCES DEPT

FINANCING INFORMATION:



BUDGET ISSUES:

- In federal FY 2000, Congress, for the first time in several years, allocated funds to the states from the Land and Water Conservation Fund (LAWCON). Minnesota received \$334,053 for local park grants. We anticipate that Congress will provide some LAWCON funds in federal FY 2001. The estimated amount to be allocated to Minnesota for local park grants is approximately \$780,000.
- The revenue and expenditures of the lottery in-lieu of sales tax deposited in the Natural Resources Fund and designated for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory, and the Duluth Zoo are included in this budget activity. Two percent of the forecasted revenue will provide each zoo with approximately \$140,000 annually for FY 2002-03.

Activity: REC & LOCAL INITIATIVE GRANTS
 Program: OPERATIONS SUPPORT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
TRANSFERS	0	0	0	0	140	0	140	280	
Subtotal State Operations	0	0	0	0	140	0	140	280	
LOCAL ASSISTANCE	1,299	5,373	3,976	1,834	15,589	1,500	10,403	16,643	178.0%
Total Expenditures	1,299	5,373	3,976	1,834	15,729	1,500	10,543	16,923	181.0%
Change Items:									
(A) LOTTERY IN-LIEU SALES TAX	NRF				419			419	
(B) CONSERVATION CONNECTIONS - GOV'S LCMR	MFR				500				
(B) MN LAND USE CENSUS - GOV'S LCMR RECS	EVT				335			335	
(B) REC & LOCAL GRANTS LCMR ALLOCATIONS	EVT				8,290			8,289	
(B) REC & LOCAL GRANTS LCMR ALLOCATIONS	MFR				4,351				
Total Change Items					13,895			9,043	
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	600	2,230	1,786	0	8,625	0	8,624		
GENERAL	335	36	0	0	0	0	0	0	
MINNESOTA RESOURCES	348	3,102	28	0	4,851	0	0	0	
NATURAL RESOURCES	0	0	328	0	419	0	419		
Statutory Appropriations:									
FEDERAL	16	5	1,834	1,834	1,834	1,500	1,500		
Total Financing	1,299	5,373	3,976	1,834	15,729	1,500	10,543		
Revenue Collected:									
Dedicated									
FEDERAL	0	5	1,834	1,834	1,834	1,500	1,500		
Non-dedicated									
NATURAL RESOURCES	0	0	501	456	415	463	422		
Total Revenues Collected	0	5	2,335	2,290	2,249	1,963	1,922		

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BUDGET ACTIVITY SUMMARY

Budget Activity: YOUTH PROGRAMS
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

ACTIVITY PROFILE:

The youth program budget activities includes: The Minnesota Conservation Corps and the Youth in Natural Resources programs.

The Minnesota Conservation Corps (MCC) will be celebrating its 20th anniversary in 2001. The program was created to engage Minnesota's young people in the stewardship of our state's natural resources while providing them with hands on training opportunities. That mission remains relevant to the needs of today's youth and young adults as they prepare to assume their roles as productive and informed citizens.

MCC provides

- work readiness and life skills development to youth and young adults;
- high quality, cost-effective natural resource conservation and related service projects.

MCC has two components:

- a residential summer youth component for 15-18 year olds;
- a non-residential year-round young adult component for 18-26 year olds.

Summer youth members receive a training wage of \$4.25 plus room and board. Entry level young adult members earn \$5.65 per hour, are covered by a major medical insurance policy, may qualify for student loan deferment and a post-service education award. Enrollment preference is given to protected classes and to those persons with economic, social, physical, or educational disadvantages.

Service projects include but are not limited to natural resource conservation; environmental education assistance to schools, and natural disaster/emergency response.

The Youth in Natural Resources (YINR) component, created in 1989, is a career exploration opportunity for protected-class youth, ages 15-18. YINR partners with several minority organizations to provide members with eight weeks of training in natural resource careers and educational options. YINR members earn \$5.25 per hour.

Greater Minnesota YINR youth work in teams and experience broad exposure to resource issues and management techniques. In the metro area, youth have individualized internships tailored to match their interests and abilities.

The demand to participate in Youth Programs greatly exceeds capacity. The MCC summer youth program has averaged 500 applications per season for 100 youth slots. The demand by resource agencies for MCC young adult crews has been steadily rising.

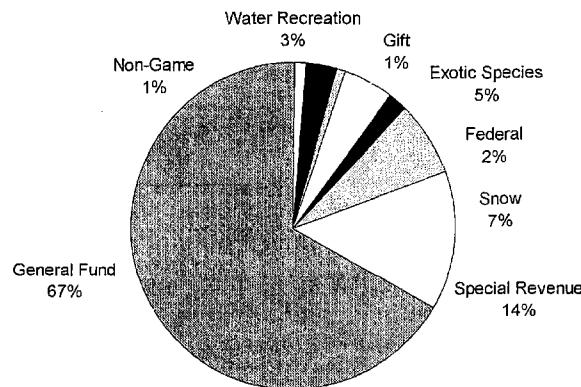
STRATEGIES AND PERFORMANCE:

Youth Programs provides direct service and an experiential learning model to teach youth and young adults work readiness and life skills, while completing high priority service projects statewide. The programs also encourage protected-class and other participants to consider natural resource career opportunities.

In FY 2001, the MCC summer youth component enrolled 125 persons; the YINR component enrolled 35 persons; the MCC young adult component will enroll 110 full-time and 34 seasonal persons. An estimated 260,000 hours of service and learning will occur in FY 2001.

Youth Programs use a variety of outcome based evaluation strategies including a computer driven Work Accomplishment Report. On-the-ground work accomplishments and member development initiatives are accounted for and regularly evaluated to ensure quality services are rendered.

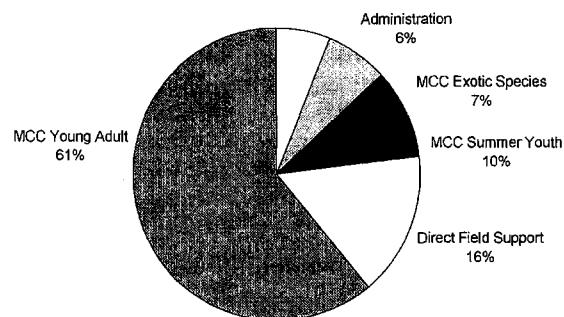
Youth Programs Funding by Source
FY 1999-2001



BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: YOUTH PROGRAMS
Program: OPERATIONS SUPPORT
Agency: NATURAL RESOURCES DEPT

Youth Programs Expenditures Summary FY 1999-2001



Youth Programs has been recognized for leadership and accomplishment by the National Association of Service and Conservation Corps, the National Youth Leadership Council, Partnership Minnesota, and the Corporation for National Service.

FINANCING INFORMATION:

Youth Program's FY 2001 base budget is approximately \$2.5 million (see chart). Approximately 85% of the budget is devoted to member and staff wages. The balance of the budget covers fleet, equipment and supply expenses. Ninety-four percent of all funding is invested in field operations.

Additional Leveraged Funds:

MCC is an AmeriCorps affiliated program. MCC young adult members, who successfully complete their term of enrollment, are eligible to receive a post-service education award of up to \$4,725. In FY 2001, the federal National Service Trust will hold \$521,168 to be used by MCC members to retire existing student loans or help members pursue post-secondary education and training.

In FY 2001, MCC will receive a federal AmeriCorps operations grant of up to \$42,500. The Minnesota Commission on National and Community Service, the agency that oversees the state's AmeriCorps initiative, has granted MCC up to \$276,250 to cover young adult member costs (including a \$0.50 hourly wage increase to \$5.65). Both grants maybe renewed on an annual basis contingent upon selection of MCC as an AmeriCorps program and fund availability. MCC develops "fee-for-service" agreements with other government and non-profit agencies. These agreements cover all costs and provide increased program funding while offering quality, cost-effective project assistance. MCC is projecting up to \$280,000 in fee-for-service revenues in FY 2001.

The Friends of MCC, a private non-profit agency, was successful in raising \$60,000 from U.S. Bancorp-Piper Jaffray in support of the 2000 summer youth component.

BUDGET ISSUES:

Inflation will impact the base budget by an estimated \$63,000 in FY 2002 and \$125,000 in FY 2003. The impact will be off-set by curtailing purchases of supplies and services.

The Youth Programs activity will realize annual reductions of \$8,000 from the Snowmobile Trails and Enforcement Account. This will result in reduced employment opportunities for youth corps members.

The proposed increase in the federal minimum wage would adversely impact the base budget by an estimated \$120,000 in FY 2002 and \$216,000 in FY 2003. Fewer youth and young adults will be enrolled in Youth Programs. Staff layoffs are likely.

The department will reallocate \$300,000 in General Funds from the Youth Programs' budget activity to fund higher priority agency needs. The effect of this reallocation on Youth Programs' activities will be an estimated 18-20% reduction in the number of full-time young adults enrolled in the program with a corresponding reduction in conservation project accomplishments. One full-time equivalent staff position will also be eliminated.

Activity: YOUTH PROGRAMS
 Program: OPERATIONS SUPPORT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	2,121	2,018	2,254	2,028	1,720	2,084	1,776	(776)	(18.2%)
OTHER OPERATING EXPENSES	877	610	1,014	1,030	1,030	1,005	1,005	411	25.3%
Subtotal State Operations	2,998	2,628	3,268	3,058	2,750	3,089	2,781	(365)	(6.2%)
PAYMENTS TO INDIVIDUALS	146	142	76	67	67	67	67	(84)	(38.5%)
LOCAL ASSISTANCE	26	0	17	17	17	17	17	17	100.0%
Total Expenditures	3,170	2,770	3,361	3,142	2,834	3,173	2,865	(432)	(7.0%)
Change Items:									
	<u>Fund</u>								
(A) REALLOCATION OF BASE RESOURCES	GEN				(300)			(300)	
(A) SNOWMOBILE FUND BUDGET REDUCTION	NRF				(8)			(8)	
Total Change Items					(308)			(308)	
Financing by Fund:									
Direct Appropriations:									
GENERAL	2,291	1,865	2,147	2,060	1,760	2,104	1,804		
NATURAL RESOURCES	487	408	529	486	478	499	491		
Statutory Appropriations:									
SPECIAL REVENUE	271	339	451	440	440	440	440		
FEDERAL	75	18	68	0	0	0	0		
MISCELLANEOUS AGENCY	46	84	116	106	106	80	80		
GIFT	0	56	50	50	50	50	50		
Total Financing	3,170	2,770	3,361	3,142	2,834	3,173	2,865		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	333	281	440	440	440	440	440		
FEDERAL	24	13	43	0	0	0	0		
MISCELLANEOUS AGENCY	100	97	80	80	80	80	80		
GIFT	0	57	51	51	51	51	51		
Total Revenues Collected	457	448	614	571	571	571	571		

Activity: YOUTH PROGRAMS
 Program: OPERATIONS SUPPORT
 Agency: NATURAL RESOURCES DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE by Employment Type:							
FULL TIME	113.0	104.6	90.3	90.3	89.3	90.3	89.3
PART-TIME, SEASONAL, LABOR SER	13.2	14.2	32.0	32.0	9.0	32.0	9.0
OVERTIME PAY	0.9	0.4	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	127.1	119.2	122.3	122.3	98.3	122.3	98.3

Agency: AGRICULTURE DEPT

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Program:									
PROTECTION SERVICES	26,298	28,501	33,631	32,078	32,280	31,905	32,178	2,326	3.7%
AG MARKET & DEVELOPMENT SERVIC	58,056	43,742	45,546	43,393	44,291	43,500	44,285	(712)	(0.8%)
ADMIN & FINANCIAL ASSISTANCE	14,586	8,182	28,232	8,281	9,037	8,443	8,745	(18,632)	(51.2%)
Total Expenditures	98,940	80,425	107,409	83,752	85,608	83,848	85,208	(17,018)	(9.1%)
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	83	201	414	0	102	0	103		
GENERAL	25,090	20,177	26,574	21,380	22,523	21,746	22,495		
MINNESOTA RESOURCES	287	1,058	184	0	180	0	0		
SPECIAL REVENUE	16,910	0	0	0	0	0	0		
ENVIRONMENTAL	274	273	342	347	0	353	0		
REMEDIATION	0	0	0	0	347	0	353		
Open Appropriations:									
GENERAL	27,616	35,287	53,114	35,436	35,436	35,456	35,456		
Statutory Appropriations:									
PUBLIC FACILITIES AUTHORITY	23,638	0	0	0	0	0	0		
SPECIAL REVENUE	3,471	4,370	4,843	4,217	4,251	4,314	4,351		
AGRICULTURE FUND	0	16,715	18,094	17,834	18,231	18,175	18,646		
FEDERAL	1,367	1,770	2,864	3,664	3,664	3,608	3,608		
ENVIRONMENTAL	36	18	807	807	0	129	0		
REMEDIATION	0	0	0	0	807	0	129		
MISCELLANEOUS AGENCY	30	513	2	2	2	2	2		
GIFT	138	43	171	65	65	65	65		
Total Financing	98,940	80,425	107,409	83,752	85,608	83,848	85,208		
FTE by Employment Type:									
FULL TIME	391.2	398.2	475.1	471.3	478.6	471.5	478.8		
PART-TIME, SEASONAL, LABOR SER	56.4	56.0	47.6	46.0	46.0	46.0	46.0		
OVERTIME PAY	9.6	9.3	0.8	0.8	0.8	0.8	0.8		
Total Full-Time Equivalent	457.2	463.5	523.5	518.1	525.4	518.3	525.6		

AGRICULTURE DEPT - BUDGET BRIEF

Fund: GENERAL

	FY 2002	FY 2003	Biennium
BASE YEAR (FY 2001) (\$000s)			
Appropriations			
Appropriations	\$22,788	\$22,788	\$45,576
BASE ADJUSTMENT			
2002-03 Sal. Ben. Base	328	666	994
Doc. Space Rental/Lease Increase	27	55	82
One-Time Appropriations	(1,763)	(1,763)	(3,526)
BASE LEVEL (for 2002 and 2003)	\$21,380	\$21,746	\$43,126
CHANGE ITEMS			
Agency Reductions	(403)	(409)	(812)
New Initiatives	1,546	1,158	2,704
GOVERNOR'S RECOMMENDATION	\$22,523	\$22,495	\$45,018

BRIEF EXPLANATION OF BUDGET DECISIONS:

- FY 2002-03 Salary and Benefits Base Adjustments are based on a projected 3% and 6.1% increase.
- Documented Space Rental/Lease Base Adjustment reflect actual rental/lease increases with executed leases.
- One-Time Appropriations. The following non-recurring appropriations are removed from our base:
 - Laws of 1999: Feedlot Manure Management Outreach (\$300,000), Marketing Promotion, Market Place (\$420,000) MAELC Grants (\$75,000), Dairy Inspection Supplement (\$125,000), and Project Unity Program Application (\$323,000)
 - Laws of 2000: Rotation Woody Crop Grants (\$300,000), Center for Farm Financial Management (FIN PAK, \$150,000), MN Grown Community Food Pilot (\$170,000).
- Reductions. The MDA is suggesting reductions in the following programs for FY 2002 and FY 2003:
 - Demonstration Grants (\$5,000)
 - Beaver Damage Control Grants (\$65,000)
 - Info and Demo Grants (\$40,000)
 - MISA Grant (\$40,000)
 - Sustainable Ag & IPM Demo Grants (\$50,000)
 - Organic Cost Share Grants (\$50,000)
 - Bio Control Operating (\$60,000)
 - Family Farm Payments (\$36,000) and (\$42,000)
 - Passing on the Farm (\$50,000)
 - Red River Valley Dairymen's and Livestock Assoc. Grants (\$7,000)

- New Initiatives. The MDA is requesting funding for the following new programs for FY 2002 and FY 2003:
 - Feedlot-Ag BMP Loans \$350,000/annually
 - MN Cert \$150,000/annually
 - IT Projects \$849,000 in FY 2002 and \$401,000 in FY 2003
 - Quarantine Greenhouse \$180,000 in FY 2002 and \$240,000 in FY 2003
 - Wholesale Produce Dealers \$17,000/annually
- New Initiatives. The MDA is requesting a two-week grace period for new start-up businesses requiring a food handlers license. This will result in a projected \$10,000 per year reduction in General Fund revenue.
- The MDA is requesting to reallocate the following for FY 2002 and FY 2003:
 - \$65,000 from Diversifying Agriculture to MN Cert
 - \$175,000 from Dairy Diagnostic Grants to Feedlot Assessment

Other Issues:

- Effective in FY 2001, MDA restructured two divisions and created one new division. This new division, Ag Marketing Services, includes the old Ag Certification division and the Ag Marketing Section from the Ag Development Division.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget with the following adjustments:

- a biennial increase of \$300,000 and \$130,000 in internal reallocations for the MN Certification Program;
- a biennial increase of \$700,000 for low-interest AgBMP loans to feedlot operators, and a reallocation of \$350,000 from the dairy diagnostic program to assist livestock producers with the new feedlot rules; both these proposals are part of a multi-agency feedlot initiative;
- an increase of \$849,000 in FY 2002 and \$401,000 in FY 2003 to complete Project Unity, an information technology initiative;
- an increase of \$180,000 in FY 2002 and \$240,000 in FY 2003 for the quarantine greenhouse operating expenses;
- reductions of \$403,000 in FY 2002 and \$409,000 in FY 2003 in grant and agency operation funding;
- a revenue reduction of \$10,000 each year to offer a food handler license grace period.

Agency: AGRICULTURE DEPT

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
<u>Non-Dedicated Revenue:</u>									
Departmental Earnings:									
GENERAL	0	0	0	3,242	3,259	3,245	3,262	6,521	
CAMBRIDGE DEPOSIT FUND	2,994	3,398	3,211	0	0	0	0	(6,609)	(100.0%)
Other Revenues:									
GENERAL	0	166	121	93	93	49	49	(145)	(50.5%)
MINNESOTA RESOURCES	0	1	0	0	0	0	0	(1)	(100.0%)
CAMBRIDGE DEPOSIT FUND	0	8	4	0	0	0	0	(12)	(100.0%)
Other Sources:									
GENERAL	516	1,225	1,262	1,402	1,402	860	860	(225)	(9.0%)
Taxes:									
GENERAL	1	0	0	0	0	0	0	0	
Total Non-Dedicated Receipts	3,511	4,798	4,598	4,737	4,754	4,154	4,171	(471)	(5.0%)

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
Dedicated Receipts:									
Departmental Earnings:									
SPECIAL REVENUE	16,813	351	400	466	505	475	514	268	35.7%
AGRICULTURE FUND	0	15,757	16,460	16,906	17,655	16,884	17,633	3,071	9.5%
ENVIRONMENTAL REMEDIATION	56	73	92	92	0	92	0	(165)	(100.0%)
Grants:									
PUBLIC FACILITIES AUTHORITY	9,477	0	0	0	0	0	0	0	0
SPECIAL REVENUE	51	45	48	48	48	48	48	3	3.2%
FEDERAL	1,987	2,074	3,431	4,077	4,077	4,020	4,020	2,592	47.1%
Other Revenues:									
GENERAL	28	0	0	0	0	0	0	0	0
SPECIAL REVENUE	2,730	2,161	2,562	2,702	2,702	2,670	2,670	649	13.7%
AGRICULTURE FUND	0	523	466	411	411	361	361	(217)	(21.9%)
ENVIRONMENTAL	45	43	0	0	0	0	0	(43)	(100.0%)
RURAL FINANCE ADMINISTRATION	3,569	3,677	3,903	3,803	3,803	3,778	3,778	1	0.0%
GIFT	98	40	120	64	64	64	64	(32)	(20.0%)
Other Sources:									
PUBLIC FACILITIES AUTHORITY	320	0	0	0	0	0	0	0	0
GENERAL	361	0	0	0	0	0	0	0	0
SPECIAL REVENUE	661	394	319	319	319	319	319	(75)	(10.5%)
RURAL FINANCE ADMINISTRATION	5,351	4,358	5,610	4,940	4,940	5,110	5,110	82	0.8%
MISCELLANEOUS AGENCY	33	513	2	2	2	2	2	(511)	(99.2%)
Total Dedicated Receipts	41,580	30,009	33,413	33,830	34,618	33,823	34,611	5,807	9.2%
Agency Total Revenues	45,091	34,807	38,011	38,567	39,372	37,977	38,782	5,336	7.3%

AGRICULTURE DEPT - FEDERAL FUNDS SUMMARY

The Minnesota Department of Agriculture (MDA) received funding from the US Department of Agriculture (USDA), the Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), and the US Department of Commerce (USDC) for grants and fee for service agreements. Federal expenditures totaled about 2.2% of the agency's total FY 2000-01 biennial budget or 3.5% if the open appropriation for ethanol producer payments is subtracted. Most grants and fee for service agreements were less than \$100,000 per year.

MDA has two larger reoccurring grants. These are the EPA Pesticide Enforcement Grant and the Farmers Market Nutrition Program Grant.

The EPA Pesticide Enforcement Grant provides funding for pesticide enforcement, applicator enforcement and training, worker protection, groundwater monitoring, and endangered species protection. This grant is an 85/15 matching grant. Matching funds are special revenue funds from the Pesticide Regulatory Account.

The Farmers Market Nutrition Program provides funding to educate low income, nutritionally-at-risk families about the value of fresh locally grown produce and to increase direct sales for farmers through farmers markets. It requires a 70/30 matching grant. Matching funds are General Fund dollars. This grant increased significantly in the 2000-2001 biennium.

The State Meat Inspection program is a partnership with USDA. The program receives 100% general funding with up to 50% federal reimbursement being returned to the General Fund.

MDA is requesting a new federal grant. This USDA grant will be to our Laboratory Services Division for a Micro-Biology Survey for pathogens in fruits and vegetables. These dollars will be directed to purchases of equipment and supplies and the necessary staff to perform analysis and report results for these tests into prescribed software provided by the USDA. The results of these surveys will guide the USDA in performing risk analysis associated with eating fruits and vegetables.

This grant will expand the Minnesota laboratory's ability to provide like-kind analysis to what we are already performing for state regulatory purposes. The increased capacity and state of the art equipment that this program requires will improve the state's abilities to respond to out-breaks and other state food safety emergencies. Because the FDA has co-located staff in our laboratory as part of another federal pilot program, this grant will enable increased coordination of state and federal programs.

AGRICULTURE DEPT - FEDERAL FUNDS SUMMARY (Continued)

Federal Program (sum thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
Upgrading State Lab Equipment	37	State Operations	37	-0-	-0-	-0-
USDA - Egg & Poultry Lab Analysis	No		154	134	134	134
FSIS Prog Assist to State Meat-Poultry Insp	424	State Operations	212	689	525	525
Food Safety Issues: CFSAN/FSI Food Safety Education Projects Governor's Food Safety Issues Conference	0	State Operations	-0-	15	15	15
Fish and Fish Products Inspection	No		28	28	29	30
FDA - Food Inspection	No		28	48	42	44
USDA - Mandatory Egg Prod Inspection	No		18	70	72	73
USDA - Egg & Egg Products Inspection	No		67	70	73	75
Agricultural "Clean Sweep" Pilot Project	No	State Operations	-0-	60	60	60
EPA-FIFRA Consolidated Coop Agree & Discretionary Funding for FFY 2000	608	State Operations	856	962	902	902
Combined Pest Detection Funding	No	State Operations	14	16	28	28
Cooperative Pesticide Record Keeping Program	No	State Operations	48	40	40	40
Medicated Feed Inspection	No		41	21	24	24
Clean Water PCA Grant	90		90	60	50	50
Improving Implementation of Manure Testing Practices on MN Farms	17	Grants-Individuals	17	81	117	124
Gypsy Moth Slow the Spread	20	State Operations	20	30	34	34
Organic Weed Training	No	State Operations	-0-	-0-	25	25
Source Water Protection Program	No	State Operations	86	86	86	86
Plant Pest Survey	25	State Operations	25	46	46	46

AGRICULTURE DEPT - FEDERAL FUNDS SUMMARY (Continued)

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
Educating Consumers About Organic Foods	No	Grants-Individuals	30	20	15	15
Assisting Small Farmers Through Direct Marketing	No	Grants-Individuals	30	15	75	65
Economic Adjustment Strategies Minnesota Livestock	No	Grants-Individuals	-0-	-0-	75	75
PCA 319 Grant	No	State Operations	-0-	90	260	250
Eval Costs/Benefits AG BMP	No	Grants-Individuals	-0-	-0-	200	200
Ag Stats Fed Coop Agreement	No		18	20	20	20
Farmers Market Nutrition	110		257	375	375	375
Senior Pilot Farmers Market Nutrition	No	Grants-Individuals	-0-	-0-	100	100
USDA Micro-Biology Survey	No	State Operations	-0-	450	600	600
Mercury Manometers – EPA	No	State Operations	-0-	-0-	50,000	-0-
USDA innovative Marketing Programs	No	State Operations	-0-	-0-	100,000	100,000
Agency Total			2,076	3,426	4,172	4,115

BUDGET CHANGE ITEM (48918)

Agency: AGRICULTURE DEPT

Item Title: AGENCY REDUCTIONS

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$ (60)	\$ (60)	\$ (60)	\$ (60)
-Grants	\$ (343)	\$ (349)	\$ (349)	\$ (349)
Revenues: (\$000s)				
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Statutory Change? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input checked="" type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a reduction of General Fund spending on grants and agency operations of \$403,000 in FY 2002 and \$409,000 in FY 2003.

RATIONALE:

The Minnesota Department of Agriculture (MDA) suggests the following General Fund reductions in order to redirect these resources to higher agency priorities.

- Demonstration Grants - \$5,000 each fiscal year. These grants are to disseminate information relating to the results of the sustainable agriculture grant program and field days associated with them as well as support the outreach and information function of the sustainable agriculture program. The reduction is being offered as the level of activity can be reduced without severely impacting the program. The number of grants and field days will be reduced.
- Beaver Damage Control Grants - \$65,000 each fiscal year. These grants are to local governments to help control damage to agricultural lands, crops, public and private roads, and lands and stands of timber caused by problem beavers and beaver dams. This reduction is being offered as the appropriation only provides a small amount of the funds needed, as indicated by the applications during the most recent application process.

Without significantly increased funding, the program cannot meet the demand of all applicants fairly.

- Information and Demonstration Grants - \$40,000 each fiscal year. This program provides grants and subsequent field days for demonstrations of practices, new crop trials, environmental compliance etc. The department will target the remaining grants on selected priority areas of greatest need and seek partners to assist with grant-in-aids and other efforts to meet the needs of clientele.
- Pass through grant to the University of Minnesota (U of M); Institute for Sustainable Agriculture - \$40,000 each fiscal year. This program provides pass through funding to the U of M, Institute for Sustainable Agriculture (MISA). MISA utilizes the funding to conduct information dissemination activities. The reduction will reduce the amount of information disseminated but not eliminate it.
- Sustainable Agriculture and Integrated Pest Management Demonstration Grants - \$50,000 each fiscal year. This program provides pass through funding to MISA and subsequent field days for demonstrations of practices, new crop trials, environmental compliance, etc. This will reduce but not eliminate this program.
- Organic Cost Share Grants and Administration - \$50,000 each fiscal year. This program provides grants to new organic growers to partially offset the expenses of being certified organic producers, and operating funds for administering this program. This reduction will eliminate this program. The market opportunity and incentives will act as an encouragement to producers to obtain certification.
- Family Farm Payments - \$36,000 in FY 2002 and \$42,000 in FY 2003. This program helps beginning farmers obtain credit to acquire farm real estate by guaranteeing loans and lessening the burden of high interest rates through an interest adjustment payment made to the lender on the participant's behalf. The offered reduction will have no impact on the program as funding needs are calculated on current need. No new applications for this program have been taken since December 1985.
- Passing on the Farm Grant - \$50,000 each fiscal year. This pass through funding is to the Passing on the Farm Center. The Center is part of the Minnesota West Community and Technical College in Granite Falls. The Center fosters the intergenerational land transfer process for farm families. This grant provides only about one-third of the total funding of the Center.
 - This reduction may cause a reduction in staffing and fewer educational opportunities offered for farm families and farm businesses or the Center may seek funding through the Minnesota West budgeting process.
- Red River Valley Dairymen and Livestock Association Grants - \$7,100 each fiscal year. These two grants are pass through funds to the named organizations. Since FY 1998, neither organization has requested monies.

Program: PROTECTION SERVICES
 Agency: AGRICULTURE DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
AGRONOMY & PLANT PROTECTION	11,398	10,896	13,497	12,928	12,991	12,529	12,592	1,190	4.9%
DAIRY & FOOD INSPECTION	5,629	6,165	8,340	7,672	7,791	7,741	7,931	1,217	8.4%
LABORATORY SERVICES	3,954	4,892	6,047	5,751	5,771	5,829	5,849	681	6.2%
GRAIN & PRODUCE INSPECTION	5,317	6,548	5,747	5,727	5,727	5,806	5,806	(762)	(6.2%)
Total Expenditures	26,298	28,501	33,631	32,078	32,280	31,905	32,178	2,326	3.7%
Change Items:									
(A) PCA ENVIRONMENTAL TAX REFORM	ENV				(1,154)			(482)	
(A) PCA ENVIRONMENTAL TAX REFORM	REM				1,154			482	
(A) DAIRY DIAGNOSTICS GRANT-REALLOCATION	GEN				(175)			(175)	
(B) AG CHEMICAL RESPONSE REIMB ACCOUNT	AGR				(190)			(190)	
(B) FERTILIZER INSPECTION	AGR				253			253	
(B) COMMERCIAL CANNERMIES INSPECTION	SR				22			25	
(B) DAIRY INSPECTION	AGR				255			322	
(B) EGG LAW INSPECTION	AGR				5			6	
(B) FOOD HANDLER PLAN REVIEW	SR				12			12	
(B) LAB SERVICES	AGR				20			20	
Total Change Items					202			273	
Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	83	0	0	0	0	0	0	0	0
GENERAL	8,024	9,667	11,958	10,993	10,818	11,201	11,026		
MINNESOTA RESOURCES	40	153	50	0	0	0	0	0	0
SPECIAL REVENUE	15,758	0	0	0	0	0	0	0	0
ENVIRONMENTAL	274	273	342	347	0	353	0	0	0
REMEDIATION	0	0	0	0	347	0	353		
Statutory Appropriations:									
SPECIAL REVENUE	1,124	1,008	1,399	957	991	963	1,000		
AGRICULTURE FUND	0	15,507	16,842	16,640	16,983	16,961	17,372		
FEDERAL	955	1,383	2,229	2,329	2,329	2,293	2,293		
ENVIRONMENTAL	36	18	807	807	0	129	0		
REMEDIATION	0	0	0	0	807	0	129		
MISCELLANEOUS AGENCY	0	488	0	0	0	0	0		
GIFT	4	4	4	5	5	5	5		
Total Financing	26,298	28,501	33,631	32,078	32,280	31,905	32,178		

Program: PROTECTION SERVICES

Agency: AGRICULTURE DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE by Employment Type:</u>							
FULL TIME	273.7	279.8	328.2	324.1	326.4	324.3	326.6
PART-TIME, SEASONAL, LABOR SER	44.0	41.9	37.5	37.4	37.4	37.4	37.4
OVERTIME PAY	8.7	8.9	0.8	0.8	0.8	0.8	0.8
Total Full-Time Equivalent	326.4	330.6	366.5	362.3	364.6	362.5	364.8

Activity: AGRONOMY & PLANT PROTECTION
 Program: PROTECTION SERVICES
 Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	5,871	6,286	7,378	7,400	7,548	7,761	7,909	1,793	13.1%
OTHER OPERATING EXPENSES	5,431	4,518	6,049	5,457	5,372	4,703	4,618	(577)	(5.5%)
OTHER FINANCIAL TRANSACTIONS	69	73	70	71	71	65	65	(7)	(4.9%)
Subtotal State Operations	11,371	10,877	13,497	12,928	12,991	12,529	12,592	1,209	5.0%
CAPITAL OUTLAY & REAL PROPERTY	1	0	0	0	0	0	0	0	
LOCAL ASSISTANCE	26	19	0	0	0	0	0	(19)	(100.0%)
Total Expenditures	11,398	10,896	13,497	12,928	12,991	12,529	12,592	1,190	4.9%
<u>Change Items:</u>									
	Fund								
(A) PCA ENVIRONMENTAL TAX REFORM	ENV				(1,154)			(482)	
(A) PCA ENVIRONMENTAL TAX REFORM	REM				1,154			482	
(B) AG CHEMICAL RESPONSE REIMB ACCOUNT	AGR				(190)			(190)	
(B) FERTILIZER INSPECTION	AGR				253			253	
Total Change Items					63			63	
<u>Financing by Fund:</u>									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	83	0	0	0	0	0	0	0	
GENERAL	1,753	1,675	2,247	2,018	2,018	2,060	2,060		
SPECIAL REVENUE	8,036	0	0	0	0	0	0	0	
ENVIRONMENTAL	274	273	342	347	0	353	0		
REMEDIATION	0	0	0	0	347	0	353		
Statutory Appropriations:									
SPECIAL REVENUE	896	902	1,025	700	700	700	700		
AGRICULTURE FUND	0	7,249	7,999	8,079	8,142	8,303	8,366		
FEDERAL	316	775	1,073	972	972	979	979		
ENVIRONMENTAL	36	18	807	807	0	129	0		
REMEDIATION	0	0	0	0	807	0	129		
GIFT	4	4	4	5	5	5	5		
Total Financing	11,398	10,896	13,497	12,928	12,991	12,529	12,592		

Activity: AGRONOMY & PLANT PROTECTION

Program: PROTECTION SERVICES

Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
Revenue Collected:							
Dedicated							
SPECIAL REVENUE	9,374	0	147	2	2	1	1
AGRICULTURE FUND	0	8,322	8,930	9,308	9,628	9,236	9,556
FEDERAL	991	876	979	964	964	971	971
ENVIRONMENTAL	101	116	92	92	0	92	0
REMEDIATION	0	0	0	0	92	0	92
GIFT	4	5	5	5	5	5	5
Nondedicated							
GENERAL	0	0	0	599	599	602	602
CAMBRIDGE DEPOSIT FUND	571	623	568	0	0	0	0
Total Revenues Collected	11,041	9,942	10,721	10,970	11,290	10,907	11,227

FTE by Employment Type:							
FULL TIME	103.9	104.2	117.3	112.6	114.9	112.8	115.1
PART-TIME, SEASONAL, LABOR SER	13.8	13.0	8.0	7.9	7.9	7.9	7.9
OVERTIME PAY	0.2	0.6	0.3	0.3	0.3	0.3	0.3
Total Full-Time Equivalent	117.9	117.8	125.6	120.8	123.1	121.0	123.3

Activity: DAIRY & FOOD INSPECTION
 Program: PROTECTION SERVICES
 Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	4,099	4,557	5,908	5,779	6,010	5,952	6,246	1,791	17.1%
OTHER OPERATING EXPENSES	1,013	1,393	1,992	1,453	1,516	1,349	1,420	(449)	(13.3%)
Subtotal State Operations	5,112	5,950	7,900	7,232	7,526	7,301	7,666	1,342	9.7%
LOCAL ASSISTANCE	517	215	440	440	265	440	265	(125)	(19.1%)
Total Expenditures	5,629	6,165	8,340	7,672	7,791	7,741	7,931	1,217	8.4%
Change Items:									
(A) DAIRY DIAGNOSTICS GRANT-REALLOCATION	GEN				(175)			(175)	
(B) COMMERCIAL CANNERRIES INSPECTION	SR				22			25	
(B) DAIRY INSPECTION	AGR				255			322	
(B) EGG LAW INSPECTION	AGR				5			6	
(B) FOOD HANDLER PLAN REVIEW	SR				12			12	
Total Change Items					119			190	
Financing by Fund:									
Direct Appropriations:									
GENERAL	3,794	4,308	6,127	5,793	5,618	5,898	5,723		
MINNESOTA RESOURCES	40	153	50	0	0	0	0		
SPECIAL REVENUE	1,345	0	0	0	0	0	0		
Statutory Appropriations:									
SPECIAL REVENUE	168	106	291	197	231	203	240		
AGRICULTURE FUND	0	1,462	1,640	1,400	1,660	1,402	1,730		
FEDERAL	282	136	232	282	282	238	238		
Total Financing	5,629	6,165	8,340	7,672	7,791	7,741	7,931		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	1,816	250	255	255	294	255	294		
AGRICULTURE FUND	0	1,490	1,476	1,476	1,825	1,476	1,825		
FEDERAL	349	353	920	806	806	762	762		
Nondedicated									
GENERAL	0	0	0	2,428	2,418	2,428	2,418		
CAMBRIDGE DEPOSIT FUND	2,255	2,608	2,428	0	0	0	0		
Total Revenues Collected	4,420	4,701	5,079	4,965	5,343	4,921	5,299		

Activity: DAIRY & FOOD INSPECTION

Program: PROTECTION SERVICES

Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE by Employment Type:</u>							
FULL TIME	76.3	80.9	105.1	105.1	105.1	105.1	105.1
PART-TIME, SEASONAL, LABOR SER	0.2	0.1	0.0	0.0	0.0	0.0	0.0
OVERTIME PAY	0.3	0.5	0.5	0.5	0.5	0.5	0.5
Total Full-Time Equivalent	76.8	81.5	105.6	105.6	105.6	105.6	105.6

Activity: LABORATORY SERVICES
 Program: PROTECTION SERVICES
 Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	2,201	2,245	3,174	3,378	3,398	3,492	3,512	1,491	27.5%
OTHER OPERATING EXPENSES	1,753	2,647	2,873	2,373	2,373	2,337	2,337	(810)	(14.7%)
Total Expenditures	3,954	4,892	6,047	5,751	5,771	5,829	5,849	681	6.2%
<u>Change Items:</u>									
(B) LAB SERVICES	AGR				20			20	
Total Change Items					20			20	
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	1,997	2,397	2,968	2,663	2,663	2,713	2,713		
SPECIAL REVENUE	1,540	0	0	0	0	0	0		
Statutory Appropriations:									
SPECIAL REVENUE	60	0	83	60	60	60	60		
AGRICULTURE FUND	0	1,535	2,072	1,953	1,973	1,980	2,000		
FEDERAL	357	472	924	1,075	1,075	1,076	1,076		
MISCELLANEOUS AGENCY	0	488	0	0	0	0	0		
Total Financing	3,954	4,892	6,047	5,751	5,771	5,829	5,849		
<u>Revenue Collected:</u>									
Dedicated									
SPECIAL REVENUE	35	0	0	0	0	0	0		
AGRICULTURE FUND	0	129	306	322	342	322	342		
FEDERAL	328	458	924	1,074	1,074	1,074	1,074		
MISCELLANEOUS AGENCY	0	488	0	0	0	0	0		
Total Revenues Collected	363	1,075	1,230	1,396	1,416	1,396	1,416		
<u>FTE by Employment Type:</u>									
FULL TIME	45.0	47.1	55.9	56.5	56.5	56.5	56.5		
PART-TIME, SEASONAL, LABOR SER	0.9	1.0	0.3	0.3	0.3	0.3	0.3		
OVERTIME PAY	0.1	0.1	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	46.0	48.2	56.2	56.8	56.8	56.8	56.8		

BUDGET CHANGE ITEM (47882)

Budget Activity: LABORATORY SERVICES
Program: PROTECTION SERVICES
Agency: AGRICULTURE DEPT

Item Title: LAB SERVICES

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Agriculture Fund				
-State Operations	\$20	\$20	\$20	\$20
Revenues: (\$000s)				
Agriculture Fund	\$20	\$20	\$20	\$20
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected: M.S. 17.85				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends providing the MDA laboratory the authority to recover costs for analytical services provided outside the scope of its regulatory responsibilities.

RATIONALE:

Greatly expanded development in analytical technology has increased the frequency and types of analytical services the laboratory is providing to the private sector. These services are provided when equivalent capabilities have not yet evolved within private labs to support Minnesota agriculture's needs. Additionally, increased partnering and cooperation with federal and state agencies have increased the number of analyses that the Minnesota Department of Agriculture (MDA) provides to support these efforts.

In 1988, testimony was given that established the need for the laboratory to recover these costs and led to creation of M.S. 17.85, which enabled the Laboratory Services Division to receive into an account, compensation for analytical services provided outside the scope of our departments regulatory responsibilities. The language in this amendment to M.S. 17.85 is intended to re-affirm the intent of this statute and clarify our authority to recover costs for these services.

FINANCING:

- Funding for this program is in the Agriculture Fund.
- Revenues are from cost recovery of analytical services provided.
- Proposed fees will allow the laboratory to recover costs for analytical services required.
- Expenditures support the activities of providing analytical services to clientele outside of the department's programs.
- Clientele served are:
 - Minnesota Departments of Natural Resources, Health, Pollution Control Agency, and Transportation
 - US Department of Agriculture and Food and Drug Administration
 - Tribal Laboratories
 - Soybean Growers
 - Egg and Poultry Product Manufacturers
 - Environmental Service Contractors
 - General Public

OUTCOMES:

In support of the agency's Strategic Plan, this budget change item supports the following:

- Agency's Practical Vision
 - Services to enhance producers' ability to capitalize on 21st century opportunities.
 - Safe food farm to fork
 - ◆ Services provided to other entities should recover costs in order to prevent negative impact to existing agency programs.
 - ◆ Analytical services support technology needs and cooperative efforts for agriculture and a national integrated food safety system.

Program: AG MARKET & DEVELOPMENT SERVIC

Agency: AGRICULTURE DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Activity:</u>									
AG MARKETING SERVICES	30,724	38,383	38,972	39,050	39,271	39,108	39,335	1,251	1.6%
AG DEVELOPMENT	2,650	2,497	4,016	3,322	3,192	3,350	3,280	(41)	(0.6%)
AGRI RESOURCES MANAGEMENT	24,682	2,862	2,558	1,021	1,828	1,042	1,670	(1,922)	(35.5%)
Total Expenditures	58,056	43,742	45,546	43,393	44,291	43,500	44,285	(712)	(0.8%)
<u>Change Items:</u>									
(A) GRANT AND OPERATIONS REDUCTIONS	GEN				(65)			(65)	
(A) BIC CONTROL OPERATING	GEN				(60)			(60)	
(A) INFO AND DEMO GRANTS	GEN				(40)			(40)	
(A) ORGANIC COST SHARE GRANTS	GEN				(50)			(50)	
(A) SUS AG DEMO GRANTS	GEN				(50)			(50)	
(A) MISA GRANT	GEN				(40)			(40)	
(A) DEMO GRANTS	GEN				(5)			(5)	
(B) WHOLESALE PRODUCE DEALERS LICENSE	GEN				17			17	
(B) MN CERTIFICATION PROGRAM	GEN				150			150	
(B) GRAIN BUYERS & STORAGE	AGR				54			60	
(B) DIVERSIFYING AG-- MN CERT REALLOCATION	GEN				(65)			(65)	
(B) DIVERSIFYING AG-MN CERT REALLOCATION	GEN				65			65	
(B) QUARANTINE GREENHOUSE-OPERATING	GEN				180			240	
(B) FEEDLOT INFO ASSESSMENT TEAMS (FIAT)	GEN				175			175	
(B) FEEDLOT LOANS-AG BMP	GEN				350			350	
(B) LCMR ALLOCATION	EVT				102			103	
(B) LCMR ALLOCATION	MFR				180				
Total Change Items					898			785	

Program: AG MARKET & DEVELOPMENT SERVIC

Agency: AGRICULTURE DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003				
				Base	Governor Recomm.	Base	Governor Recomm.			
Financing by Fund:										
Direct Appropriations:										
ENVIRONMENT & NATURAL RESOURCE	0	201	414	0	102	0	103			
GENERAL	4,974	5,739	7,860	5,521	6,083	5,610	6,232			
MINNESOTA RESOURCES	247	905	134	0	180	0	0			
SPECIAL REVENUE	1,152	0	0	0	0	0	0			
Open Appropriations:										
GENERAL	27,616	35,287	35,114	35,436	35,436	35,456	35,456			
Statutory Appropriations:										
PUBLIC FACILITIES AUTHORITY	23,638	0	0	0	0	0	0			
SPECIAL REVENUE	207	240	373	350	350	347	347			
AGRICULTURE FUND	0	1,206	1,246	1,188	1,242	1,209	1,269			
FEDERAL	100	100	238	838	838	818	818			
MISCELLANEOUS AGENCY	30	25	0	0	0	0	0			
GIFT	92	39	167	60	60	60	60			
Total Financing	58,056	43,742	45,546	43,393	44,291	43,500	44,285			

FTE by Employment Type:							
FULL TIME	59.6	57.5	74.1	74.1	77.1	74.1	77.1
PART-TIME, SEASONAL, LABOR SER	10.0	11.9	8.6	7.1	7.1	7.1	7.1
OVERTIME PAY	0.8	0.3	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	70.4	69.7	82.7	81.2	84.2	81.2	84.2

Activity: AG MARKETING SERVICES
 Program: AG MARKET & DEVELOPMENT SERVIC
 Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	1,648	1,670	2,024	2,031	2,228	2,077	2,280	814	22.0%
OTHER OPERATING EXPENSES	1,136	1,049	1,532	1,320	1,344	1,322	1,346	109	4.2%
Subtotal State Operations	2,784	2,719	3,556	3,351	3,572	3,399	3,626	923	14.7%
LOCAL ASSISTANCE	27,940	35,664	35,416	35,699	35,699	35,709	35,709	328	0.5%
Total Expenditures	30,724	38,383	38,972	39,050	39,271	39,108	39,335	1,251	1.6%
Change Items:									
(B) WHOLESALE PRODUCE DEALERS LICENSE	GEN				17			17	
(B) MN CERTIFICATION PROGRAM	GEN				150			150	
(B) GRAIN BUYERS & STORAGE	AGR				54			60	
(B) DIVERSIFYING AG-- MN CERT REALLOCATION	GEN				(65)			(65)	
(B) DIVERSIFYING AG-MN CERT REALLOCATION	GEN				65			65	
Total Change Items					221			227	
Financing by Fund:									
Direct Appropriations:									
GENERAL	1,597	1,604	2,060	1,862	2,029	1,888	2,055		
MINNESOTA RESOURCES	62	4	0	0	0	0	0		
SPECIAL REVENUE	1,081	0	0	0	0	0	0		
Open Appropriations:									
GENERAL	27,616	35,287	35,114	35,436	35,436	35,456	35,456		
Statutory Appropriations:									
SPECIAL REVENUE	153	179	320	309	309	310	310		
AGRICULTURE FUND	0	1,206	1,246	1,188	1,242	1,209	1,269		
FEDERAL	93	40	65	195	195	185	185		
MISCELLANEOUS AGENCY	30	25	0	0	0	0	0		
GIFT	92	38	167	60	60	60	60		
Total Financing	30,724	38,383	38,972	39,050	39,271	39,108	39,335		

Activity: AG MARKETING SERVICES

Program: AG MARKET & DEVELOPMENT SERVIC

Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
Revenue Collected:							
Dedicated							
SPECIAL REVENUE	1,019	161	234	300	300	310	310
AGRICULTURE FUND	0	1,035	1,058	1,058	1,118	1,058	1,118
FEDERAL	55	65	40	195	195	185	185
MISCELLANEOUS AGENCY	30	25	0	0	0	0	0
GIFT	93	34	115	59	59	59	59
Nondedicated							
GENERAL	0	35	0	141	168	141	168
CAMBRIDGE DEPOSIT FUND	135	138	141	0	0	0	0
Total Revenues Collected	1,332	1,493	1,588	1,753	1,840	1,753	1,840
FTE by Employment Type:							
FULL TIME	30.6	27.9	34.7	35.1	36.1	35.1	36.1
PART-TIME, SEASONAL, LABOR SER	3.9	5.3	2.2	2.2	2.2	2.2	2.2
OVERTIME PAY	0.5	0.3	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	35.0	33.5	36.9	37.3	38.3	37.3	38.3

Activity: AGRI RESOURCES MANAGEMENT
 Program: AG MARKET & DEVELOPMENT SERVIC
 Agency: AGRICULTURE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	612	614	743	714	796	740	740	179	13.2%
OTHER OPERATING EXPENSES	382	327	1,240	257	385	252	283	(899)	(57.4%)
OTHER FINANCIAL TRANSACTIONS	23,638	0	0	0	350	0	350	700	
Subtotal State Operations	24,632	941	1,983	971	1,531	992	1,373	(20)	(0.7%)
PAYMENTS TO INDIVIDUALS	35	29	0	0	0	0	0	(29)	(100.0%)
LOCAL ASSISTANCE	15	1,892	575	50	297	50	297	(1,873)	(75.9%)
Total Expenditures	24,682	2,862	2,558	1,021	1,828	1,042	1,670	(1,922)	(35.5%)
<u>Change Items:</u>									
	Fund								
(B) FEEDLOT INFO ASSESSMENT TEAMS (FIAT)	GEN				175		175		
(B) FEEDLOT LOANS-AG BMP	GEN				350		350		
(B) LCMR ALLOCATION	EVT				102		103		
(B) LCMR ALLOCATION	MFR				180				
Total Change Items					807		628		
<u>Financing by Fund:</u>									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	0	201	414	0	102	0	103		
GENERAL	1,044	1,760	2,010	1,021	1,546	1,042	1,567		
MINNESOTA RESOURCES	0	901	134	0	180	0	0		
Statutory Appropriations:									
PUBLIC FACILITIES AUTHORITY	23,638	0	0	0	0	0	0		
Total Financing	24,682	2,862	2,558	1,021	1,828	1,042	1,670		
<u>FTE by Employment Type:</u>									
FULL TIME	11.1	10.4	12.6	11.9	11.9	11.9	11.9		
PART-TIME, SEASONAL, LABOR SER	1.0	1.0	0.1	0.1	0.1	0.1	0.1		
Total Full-Time Equivalent	12.1	11.4	12.7	12.0	12.0	12.0	12.0		

BUDGET CHANGE ITEM (48630)

Budget Activity: AGRI RESOURCES MANAGEMENT
Program: AG MARKET & DEVELOPMENT SERVIC
Agency: AGRICULTURE DEPT

Item Title: FEEDLOT INFO & ASSESSMENT TEAM (FIAT)

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$175	\$175	\$175	\$175
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected:	M.S. 17.03, Subd. 1 and M.S. 17.117			
<input type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input checked="" type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a reallocation of \$175,000 each year from the dairy diagnostic program (in the Protection Services Program) to assist feedlot operators understand and make informed decisions regarding the revised feedlot rules.

This budget request is part of a multi-agency feedlot initiative involving the Pollution Control Agency, the Board of Water and Soil Resources, and the MDA. The multi-agency initiative will address the needs of farmers for making environmental improvements in their feedlots and provide more effective customer service to feedlot owners from regulatory agencies. Details of each agency's change request can be seen in their respective budgets.

RATIONALE:

The department requests reallocating funds to initiate a pilot project (Feedlot Information and Assessment Teams) to help producers and their lenders make informed management decisions regarding individual operations and thereby encourage producers to continue in the industry as well as comply with the 7020 feedlot rule revisions.

The livestock industry in Minnesota generates over \$9 billion a year in economic activity and employs about 153,000 persons in production, processing and supply services. This request grows out of the need to facilitate producer decision making within the context of multiple agencies, advisors and sources of help; uncertainty among producers as to what the rules require and their potential cost of compliance; and prevent unnecessary exits from the industry due to confusion, frustration or uncertainty. The proposal will assist producers answer the following questions:

- What actions do I need to take to comply with the revised rules?
- What problems do I have to address to come into compliance?
- What are my alternatives, and what is the cost of each alternative?
- Can I generate the cash flow to pay for the "fix" and remain economically viable?
- What financial assistance is available to remedy the problem?

This proposal is part of an interagency package responding to a study mandated by the 2000 legislature regarding the financial needs of producers affected by the updated feedlot rules. An Interagency Study Team drew the following conclusions based upon available data:

- The state has approximately 38,468 feedlots with 24,300 required to register.
- Of the 24,300, about 18,000 feedlots will remain in business in 2010.
- About 700 feedlots would require some compliance work annually, with 45% minor and 55% major upgrades.

Total cost for structural improvements under the rules is estimated at \$165 million. Current state and federal cost share provide about \$4.9 million and low interest state loans provide about \$3.2 million per year. Historically, state provided assistance has helped about 300 feedlots upgrade each year. However, given the different sources of as well as ambiguity and lack of precision in the data, and general uncertainty in the industry, the Interagency Team concluded that a targeted approach should be taken to assist feedlots with between 300 to 500 Animal Units during the FY 2002-03 biennium. This category was selected because those with less than 300 Animal Units generally will have a longer period of time during which to comply, and those between 300 to 500 have the greatest level of economic uncertainty at this time. Current levels of financial assistance would continue to be available to other operators. The Interagency Team will reconvene during FY 2003, following completion of the registration process, to review the current estimates.

Agency: ANIMAL HEALTH BOARD

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	1,865	1,961	2,152	2,149	2,200	2,097	2,148	235	5.7%
OTHER OPERATING EXPENSES	1,786	2,098	1,342	1,155	1,309	1,129	1,402	(729)	(21.2%)
Subtotal State Operations	3,651	4,059	3,494	3,304	3,509	3,226	3,550	(494)	(6.5%)
LOCAL ASSISTANCE	43	37	40	40	0	40	0	(77)	(100.0%)
Total Expenditures	3,694	4,096	3,534	3,344	3,509	3,266	3,550	(571)	(7.5%)
<u>Change Items:</u>									
(A) AVIAN PNEUMOVIRUS	GEN							119	
(A) JOHNE'S DISEASE	GEN				40			40	
(A) SMALL AGENCY INFRASTRUCTURE	GEN					165		165	
(A) CARE REALLOCATION	GEN					(40)		(40)	
Total Change Items						165		284	
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	3,270	3,597	3,237	2,823	2,988	2,763	3,047		
Statutory Appropriations:									
FEDERAL	424	499	297	521	521	503	503		
Total Financing	3,694	4,096	3,534	3,344	3,509	3,266	3,550		
<u>Revenue Collected:</u>									
Dedicated									
FEDERAL	424	499	297	521	521	503	503		
Nondedicated									
GENERAL	0	0	0	3	3	3	3		
CAMBRIDGE DEPOSIT FUND	2	3	3	0	0	0	0		
Total Revenues Collected	426	502	300	524	524	506	506		
<u>FTE by Employment Type:</u>									
FULL TIME	31.9	32.3	33.5	32.7	32.7	32.7	32.7		
PART-TIME, SEASONAL, LABOR SER	0.0	0.4	0.4	0.4	0.4	0.4	0.4		
OVERTIME PAY	0.7	1.3	0.1	0.1	0.1	0.1	0.1		
Total Full-Time Equivalent	32.6	34.0	34.0	33.2	33.2	33.2	33.2		

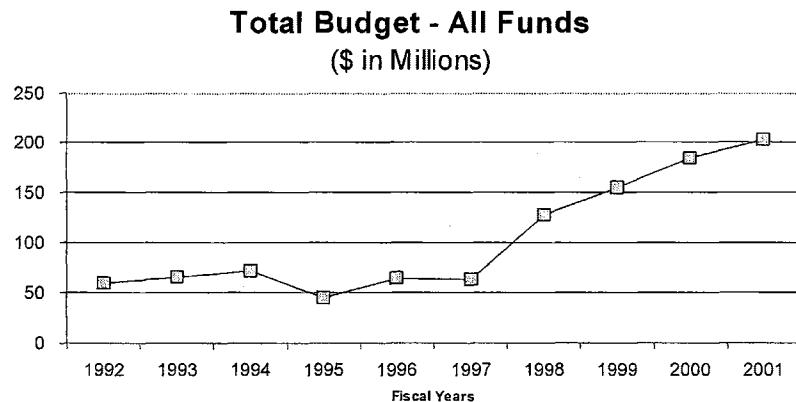
Agency: ANIMAL HEALTH BOARD

Base Budget Report (Dollars in Thousands)	All Funds		General Fund		Other State Funds		Federal Funds	
	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003
FY 2001 Budgeted	3,285	3,267	2,764	2,764	0	0	521	503
<u>Base Adjustments</u>								
2002-03 SAL. & BEN. BASE	59	117	59	117	0	0	0	0
PROGRAM/AGENCY SUNSET	0	(118)	0	(118)	0	0	0	0
Subtotal Base Adjustments	59	(1)	59	(1)	0	0	0	0
Base Budget	3,344	3,266	2,823	2,763	0	0	521	503



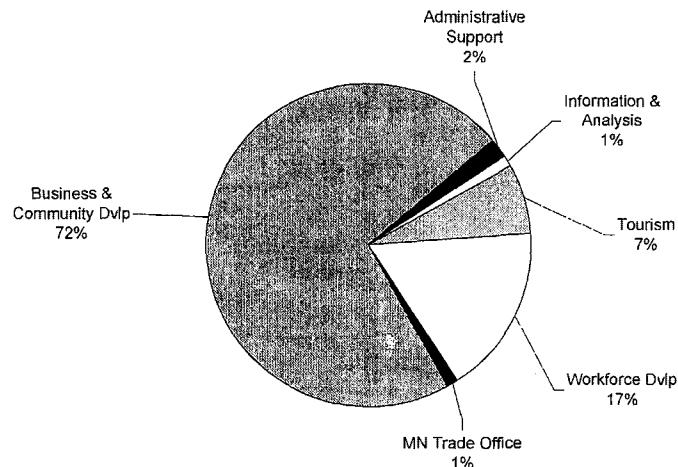
TRADE & ECON DEVELOPMENT DEPT - EXECUTIVE SUMMARY (Continued)

TRENDS AND PERSPECTIVE:



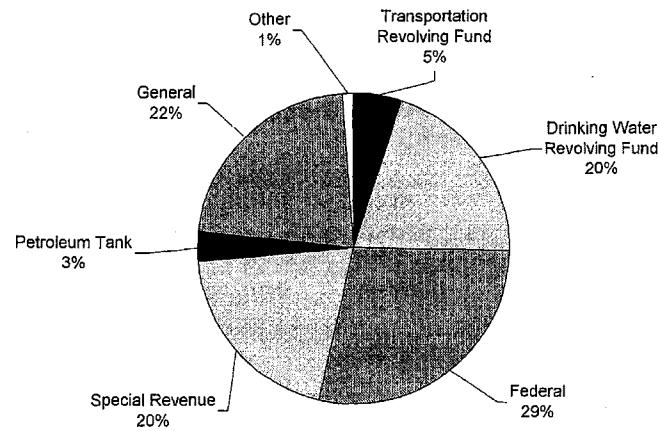
2000-01 Expenditures by Program

Total: \$387.418 Million



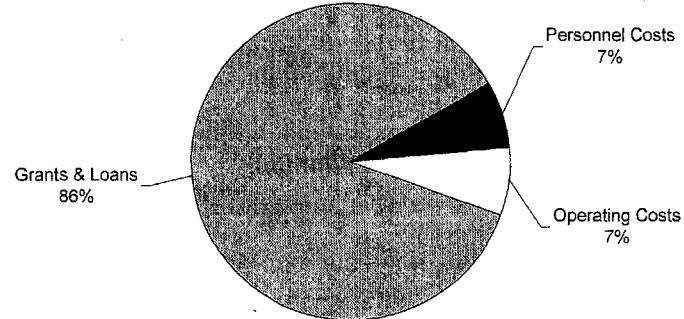
2000-01 Expenditures by Fund

Total: \$387.418 Million



2000-01 Expenditures by Category

Total: \$387.418 Million



TRADE & ECON DEVELOPMENT DEPT - EXECUTIVE SUMMARY (Continued)

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends base funding levels as requested in the agency's budget, with the following adjustments:

- The Governor recommends an increase of \$155,000 per year for grants to the Metropolitan Economic Development Association.
- The Governor recommends a one-time appropriation of \$10 million for Technology Commercialization. These funds will be used to create a third-party entity to fully exploit commercial opportunities from biomedical research at the University of Minnesota.
- The Governor recommends that a one-time appropriation of \$1 million per year for 2002 and 2003 be made for transfer to the Metropolitan Council for a pilot Agricultural Land Preservation Program; and the Governor recommends \$500,000 per year for transfer to the Metropolitan Council for the Livable Communities Program.
- The Governor recommends that the base funding from the General Fund of \$5.941 million in 2002 and \$5.951 million in 2003 for the Job Skills Partnership, and the base funding of \$1.5 million for the Pathways Program in 2002 and 2003, be replaced by a single appropriation of \$10 million per year for Job Skills Partnership from the Workforce Development Fund.
- The Governor recommends the state Dislocated Worker's Program funding be eliminated, freeing up resources in the Workforce Development Fund for higher priority programs. Resources and services needed to support workers affected by economic dislocations will still be provided by the federal dislocated workers program.
- The Governor recommends that the special assessment levied on employers under M.S. 268.022 shall be suspended from 1-1-02 to 12-31-02.
- The Governor recommends an increase of \$300,000 per year from the Workforce Development Fund for Twin Cities Rise.
- The Governor recommends a one-time appropriation of \$250,000 to support the activities of the workforce development transition team.
- The Governor recommends that, in order to implement the Minnesota Pollution Control Agency's Environmental Tax Reform Initiative, \$700,000 per year for Contaminated Site Cleanup grants be appropriated from a new Remediation Fund, rather than the Environmental Fund.

Agency: TRADE & ECON DEVELOPMENT DEPT

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Program:</u>									
BUSINESS & COMMUNITY DEVELOPME	138,382	164,864	114,700	116,152	127,807	109,166	110,821	(40,936)	(14.6%)
MINNESOTA TRADE OFFICE	2,527	2,457	3,327	3,132	3,132	3,318	3,318	666	11.5%
WORKFORCE DEVELOPMENT	0	0	66,579	36,868	19,073	37,479	19,073	(28,433)	(42.7%)
TOURISM	9,551	12,880	12,509	11,109	11,109	11,201	11,201	(3,079)	(12.1%)
INFORMATION & ANALYSIS	1,432	1,325	1,658	1,631	1,631	1,668	1,668	316	10.6%
ADMINISTRATIVE SUPPORT	3,245	2,855	4,264	3,620	3,870	3,901	3,901	652	9.2%
Total Expenditures	155,137	184,381	203,037	172,512	166,622	166,733	149,982	(70,814)	(18.3%)
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	58,594	42,786	43,073	35,249	39,713	35,892	30,096		
SPECIAL REVENUE	321	10,804	10,646	0	10,300	0	10,300		
TRUNK HIGHWAY	723	742	3	0	0	0	0		
TRANSPORTATION REVOLVING FUND	1,500	0	0	0	0	0	0		
FEDERAL TANF	0	0	4,750	750	750	750	750		
ENVIRONMENTAL	1,050	700	700	700	0	700	0		
REMEDIATION	0	0	0	0	700	0	700		
Open Appropriations:									
GENERAL	368	221	220	220	220	220	220		
PETROLEUM TANK RELEASE CLEANUP	6,533	6,270	6,200	6,200	6,200	6,200	6,200		
Statutory Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	0	68	12	0	0	0	0		
PUBLIC FACILITIES AUTHORITY	0	434	500	520	520	540	540		
DRINKING WATER REVOLVING FUND	14,853	76,321	0	0	0	200	200		
GENERAL	95	0	2	2	2	2	2		
SPECIAL REVENUE	4,939	7,202	47,468	27,645	6,991	25,559	4,304		
TRANSPORTATION REVOLVING FUND	22,897	141	18,424	12,599	12,599	17,377	17,377		
FEDERAL	43,264	38,692	71,034	88,627	88,627	79,293	79,293		
GIFT	0	0	5	0	0	0	0		
Total Financing	155,137	184,381	203,037	172,512	166,622	166,733	149,982		
<u>FTE by Employment Type:</u>									
FULL TIME	189.4	186.7	225.1	225.1	220.1	225.1	220.1		
PART-TIME, SEASONAL, LABOR SER	32.5	30.3	27.8	22.3	22.3	22.3	22.3		
OVERTIME PAY	0.3	0.3	0.2	0.1	0.1	0.1	0.1		
Total Full-Time Equivalent	222.2	217.3	253.1	247.5	242.5	247.5	242.5		

TRADE & ECON DEVELOPMENT DEPT - BUDGET BRIEF

Fund: GENERAL

	FY 2002	FY 2003	Biennium
BASE YEAR (FY 2001) (\$000s)			
Budgeted Appropriations (FY 2001—Load)	\$71,127	\$71,127	\$142,254
BASE ADJUSTMENT			
Biennial Appropriations	3,358	3,358	6,716
Fund Change/Consolidation	(565)	(565)	(1,130)
One-Time Appropriations	(39,177)	(39,177)	(78,354)
Doc. Space Rental/Lease	208	546	754
2002-03 Sal. & Ben. Base	298	603	901
BASE LEVEL (for 2002 and 2003)	\$35,249	\$35,892	\$71,141
Agency Request Items			
Metropolitan Econ. Dev. Association	155	155	310
Technology Commercialization	10,000	0	10,000
Livable Communities and Agricultural Land Preservation Pilot Program	1,500	1,500	3,000
Workforce Development Transition Team	250	0	250
Change funding for Job Skills Partnership and Pathways Programs	(7,441)	(7,451)	(14,892)
Agency Request:	\$39,713	\$30,096	\$69,809

BRIEF EXPLANATION OF BUDGET DECISIONS:

- The department will spend approximately \$16 million annually, almost 44% of the base budget for grants to cities, counties, and nonprofit organizations.
- The remaining 56% of state operations funding pays for the core functions of the agency. This includes support for non-general funded activities. This excludes most federal funded activities.
- The base adjustment for biennial appropriations includes a biennial general fund increase of \$3.7 million for the Job Skills Partnership program and \$3.0 million for the Pathways program.
- The fund change/consolidation shifts the funding of the PFA administration from the General Fund to the Public Facilities Authority fund.
- The base adjustment for one-time appropriations includes an annual decrease of \$155,000 for the Metro Economic Development Association, an annual decrease of \$265,000 for WomenVenture, \$1.021 million for Tourism loans, \$220,000 for Microenterprise Technical Assistance, \$750,000 for

Labor Force Assessments, \$1.0 million for catalyst grants, \$766,000 for Travel Information Centers, \$30 million for the 21st Century Mineral Fund, and \$5 million for the Richfield Redevelopment project.

- Budget guidelines provided for a salary/benefit base and documented space rental increases.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends base funding levels as requested in the agency's budget except for the following adjustments:

- The Governor recommends an increase of \$155,000 per year for grants to the Metropolitan Economic Development Association.
- The Governor recommends a one-time appropriation of \$10 million for Technology Commercialization. These funds will be used to create a third-party entity to fully exploit commercial opportunities from biomedical research at the University of Minnesota.
- The Governor recommends that a one-time appropriation of \$1 million per year for 2002 and 2003 be made for transfer to the Metropolitan Council for a pilot Agricultural Land Preservation Program; and the Governor recommends \$500,000 per year for transfer to the Metropolitan Council for the Livable Communities Program.
- The Governor recommends that the base funding from the General Fund of \$5.941 million in 2002 and \$5.951 million in 2003 for the Job Skills Partnership, and the base funding of \$1.5 million for the Pathways Program in 2002 and 2003, be replaced by a single appropriation of \$10 million per year for the Job Skills Partnership from the Workforce Development Fund.
- The Governor recommends a one-time appropriation of \$250,000 to support the activities of the workforce development transition team.

Agency: TRADE & ECON DEVELOPMENT DEPT

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
Non-Dedicated Revenue:									
Departmental Earnings:									
GENERAL	476	0	0	0	0	0	0	0	0
CAMBRIDGE DEPOSIT FUND	1	0	0	0	0	0	0	0	0
Other Revenues:									
GENERAL	1,195	1,837	1,011	1,011	1,011	1,011	1,011	(826)	(29.0%)
Other Sources:									
GENERAL	292	89	1,117	86	86	86	86	(1,034)	(85.7%)
PETROLEUM TANK RELEASE CLEANUP	71	130	100	100	100	100	100	(30)	(13.0%)
Taxes:									
GENERAL	5	4	0	0	0	0	0	(4)	(100.0%)
Total Non-Dedicated Receipts	2,040	2,060	2,228	1,197	1,197	1,197	1,197	(1,894)	(44.2%)

Agency: TRADE & ECON DEVELOPMENT DEPT

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01				
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent			
Dedicated Receipts:												
Departmental Earnings:												
PUBLIC FACILITIES AUTHORITY	0	439	1,127	1,234	1,234	1,300	1,300	968	61.8%			
DRINKING WATER REVOLVING FUND	0	25	77	133	133	140	140	171	167.6%			
SPECIAL REVENUE	1,113	924	1,043	993	993	993	993	19	1.0%			
TRANSPORTATION REVOLVING FUND	56	0	1	74	74	89	89	162	16,200.0%			
Grants:												
DRINKING WATER REVOLVING FUND	14,853	50,694	0	0	0	0	0	(50,694)	(100.0%)			
GENERAL	330	0	0	0	0	0	0	0	0			
SPECIAL REVENUE	40	40	40	40	40	40	40	0	0.0%			
TRANSPORTATION REVOLVING FUND	6,634	16,000	12,000	0	0	0	0	(28,000)	(100.0%)			
FEDERAL	43,145	37,431	71,023	88,627	88,627	79,293	79,293	59,466	54.8%			
Other Revenues:												
DRINKING WATER REVOLVING FUND	176	4,385	0	0	0	0	0	(4,385)	(100.0%)			
GENERAL	210	138	0	0	0	0	0	(138)	(100.0%)			
SPECIAL REVENUE	1,803	3,469	3,687	2,270	2,019	2,438	1,685	(3,452)	(48.2%)			
TRANSPORTATION REVOLVING FUND	1,025	1,386	2,689	2,600	2,600	2,272	2,272	797	19.6%			
FEDERAL	139	1,252	0	0	0	0	0	(1,252)	(100.0%)			
Other Sources:												
DRINKING WATER REVOLVING FUND	200	22,671	0	0	0	0	0	(22,671)	(100.0%)			
GENERAL	0	0	2	2	2	2	2	2	100.0%			
SPECIAL REVENUE	2,059	2,300	1,158	880	880	785	785	(1,793)	(51.9%)			
TRANSPORTATION REVOLVING FUND	19,289	0	0	3,148	3,148	3,643	3,643	6,791				
Taxes:												
SPECIAL REVENUE	0	0	28,912	26,002	19,501	27,302	6,825	(2,586)	(8.9%)			
Total Dedicated Receipts	91,072	141,154	121,759	126,003	119,251	118,297	97,067	(46,595)	(17.7%)			
Agency Total Revenues	93,112	143,214	123,987	127,200	120,448	119,494	98,264	(48,489)	(18.1%)			

TRADE & ECON DEVELOPMENT DEPT - FEDERAL FUNDS SUMMARY (Continued)

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
USEPA Federal Hardship Grants **	-0-	Grant Pol Subdiv	316	936	-0-	-0-
USEPA Clean Water SRF	***	Loans Pol Subdiv	-0-	-0-	24,668	24,668
USEPA Drinking Water SRF	***	Loans Pol Subdiv	1,154	3,023	15,947	15,957
USHUD Small Cities Comm Dev Block Grant	\$390	Grants Pol Subdiv	35,394	54,603	38,517	29,173
USSBA Small Business Devel Centers	\$441	State Op/Grts PS	1,466	1,349	1,350	1,350
WIA—Dislocated Wrks*	-0-	Training	-0-	8,023	8,023	8,023
EDWAA—Dislocated Wrks*	-0-	Training	-0-	2,636	-0-	-0-
TANF—Pathways**	-0-	Training	-0-	3,000	-0-	-0-
TANF—Health Care & HS	-0-	Training	-0-	1,750	750	750
USDA—Minn Rural Partners	-0-	SO	122	133	122	122
Minn Scenic Byways	\$7	SO	240	331	-0-	-0-
Agency Total			38,692	75,784	89,377	80,043

KEY:

SO—State Operations

GPS—Grants to Political Subdivisions

GI—Grants to Individuals

*Transferred to Dept. 7/1/00

** One-time appropriation available until spent

***Usually bonding funds, overall match 20% of federal grant

NOTE: Related SFY 2000 spending includes required match only.

BUDGET CHANGE ITEM (69771)**Agency: TRADE & ECON DEVELOPMENT DEPT****Item Title: WORKFORCE DEV TRANSITION TEAM**

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$250	\$-0-	\$-0-	\$-0-
-Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund				
\$-0-	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No _____				
If yes, statute(s) affected:				
<input checked="" type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends one-time funding of \$250,000 from the General Fund for the operations of the workforce development strategy transition team. This team will lead the implementation of the workforce development transformation that the Governor has proposed to improve Minnesota's competitive position.

RATIONALE:

The Governor proposes to transform Minnesota's workforce development efforts by reorganizing the state's current functions with the goal of revitalizing the delivery system, recognizing that the availability of a skilled workforce will be a key economic development issue facing the state for the foreseeable future.

This transformation will require significant efforts to plan, organize and implement the changes that will be needed, since many state agencies and a wide range of programs will be reoriented for the future. The Governor will appoint a transition team that will be charged with carrying out the new workforce development strategy and act as the Governor's advisor on workforce development and agency transformation.

The transition team will operate for the rest of FY2001 and throughout FY2002. One-time funds of \$250,000 are requested to facilitate the operations of the

transition team. In addition to these funds, state agencies will contribute resources to allow the transition team to achieve its charge.

FINANCING:

Funding for this initiative would be a one-time appropriation in FY2002 from the General Fund.

OUTCOMES:

The transition team's work to implement the workforce development transformation will lead to a number of important outcomes:

- Better alignment of workforce development efforts with the state's overall economic development strategy,
- More local control and direction of workforce development strategies, and
- A smooth process that will continue and improve services to businesses and workers, facilitate program changes and employee transitions, and the identification of potential opportunities for streamlining of operations after the transformation is complete.

Activity: DISLOCATED WORKER
 Program: WORKFORCE DEVELOPMENT
 Agency: TRADE & ECON DEVELOPMENT DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	0	0	847	997	506	997	506	165	19.5%
OTHER OPERATING EXPENSES	0	0	2,316	2,095	1,156	2,178	1,156	(4)	(0.2%)
Subtotal State Operations	0	0	3,163	3,092	1,662	3,175	1,662	161	5.1%
LOCAL ASSISTANCE	0	0	43,886	25,585	6,361	26,103	6,361	(31,164)	(71.0%)
Total Expenditures	0	0	47,049	28,677	8,023	29,278	8,023	(31,003)	(65.9%)
Change Items:									
(B) ELIMINATE STATE DISL WKR PG	SR				(20,654)			(21,255)	
Total Change Items					(20,654)			(21,255)	
Financing by Fund:									
Statutory Appropriations:									
SPECIAL REVENUE	0	0	36,390	20,654	0	21,255	0		
FEDERAL	0	0	10,659	8,023	8,023	8,023	8,023		
Total Financing	0	0	47,049	28,677	8,023	29,278	8,023		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	0	0	29,649	26,844	20,092	28,306	7,076		
FEDERAL	0	0	10,659	8,023	8,023	8,023	8,023		
Total Revenues Collected	0	0	40,308	34,867	28,115	36,329	15,099		
FTE by Employment Type:									
FULL TIME	0.0	0.0	10.5	12.5	7.5	12.5	7.5		
Total Full-Time Equivalent	0.0	0.0	10.5	12.5	7.5	12.5	7.5		

BUDGET CHANGE ITEM (49440)

Budget Activity: DISLOCATED WORKER
Program: WORKFORCE DEVELOPMENT
Agency: TRADE & ECON DEVELOPMENT DEPT

Item Title: ELIMINATE STATE DISL WKR PG

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Special Revenue	\$(20,654)	\$(21,255)	\$(21,255)	\$(21,255)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity	<input type="checkbox"/> Supplemental Funding	<input type="checkbox"/> Reallocation		

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends eliminating the state Dislocated Workers Program and redirecting those Workforce Development Fund resources to higher priority uses. Services for dislocated workers will continue with ongoing federal funds.

RATIONALE:

The state Dislocated Worker program began in 1991 to supplement the federal Dislocated Worker program. The state's economy has improved significantly over the past decade. The unemployment rate has fallen to half its 1991 peak of 5.2% to 2.5% and lower at times. While layoffs and job churning continue due to mergers and acquisitions and other factors, the state's unemployment continues to remain below 3%. Given the fact Minnesota has the lowest unemployment rate in the nation, it should discontinue being one of only 13 states which supplement the federal Dislocated Worker Program with state dollars. Regarding the Dislocated Worker Pilot program, less than \$250,000 has been spent, indicating a lack of interest or need in this program.

FINANCING:

Expenditures of \$41.909 million for the 2002-03 biennium would be eliminated by terminating the state portion of the Dislocated Worker Program, including \$1.2 million set aside for the pilot program.

OUTCOMES:

Expected outcomes include:

- The Dislocated Worker Program would be funded with federal funds only, estimated at \$8 million per year, which would continue to serve workers who are dislocated in Minnesota.

BUDGET CHANGE ITEM (49490)

Budget Activity: DISLOCATED WORKER
Program: WORKFORCE DEVELOPMENT
Agency: TRADE & ECON DEVELOPMENT DEPT
Item Title: SUSPEND DISLOCATED WORKER TAX

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Special Revenue	\$(6,752)	\$(21,230)	\$(1,100)	\$(937)
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected: M.S. 268.022				
<input type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the special assessment levied on employers under M.S. 268.022 shall be suspended from January 1, 2002 to December 31, 2002. This assessment, known as the workforce development tax, funds the Workforce Development Fund.

RATIONALE:

The Workforce Development Fund (formerly the Dislocated Worker Fund) supported by a payroll tax on employers, should be used to fund programs aimed at improving the skills and abilities of all incumbent workers. Balances in the fund are sufficient to support the Governor's proposed Workforce Development initiatives and suspend collection of the tax from employers for one year.

FINANCING:

Employers pay the special assessment on a quarterly basis. Payments for the end of calendar year 2001 will continue into calendar 2002 even with the suspension of the special assessment. Revenues are projected to be 75% of forecast estimates for FY2002 and 25% of forecast estimate for FY2003, since

payments will lag the resumption of the special assessment on January 1, 2003. Estimated interest income will be lower in FY2002-2005 compared to forecast.

OUTCOMES:

Tax reduction for employers coupled with a more strategic approach to directing the workforce development funds toward educating, training, and counseling that is most beneficial for businesses and employees.

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PROGRAM SUMMARY

Program: TOURISM
Agency: TRADE & ECON DEVELOPMENT DEPT

PROGRAM PROFILE:

The mission of the Minnesota Office of Tourism (MOT) is to market Minnesota as a travel destination, sustain and increase tourism revenues, and lead tourism policy and product development. MOT markets Minnesota in North America and internationally as a travel destination to consumers, tour operators, group tours, and travel agents; promotes coverage of Minnesota by domestic and international travel media, and initiates, develops, and coordinates activity with travel industry buyers and sellers. Minnesota tourism organizations and businesses participate in marketing efforts through a variety of partnership activities. MOT programs have been nationally recognized and performance measures have demonstrated results. The state's travel and tourism industry and tourism related sales and tax revenues have grown proportionately and greater than the national average.

In Minnesota, as well as nationally, tourism is gaining recognition as an engine for continued economic development, job growth, and prosperity. New and emerging destinations for visitors emerge as travelers are made aware of the travel product.

A 35-person, statewide Tourism Advisory Committee provides industry input, program direction and communication relative to program development.

A marketing plan is developed annually identifying strategies and tactics to achieve five program goals: increase non-resident travel, retain travel in-state by Minnesota residents, deliver high quality information and traveler services, provide strategic leadership for tourism initiatives, and facilitate product development. MOT is organized into the following program areas to accomplish its mission and achieve specific objectives.

Destination Sales markets and sells Minnesota as a travel destination to tour operator, group tour, and media clients. The program initiates, develops, and coordinates sales activities with travel industry buyers in North America and overseas international markets and consumer promotions in international target markets including Canada, Japan, the United Kingdom, German speaking and Scandinavian countries.

Product Marketing sells, markets, and promotes the state to domestic consumers. Marketing activities include seasonal advertising, media relations, promotion of destinations and activities, and marketing materials including publications, a web site, and photo images. Activities are primarily focused in the 12-state north central region. These states account for approximately 83% of Minnesota's domestic travel.

The *Consumer Marketing* program is responsible for handling customer inquiries and providing travel information, travel planning services, and marketing fulfillment services to prospective travelers. Consumer inquiries are handled via telephone, correspondence, fax, the Internet, and in response to consumer advertising programs. An extensive database including accommodations, attractions, and events is maintained and available to consumers via travel counselors and the Internet. The Consumer Marketing unit is also responsible for measurement and evaluation of MOT's programs.

The *Traveler Sales* program delivers person-to-person tourism information services to travelers who plan to, or are, traveling in Minnesota. The Traveler Sales program operates the network of statewide Travel Information Centers, supports interactive travel information computer kiosks and markets Minnesota tourism opportunities at sport, travel, camping, and vacation shows.

The *Industry Sales* program is responsible for facilitating two-way communications between MOT and the state's tourism industry, providing education and marketing planning assistance. Regional offices located in Brainerd, Duluth, Mankato and Thief River Falls are operated in partnership with regional tourism associations. This program is responsible for monitoring public policy issues that may affect tourism in Minnesota.

\$829,000 each year is provided to the Minnesota Film Board. Of this amount, \$329,000 each year is a grant for operations and requires \$1 in cash or in-kind matching contributions for each \$3 in state funding. A total of \$500,000 each year is for the Film Production Jobs Fund.

STRATEGIES AND PERFORMANCE:

The Governor's *Big Plan* identified tourism as a key component in the World Competitor initiative.

Specifically the strategies for the tourism program are:

- Leverage the celebrity and widespread recognition of Governor Ventura to promote travel to and throughout the state.
- Create year-round tourism business via enhancing strengths and expanding promotion of shoulder seasons and non-peak travel periods.
- Provide easy-to-access travel information and services to achieve a competitive advantage in the marketplace.
- Seek new avenues for increased tourism promotion through new initiatives to specific audiences and facilitate product development.
- Increase international tourism by broadening promotion in primary markets.
- Maximize public/private marketing partnerships and co-op opportunities.

PROGRAM SUMMARY (Continued)

Program: TOURISM
Agency: TRADE & ECON DEVELOPMENT DEPT

Market research is used to determine target audiences and how to reach them. Program evaluations measure the performance in achieving performance goals and of specific marketing tactics.

Travel Expenditures by Travelers Influenced by MOT Materials (mailed spring/summer in millions)						
	1998	1999	2000	2001 est.	2002 est.	2003 est.
	\$64	\$104	\$109	\$115	\$121	\$127

Number of Minnesota Travel Itineraries in Tour Operator Catalogs						
1997	1998	1999	2000	2001 est.	2002 est.	2003 est.
383	422	459	482	506	531	557

Cash and In-kind Value of Private/Public Partnerships (in millions by FY)						
1997	1998	1999	2000	2001 est.	2002 est.	2003 est.
\$4.35	\$5.17	\$7.09	\$5.92	\$6.22	\$6.53	\$6.86

FINANCING INFORMATION:

Grants Summary:

In accordance with M.S. 116J.58, Subd. 3, the Minnesota Office of Tourism awards grants and enters into tourism-related marketing partnerships with nonprofit organizations to maximize both state and local resources to generate non-resident travel expenditures within Minnesota and to retain travel dollars from Minnesotans within the state. All grants and marketing partnerships must meet established criteria and strategic objectives and are based on performance outcomes.

BUDGET ISSUES:

Prior to their transfer to the Office of Tourism in 1988 operating costs for the Travel Information Centers (TICs) were funded entirely from Trunk Highway Funds. At the time of the transfer, some, but not all of the cost continued to be funded from the Trunk Highway Fund and the remainder from the General Fund. During the 2000 legislative session the Legislature removed Trunk Highway Funding for the TICs (asserting the centers did not further a highway purpose), decreasing base level funding by \$766,000. These funds were replaced by one-

time General Fund appropriations for 2001, eliminating most base level funding for the centers for FY 2002-03. Accordingly, the Minnesota Office of Tourism proposes to reallocate funding from other activities, reduce staffing and to restructure the services of lower priority TICs.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

Activity: INFORMATION & ANALYSIS
 Program: INFORMATION & ANALYSIS
 Agency: TRADE & ECON DEVELOPMENT DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	1,060	1,138	1,434	1,461	1,461	1,498	1,498	387	15.0%
OTHER OPERATING EXPENSES	372	187	224	170	170	170	170	(71)	(17.3%)
Total Expenditures	1,432	1,325	1,658	1,631	1,631	1,668	1,668	316	10.6%
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	1,432	1,325	1,658	1,631	1,631	1,668	1,668		
Total Financing	1,432	1,325	1,658	1,631	1,631	1,668	1,668		
<u>FTE by Employment Type:</u>									
FULL TIME	20.4	19.6	24.0	24.0	24.0	24.0	24.0		
PART-TIME, SEASONAL, LABOR SER	0.1	1.5	1.0	1.0	1.0	1.0	1.0		
Total Full-Time Equivalent	20.5	21.1	25.0	25.0	25.0	25.0	25.0		

PROGRAM SUMMARY

Program: ADMINISTRATIVE SUPPORT
Agency: TRADE & ECON DEVELOPMENT DEPT

PROGRAM PROFILE:

The commissioner is responsible for establishing overall department policy and management systems to ensure that department resources are effectively and efficiently utilized.

Activities in this program are Information and Computer Services, and General Administration including fiscal services, human resources, and general support.

DTED's administrative offices work to provide cost efficient and effective administrative, fiscal, human resource, and information services (IS) and systems consistent with state and federal laws, policies, requirements, and procedures. Services are centralized to assure coordination, provide cost effective service, and ensure compliance with state and federal requirements. Administration develops and coordinates the implementation of organizational and operational policies, and provides staff support services in the designated areas.

This is a general support program for the entire agency.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget except for the following adjustment:

- The Governor recommends a one-time appropriation of \$250,000 to support the activities of the workforce development transition team.

Program: ADMINISTRATIVE SUPPORT
 Agency: TRADE & ECON DEVELOPMENT DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Activity:</u>									
GENERAL ADMINISTRATION	1,843	1,782	2,330	2,511	2,761	2,792	2,792	1,441	35.0%
INFO & COMPUTER SERVICES	1,402	1,073	1,934	1,109	1,109	1,109	1,109	(789)	(26.2%)
Total Expenditures	3,245	2,855	4,264	3,620	3,870	3,901	3,901	652	9.2%
<u>Change Items:</u>									
(A) WORKFORCE DEV TRANSITION TEAM	GEN				250				
Total Change Items					250				
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	3,176	2,787	4,089	3,455	3,705	3,736	3,736		
Statutory Appropriations:									
SPECIAL REVENUE	69	68	175	165	165	165	165		
Total Financing	3,245	2,855	4,264	3,620	3,870	3,901	3,901		
<u>FTE by Employment Type:</u>									
FULL TIME	29.5	28.5	34.5	34.5	34.5	34.5	34.5		
PART-TIME, SEASONAL, LABOR SER	0.3	0.6	0.5	0.5	0.5	0.5	0.5		
Total Full-Time Equivalent	29.8	29.1	35.0	35.0	35.0	35.0	35.0		

BUDGET ACTIVITY SUMMARY

Budget Activity: GENERAL ADMINISTRATION
Program: ADMINISTRATIVE SUPPORT
Agency: TRADE & ECON DEVELOPMENT DEPT

ACTIVITY PROFILE:

The Fiscal Services unit performs accounting, budgeting, financial reporting, and purchasing functions. This unit also provides general oversight to ensure compliance with state and federal laws, rules, policies and guidelines for sound fiscal management.

The Human Resources (HR) office administers the department's personnel and labor relations programs, including recruitment, selection, classification and compensation, benefits administration, contract and plan administration, affirmative action, and other related HR activities. The office is also responsible for payroll functions, assisting managers in the legal administration of the state's personnel system, and agency employees in all aspects of their employment.

The Administrative Service unit provides broad agency support including reception services, mail processing, property management, fixed asset inventory, telecommunications support, and other types of general administrative services.

STRATEGIES AND PERFORMANCE:

- Management of the budget to ensure proper allocation and expenditure of funds.
- Operational efficiencies and consistency through refined processes and procedures.
- Compliance with rules, regulations, laws, contracts and plans affecting departmental operations.

To date, this program has been meeting operational challenges within target spending levels through organization efficiencies and other initiatives. Inflation costs will continue to be absorbed through savings from these efficiencies. This program collects and generates dedicated and non-dedicated revenue through its indirect cost plan which supports a portion of this program.

BUDGET ISSUES:

Administration will continue to meet the ongoing challenge of absorbing inflationary costs within target level funding.

Activity: GENERAL ADMINISTRATION
 Program: ADMINISTRATIVE SUPPORT
 Agency: TRADE & ECON DEVELOPMENT DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	1,127	1,095	1,245	1,302	1,302	1,354	1,354	316	13.5%
OTHER OPERATING EXPENSES	716	687	1,085	1,209	1,459	1,438	1,438	1,125	63.5%
Total Expenditures	1,843	1,782	2,330	2,511	2,761	2,792	2,792	1,441	35.0%
Change Items:									
(A) WORKFORCE DEV TRANSITION TEAM		Fund GEN				250			
Total Change Items					250				
Financing by Fund:									
Direct Appropriations:									
GENERAL	1,774	1,714	2,155	2,346	2,596	2,627	2,627		
Statutory Appropriations:									
SPECIAL REVENUE	69	68	175	165	165	165	165		
Total Financing	1,843	1,782	2,330	2,511	2,761	2,792	2,792		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	165	97	165	165	165	165	165		
Total Revenues Collected	165	97	165	165	165	165	165		
FTE by Employment Type:									
FULL TIME	18.2	17.3	20.5	20.5	20.5	20.5	20.5		
PART-TIME, SEASONAL, LABOR SER	0.3	0.6	0.5	0.5	0.5	0.5	0.5		
Total Full-Time Equivalent	18.5	17.9	21.0	21.0	21.0	21.0	21.0		

BUDGET ACTIVITY SUMMARY

Budget Activity: INFO & COMPUTER SERVICES
Program: ADMINISTRATIVE SUPPORT
Agency: TRADE & ECON DEVELOPMENT DEPT

ACTIVITY PROFILE:

Through the department's Information Management Office (IMO), the department is supported by Information Resource Management (IRM) activities consistent with state policies, goals, and guidelines. This centralized support includes planning, analysis and management functions in support of IRM (e.g., strategic information planning; technology project planning, evaluation and management; data management and other activities such as disaster recovery, etc.) This office also manages departmental staff that provide information services (IS) support agency wide.

STRATEGIES AND PERFORMANCE:

- Effective development and integration of information systems, consistent with statewide goals and objectives, through IRM.
- Operational efficiencies and consistency through refined processes and procedures

To date, this program has been meeting operational challenges within target spending levels through organization efficiencies and other initiatives. Inflation costs will continue to be absorbed through savings from these efficiencies. This program collects revenue through its indirect cost plan which supports a portion of this program.

This activity generates dedicated and non-dedicated revenue through the department's indirect cost plan. This revenue supports a portion of the services provided.

BUDGET ISSUES:

Information and Computer Services will continue to work to meet the ongoing challenge of inflationary costs within target funding. Costs for IS personnel have increased significantly due to competitive issues within state government and the private sector.

MINNESOTA TECHNOLOGY - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The mission of Minnesota Technology is to contribute to the growth of the economy by assisting industry to apply, develop and commercialize technology.

Minnesota Technology (MTI) is part of the state's strategy to strengthen the economy and preserve and "grow" high-skill, high-wage jobs, thereby creating a strong climate to grow business and positioning Minnesota as a world competitor.

KEY SERVICE STRATEGIES:

MTI works with companies to identify and implement new technologies that will improve their products and processes. Our field staff has extensive private sector backgrounds in manufacturing and technology fields. Not only do they provide companies with perspective and insight, they also identify technologies and technology resources that are available from federal labs, academic institutions and private sector resources.

Services are provided through field staff based in six offices throughout the state: Moorhead, Virginia, St. Cloud, Twin Cities, Rochester, and Redwood Falls. The services are a key strategy in diversifying the greater Minnesota economy towards advanced manufacturing and technology-based businesses.

MTI staff work *on-site* with manufacturing and technology based companies to 1) help companies identify and prioritize issues, 2) strategize how the issues will be resolved/what new technologies should be implemented, and 3) locate and oversee an outside resource to address the issues (paid for by the client company).

In addition, Minnesota Technology also works with other organizations to promote the technology industry and its growth – primarily in the Twin Cities – and provides public policy research and analysis on technology issues.

OPERATING ENVIRONMENT:

As an economic development strategy, MTI works with industry sectors that tend to provide stable, high-wage jobs. These companies must compete in a world economy that is becoming more and more technology-based. Not only are their customers expecting them to have e-business competencies, they are also expecting new, better and cheaper products and processes.

The common factor in all these demands is improving a company's use of technology. Without doing so, companies quickly lose their place to competition.

Historically, MTI has served companies throughout the state, with a focus on greater Minnesota, because it is particularly difficult for these companies to find technology resources of any kind. However, high-growth oriented companies in the metro area have also yielded very significant economic impact.

Over time, the needs of companies have become more and more technology-intensive, and so have MTI's services. Primarily by reallocating internal resources, MTI has introduced e-business assistance and tech transfer from federal labs, and expanded technical assistance to match company needs with technology resources in academia. Over the next biennium the technology transfer and federal lab services will increase through internal reallocation, as will the organization's leadership in technology public policy.

There are several premises to our services:

- Today's – and tomorrow's – economy relies more and more on the effective implementation of technology. Without consistent improvements to products and processes, Minnesota's manufacturers and technology-based companies will be unable to compete in the world economy.
- When properly selected and implemented, continual advances in technology provide a platform for companies to be successful, and for companies to provide stable, high wage jobs to their employees.
- Experienced, objective field staff can help companies assess where they are, where they want to be, and what technologies can help get them there.

ORGANIZATION/PROGRAM STRUCTURE:

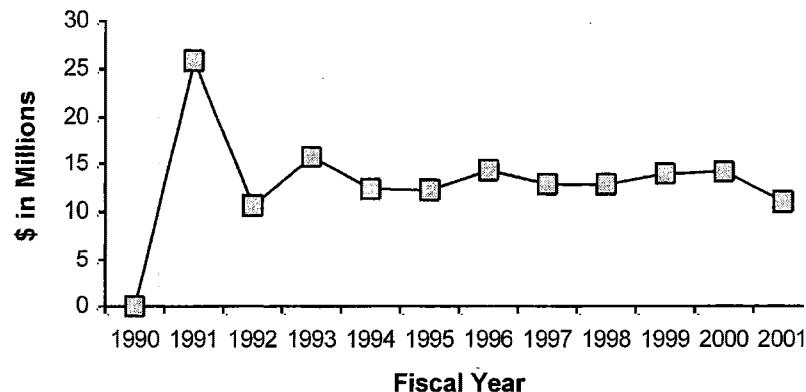
PRESIDENT AND EXECUTIVE MANAGEMENT		
Technology Services		44.5
Customized Services		
[Grt. Minn. 33.0]		
[Metro 11.5]		
Technology Transfer/Industry		
University Relations		9.5
eBusiness Institute		6.0
Technology Industry Promotion and Awareness		5.4
Technology Policy Research & Analysis		6.0
HR/Finance/Evaluation/MIS		5.8
Admin		4.0
IT & Web		6.5
		87.7

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget.

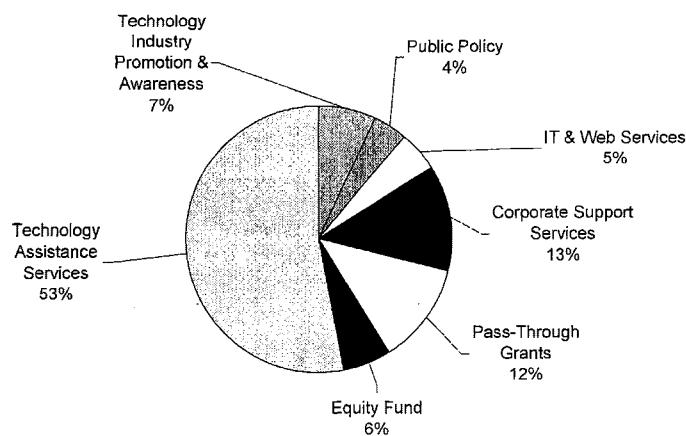
MINNESOTA TECHNOLOGY - EXECUTIVE SUMMARY (Continued)

TRENDS AND PERSPECTIVE:

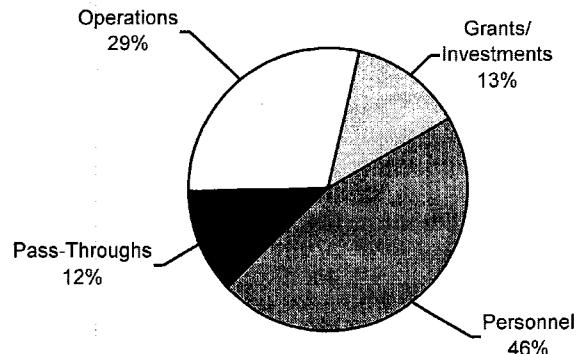


Minnesota Technology was formed in 1991.

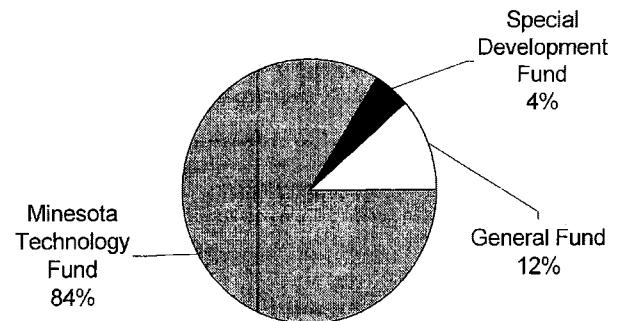
2000-01 Expenditures by Program Total: \$25,280 (\$ in thousands)



2000-01 Expenditures by Fund Total: \$25,280 (\$ in thousands)



2000-01 Expenditures by Fund Total: \$25,280 (\$ in thousands)



Program: MINNESOTA TECHNOLOGY
 Agency: MINNESOTA TECHNOLOGY INC

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Activity:</u>									
TECHNOLOGY SERVICES	13,248	12,405	9,935	11,334	11,334	10,902	10,902	(104)	(0.5%)
MINNESOTA PROJECT INNOVATION	694	700	500	0	0	0	0	(1,200)	(100.0%)
MINNESOTA INVENTORS CONGRESS	75	70	70	0	0	0	0	(140)	(100.0%)
NATURAL RESOURCES RESEARCH INS	950	850	350	0	0	0	0	(1,200)	(100.0%)
MINNESOTA COUNCIL FOR QUALITY	113	100	100	0	0	0	0	(200)	(100.0%)
COLD WEATHER RESEARCH CENTER	100	100	100	0	0	0	0	(200)	(100.0%)
Total Expenditures	15,180	14,225	11,055	11,334	11,334	10,902	10,902	(3,044)	(12.0%)

Financing by Fund:							
Direct Appropriations:							
GENERAL	1,932	1,820	1,120	6,105	6,105	6,105	6,105
Statutory Appropriations:							
MINNESOTA TECHNOLOGY INC	12,524	11,291	9,900	5,194	5,194	4,797	4,797
SPECIAL REVENUE	724	1,114	35	35	35	0	0
Total Financing	15,180	14,225	11,055	11,334	11,334	10,902	10,902

MINNESOTA TECHNOLOGY INC - BUDGET BRIEF

Fund: GENERAL

		<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001)	(\$000s)			
Appropriations		\$7,425	\$7,425	\$14,850
BASE ADJUSTMENT				
eBusiness one-time appropriation		(200)	(200)	(400)
Pass-through one-time appropriations		(1,120)	(1,120)	(2,240)
BASE LEVEL (for 2002 and 2003)		\$6,105	\$6,105	\$12,210
CHANGE ITEMS		-0-	-0-	-0-
GOVERNOR'S RECOMMENDATION		\$6,105	\$6,105	\$12,210

BRIEF EXPLANATION OF BUDGET DECISIONS:

- The budget accommodates all compensation increases, benefit cost increases and inflationary pressures over the next biennium without additional funding. Base adjustments are included for one-time appropriations for eBusiness Institute (\$200,000) and for one-time pass-through grants to Minnesota Project Innovation, Minnesota Inventors Congress, Natural Resources Research Institute, Minnesota Council for Quality, and Cold Weather Research Center (total of \$1.12 million).
- Minnesota Technology will spend approximately 70% of its budget on those services oriented to improving the competitive position of Minnesota's manufacturers and technology companies. Adjustments in these services, accommodated within the current base budget, include
 - devoting current resources to industry clusters,
 - shifting the focus of technology improvements to help companies expand without adding workers,
 - devoting more resources to identifying new technologies and partners among federal labs, NASA and academia, and
 - expanding the number of eBusiness Institute seminars offered to companies.

- The remainder of the budget will be directed to public policy issues, promoting and improving the awareness of technology and manufacturing in the economy, and administrative oversight. New offerings, accommodated within the current base budget, include
 - promoting the technology industry and its importance to the economy, with partners such as the MN High Technology Association, and
 - providing technology leadership to the state through such means as a report on the state of technology in Minnesota, an expanded technology directory delivered through the Internet, and assisting policy leaders in evaluating technology issues within Minnesota's economy.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget.

Agency: MINNESOTA TECHNOLOGY INC

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01				
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent			
<u>Dedicated Receipts:</u>												
Departmental Earnings:												
MINNESOTA TECHNOLOGY INC	245	341	257	337	337	327	327	66	11.0%			
Grants:												
MINNESOTA TECHNOLOGY INC	183	131	155	180	180	180	180	74	26.9%			
FEDERAL	2,176	1,918	2,179	2,000	2,000	2,000	2,000	(97)	(2.4%)			
Other Revenues:												
MINNESOTA TECHNOLOGY INC	1,031	830	1,004	1,372	1,372	1,572	1,572	1,110	60.5%			
SPECIAL REVENUE	107	60	30	30	30	30	30	(30)	(33.3%)			
Total Dedicated Receipts	3,742	3,280	3,625	3,919	3,919	4,109	4,109	1,123	16.3%			
Agency Total Revenues	3,742	3,280	3,625	3,919	3,919	4,109	4,109	1,123	16.3%			

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Activity: TECHNOLOGY SERVICES
 Program: MINNESOTA TECHNOLOGY
 Agency: MINNESOTA TECHNOLOGY INC

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	5,209	5,847	5,821	6,136	6,136	6,306	6,306	774	6.6%
OTHER OPERATING EXPENSES	4,358	3,659	3,764	3,853	3,853	3,836	3,836	266	3.6%
Subtotal State Operations	9,567	9,506	9,585	9,989	9,989	10,142	10,142	1,040	5.4%
LOCAL ASSISTANCE	3,681	2,899	350	1,345	1,345	760	760	(1,144)	(35.2%)
Total Expenditures	13,248	12,405	9,935	11,334	11,334	10,902	10,902	(104)	(0.5%)
Financing by Fund:									
Direct Appropriations:									
GENERAL	0	0	0	6,105	6,105	6,105	6,105		
Statutory Appropriations:									
MINNESOTA TECHNOLOGY INC	12,524	11,291	9,900	5,194	5,194	4,797	4,797		
SPECIAL REVENUE	724	1,114	35	35	35	0	0		
Total Financing	13,248	12,405	9,935	11,334	11,334	10,902	10,902		
Revenue Collected:									
Dedicated									
MINNESOTA TECHNOLOGY INC	1,459	1,302	1,416	1,889	1,889	2,079	2,079		
SPECIAL REVENUE	107	60	30	30	30	30	30		
FEDERAL	2,176	1,918	2,179	2,000	2,000	2,000	2,000		
Total Revenues Collected	3,742	3,280	3,625	3,919	3,919	4,109	4,109		

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ECONOMIC SECURITY DEPT - EXECUTIVE SUMMARY (Continued)

fiscal agent and represents Minnesota as co-leader (with New York) of the consortium of states and private sector organizations who are the architects of these products.

- At the federal level, it appears that once again, unemployment insurance/Job Service, Vocational Rehabilitation and employment and training programs will be essentially flat-funded. Because these programs are staff intensive, this translates into a reduction in supportable staff levels due to negotiated compensation and inflation.
- In partnership with the Minnesota Department of Human Services, DES plays a key role in Minnesota's welfare reform effort by helping public assistance recipients get jobs through programs and services offered in the WFCs.
- DES is committed to continuously improving our services, as measured by workforce development outcomes. We are committed to strengthening our relations with partners and stakeholders, while recognizing that resources are diminishing.

ORGANIZATION/PROGRAM STRUCTURE:

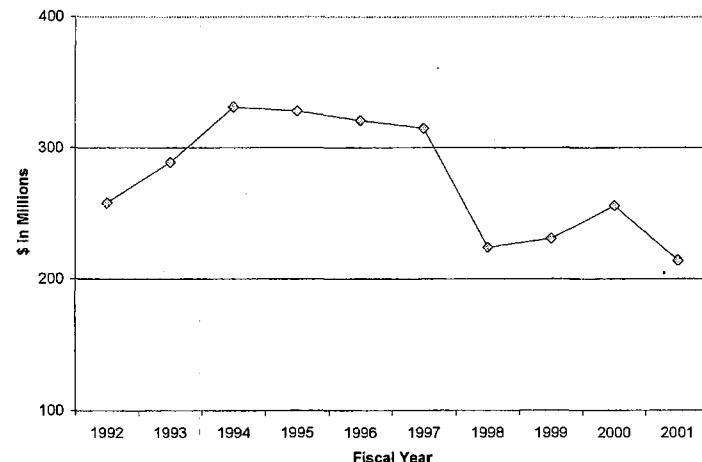
COMMISSIONER AND EXECUTIVE MANAGEMENT	
	506 Fte
Workforce Services	396 Fte
Workforce Rehabilitation Services	132 Fte
Workforce Services for the Blind	674 Fte
Workforce Wage Assistance	0 Fte
Energy Programs	

6/30/00 TOTAL 1,708 FTE's

ECONOMIC SECURITY DEPT - EXECUTIVE SUMMARY (Continued)

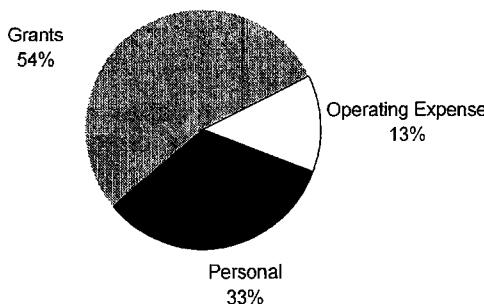
TRENDS AND PERSPECTIVE:

Total Budget - All Funds



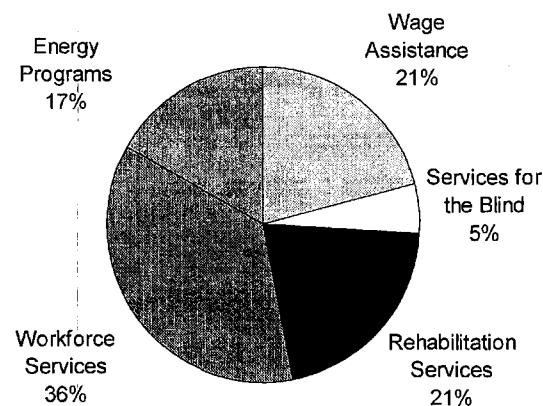
2000-01 Expenditures by Category

Total: \$577 Million



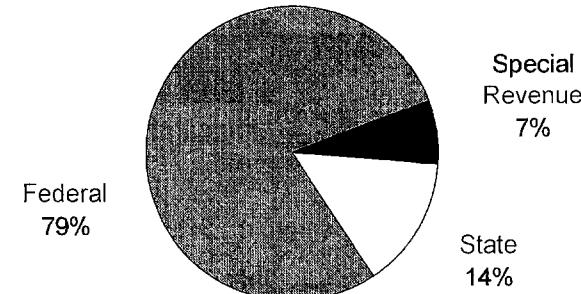
2000-01 Expenditures by Program

Total: \$577 Million



2000-01 Expenditures by Fund

Total: \$577 Million



Agency: ECONOMIC SECURITY DEPT

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Program:</u>									
WORKFORCE SERVICES	104,285	122,213	83,945	75,390	76,063	74,331	75,004	(55,091)	(26.7%)
WORKFORCE REHABILITATION SVCS	53,357	59,133	61,520	62,727	62,977	63,331	63,581	5,905	4.9%
WORKFORCE SVCS FOR THE BLIND	12,548	12,978	18,856	15,018	15,018	15,306	15,306	(1,510)	(4.7%)
WORKFORCE WAGE ASSISTANCE	60,608	58,537	60,700	61,300	61,600	61,900	69,900	12,263	10.3%
ENERGY PROGRAMS	0	0	99,396	81,997	81,997	81,997	81,997	64,598	65.0%
Total Expenditures	230,798	252,861	324,417	296,432	297,655	296,865	305,788	26,165	4.5%
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	37,777	40,940	38,709	36,099	38,849	36,250	39,000		
SPECIAL REVENUE	775	1,001	2,829	2,602	775	2,602	775		
FEDERAL TANF	0	130	370	0	0	0	0		
Statutory Appropriations:									
GENERAL	976	904	1,333	1,235	1,235	1,235	1,235		
STATE GOVERNMENT SPECIAL REVENUE	0	0	1,462	0	0	0	0		
SPECIAL REVENUE	22,760	25,230	7,394	4,776	5,076	4,791	12,791		
MDES FEDERAL	168,502	184,389	270,411	251,463	251,463	251,730	251,730		
GIFT	8	267	1,909	257	257	257	257		
Total Financing	230,798	252,861	324,417	296,432	297,655	296,865	305,788		
<u>FTE by Employment Type:</u>									
FULL TIME	1,822.3	1,772.1	1,700.2	1,648.3	1,645.9	1,584.1	1,581.8		
Total Full-Time Equivalent	1,822.3	1,772.1	1,700.2	1,648.3	1,645.9	1,584.1	1,581.8		

ECONOMIC SECURITY DEPT - BUDGET BRIEF

Fund: GENERAL

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations			
Appropriations	\$36,269	\$36,269	\$72,538
BASE ADJUSTMENT			
One-time Appropriations	(366)	(366)	(732)
Documented Rent/Lease Increase	22	44	66
2002-03 Salary Benefit Base	124	253	377
Fund Change Consolidation	50	50	100
BASE LEVEL (for 2002 and 2003)	\$36,099	\$36,250	\$72,349
CHANGE ITEMS			
Emerging Worker	1,500	1,500	3,000
Universal Customer	1,000	1,000	2,000
Best Buddies	250	250	500
JAIBG Match	111	111	222
Youth Curfew/Truancy Reallocation	(111)	(111)	(222)
GOVERNOR'S RECOMMENDATION	\$38,849	\$39,000	\$77,849

BRIEF EXPLANATION OF BUDGET DECISIONS:

The one-time appropriations of \$366,000 that were identified in the Omnibus Appropriation Laws of 1999 and 2000 include: \$100,000 for YouthBuild Technical Program, \$116,000 for the Juvenile Accountability Incentive Block Grant (JAIBG) and \$150,000 for Alien Labor Certification.

The Fund Change Consolidation of \$50,000 represents an appropriation for Deaf and Hard of Hearing that was funded from the Workforce Development Fund. The Laws of 1999 directed that it be added to the General Fund base.

The 2002-2003 Salaries and Benefits base adjustment adds \$377,000 to DES' budget for compensation-related costs as directed by the budget guidelines.

The \$66,000 base adjustment is for documented increases in lease costs for State Services for the Blind.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends \$2.75 million in new spending for the agency in each year of the biennium.

The Governor's recommendation includes reallocating \$222,000 from Youth Curfew/Truancy to meet a federal match requirement for the Juvenile

Accountability Incentive Block Grant (JAIBG), \$3.0 million for emerging workers and \$2.0 million for universal workers as part of his workforce development initiatives. It also includes \$500,000 on a one-time basis for the Best Buddies program, a program that provides opportunities for friendship that enhance the lives of people with mental retardation and program volunteers.

ECONOMIC SECURITY DEPT - BUDGET BRIEF

Fund: MISCELLANEOUS SPECIAL REVENUE

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations	\$2,829	\$2,829	\$5,658
<u>BASE ADJUSTMENT</u>			
Deaf and Hard of Hearing one-time	\$(50)	\$(50)	\$(100)
Displaced Homemakers Prgm one-time	\$(127)	\$(127)	\$(254)
Juvenile Justice Match one-time	\$(50)	\$(50)	\$(100)
<u>BASE LEVEL (for 2002 and 2003)</u>	\$2,602	\$2,602	\$5,204
<u>CHANGE ITEMS</u>			
Eliminate Displaced Homemakers	\$(1,827)	\$(1,827)	\$(3,654)
GOVERNOR'S RECOMMENDATION	\$775	\$775	\$1,550

BRIEF EXPLANATION OF BUDGET DECISIONS:

The base adjustments consist of reductions for one-time appropriations. Funding for the Deaf and Hard of Hearing program was transferred to the general fund base for the program by the Laws of 1999. The \$127,000 for the Displaced Homemaker was a one-time appropriation. The Juvenile Justice funding was not included in the base for this fund.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends eliminating the Displaced Homemaker Program and reallocating the \$1.827 million to other workforce development initiatives.

ECONOMIC SECURITY DEPT - FEDERAL FUNDS SUMMARY

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenue	SFY 2001 Revenue	Estimated SFY 2002 Revenue	Estimated SFY 2003 Revenue
Employment Transition Services (JTPA Programs/WIA)	-0-	GPS	9,262	11,834	11,453	11,453
Youth Services	10,397	GPS	17,115	14,508	13,050	13,050
Welfare to Work	-0-	GPS	17,330	3,932	1,068	-0-
Workforce Exchange Services	-0-	SO	34,854	34,115	36,799	36,799
Economic Dislocation and Worker Adjustment Assistance	-0-	GPS	7,627	-0-	-0-	-0-
Vocational Rehabilitation	7,521	SO, GPS, GI	34,784	37,249	39,386	39,876
Independent Living	1,850	SO, GPS, GI	1,215	1,321	1,359	1,458
Services for the Blind	4,744	SO, GPS, GI	7,642	9,020	8,801	8,947
Unemployment Insurance	-0-	SO	38,413	39,600	39,600	39,600
Disability Determination	-0-	SO	17,697	18,080	19,000	19,600
Fuel Assistance	-0-	GPS	-0-	89,515	71,286	71,286
Weatherization	-0-	GPS	-0-	7,069	9,661	9,661
Agency Total	24,512		185,939	266,243	251,463	251,730

Key:

SO -State Operations

GPS -Grants to Political Subdivisions

GI -Grants to Individuals

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PROGRAM SUMMARY

Program: WORKFORCE SERVICES
Agency: ECONOMIC SECURITY DEPT

PROGRAM PROFILE:

The WorkForce Services Branch provides workforce development services through the Minnesota WorkForce Center System. This system serves categorically eligible customers, such as economically disadvantaged youth, unemployed adults, older workers, public assistance recipients and new and first time entrants to the workforce who qualify for more extensive services.

Through an interagency agreement with the Department of Human Services, the WorkForce Services Branch jointly manages the Minnesota Family Investment Program – Employment and Training (MFIP-ET) in conjunction with counties and WorkForce Centers.

The branch is organized into five units to support these services: adult training, employment programs, employment transition, field operations and youth services.

The services of the WorkForce Services Branch are the key components of The Big Plan's goals for Self-Sufficiency and Minnesota World Competitor. For example, the budget activities of Employment Transition Services, Workforce Exchange Services, and Welfare to Work Services all seek to reduce poverty, improve labor force participation rates, and increase the number of Minnesotans capable of supporting themselves financially. The budget activity Youth Services and the new Emerging Worker initiative both work to ensure a higher-wage and more satisfying career path for targeted youth, to prevent future dependency on public assistance.

STRATEGIES AND PERFORMANCE:

Services are provided directly by department staff and indirectly by local units of government and non-profit organizations through various contracts. The primary local entities that provide employment and training services are the 16 local Workforce Service Areas (WSAs) designated through the federal Workforce Investment Act (WIA).

Two key strategies proposed by DES in the WorkForce Services Branch are Emerging Worker and Universal Customer. The Emerging Worker program will be focused on those 11th and 12th grade students who do not have the information they need to make choices about potential jobs and career paths by providing critical counseling staff and resources to strengthen the ties between schools and local workforce development systems.

The Universal Customer initiative is being proposed to provide resources for those job seekers or employers who do not qualify for strict eligibility-based programs. This initiative would allocate \$2 million over the biennium to provide resources for those local areas that want to experiment with innovative methods for reaching out more broadly to the workforce and employers.

FINANCING INFORMATION:

Federal funding supports 75% of the WorkForce Services Branch activities. Through various grants the U.S. Department of Labor funds labor exchange activities and local WSA employment and training services. Welfare-to-Work Services secured a required one-time state match in the last biennium.

BUDGET ISSUES:

- The federal Job Training Partnership Act (JTPA), which funded Adult, Youth and Dislocated Worker programs, was replaced by the Workforce Investment Act (WIA). The WIA Adult program is flexible in language, but funding is still categorical.
- The federal Job Service program has had flat funding for the past 20 years.
- Federally appropriated Welfare-to-Work funds are available until 6-30-2002. It is unknown whether Congress will appropriate additional funds to support this activity.

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$11.683 million in FY 2002 and \$11.692 million in FY 2003 for workforce services. This includes \$1.0 million each year for the universal customer initiative and \$1.5 million each year for the emerging worker initiative. The Governor also recommends a reallocation of \$111,000 each year from the Youth Curfew/Truancy program to the Juvenile Accountability Incentive Block Grant (JAIBG) to meet a federal match requirement.

The Governor recommends that \$1.827 million each year in special revenue be reallocated from the Displaced Homemakers program to support these workforce development initiatives.

Activity: EMPLOYMENT TRANSITION SERVICES
 Program: WORKFORCE SERVICES
 Agency: ECONOMIC SECURITY DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	941	961	1,072	1,072	1,041	1,072	1,041	49	2.4%
OTHER OPERATING EXPENSES	219	300	654	544	518	494	468	32	3.4%
Subtotal State Operations	1,160	1,261	1,726	1,616	1,559	1,566	1,509	81	2.7%
LOCAL ASSISTANCE	14,816	11,416	12,948	12,439	12,169	12,489	12,219	24	0.1%
Total Expenditures	15,976	12,677	14,674	14,055	13,728	14,055	13,728	105	0.4%

<u>Change Items:</u>	<u>Fund</u>					
(B) EMERGING WORKER	GEN			1,500		1,500
(B) ELIMINATE DISPLACED HOMEMAKERS	SR			(1,827)		(1,827)
Total Change Items				(327)		(327)

<u>Financing by Fund:</u>						
Direct Appropriations:						
GENERAL	4,248	2,390	0	0	1,500	0
SPECIAL REVENUE	775	901	2,729	2,602	775	2,602
Statutory Appropriations:						
MDES FEDERAL	10,953	9,386	11,945	11,453	11,453	11,453
Total Financing	15,976	12,677	14,674	14,055	13,728	14,055

<u>Revenue Collected:</u>						
Dedicated						
MDES FEDERAL	10,830	9,262	11,834	11,453	11,453	11,453
Total Revenues Collected	10,830	9,262	11,834	11,453	11,453	11,453

<u>FTE by Employment Type:</u>						
FULL TIME	19.1	19.0	20.3	19.6	17.2	18.9
Total Full-Time Equivalent	19.1	19.0	20.3	19.6	17.2	18.9
						16.6

BUDGET CHANGE ITEM (48214)

Budget Activity: EMPLOYMENT TRANSITION SERVICES
Program: WORKFORCE SERVICES
Agency: ECONOMIC SECURITY DEPT

Item Title: EMERGING WORKER

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$100	\$100	\$100	\$100
-Grants	\$1,400	\$1,400	\$1,400	\$1,400
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <u>X</u> No _____				
If yes, statute(s) affected:				
<u>X</u> New Activity	Supplemental Funding	Reallocation		

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$1.5 million in FY 2002 and FY 2003 to create an emerging worker program that will provide resources for technical training for 11th and 12th graders who would otherwise not pursue post-secondary education. The program would involve two strategies. First, a set of outreach professionals would work closely with and within high schools to improve the links between schools and the workforce development system in local areas. Second, one or two pilot programs would be established to pilot the use of Individual Training Accounts (ITAs) for students' short-term technical training and exposure to careers.

RATIONALE:

At present, employers across Minnesota face a shortage of skilled workers in a wide range of occupations. Many of these occupations require prospective employees to demonstrate academic and technical skills in order to succeed. Implementing an Emerging Workers Program targeted primarily to high school juniors and seniors who are undecided about their post-secondary education would allow Minnesota families to tap into existing resources through their schools, WorkForce Centers, and many other local and state resources.

Establishing a viable Emerging Workers Program will provide another tool for local employers to use in conjunction with ongoing partnerships with local schools and the workforce development system to encourage these youth to remain in and help sustain their local community.

Emerging workers will require intensive contact with trained professionals, with as much attention paid to each individual as possible. The kind of decisions youth are making about their careers are difficult. They typically make these decisions with virtually no information on the state or local labor market, or what resources are available to them from local sources of education and training. Outreach professionals funded by the Emerging Worker program would be responsible for assuring that the workforce development system in their area is as responsive as possible to the information needs of local schools and their students.

The outreach professionals would not promote any particular profession or skill, but rather will provide students with information. Students themselves, along with their parents and teachers, will make their own career choices.

FINANCING:

The \$3 million allocated to DES will include \$2 million for outreach professionals for students, and \$1 million for the ITA pilot program(s). Accessing money for the outreach professionals will require a 1:1 match from non-state sources.

OUTCOMES:

- Better, higher-wage employment opportunities for young/emerging workers
- Better-informed emerging workers who are more satisfied with career path
- Ranking within top three states for labor force participation of youth
- More success for employers in hiring and retaining local workforce

Included in these outcomes is establishment of a measure for return on investment that must be met in order to renew the Emerging Worker program beyond an original sunset date.

BUDGET ACTIVITY SUMMARY

Budget Activity: YOUTH SERVICES
Program: WORKFORCE SERVICES
Agency: ECONOMIC SECURITY DEPT

ACTIVITY PROFILE:

WIA Youth Formula Grant

The Workforce Investment Act (WIA) Youth Formula Grant is targeted to economically disadvantaged youth between the ages of 14 and 21. The program operates through the Workforce Service Areas and/or Workforce Councils. Programs are designed to integrate work and learning. The WIA Youth Formula Grant provides year-round employment and training services to youth who are basic skills deficient, youth whose educational attainment is below grade level, pregnant or parenting youth, youth with disabilities, homeless or runaway youth, offenders and school dropouts. Services include vocational counseling, academic and vocational training, work experience, and job placement assistance.

Minnesota Youth Program (MYP)

The Minnesota Youth Program (MYP) provides summer youth employment in all 87 counties for young people between the ages of 14 and 21. The education, skill training and support service needs of each youth are assessed and used as the basis for designing individualized service strategies. Participants are provided with academic enrichment which, at a minimum, counteracts the erosion of basic skills and, to the extent possible, increases the young person's reading and math skills. Summer activities are emphasized under MYP due to the elimination of a separate, federally-funded summer youth program beginning in the year 2000. Year-round services are also provided under MYP.

Minnesota YouthBuild

The Minnesota YouthBuild Program provides specialized training, work experience, leadership skills and education for youth at risk of not completing their high school education. Youth must be between the ages of 16 and 24. The program requires that work projects result in the expansion or improvement of residential units for homeless persons and very low income families or social service, educational, or health facilities that primarily serve these populations. Target groups include youth who are at risk of involvement with the juvenile justice system, dropouts and potential dropouts, youth with disabilities, teen parents and public assistance recipients.

Juvenile Justice Program

Minnesota's Juvenile Justice Program provides grants on a competitive basis to counties, cities and community-based organizations, for prevention and early

intervention programs targeting youth at risk of involvement or re-involvement with the juvenile justice system.

Juvenile Accountability Incentive Block Grant

Juvenile Accountability Incentive Block Grant (JAIBG) is a federal initiative that provides states and local units of government with resources to reduce levels of juvenile crime. Funds are formula-allocated by law to states. States are also required to allocate JAIBG funds by formula under this program. Funding is intended to provide local units of government with additional resources that complement or expand activities to increase accountability for juveniles committing crimes at the local level. Resources can also be used to help reduce juvenile crime rates.

Youth Intervention Program

The Youth Intervention Program is delivered through 48 non-residential, community-based programs, which provide early intervention services to at-risk youth and families. Programs deal with youth ages 5 through 17 in the context of family, school and community. All programs must obtain a 2:1 funding match from their local municipalities and/or counties. In 1999, over 21,674 at risk youth were served through 48 community-based programs.

STRATEGIES AND PERFORMANCE:

WIA Youth Formula Grant

DES closed out the Job Training Partnership Act (JTPA) Title IIB Summer Youth Program and the JTPA Title IIC Year-Round Program in March 2000. The WIA Youth Formula Grant became effective on 4-1-2000. Separate federal funding for summer youth employment activities has been eliminated. The Workforce Investment Act (WIA) promotes a comprehensive youth employment development system and creates local youth councils. WIA youth performance measures focus on the following:

For Youth Between the Ages of 14 and 18:

- Attainment of Basic Skills, Work Readiness and/or Occupational Skills
- Attainment of Secondary School Diploma or Equivalent
- Placement and Retention in Post-Secondary Education/Advanced Training, Military, Unsubsidized Employment or Qualified Apprenticeship

For Youth Between the Ages of 19 and 21:

- Entry into Unsubsidized Employment
- Minimum Six Month Retention in Unsubsidized Employment
- Six Month Earnings Received in Unsubsidized Employment

BUDGET ACTIVITY SUMMARY (Continued)

Budget Activity: YOUTH SERVICES
Program: WORKFORCE SERVICES
Agency: ECONOMIC SECURITY DEPT

- Attainment of Educational or Occupational Skills Credential by participants who enter unsubsidized employment, or by youth who enter post-secondary education, advanced training or unsubsidized employment.

Minnesota Youth Program (MYP)

In 2000, 91% of total MYP participants will return to school or enter unsubsidized employment; 80% of the participants will demonstrate documented gains in reading and math skills and work readiness and/or occupational skills.

YouthBuild

In 2000, 60% of YouthBuild participants who complete the program will enter unsubsidized employment or enroll in a post-secondary institution; 85% of the participants who complete the program in 2000 will graduate from high school or remain in school and achieve a major level of education.

Juvenile Justice Program

In 2000, at least 85% of youth who are ordered by the court to participate in a juvenile justice program will successfully complete the program.

Juvenile Accountability Incentive Block Grant (JAIBG)

Local units of government use these funds to establish, expand and maintain accountability-based programs that work with juvenile offenders who are referred by law enforcement agencies.

Youth Intervention Program

In 2000, 88 percent of youth referred to the program due to illegal activities (e.g., property offenses and alcohol/drug offenses) had no further involvement with the juvenile justice system six months after program completion. Seventy-nine percent of youth referred for truant behavior improved their school attendance six months after program completion. Eighty-eight percent of youth participants showed increased decision-making skills at program completion.

FINANCING INFORMATION:

Federal funding for the Youth Formula Grant under WIA Title I is from the U.S. Department of Labor. The U.S. Department of Justice provides funding for the Juvenile Justice activities. State appropriations fund the Minnesota Youth Program, Minnesota YouthBuild, and the Youth Intervention Program.

GRANTS:

The Youth Formula Grant is funded under Title I of the Workforce Investment Act of 1998 (WIA) (P.L.105-220). The Minnesota Youth Program is authorized under M.S. 268.31 to 268.36. The WIA Youth Formula Grant and the Minnesota Youth Program operate in all 87 counties through the Workforce Service Areas/Workforce Councils and their subcontractors.

The Minnesota YouthBuild Program is authorized under M.S. 268.361 to 268.367. The YouthBuild Program currently operates in 12 sites: The City, Inc. (Minneapolis), Bi-County CAP (Bemidji), the Carver-Scott-Education Cooperative, (Chaska), Summit Academy OIC (Minneapolis), Rural Minnesota CEP (Detroit Lakes), the City Academy (St. Paul), Arrowhead Economic Opportunity Agency (Virginia), Central Minnesota Jobs and Training Services (Willmar), Guadalupe Area Project (St. Paul), Stearns-Benton Employment and Training Council (St. Cloud), Project for Pride in Living (Minneapolis), and Southeastern Minnesota Private Industry Council (Rochester).

Funded under the Juvenile Justice and Delinquency Prevention Act (PL 93-415) the Juvenile Justice Advisory Committee (appointed by the Governor) awards grants on a competitive basis to counties, cities and community-based organizations to support innovative strategies at the state and local level and to respond to emerging issues.

Funding under the JAIBG is provided under the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1998, Public Law 105-119

Funding for the Youth Intervention Program is authorized under Chapter 268.30. The Youth Intervention Program is delivered through 48 non-residential, community-based programs that provide early intervention services to at-risk youth and their families.

BUDGET ISSUES:

The U.S. Department of Justice requires DES to secure a hard cash match of \$111,000 each year of the biennium in order to receive \$3.9 million of federal funding under JAIBG. Federal law does not permit in-kind match.

Activity: YOUTH SERVICES
 Program: WORKFORCE SERVICES
 Agency: ECONOMIC SECURITY DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	641	771	1,001	910	991	919	1,000	219	12.4%
OTHER OPERATING EXPENSES	216	217	229	228	228	228	228	10	2.2%
Subtotal State Operations	857	988	1,230	1,138	1,219	1,147	1,228	229	10.3%
LOCAL ASSISTANCE	19,680	27,066	23,049	21,039	20,958	21,039	20,958	(8,199)	(16.4%)
Total Expenditures	20,537	28,054	24,279	22,177	22,177	22,186	22,186	(7,970)	(15.2%)

<u>Change Items:</u>	<u>Fund</u>					
(B) JAIBG MATCH	GEN				111	111
(B) YOUTH CURFEW/TRUANCY REALLOCATION	GEN				(111)	(111)
Total Change Items				0		0

<u>Financing by Fund:</u>						
Direct Appropriations:						
GENERAL	6,093	10,230	9,481	9,127	9,127	9,136
SPECIAL REVENUE	0	50	50	0	0	0
Statutory Appropriations:						
GENERAL	207	167	98	0	0	0
MDES FEDERAL	14,237	17,607	14,650	13,050	13,050	13,050
Total Financing	20,537	28,054	24,279	22,177	22,177	22,186

<u>Revenue Collected:</u>						
Dedicated						
GENERAL	0	151	98	0	0	0
MDES FEDERAL	14,650	17,115	14,508	13,050	13,050	13,050
Total Revenues Collected	14,650	17,266	14,606	13,050	13,050	13,050

<u>FTE by Employment Type:</u>						
FULL TIME	12.6	14.6	18.0	15.7	15.7	15.9
Total Full-Time Equivalent	12.6	14.6	18.0	15.7	15.7	15.9

BUDGET CHANGE ITEM (46237)

Budget Activity: **YOUTH SERVICES**

Program: **WORKFORCE SERVICES**

Agency: **ECONOMIC SECURITY DEPT**

Item Title: **JAIBG MATCH**

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-Grants	\$111	\$111	\$111	\$111
-Grants	\$(111)	\$(111)	\$(111)	\$(111)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes No X

If yes, statute(s) affected:

 New Activity Supplemental Funding X Reallocation

OUTCOMES:

Expected outcomes of the JAIBG program using \$111,000 of Youth Curfew/Truancy funds as JAIBG matching funds will include:

- Improved operations in juvenile detention facilities.
- Improved accountability for juvenile offenders, including restitution and reduced recidivism.
- Increased hiring of local personnel in the juvenile justice system.
- Reduced backlog of violent juvenile offenders in the court system.
- Reduced drug, gang and youth violence problems

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$111,000 per year be reallocated from the Youth Curfew/Truancy funds to provide the required cash match for the reauthorized federal Juvenile Accountability Incentive Block Grant (JAIBG). In the future, if no match is needed, the funds revert back to the Youth Curfew/Truancy program.

RATIONALE:

The U.S. Department of Justice requires DES to secure a hard cash match of \$111,000 each year in order to receive \$3.9 million of federal funding under JAIBG. Federal law does not permit in-kind match. DES does not have undedicated funds for the hard cash match. Minnesota has participated in this match for the past two years through a General Fund appropriation. DES did not request a base increase during this time, as the U.S. Department of Justice was not clear concerning the permanency of the program.

FINANCING:

This initiative transfers \$111,000 each year from Youth Curfew/Truancy to the Juvenile Accountability Incentive Block Grant to be used as matching funds as required under federal law.

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BUDGET ACTIVITY SUMMARY

Budget Activity: WELFARE TO WORK SERVICES
Program: WORKFORCE SERVICES
Agency: ECONOMIC SECURITY DEPT

ACTIVITY PROFILE:

Currently DES, in coordination with the Department of Human Services (DHS), is responsible for jointly managing the Minnesota Family Investment Program – Employment and Training (MFIP-ET) and Food Stamp Employment and Training (FSET) programs. These programs are responsible for helping Minnesotans on public assistance achieve economic self-sufficiency.

DES reviews and approves annual plans to guarantee that programs deliver promised services and also meet state and federal requirements. The department provides oversight and evaluation of functions to ensure program goals and objectives are met and funds are used as intended. Technical assistance is provided to improve effectiveness and efficiency.

DES and DHS are responsible for establishing and maintaining reporting systems, drafting rules and bulletins, developing monitoring guides, providing technical assistance and training, and public information to promote awareness of services.

STRATEGIES AND PERFORMANCE:

MDES strategic goals which include reducing the amount of time MFIP recipients are on public assistance, reducing the number of re-entrants to MFIP, and coordinating between state agencies on workforce development issues are important functions expected under the Governor's goal of transitioning from Welfare to Self-Sufficiency. This strategy includes involving adults in educational opportunities and seeks to instill in them the lifelong learning skills they need to be less dependent on government and become more self-reliant. The following performance goals are geared towards these ends.

Minnesota Family Investment Program (MFIP) and FSET

- To provide effective employment services which will enable participants to enter the labor force and ultimately become self-sufficient.
- To increase participants average wage at termination by 5% each year.

Federal Welfare to Work Program (WtW)

- To provide intensive employment and post-employment services to eligible long term and at-risk of long term hard-to-serve MFIP recipients.
- To provide employment services to non-custodial parents whose children meet certain eligibility requirements.

Responsibility for the administration of WtW is under DES, but with mandated linkages between DES and DHS on plan development, and in local service unit plan development.

Success in providing these targeted services will increase workforce participation and reduce the poverty rate.

FINANCING INFORMATION:

Federal funding from the U.S. Department of Labor for this program is available from 3-10-98 through 6-30-02. Minnesota is required to provide state match in the amount of \$1 for every \$2 in federal funds it expends. Required state matching funds include \$5 million in state appropriations for 7-1-99 through 6-30-01. The balance of match requirements are to be met by expenditures of non-federal funds by state and local agencies.

BUDGET ISSUES:

Federal appropriated WtW funds are available until 6-30-04 as a result of a two-year extension from Congress in 2000.

Activity: WORKFORCE EXCHANGE SERVICES
 Program: WORKFORCE SERVICES
 Agency: ECONOMIC SECURITY DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	20,330	21,095	20,986	20,836	21,836	20,836	21,836	1,591	3.8%
OTHER OPERATING EXPENSES	9,623	8,341	11,191	11,192	11,192	11,192	11,192	2,852	14.6%
Subtotal State Operations	29,953	29,436	32,177	32,028	33,028	32,028	33,028	4,443	7.2%
CAPITAL OUTLAY & REAL PROPERTY	0	24	0	0	0	0	0	(24)	(100.0%)
PAYMENTS TO INDIVIDUALS	1,288	1,271	1,452	1,452	1,452	1,452	1,452	181	6.6%
LOCAL ASSISTANCE	1,426	3,369	3,369	3,369	3,369	3,369	3,369	0	0.0%
Total Expenditures	32,667	34,100	36,998	36,849	37,849	36,849	37,849	4,600	6.5%
Change Items:									
	<u>Fund</u>								
(B) UNIVERSAL CUSTOMER	GEN					1,000		1,000	
Total Change Items						1,000		1,000	
Financing by Fund:									
Direct Appropriations:									
GENERAL	2,059	451	200	50	1,050	50	1,050		
Statutory Appropriations:									
GENERAL	459	120	0	0	0	0	0		
MDES FEDERAL	30,149	33,529	36,798	36,799	36,799	36,799	36,799	36,799	
Total Financing	32,667	34,100	36,998	36,849	37,849	36,849	37,849		
Revenue Collected:									
Dedicated									
GENERAL	1,586	35	0	0	0	0	0		
MDES FEDERAL	30,145	34,854	34,115	36,799	36,799	36,799	36,799	36,799	
Total Revenues Collected	31,731	34,889	34,115	36,799	36,799	36,799	36,799	36,799	
FTE by Employment Type:									
FULL TIME	421.1	411.0	383.3	361.4	361.4	341.1	341.1		
Total Full-Time Equivalent	421.1	411.0	383.3	361.4	361.4	341.1	341.1		

BUDGET CHANGE ITEM (48011)

Budget Activity: WORKFORCE EXCHANGE SERVICES

Program: WORKFORCE SERVICES

Agency: ECONOMIC SECURITY DEPT

Item Title: UNIVERSAL CUSTOMER

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$200	\$50	\$50	\$50
-Grants	\$800	\$950	\$950	\$950
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected:				
<input checked="" type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION: The Governor recommends allocating \$1 million in each year of the biennium to serve Universal Customers through the state's workforce development system. Universal Customers are individuals who can benefit from employment and training services but do not meet specific eligibility criteria. Many of them are working poor, making less than \$10 per hour. All of them are Minnesota workers looking to keep pace with a changing economy and a rapidly evolving labor market that rewards skills and training.

The funding for Universal Customers will be used to aid individuals in identifying their skills and training needs, to seek and maintain employment, and to advance in their careers. Included in the first year of funding is up to \$150,000 associated with a one-time best practices study to improve the WorkForce Center System.

RATIONALE: In the past, a high school education was enough preparation for a good job, that one could expect to keep for their entire career. The current reality is that a high school education is no longer sufficient, and on average people change jobs once every three years—and change careers entirely seven times in their lifetime. To be successful in today's market place one must constantly upgrade skills, expect frequent job changes, and become adept at changing ways of looking for work (e.g., the Internet).

Yet many people who enter WorkForce Centers hoping for help in those areas do not qualify for eligibility-based services, but could increase their earning potential with short, focused assistance. Such assistance would include information services, skill assessments and training, and networking opportunities. Up to this point, these services have only been available on a limited basis, to program-eligible populations.

If DES is to serve a "universal customer," such a profile must also include employers themselves, who in today's economy are in clear need of help in finding qualified workers. These employers may want better access to the labor market; or they may be looking for guidance in navigating regulations (e.g., accommodating persons with disabilities). Whatever their need, employers seek a workforce development system less bureaucratic and more customer-driven.

As with individuals looking for work, businesses may only need brief information in a self-service environment. For all customers, DES expects to make career and employment management tools available, as much as appropriate, in such a self-service environment.

Like any other business, WorkForce Centers face an ever-changing environment. Rising customer and stakeholder expectations and reductions in budget allocations for many of the partners present challenges and opportunities in the way WorkForce Centers conduct their business. To help the Centers structure any new services properly, an in-depth, unbiased review of the system is essential. This review will benchmark the system and then take the required steps to improve its efficiency, effectiveness, competitiveness and performance.

Even before this review is complete, unmet demand must be handled. DES will direct WorkForce Centers to gauge the demand for services in their local area and extend their hours as appropriate to their specific situation. Because many of the workers we expect to serve in the Universal Customer initiative are incumbent workers on a daytime shift, such an extension of hours will be critical to effective customer service.

Wagner-Peyser (Job Service) has been the primary funding source for serving Universal Customers. However, it has had flat funding since 1985.

FINANCING: This initiative is for \$2 million in ongoing funds from the General Fund.

OUTCOMES: Expected outcomes include:

- More skilled workers, and higher wages for those workers;
- Better-served and more satisfied Workforce Center clients; and
- Better communication with business, and resulting better knowledge of skilled labor needs.

Activity: UNEMPLOYMENT INSURANCE
 Program: WORKFORCE WAGE ASSISTANCE
 Agency: ECONOMIC SECURITY DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	30,469	30,159	29,600	29,600	29,600	29,600	29,600	(559)	(0.9%)
OTHER OPERATING EXPENSES	12,090	10,755	12,700	12,700	13,000	12,700	20,700	10,245	43.7%
OTHER FINANCIAL TRANSACTIONS	104	101	0	0	0	0	0	(101)	(100.0%)
Subtotal State Operations	42,663	41,015	42,300	42,300	42,600	42,300	50,300	9,585	11.5%
CAPITAL OUTLAY & REAL PROPERTY	0	145	0	0	0	0	0	(145)	(100.0%)
Total Expenditures	42,663	41,160	42,300	42,300	42,600	42,300	50,300	9,440	11.3%
Change Items:									
	<u>Fund</u>								
(B) UNEMPLOYMENT INSURANCE SET ASIDE	SR				300			8,000	
Total Change Items					300			8,000	
Financing by Fund:									
Statutory Appropriations:									
SPECIAL REVENUE	2,343	2,586	2,700	2,700	3,000	2,700	10,700		
MDES FEDERAL	40,320	38,574	39,600	39,600	39,600	39,600	39,600		
Total Financing	42,663	41,160	42,300	42,300	42,600	42,300	50,300		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	2,493	2,386	2,699	2,700	7,700	2,700	12,700		
MDES FEDERAL	40,378	38,413	39,600	39,600	39,600	39,600	39,600		
Total Revenues Collected	42,871	40,799	42,299	42,300	47,300	42,300	52,300		
FTE by Employment Type:									
FULL TIME	642.0	587.6	529.4	501.1	501.1	472.7	472.7		
Total Full-Time Equivalent	642.0	587.6	529.4	501.1	501.1	472.7	472.7		

BUDGET CHANGE ITEM (66151)

Budget Activity: UNEMPLOYMENT INSURANCE

Program: WORKFORCE WAGE ASSISTANCE

Agency: ECONOMIC SECURITY DEPT

Item Title: UNEMPLOYMENT INSURANCE SET ASIDE

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Special Revenue				
-State Operations	\$300	\$8,000	\$8,000	\$8,000
Revenues: (\$000s)				
Special Revenue	\$5,000	\$10,000	\$10,000	\$5,000
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected:				
<input checked="" type="checkbox"/> New Activity <input type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends allocating \$300,000 in FY 2002 and \$8 million in FY 2003 from special revenue that will be derived through a set-aside of a small portion of the unemployment insurance tax in order to provide for unemployment insurance technology enhancements.

This initiative would upgrade the technology necessary for strengthening the delivery of unemployment benefits to unemployed workers as well as upgrading the technology necessary to collect the unemployment insurance tax which funds the payment of those benefits. In order to expedite project design and implementation, the Governor has recommended a one-time General Fund appropriation of \$300,000 in FY 2002 to the Department of Administration to support this project.

RATIONALE:

The administration of the Unemployment Insurance Program is funded solely by a federal grant. That federal grant has stayed relatively constant over the last five years and is not projected to increase in the foreseeable future. Because costs have substantially increased over that period, overall staffing has been decreased and technology enhancements are the only viable option to insure an excellent delivery of the program in the future.

Only minimal amounts of federal money have been made available for technology initiatives. Minnesota's present tax systems were originally

purchased in the mid-1970's. Providing for technology enhancements will allow partnership with the Department of Revenue in implementing joint systems which will allow employers single point access to pay both their unemployment tax and their withholding tax obligations. Enhancements will allow employers to self manage their unemployment tax accounts, providing real time awareness of which former employees are collecting benefits that will affect the employer's future tax rates. Enhancements will allow real time access to payment information and will allow on-line tax reporting as well as electronic notification and communication with employers about former employees' applications for unemployment benefits. This will substantially decrease the costs incurred by employers in dealing with the unemployment insurance program and will streamline the program's dealing with employers.

The initiative will also provide funding for voice recognition technology which will streamline the benefit application and biweekly continued request processes which are now done over the telephone. This will aid applicants in the filing for benefits and substantially increase the efficiencies in providing benefits. The initiative will allow for a benefit applicant to access benefit account information via the Internet.

This initiative will substantially strengthen the Unemployment Insurance Program and ensure that it is capable, in the future, of meeting its public objective of strengthening Minnesota's workforce and Minnesota's economy by providing temporary partial wage replacement to those workers who find themselves in the unfortunate situation of being unemployed through no fault of their own.

FINANCING:

Special revenue will allocate \$300,000 in FY 2002 and \$8 million in FY 2003. This special revenue will be generated by a set-aside of a small portion of the unemployment insurance tax. These funds would otherwise go into the Unemployment Insurance Program trust fund, for the payment of benefits to unemployed workers. The UI trust fund currently has a balance of over \$600 million.

OUTCOMES:

- single point access for employers to pay both their unemployment tax and their withholding tax obligations;
- better and up-to-date information for employers regarding their unemployment tax accounts;
- streamlined, electronic communication with both employers and employees to allow for faster processing of benefit applications;
- decreased costs for the benefit application system; and
- increased administrative efficiencies to meet workload demands without adding staff.

HOUSING FINANCE AGENCY - EXECUTIVE SUMMARY (Continued)

Discrimination and Not In My Backyard (NIMBY): Discrimination has been identified in a number of studies as a major barrier to developing affordable housing, renting apartments and obtaining mortgage financing. Neighborhood opposition stops many affordable housing projects particularly special needs projects. Even in cases where the housing ultimately built, NIMBY has the effect of increasing costs.

Changing Federal Commitment to Housing: Federal rental assistance subsidies that historically have been the major means of providing affordable housing to the lowest income households are increasingly going unused due to extremely tight rental housing markets around the state. Housing credits, a primary financing tool for affordable rental housing, were capped for more than 10 years until Congress acted in December, 2000, effectively reducing the impact of the credits by 50%. Similarly, tax-exempt mortgage revenue bonds have been capped for more than ten years; that fact combined with certain IRS regulations, have reduced the amount of below market interest rate mortgage money available for low and moderate income first time homebuyers.

Increasing Ability to Opt Out of Federal Assistance Programs: More and more housing developments are in a position to command higher rents and leave federal assistance programs or are in need of substantial rehabilitation in order for federal assistance to continue. Federally assisted rental housing is the most affordable housing available in the state. Over half of the federally assisted housing developments are for the elderly.

Complexity of Housing Development: Housing development continues to grow in complexity and is increasingly dependent on an ability to marshal funding from a variety of sources.

ORGANIZATION/PROGRAM STRUCTURE:

As of 6-30-2000, the MHFA had 175 employees in four major divisions: accounting and finance; multifamily; homeownership; and administration, including information systems, research, and policy. After June 30th, MHFA took over from HUD contract administration for 18,000 units of Section 8 housing and added 15 employees. The agency is run by a Board of Directors comprised of five citizen members appointed by the Governor and two ex-officio members, the Commissioner of Trade and Economic Development and the State Auditor. Over half of all employees are professional employees. MHFA is located in lowertown St. Paul.

Division	FTE
Administration	25.6 fte
Finance and Accounting	20.9 fte
Homes	48.8 fte
Multifamily	79.7 fte

GOVERNOR'S RECOMMENDATION:

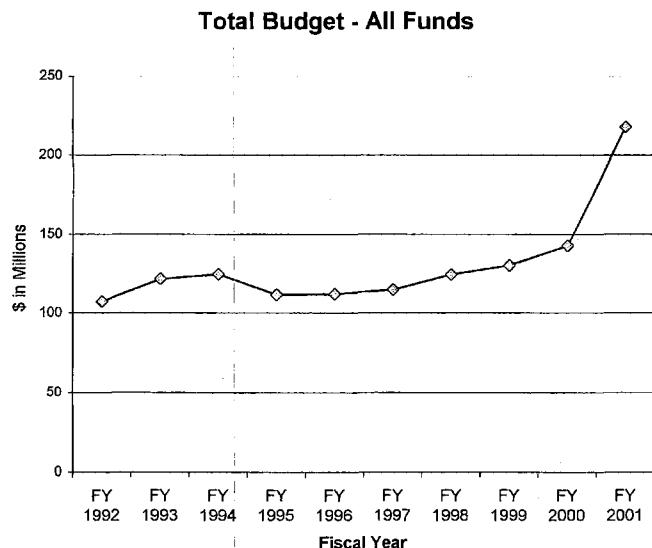
The Governor recommends the agency's base budget, including the following reallocations:

- The Governor recommends that a number of development programs be consolidated into the Economic Development and Housing Challenge Fund to help increase the production of affordable housing, increase the leverage of non-state resources, and promote local regulatory relief.
- The Governor recommends that a number of supportive housing-type programs be consolidated into the Housing Trust Fund in order to better develop housing for homeless and very low-income households with special needs.
- The Governor recommends that the Foreclosure Prevention and Assistance Program be consolidated into the Full Cycle Homeownership Services Program in light of the establishment around the state of a comprehensive statewide service delivery system.
- The Governor recommends that funds be shifted from two production programs into the Nonprofit Capacity Building Grant Program in order to fund Continuum of Care Planning in Greater Minnesota and homeless prevention and assistance coordination in the Twin Cities Metropolitan Area.

The Governor also recommends a one-time General Fund appropriation of \$24 million for low-income rental housing, funded by a transfer of TANF funds to the General Fund. This initiative will increase the supply of affordable housing for Minnesota's lowest income working families.

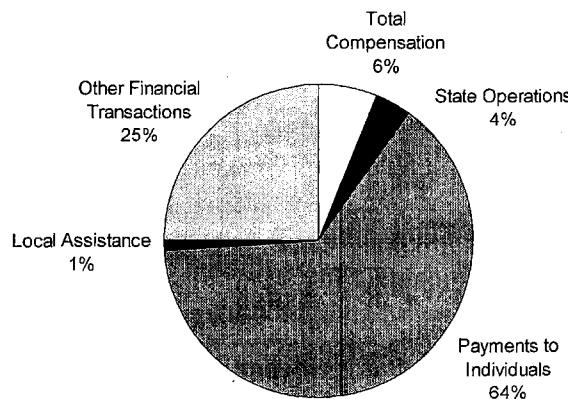
HOUSING FINANCE AGENCY - EXECUTIVE SUMMARY (Continued)

TRENDS AND PERSPECTIVES:



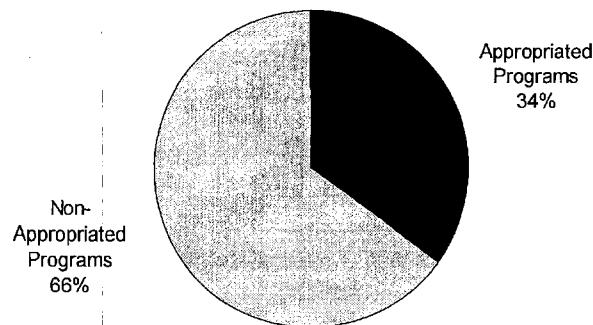
2000-01 Expenditures by Category

Total: \$360,661 (\$ in thousands)



2000-01 Expenditures by Program

Total: \$360,661 (\$ in thousands)



Agency: HOUSING FINANCE AGENCY

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Program:									
APPROPRIATED PROGRAMS	41,565	50,434	74,695	77,077	101,077	79,118	103,118	79,066	63.2%
NON-APPROPRIATED PROGRAMS	88,788	92,508	143,024	161,360	161,360	163,575	163,575	89,403	38.0%
Total Expenditures	130,353	142,942	217,719	238,437	262,437	242,693	266,693	168,469	46.7%
Financing by Fund:									
Direct Appropriations:									
GENERAL	0	0	0	39,832	51,832	39,832	51,832		
FEDERAL TANF	0	3,155	3,846	0	12,000	0	12,000		
Statutory Appropriations:									
HOUSING FINANCE AGENCY	130,353	139,787	213,873	198,605	198,605	202,861	202,861		
Total Financing	130,353	142,942	217,719	238,437	262,437	242,693	266,693		
FTE by Employment Type:									
FULL TIME	160.7	161.4	193.0	193.0	193.0	192.0	192.0		
PART-TIME, SEASONAL, LABOR SER	5.8	4.8	4.3	3.0	3.0	3.0	3.0		
Total Full-Time Equivalent	166.5	166.2	197.3	196.0	196.0	195.0	195.0		

HOUSING FINANCE AGENCY - BUDGET BRIEF

Fund: GENERAL

BASE YEAR (FY 2001)	(Thousands)	FY 2002	FY 2003	Biennium
Appropriations		\$43,270	\$43,270	\$86,540
<u>BASE ADJUSTMENT</u>				
One-Time Appropriations		(3,438)	(3,438)	(6,876)
<u>BASE LEVEL (for 2002 and 2003)</u>				
<u>CHANGE ITEMS</u>				
Consolidation of Re/development Programs				
Proposed expenditures		12,004	12,004	24,008
Reallocated expenditures		(12,379)	(12,379)	(24,758)
Consolidation of Supportive Housing Programs				
Proposed expenditures		2,875	2,875	5,570
Reallocated expenditures		(2,600)	(2,600)	(5,200)
Consolidation of Residential & Organizational Support Programs				
Proposed expenditures		683	683	1,366
Reallocated expenditures		(583)	(583)	(1,166)
Low-income Supportive Housing				
Appropriation to ARIF Fund		12,000	12,000	24,000
GOVERNOR'S RECOMMENDATION		\$51,832	\$51,832	\$103,644

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget, including the following reallocations:

- The Governor recommends that a number of development programs be consolidated into the Economic Development and Housing Challenge Fund to help increase the production of affordable housing, increase the leverage of non-state resources, and promote local regulatory relief.
- The Governor recommends that a number of supportive housing-type programs be consolidated into the Housing Trust Fund in order to better develop housing for homeless and very low-income households with special needs.
- The Governor recommends that the Foreclosure Prevention and Assistance Program be consolidated into the Full Cycle Homeownership Services Program in light of the establishment around the state of a comprehensive statewide service delivery system.
- The Governor recommends that funds be shifted from two production programs into the Nonprofit Capacity Building Grant Program in order to fund Continuum of Care Planning in Greater Minnesota and homeless prevention and assistance coordination in the Twin Cities Metropolitan Area.

The Governor also recommends a one-time General Fund appropriation of \$24 million for low-income rental housing, funded by a transfer of TANF funds to the General Fund. This initiative will increase the supply of affordable housing for Minnesota's lowest income working families.

BRIEF EXPLANATION OF BUDGET DECISIONS:

- The 1999 Legislature appropriated \$120.54 million to the MHFA for FY 2000. Of this amount, \$40.876 million was one time funding. The three biggest components of the one time funding were as follows: \$20 million for the Economic Development and Housing Challenge Program; \$8 million for the Innovative and Inclusionary Housing Program; and \$10 million for the Preservation of Federally-Assisted Housing. The 2000 Legislature, as part of the welfare reform/TANF reserve package, appropriated \$50.5 million in one-time funding to MHFA for three programs: \$20 million for Habitat for Humanity; \$30 million for rental housing development for MFIP families; and \$500 thousand for the Family Homeless Prevention and Assistance Program. The 2000 Legislature also appropriated \$2 million in the bonding bill for the Housing Trust Fund Transitional Housing Program.

Agency: HOUSING FINANCE AGENCY

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
<u>Non-Dedicated Revenue:</u>									
Grants:									
GENERAL	0	0	0	0	12,000	0	12,000	24,000	
Total Non-Dedicated Receipts	0	0	0	0	12,000	0	12,000	24,000	
<u>Dedicated Receipts:</u>									
Grants:									
HOUSING FINANCE AGENCY	72,876	80,295	117,629	143,599	143,599	144,418	144,418	90,093	45.5%
Other Revenues:									
HOUSING FINANCE AGENCY	14,246	13,611	17,400	15,778	15,778	13,945	13,945	(1,288)	(4.2%)
Other Sources:									
HOUSING FINANCE AGENCY	(1,681)	16,202	7,242	8,984	8,984	10,684	10,684	(3,776)	(16.1%)
Total Dedicated Receipts	85,441	110,108	142,271	168,361	168,361	169,047	169,047	85,029	33.7%
Agency Total Revenues	85,441	110,108	142,271	168,361	180,361	169,047	181,047	109,029	43.2%

HOUSING FINANCE AGENCY - FEDERAL FUNDS SUMMARY

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
Section 8 Housing Assistance Payments	-0-	0 housing	69,265	59,000	64,000	64,000
Shelter Plus Care	-0-	0 housing	155	826	826	826
HOME	-0-	0 housing	10,774	13,214	11,372	10,865
Housing Opportunities for Persons with AIDS	-0-	0 housing	599	1,000	1,000	1,000
Housing Counseling	-0-	0 housing	89	60	-0-	-0-
Federal Preservation	-0-	0 housing	-0-	446	101	101
TANF – Rental Assistance for Family Stabilization	-0-	0 housing	1,520	2,731	-0-	-0-
TANF – Family Homeless Prevention	-0-	0 housing	1,635	1,115	-0-	-0-
Contract Administration	-0-	0 housing	-0-	43,333	66,300	67,626
Agency Total	-0-		84,037	121,725	143,599	144,418

PROGRAM SUMMARY

Program: NON-APPROPRIATED PROGRAMS
Agency: HOUSING FINANCE AGENCY

PROGRAM PROFILE:

MHFA funds affordable housing activities in five broad areas, and uses dedicated appropriations in all five activity areas:

- **Development and Redevelopment Programs.** These programs fund the new construction and rehabilitation of rental housing and homes for ownership for families with a range of incomes.
- **Supportive Housing Programs.** These programs fund housing development and rent assistance for very low-income families and individuals who often face other barriers to stability and economic self-sufficiency.
- **Homeownership Loan Programs.** These programs fund home purchase and home improvement loans for families and individuals with a range of incomes.
- **Preservation of Federally Assisted Housing Programs.** These programs seek to preserve the stock of federally assisted rental housing that is in danger of being lost due to opt-outs for market reasons, physical deterioration, or both.
- **Resident and Organizational Support.** These programs provide operating funds for organizations that develop affordable housing, offer homebuyer training, education, and foreclosure prevention assistance, or coordinate regional planning efforts.

STRATEGIES AND PERFORMANCE:

As with appropriated programs, non-appropriated programs are delivered by a variety of organizations around the state including non-profit organizations, community action agencies, housing and redevelopment agencies, cities, counties, lenders, for-profit and non-profit developers. MHFA joins with other public and private funders to make available development and redevelopment funds in a comprehensive, single application, one-stop selection process twice yearly. Other programs are delivered through a statewide network of traditional and non-traditional lenders.

In making funding decisions in competitive selection processes, MHFA uses investment guidelines and Continuum of Care Plans developed at the regional level to assure consistency with regional priorities. MHFA provides non-appropriated funds to families and individuals in a variety of forms depending on the specific program: deferred no-interest loans, rent assistance, grants.

To determine whether policy goals and objectives are met, MHFA has an annual performance measurement process applied to all programs and all funding sources with the following four components:

- **Annual Program Assessment** reports on the amount of assistance provided each year and characteristics of households served.
- **Cumulative Assessment Report** compares data from the current program year to prior years.
- **Program Performance Measurement Report**, which measures MHFA success at meeting key policy objectives, compares data from the Annual Assessment Report against a series of benchmarks:
 - reduction in seven major activity areas
 - Incomes of households served
 - Rent affordability and rent burden
 - Underserved households
 - New housing and net job growth
 - Smart growth
 - Local planning, leverage and investment
- **Humphrey Institute Summer Evaluation Program** provides an in-depth evaluation of one or more Agency programs or activities.

PROGRAM SUMMARY (Continued)

Program: NON-APPROPRIATED PROGRAMS
Agency: HOUSING FINANCE AGENCY

The following table indicates the funding level for each of the non-appropriated programs:

	FY 2002	FY 2003	Biennial
Re/development Programs			
HOME Rental Rehab	5,865	5,865	11,730
Sec 8 Housing Assistance Payments	64,000	64,000	128,000
HUD Contract Administration	66,300	66,300	133,926
Supportive Housing Programs			
MURL	2,650	2,650	5,300
Shelter Plus Care	826	826	1,652
HOPWA	1,000	1,000	2,000
Homeownership Loan Programs			
HOME Rehabilitation Loans	2,007	1,500	3,507
Preservation/Fed-Assisted Housing			
Federal Preservation Grant	101	101	202
Resident and Organizational Support			
CHDO Operating Grants	440	440	880
HOME Administrative Costs	410	410	820
Program Administration	17,761	19,157	36,918
TOTAL	161,360	163,575	324,935

BUDGET ISSUES:

The state biennial budget will not directly affect the non-appropriated programs.

Program: NON-APPROPRIATED PROGRAMS
 Agency: HOUSING FINANCE AGENCY

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Activity:</u>									
RE/DEVELOPMENT PROGRAMS	71,462	68,044	114,125	136,165	136,165	137,491	137,491	91,487	50.2%
SUPPORTIVE HOUSING PROGRAMS	1,782	6,066	8,422	4,476	4,476	4,476	4,476	(5,536)	(38.2%)
HOMEOWNERSHIP LOAN PROGRAMS	2,005	2,533	2,272	2,007	2,007	1,500	1,500	(1,298)	(27.0%)
PRESERVATION OF FED ASSISTANCE	0	0	446	101	101	101	101	(244)	(54.7%)
RESIDENT & ORGANIZATIONAL SUPP	618	695	1,210	850	850	850	850	(205)	(10.8%)
PROGRAM ADMINISTRATION	12,921	15,170	16,549	17,761	17,761	19,157	19,157	5,199	16.4%
Total Expenditures	88,788	92,508	143,024	161,360	161,360	163,575	163,575	89,403	38.0%
<u>Financing by Fund:</u>									
Direct Appropriations:									
FEDERAL TANF	0	3,155	3,846	0	0	0	0		
Statutory Appropriations:									
HOUSING FINANCE AGENCY	88,788	89,353	139,178	161,360	161,360	163,575	163,575		
Total Financing	88,788	92,508	143,024	161,360	161,360	163,575	163,575		
<u>FTE by Employment Type:</u>									
FULL TIME		160.7	161.4	193.0	193.0	192.0	192.0		
PART-TIME, SEASONAL, LABOR SER		5.8	4.8	4.3	3.0	3.0	3.0		
Total Full-Time Equivalent		166.5	166.2	197.3	196.0	196.0	195.0	195.0	

BUDGET ACTIVITY SUMMARY

Budget Activity: RE/DEVELOPMENT PROGRAMS
Program: NON-APPROPRIATED PROGRAMS
Agency: HOUSING FINANCE AGENCY

ACTIVITY PROFILE:

The goal of MHFA's re/development programs is to fund the new construction and rehabilitation of housing, both rental and homes for ownership, needed to sustain economic growth and vitality. In some communities, new housing is needed due to significant net employment growth. In other communities, rehabilitating the existing stock is an important strategy for retaining existing employers and related economic activity. Re/development program funds have been used to finance both rental and homeownership units in new, mixed income developments, new rental housing, and affordable units in new single-family subdivisions.

The primary affordable housing initiative in the Governor's Big Plan is entitled Partnerships for Affordable Housing. The goal of Partnerships for Affordable Housing is to increase housing production necessary for economic development by using two strategies:

- Increasing the leverage of capital from non-state sources, and
- Removing barriers to private development.

The Agency's development Programs are the primary vehicles for achieving the objective of increased production by greater leveraging of capital investment in housing. The change item proposed in this activity area is designed to further increase the leverage of non-state sources.

STRATEGIES AND PERFORMANCE:

The primary strategy for increasing housing production through greater leverage is to build into state funding decisions priorities for projects that bring more non-state contributions and more and different investors.

- In the past twelve months, MHFA-funded projects show increased leverage of non-state resources, and in particular more involvement of employers and businesses. MHFA's proposed budget reallocations of state appropriations are designed to continue this effort.
- Re/development Program funds are made available primarily through a competitive, comprehensive, one-stop, single application process sponsored by MHFA, the Family Housing Fund, the Greater Minnesota Housing Fund, the Metropolitan Council, and others.

- Applications for re/development funding are evaluated on criteria in the following areas:
 - Project viability;
 - Consistency with regional guidelines;
 - Capacity of the sponsor;
 - Smart growth;
 - Underserved populations;
 - Local planning leverage and investment.

The funding organizations also examine data on county job growth, household growth, local wage levels, and the racial composition of the local school age population.

FINANCING INFORMATION:

The following are the MHFA's non-appropriated Re/development Programs:

1) HOME Rental Rehabilitation Program

The HOME Rental Rehabilitation Program is a federally funded program that provides deferred loans to rehabilitate privately owned rental property to support affordable, decent, safe, and energy efficient housing for lower income households. Assistance ranges from \$3,000 to \$14,000 per unit. Owners are required to match program assistance on a 1 to 3 basis. A network of local administrators assists in administering this program.

2) Minnesota Urban Rural Homesteading Program (HOME-MURL)

The Urban and Rural HOMEsteading Program is modeled as closely as possible to complement the state appropriated MURL program. It uses federal HOME block grant funds to provide grants to nonprofit housing providers or cities to acquire single-family residences that are vacant, condemned, or abandoned, rehabilitate those properties and then sell them on a contract for deed to first-time low- and moderate-income homebuyers who are defined as "at risk". This program also strengthens communities by assisting in providing homeownership opportunities.

BUDGET ISSUES:

Because these activities are funded through dedicated resources, no budget issues are presented.

Activity: RE/DEVELOPMENT PROGRAMS
 Program: NON-APPROPRIATED PROGRAMS
 Agency: HOUSING FINANCE AGENCY

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
OTHER OPERATING EXPENSES	261	295	387	387	387	387	387	92	13.5%
OTHER FINANCIAL TRANSACTIONS	4,487	5,202	6,427	5,500	5,500	5,500	5,500	(629)	(5.4%)
Subtotal State Operations	4,748	5,497	6,814	5,887	5,887	5,887	5,887	(537)	(4.4%)
PAYMENTS TO INDIVIDUALS	66,714	62,547	107,311	130,278	130,278	131,604	131,604	92,024	54.2%
Total Expenditures	71,462	68,044	114,125	136,165	136,165	137,491	137,491	91,487	50.2%
<u>Financing by Fund:</u>									
Statutory Appropriations:									
HOUSING FINANCE AGENCY	71,462	68,044	114,125	136,165	136,165	137,491	137,491		
Total Financing	71,462	68,044	114,125	136,165	136,165	137,491	137,491		
<u>Revenue Collected:</u>									
Dedicated									
HOUSING FINANCE AGENCY	68,774	74,752	109,571	136,266	136,266	137,592	137,592		
Total Revenues Collected	68,774	74,752	109,571	136,266	136,266	137,592	137,592		

BUDGET ACTIVITY SUMMARY

Budget Activity: SUPPORTIVE HOUSING PROGRAMS
Program: NON-APPROPRIATED PROGRAMS
Agency: HOUSING FINANCE AGENCY

ACTIVITY PROFILE:

The goal of supportive housing is to stabilize housing for the poorest households or households with special needs so they can successfully address barriers to employment and/or achieve independent living. Affordable housing alone does not ensure this success. Service providers increasingly understand that delivering services alone to a family or individual with no stable, affordable housing does not work.

- Supportive housing is a model that combines housing and services more effectively than transitional housing, which is time-limited, or permanent housing without services.
- Supportive housing shows promise in improving lives and saving public money.

For example, an evaluation of Anishinabe Waikagun, a supportive housing development for American Indians with chronic chemical dependency, documents a reduction in the use of detox; a reduction in days in jail and times in jail; and an increase in earnings from employment.

- Supportive housing cannot be developed with bricks and mortar funding alone.

Even if the construction costs of newly built or rehabilitated rental housing are 100% subsidized, the resulting rents will not be affordable to families and individuals earning \$16,000 or below.

- Supportive housing requires three types of funding: capital for bricks and mortar; operating costs or rent subsidies; services and/or health care.

The extreme fragmentation of public programs makes it complicated to develop supportive housing.

STRATEGIES AND PERFORMANCE:

MHFA uses three strategies to address needs for supportive housing: homeless prevention and assistance funding; bricks and mortar funding for developments; and rent assistance. MHFA – and other state agencies – uses continuum of care plans developed at the regional level when making decisions about supportive housing funding.

Non-appropriated funds are used for the latter two purposes: development activity and rent assistance.

FINANCING INFORMATION:

The following are MHFA non-appropriated supportive housing programs:

1) Shelter Plus Care

Shelter Plus Care is a rental assistance program for hard-to-serve homeless persons with disabilities. All Participants will enter the program from emergency shelters or the streets, will be disabled by AIDS, chronic chemical dependency, or severe mental illness, and will receive up to five years of rent assistance in addition to supportive services provided by the program sponsor.

2) Housing Opportunities for Persons with AIDS (HOPWA)

The HOPWA program is a federally funded program that is jointly administered by the Department of Health and MHFA. It provides resources to devise long-term and comprehensive strategies for meeting the housing needs of persons with AIDS or other related diseases.

BUDGET ISSUES:

Because these activities are funded through dedicated resources, no budget issues are presented.

Activity: RESIDENT & ORGANIZATIONAL SUPP
 Program: NON-APPROPRIATED PROGRAMS
 Agency: HOUSING FINANCE AGENCY

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
OTHER OPERATING EXPENSES	264	318	410	410	410	410	410	92	12.6%
Subtotal State Operations	264	318	410	410	410	410	410	92	12.6%
PAYMENTS TO INDIVIDUALS	354	377	800	440	440	440	440	(297)	(25.2%)
Total Expenditures	618	695	1,210	850	850	850	850	(205)	(10.8%)

Financing by Fund:						
Statutory Appropriations:						
HOUSING FINANCE AGENCY	618	695	1,210	850	850	850
Total Financing	618	695	1,210	850	850	850

Revenue Collected:						
Dedicated						
HOUSING FINANCE AGENCY	618	695	1,210	850	850	850
Total Revenues Collected	618	695	1,210	850	850	850

BUDGET ACTIVITY SUMMARY

Budget Activity: PROGRAM ADMINISTRATION
Program: NON-APPROPRIATED PROGRAMS
Agency: HOUSING FINANCE AGENCY

ACTIVITY PROFILE:

In the 1999 program year, the Agency served 29,000 households and disbursed \$140 million for homeownership programs, \$40.4 million for home improvement and rehabilitation programs, and \$111.6 million for rental housing programs, including new construction, rehabilitation and preservation, and rent assistance. The Agency administered over \$4 million in federal housing tax credits, managed a state property tax program covering 82,000 units, and oversaw a multifamily portfolio of 351 first mortgages and 540 deferred loans. Over 70% of the families and individuals served by MHFA programs in 1999 had incomes under \$20,000.

During FY 2000, MHFA implemented the Economic Development and Housing Challenge Program and the Innovative and Inclusionary Housing Program, two new programs totaling \$28 million created by the 1999 Legislature. For many years, MHFA has joined with other funding organizations to deliver rental and homeownership development funds in a comprehensive, single application, one-stop process. This year, the St. Paul Public Housing Agency joined the effort to make available project-based Section 8 assistance, and Hennepin County staff coordinated their administration of a newly created housing fund.

MHFA continued to meet the goal of preserving as much of the stock of federally assisted housing in Minnesota as economically feasible. In addition to its Redefined Equity Program, the Agency used state funds recommended by two Governors and appropriated by the state legislature to lock-in for the long term - and to rehabilitate where necessary - a variety of projects throughout the state originally financed by HUD, USDA Rural Development, and MHFA.

As of 6-30-1999, the agency has approximately \$2 billion in outstanding debt.

STRATEGIES AND PERFORMANCE:

Agency staff engages in a number of activities to ensure that both appropriated and non-appropriated funds are well invested and the investments are well managed.

For multifamily properties, one of the major activities is management monitoring with five major components that require review and oversight: underwriting, construction, marketing/initial rent-up, long-term management, and additional oversight for troubled properties. In addition, monitoring for compliance with the federal Section 8, Section 236, Low-Income Housing Tax Credits, and HOME programs must be performed as well as monitoring for compliance with imposed rent and income restrictions.

Activities surrounding the various homeownership assistance provided by the agency include processing loan reservations and disbursements, compliance monitoring of funds used for homeownership assistance, monitoring of loan services, and provision of delinquency assistance and loss mitigation tools.

The Agency's portfolio grows as additional funds are appropriated for housing. A concomitant increase in the responsibilities for loan portfolio management, investment and debt management, and property management results from larger portfolio. In order to meet these responsibilities and adequately protect the Agency's investments, additional staff is needed.

HUD has recently added responsibilities to the administration of the Section 8 contracts.

The portfolio of federal housing tax credit is growing by approximately 1,200 units per year. Federal law requires that a portion of tax credit units be monitored every year, which in turn means a slow but steady growth over the next four years in the number of staff required to comply with federal law requirements. In addition, the IRS is changing the oversight requirements to add responsibilities for allocating agencies.

FINANCING INFORMATION:

The cost of operating the MHFA in FY 2000 was \$15,170,000. The Agency pays for the costs of operation from Agency earnings. The administrative costs of operating state-appropriated programs are recovered to the extent that there are interest earnings on state appropriations spent from the MHFA funds. No direct state appropriation is used to fund Agency operations.

BUDGET ISSUES:

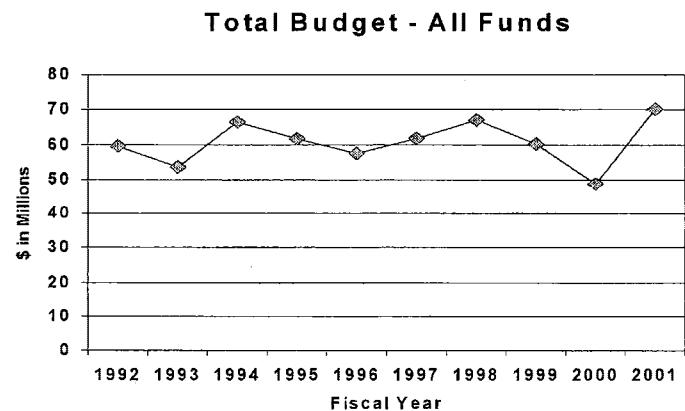
No budget issues are presented. By February 1st of each year, MHFA presents the following information on its administrative budget to the chairs of the finance and appropriations committees of the legislature for review:

- A comparison of budgeted and actual administrative costs from the previous state fiscal year
- A comparison of the budgeted and actual-to-date administrative expenses from the current fiscal year

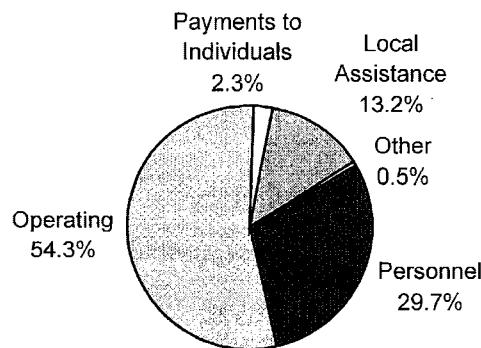
The Agency is required to explain any materially significant differences in any line items.

COMMERCE DEPT - EXECUTIVE SUMMARY (Continued)

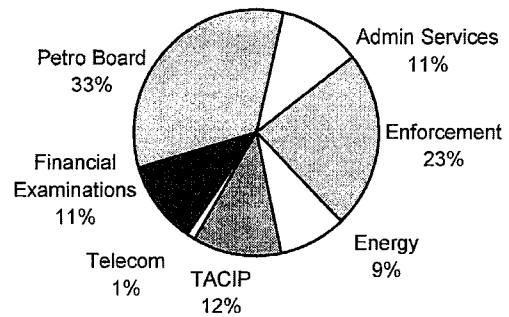
TRENDS AND PERSPECTIVE:



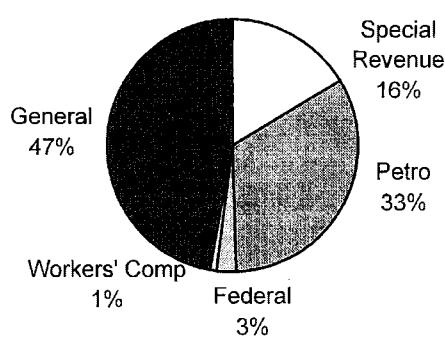
2000-01 Expenditures by Category
Total: \$125 Million



2000-01 Expenditures by Program
Total: \$125 Million



2000-01 Expenditures by Fund
Total: \$125 Million



COMMERCE DEPT - EXECUTIVE SUMMARY (Continued)

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends base funding levels as requested in the agency's budget, with the following adjustments:

- A biennial reallocation of \$6.6 million to transfer the Weights and Measures Division from the Department of Public Service. This will complete the merger of the two departments.
- The collection of agency audit fees to generate estimated non-dedicated revenue of \$14,000 for the biennium.
- The fees for self-insurance plan certification, and utilization program review to generate estimated non-dedicated revenues of \$66,000 for the biennium.
- A biennial appropriation of \$30 million from the Health Care Access Fund to the Minnesota Comprehensive Health Association (MCHA). In FY 2002, \$250,000 will be used for an actuarial study and policy analysis of the feasibility and cost impact of establishing a private insurance access pool for the individual health insurance market. The balance of \$29.7 million will be used to offset MCHA losses.
- The transfer of managed health care regulatory operations from the Department of Health to the Department of Commerce. As a result, the department will have an increase in expenditures and revenues of \$2.9 million
- Enactment of the strategic telecommunications reform initiative will generate General Fund expenditures and non-dedicated revenue of \$500,000 in the biennium for cable regulation. In addition, a Universal Service Fund will be established with dedicated revenue of \$360 million for the biennium. These additional revenues do not represent any additional costs to Minnesota telecommunications consumers. The revenues represent a transformation of implicit subsidies into explicit subsidies. The Universal Service Fund will also provide funding for the Advanced Service Capital Investment Revolving Loan Program.

Agency: COMMERCE DEPT

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Program:									
FINANCIAL EXAMINATIONS	8,764	6,602	7,529	7,829	7,967	8,214	8,491	2,327	16.5%
PETROLEUM TANK CLEANUP FUND	15,522	19,886	21,366	21,339	21,339	21,363	21,363	1,450	3.5%
ADMINISTRATIVE SERVICES	6,657	6,332	7,135	5,942	5,942	6,093	6,093	(1,432)	(10.6%)
ENFORCEMENT & COMPLIANCE	20,899	6,512	22,489	7,277	22,864	7,464	23,654	17,517	60.4%
ENERGY	4,694	4,597	6,341	7,490	7,490	8,190	8,190	4,742	43.4%
TACIP	6,181	7,072	7,537	8,000	8,000	7,818	7,818	1,209	8.3%
TELECOMMUNICATIONS	811	851	1,258	1,136	96,286	1,158	221,429	315,606	14,964.7%
WEIGHTS & MEASURES	0	0	0	0	3,281	0	3,353	6,634	0
Total Expenditures	63,528	51,852	73,655	59,013	173,169	60,300	300,391	348,053	277.3%
Financing by Fund:									
Direct Appropriations:									
GENERAL	20,430	21,179	37,794	21,953	26,209	22,505	27,575		
PETROLEUM TANK RELEASE CLEANUP	797	839	1,221	1,064	1,064	1,084	1,084		
HEALTH CARE ACCESS	15,000	0	0	0	15,000	0	15,000		
SPECIAL REVENUE	404	32	100	0	0	0	0		
WORKERS COMPENSATION	472	558	593	599	599	615	615		
Open Appropriations:									
GENERAL	52	94	128	1,675	1,675	2,190	2,190		
PETROLEUM TANK RELEASE CLEANUP	14,725	19,047	20,145	20,275	20,275	20,279	20,279		
Statutory Appropriations:									
SPECIAL REVENUE	10,859	9,249	11,279	11,698	11,698	11,892	11,892		
UNIVERSAL SERVICE	0	0	0	0	94,900	0	220,021		
FEDERAL	789	854	2,395	1,749	1,749	1,735	1,735		
Total Financing	63,528	51,852	73,655	59,013	173,169	60,300	300,391		
FTE by Employment Type:									
FULL TIME	314.5	301.3	329.9	328.5	384.6	327.8	391.9		
PART-TIME, SEASONAL, LABOR SER	4.5	7.1	2.1	2.1	2.1	2.1	2.1		
OVERTIME PAY	2.3	1.4	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	321.3	309.8	332.0	330.6	386.7	329.9	394.0		

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Agency: COMMERCE DEPT

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
Non-Dedicated Revenue:									
Departmental Earnings:									
GENERAL	24,103	29,432	25,090	66,682	69,960	66,851	70,178	85,616	157.0%
CAMBRIDGE DEPOSIT FUND	44,607	52,431	34,007	0	0	0	0	(86,438)	(100.0%)
Other Revenues:									
GENERAL	46	29	31	31	31	31	31	2	3.3%
PETROLEUM TANK RELEASE CLEANUP	2,009	1,407	1,337	1,332	1,332	1,332	1,332	(80)	(2.9%)
Other Sources:									
PETROLEUM TANK RELEASE CLEANUP	176	0	10	0	0	0	0	(10)	(100.0%)
Total Non-Dedicated Receipts	70,941	83,299	60,475	68,045	71,323	68,214	71,541	(910)	(0.6%)
Dedicated Receipts:									
Departmental Earnings:									
SPECIAL REVENUE	14,127	11,332	11,460	12,517	12,517	13,779	13,779	3,504	15.4%
UNIVERSAL SERVICE	0	0	0	0	163,670	0	174,097	337,767	
Grants:									
FEDERAL	797	884	2,365	1,749	1,749	1,735	1,735	235	7.2%
Other Revenues:									
SPECIAL REVENUE	481	582	801	793	793	819	819	229	16.6%
UNIVERSAL SERVICE	0	0	0	0	659	0	6,924	7,583	
MISCELLANEOUS AGENCY	7	(5)	0	0	0	0	0	5	(100.0%)
Other Sources:									
SPECIAL REVENUE	257	238	266	246	246	260	260	2	0.4%
UNIVERSAL SERVICE	0	0	0	0	0	0	14,770	14,770	
Total Dedicated Receipts	15,669	13,031	14,892	15,305	179,634	16,593	212,384	364,095	1,303.9%
Agency Total Revenues	86,610	96,330	75,367	83,350	250,957	84,807	283,925	363,185	211.5%

COMMERCE DEPT - FEDERAL FUNDS SUMMARY

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
State Energy Program (SEP) Including SEP Special Projects	204	State Operations, Grants to Individuals, Grants to Political Subdivisions	856	1,830	1,214	1,200
National Industrial Competitiveness (NICE3)	None	Grants to Individuals	-0-	500	500	500
Council of Great Lakes Governor's Biomass	18	Grants to Political Subdivisions, Grants to Individuals	20	35	35	35
Agency Total	222		876	2,365	1,749	1,735

In 2001, federal funds make up 3.3% of the department's total budget, and 37.8% of the department's Energy Division budget. These federal funds provide the majority of the department's discretionary funding for activities related to energy conservation and renewable energy sources. Most of the General Fund appropriation for energy conservation activities is fee-reimbursed and related to specific legislated or regulatory functions. The primary focus of federal energy funds at the Department of Commerce is to

- promote increased utilization of modern energy technologies, including renewable energy resources and distributed generation resources;
- promote energy conservation in buildings;
- promote alternative fuel vehicles; and
- operate an energy information center to provide energy information to the public.

The department anticipates that basic federal energy funding (SEP) will remain at approximately the current level. The match requirement (state or local) will continue as a requirement on all federal grants.

Activity: INSURANCE CO EXAMS
 Program: FINANCIAL EXAMINATIONS
 Agency: COMMERCE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	2,084	2,234	2,560	2,589	2,664	2,662	2,811	681	14.2%
OTHER OPERATING EXPENSES	3,153	455	1,106	1,348	1,411	1,557	1,685	1,535	98.3%
Total Expenditures	5,237	2,689	3,666	3,937	4,075	4,219	4,496	2,216	34.9%
<u>Change Items:</u>									
(A) MANAGED HEALTH CARE REGULATORY TRANSFER	Fund GEN				138			277	
Total Change Items					138			277	
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	2,167	2,336	2,472	2,487	2,625	2,560	2,837		
SPECIAL REVENUE	0	32	0	0	0	0	0		
Statutory Appropriations:									
SPECIAL REVENUE	3,070	321	1,194	1,450	1,450	1,659	1,659		
Total Financing	5,237	2,689	3,666	3,937	4,075	4,219	4,496		
<u>Revenue Collected:</u>									
Dedicated									
SPECIAL REVENUE	4,637	1,688	2,417	2,922	2,922	3,257	3,257		
Nondedicated									
GENERAL	0	0	0	1,470	1,746	1,470	1,747		
CAMBRIDGE DEPOSIT FUND	1,596	1,520	1,470	0	0	0	0		
Total Revenues Collected	6,233	3,208	3,887	4,392	4,668	4,727	5,004		
<u>FTE by Employment Type:</u>									
FULL TIME	32.6	32.9	36.9	36.9	38.0	36.9	39.0		
PART-TIME, SEASONAL, LABOR SER	0.1	0.0	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	32.7	32.9	36.9	36.9	38.0	36.9	39.0		

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Activity: INVESTIGATIONS
 Program: ENFORCEMENT & COMPLIANCE
 Agency: COMMERCE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	2,319	2,455	2,922	2,960	3,368	3,047	3,863	1,854	34.5%
OTHER OPERATING EXPENSES	1,055	1,562	1,715	1,586	1,765	1,618	1,992	480	14.6%
Subtotal State Operations	3,374	4,017	4,637	4,546	5,133	4,665	5,855	2,334	27.0%
LOCAL ASSISTANCE	85	75	120	125	125	125	125	55	28.2%
Total Expenditures	3,459	4,092	4,757	4,671	5,258	4,790	5,980	2,389	27.0%
<u>Change Items:</u>									
(A) MANAGED HEALTH CARE REGULATORY TRANSFER	GEN				587			1,190	
Total Change Items					587			1,190	
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	2,282	2,763	2,999	2,920	3,507	2,996	4,186		
SPECIAL REVENUE	404	0	0	0	0	0	0		
Statutory Appropriations:									
SPECIAL REVENUE	773	1,329	1,758	1,751	1,751	1,794	1,794		
Total Financing	3,459	4,092	4,757	4,671	5,258	4,790	5,980		
<u>Revenue Collected:</u>									
Dedicated									
SPECIAL REVENUE	2,119	2,218	2,200	2,215	2,215	2,255	2,255		
Nondedicated									
GENERAL	0	0	0	407	1,588	407	1,604		
CAMBRIDGE DEPOSIT FUND	1,130	802	429	0	0	0	0		
Total Revenues Collected	3,249	3,020	2,629	2,622	3,803	2,662	3,859		
<u>FTE by Employment Type:</u>									
FULL TIME	45.5	44.2	51.3	51.3	58.3	51.3	65.3		
PART-TIME, SEASONAL, LABOR SER	0.7	2.3	0.0	0.0	0.0	0.0	0.0		
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	46.3	46.5	51.3	51.3	58.3	51.3	65.3		

BUDGET ACTIVITY SUMMARY

Budget Activity: **ENFORCEMENT SUPPORT**
Program: **ENFORCEMENT & COMPLIANCE**
Agency: **COMMERCE DEPT**

ACTIVITY PROFILE:

This activity provides day-to-day management and support to the investigation, registration, and policy analysis activities by

- analyzing issues discovered in compliance reviews and investigations;
- directing appropriate follow up actions by the staffs of the investigation, registration, and policy analysis activities;
- establishing working relationships with regulated industries, federal regulators and related trade associations;
- monitoring industry trends to anticipate regulatory responses;
- safeguarding the expectations of consumers who invest or enter into business transactions with the regulated industries; and
- providing the leadership that is essential to state regulation of insurance products, investment offerings, and the business activities of diverse financial services industries.

STRATEGIES AND PERFORMANCE:

See strategies and performance in the program level narrative.

FINANCING INFORMATION:

Although there is no direct revenue collected through this activity, its costs are allocated to and recovered by other revenue producing sections within the department.

BUDGET ISSUES:

This is a base level budget request that includes a 3% General Fund salary inflation factor for each year of the biennium. The activity is funded by an appropriation from the General Fund.

Activity: TELECOMMUNICATIONS
 Program: TELECOMMUNICATIONS
 Agency: COMMERCE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	702	688	836	843	1,228	881	1,266	970	63.6%
OTHER OPERATING EXPENSES	109	163	422	293	15,058	277	201,807	216,280	36,970.9%
OTHER FINANCIAL TRANSACTIONS	0	0	0	0	80,000	0	14,376	94,376	
Subtotal State Operations	811	851	1,258	1,136	96,286	1,158	217,449	311,626	14,776.0%
LOCAL ASSISTANCE	0	0	0	0	0	0	3,980	3,980	
Total Expenditures	811	851	1,258	1,136	96,286	1,158	221,429	315,606	14,964.7%

Change Items:	<u>Fund</u>						
(A) TELECOMMUNICATIONS REFORM	GEN				250		250
(A) TELECOMMUNICATIONS REFORM	USF				94,900		220,021
Total Change Items					95,150		220,271

Financing by Fund:							
Direct Appropriations:							
GENERAL	788	823	1,108	986	1,236	1,008	1,258
Statutory Appropriations:							
SPECIAL REVENUE	23	28	150	150	150	150	150
UNIVERSAL SERVICE	0	0	0	0	94,900	0	220,021
Total Financing	811	851	1,258	1,136	96,286	1,158	221,429

Revenue Collected:							
Dedicated							
SPECIAL REVENUE	1,614	1,445	2,117	1,944	1,944	1,973	1,973
Nondedicated							
GENERAL	0	0	0	0	250	0	250
Total Revenues Collected	1,614	1,445	2,117	1,944	166,523	1,973	198,014

FTE by Employment Type:							
FULL TIME	10.5	9.0	12.3	12.3	18.3	12.3	18.3
PART-TIME, SEASONAL, LABOR SER	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	10.5	9.1	12.3	12.3	18.3	12.3	18.3

ACCOUNTANCY BOARD - EXECUTIVE SUMMARY

MISSION AND VISION:

The Board of Accountancy was first established in Minnesota in 1909 and is mandated by M.S. 326.165 to 326.229.

Mission:

To govern and regulate the practice of public accounting within the state of Minnesota.

Vision:

- Promote dependability of information used in financial transactions, financial reporting and financial auditing.
- Assure the public that persons engaged in public accounting are qualified.
- Certify that the expression of any assurances or opinions on financial statements be reserved to persons who demonstrate their ability and fitness to observe and apply the standards of the accounting profession.
- Ensure that the use of accounting titles that may confuse the public are prohibited.

KEY SERVICE STRATEGIES:

- Examination of candidates to obtain their certification.
- Licensure of qualified certificate holders and firms.
- Enforcement action as determined by the ethics committee.

PERFORMANCE SUMMARY:

- Licensed 12,860 active and 10,656 inactive Certified Public Accountants (CPA) for a cumulative total of 23,560 through FY 1999-2000.
- Reviewed and processed 2,925 applications to sit for the Uniform Certified Accountant's examination in FY 1999-2000.
- Granted 1,166 certificates and 901 new licenses in FY 1999-2000.
- Licensed 658 active and 281 inactive Licensed Public Accountants through FY 1999-2000 for a cumulative total of 939.

REVENUES:

All revenues are non-dedicated and are from the collections of fees, registrations and penalties. The amounts of fees and the maximum amount of penalties are set in statute and rule. Total revenue for FY 1999 was \$833,000, of which

\$87,000 was from fines and penalties. FY 2000 generated \$715,000 total, with \$71,000 from fines and penalties. We anticipate about a \$25,000 drop in revenue in each of the coming fiscal years due to a slight decline in numbers of CPAs and less fines and penalties due to stronger compliance.

ISSUES AFFECTING AGENCY'S OPERATIONS:

Due to the substantial increase in the agency's cost for the Uniform CPA examination from the American Institute of Certified Public Accountants (AICPA), it will be necessary to increase the fee charged for the Uniform CPA examination.

Other issues affecting the agency's operations include:

- Electronic government services.
- Information Technology.
- Recent legislation creating a new voluntary class of accountant, Licensed Accounting Practitioner (LAP).
- Recent legislation requiring 150 semester hours of education to receive a CPA certificate, effective in 2006.
- Computerization of the CPA exam in August 2003.
- Diminishing number of Licensed Public Accountants.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget, and concurs with the proposed fee changes needed to recover the increase in cost associated with administering the Uniform CPA examination.



Activity: SENATE
 Program: SENATE
 Agency: LEGISLATURE

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>Expenditures by Category:</u>									
State Operations									
OTHER OPERATING EXPENSES	18,305	20,048	22,062	21,088	21,088	22,072	21,522	21,522	21,807
Total Expenditures	18,305	20,048	22,062	21,088	21,088	22,072	21,522	21,522	21,807
<u>Change Items:</u>									
(A) NON-SALARY INFLATION	GEN				140				285
(A) TECHNOLOGY	GEN				844				
Total Change Items					984				285
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	18,191	19,920	21,914	20,933	20,933	21,917	21,357	21,357	21,642
MISCELLANEOUS AGENCY	114	0	0	0	0	0	0	0	0
Statutory Appropriations:									
MISCELLANEOUS AGENCY	0	128	148	155	155	155	165	165	165
Total Financing	18,305	20,048	22,062	21,088	21,088	22,072	21,522	21,522	21,807
<u>Revenue Collected:</u>									
Dedicated									
GENERAL	26	0	0	0	0	0	0	0	0
MISCELLANEOUS AGENCY	117	130	140	155	155	155	165	165	165
Total Revenues Collected	143	130	140	155	155	155	165	165	165

Program: LEGISLATIVE COORDINATING CMSN

Agency: LEGISLATURE

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Activity:									
LCC-LEG REFERENCE LIBRARY	1,063	1,154	1,247	1,242	1,242	1,242	1,273	1,273	1,273
LCC-REVISORS OFFICE	5,008	4,883	8,487	6,461	6,461	6,461	6,575	6,575	6,575
LCC-MISS RIVER PKWY CMSN	36	39	39	0	0	0	0	0	0
LCC-FISCAL AGENTS	250	292	475	325	325	325	325	325	325
LCC-GEOGRAPHIC INFORMATION SYS	200	323	428	289	289	289	294	294	294
LCC-PENSIONS & RETIREMENTS	532	525	573	581	581	581	589	589	589
LCC-GREAT LAKES CMSN	49	51	50	50	50	50	50	50	50
LCC-EMPLOYEE RELATIONS	59	64	78	80	80	80	82	82	82
LCC-COMMISSION OPERATIONS	526	531	1,272	565	565	820	577	577	897
LCC-ECONOMIC STATUS OF WOMEN	206	215	230	236	236	236	243	243	243
LCC-ELECTRIC ENERGY TASK	14	15	56	0	0	0	0	0	0
LCC-INFORMATION POLICY TASK	4	0	0	0	0	0	0	0	0
Total Expenditures	7,947	8,092	12,935	9,829	9,829	10,084	10,008	10,008	10,328

<u>Change Items:</u>	<u>Fund</u>								
(A) NON-SALARY INFLATION	GEN					62			127
(A) TECHNOLOGY	GEN					193			193
Total Change Items						255			320

<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	7,710	7,869	12,662	9,578	9,578	9,833	9,752	9,752	10,072
HEALTH CARE ACCESS	136	129	171	150	150	150	150	150	150
TRUNK HIGHWAY	36	39	0	0	0	0	0	0	0
MISCELLANEOUS AGENCY	65	0	0	0	0	0	0	0	0
Statutory Appropriations:									
MISCELLANEOUS AGENCY	0	55	102	101	101	101	106	106	106
Total Financing	7,947	8,092	12,935	9,829	9,829	10,084	10,008	10,008	10,328

Activity: ELECTIONS
 Program: SECRETARY OF STATE
 Agency: SECRETARY OF STATE

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	328	360	353	347	347	347	366	366	366
OTHER OPERATING EXPENSES	508	258	450	77	77	77	281	281	281
Total Expenditures	836	618	803	424	424	424	647	647	647
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	836	618	800	422	422	422	645	645	645
Statutory Appropriations:									
MISCELLANEOUS AGENCY	0	0	3	2	2	2	2	2	2
Total Financing	836	618	803	424	424	424	647	647	647
<u>Revenue Collected:</u>									
Dedicated									
MISCELLANEOUS AGENCY	1	0	2	2	2	2	2	2	2
Nondedicated									
GENERAL	0	0	0	2	2	2	67	67	67
CAMBRIDGE DEPOSIT FUND	55	1	64	0	0	0	0	0	0
Total Revenues Collected	56	1	66	4	4	4	69	69	69
<u>FTE by Employment Type:</u>									
FULL TIME	6.4	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
PART-TIME, SEASONAL, LABOR SER	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	7.1	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0

CAMPAIGN FIN & PUB DISC BD - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Campaign Finance and Public Disclosure Board is the service and regulatory agency that develops and implements administration and enforcement of M.S. Chapter 10A, the Ethics in Government Act. The act requires:

- Registration and public disclosure by candidates, political committees and funds.
- Registration and public disclosure by lobbyists attempting to influence state legislative action, administrative action, and the official action of metropolitan governmental units.
- Disclosure of economic interests, conflicts of interest, and representation of a client for a fee under circumstances defined in M.S. Ch. 14 and M.S. Ch. 216B.243 for certain state and metropolitan officials.
- The administration of the state's public subsidy program which provides public funding to qualified state candidates, the state committee of a political party, and allows those candidates and parties to give political contribution refund receipts to campaign contributors.

Mission: To promote public confidence in state government decision making through development, administration, and enforcement of disclosure and public financing programs which will ensure public access to and understanding of information filed with the board.

KEY SERVICE STRATEGIES:

- Campaign finance software that assists clients and their treasurers in keeping accurate records, filing timely, and minimizing violations of M.S. 10A.
- Availability of electronic filing for all reports and statements required by M.S. 10A.
- Easy, fast access for all citizens of the state to view and disseminate information filed by candidates through agency web-based applications.
- Easy access to campaign information to make a better informed public and re-engage citizens in the political process.

PERFORMANCE SUMMARY:

- Twice as many committees filed required reports electronically in election year 2000 as in election year 1998.
- 100% of program information on web site updated daily.

- Increase annually the number of hits on agency web site.
- Increase the number of client searches using agency provided, public-access computers to retrieve public data filed with the board.

REVENUES:

The board collects non-dedicated General Fund revenue from late filing fees and civil fines. It collects dedicated revenue for the State General Election Account in a special revenue fund from anonymous contributions to political committees and political funds and certain other funds, which by law, cannot be carried forward to the next election cycle. In addition, both the General Fund and the special revenue fund may receive gifts from political committees upon termination.

ISSUES AFFECTING AGENCY'S OPERATIONS:

Rising costs of fringe benefits and salaries continue to erode the money available for agency operating expenses. Current salary and fringe benefits account for approximately 92% of the agency budget. Another 7% is for non-discretionary items including office rent and rental contracts for copiers. This leaves approximately 1% of the budget for discretionary expenses such as telephones, postage, printing, etc.

As these costs continue to rise, the agency finds it increasingly difficult to meet the statutory requirements to enforce M.S. 10A and keep up with technology to assist our clients. The public's continued desire for easy access to information filed with the agency requires newer and faster systems. Difficulty in attracting and retaining information systems people hampers the agency's ability to meet the public's need for easily accessible, timely, accurate information.

An increase in postage due in January 2001, will increase the cost of certified letters by 32%. Requirements of M.S. 10A to send certified letters to clients in order to impose late filing fees will add an additional burden to the operating budget.

Therefore, the agency has a deficiency request of \$35,000 in FY 2001, and \$155,000 for the 2002-2003 biennium.

GOVERNOR'S RECOMMENDATION:

The Governor recommends base funding levels as requested by the agency and recommends funding for the board's deficiency beginning in FY 2001 at \$35,000 and \$155,000 for the 2002-2003 biennium. The Governor has also included funding to improve this agency's technology capacity in the Small Agency Infrastructure (SAI) initiative, carried under the Office of Technology.

Program: CAMPAIGN FINANCE BD
 Agency: CAMPAIGN FIN & PUB DISC BD

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Activity:</u>									
CAMPAIGN FINANCE BD	539	640	852	599	674	622	702	(116)	(7.8%)
PUBLIC FINANCING	4,010	162	3,353	146	146	5,112	5,112	1,743	49.6%
Total Expenditures	4,549	802	4,205	745	820	5,734	5,814	1,627	32.5%
<u>Change Items:</u>									
(A) DEFICIENCY	GEN		35		75		80		
Total Change Items			35		75		80		
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	539	640	852	599	674	622	702		
Statutory Appropriations:									
SPECIAL REVENUE	4,010	162	3,353	146	146	5,112	5,112		
Total Financing	4,549	802	4,205	745	820	5,734	5,814		
<u>FTE by Employment Type:</u>									
FULL TIME	7.8	8.4	9.0	9.0	9.0	9.0	9.0	9.0	
PART-TIME, SEASONAL, LABOR SER	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total Full-Time Equivalent	7.9	8.4	9.0	9.0	9.0	9.0	9.0	9.0	

Agency: CAMPAIGN FIN & PUB DISC BD

Base Budget Report (Dollars in Thousands)	All Funds		General Fund		Other State Funds		Federal Funds	
	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003
FY 2001 Budgeted	1,052	7,483	707	707	345	6,776	0	0
<u>Base Adjustments</u>								
2002-03 SAL. & BEN. BASE	16	31	16	31	0	0	0	0
DOC. SPACE RENTAL/LEASE	3	4	3	4	0	0	0	0
ONE-TIME APPROPRIATIONS	(133)	(133)	(133)	(133)	0	0	0	0
SMALL AGENCY OPERATIONAL EXPENSE	6	13	6	13	0	0	0	0
Subtotal Base Adjustments	(108)	(85)	(108)	(85)	0	0	0	0
Base Budget	944	7,398	599	622	345	6,776	0	0

BUDGET CHANGE ITEM (47170)**Agency: CAMPAIGN FIN & PUB DISC BD****Item Title: DEFICIENCY**

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund	\$75	\$80	\$80	\$80
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity	<input checked="" type="checkbox"/> Supplemental Funding	<input type="checkbox"/> Reallocation		

GOVERNOR'S RECOMMENDATION:

The Governor recommends approval of funding at the requested level of \$35,000 in FY 2001 and \$155,000 for the FY 2002-03 biennium.

RATIONALE:

Current salary and fringe benefits account for approximately 92% of the agency's administration budget. Department of Employee Relations estimates that fringe benefit costs to agencies will rise 20% in January 2001, due to the increase in medical costs. While past salary savings funded MAPE-required signing bonuses for two new technology employees as well as higher than expected state-paid benefit costs for replacement personnel, these salary savings will no longer exist in FY 2001 and the FY 2002-03.

Another 7% of the agency administration budget is allocated for non-discretionary expenses for office rent and rental contracts for copiers. An increase in postage due January 2001 will increase the cost of all mailings done by the board. Cost for statutorily required certified letters to delinquent clients will increase 32%. The agency's information technology specialists also require costly, ongoing training to keep abreast of changing technology related to the high information requirements of agency clients and public demands.

OUTCOMES:

If the change level increase in the agency budget is denied the agency will have to lay off additional staff, cut current client services, and be unable to meet statutory requirements. Investigations and complaints would not be resolved in a timely manner. Information filed with the agency would not be available for the public to access as quickly as is now possible.

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GOVERNORS OFFICE - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

As chief executive, the governor is responsible for the general direction and supervision of the affairs of the state. The governor appoints the majority of state department heads and the members of most boards and commissions. The governor fills vacancies, which occur in judgeships, commissions, public notaries, and the position of commander-in-chief of the military forces of Minnesota. He issues extradition papers and restores civil rights to felons. He also prepares comprehensive long-range plans for the orderly coordinated growth of the state and establishes advisory committees to aid in developing legislative proposals and plans for executive action. The governor has the responsibility of informing the legislature of the general condition of the state, of reviewing all laws passed by the legislature, and of calling special sessions of the legislature when needed. The governor is responsible for preparation of the biennial budget and its presentation to the legislature.

PERFORMANCE SUMMARY:

The executive operations of the Governor's Office encompass various levels of support that allow the governor to fulfill responsibilities as required under the authority of the constitution and statutory laws of the state.

The Governor's Office is organized to effectively administer the duties of chief executive. Major duties of the governor are to:

- Oversee and provide leadership for the day-to-day operations of state government, with emphasis on quality service delivery and state agency responsiveness to Minnesota citizens.
- Take the lead in shaping public policy.
- Develop programs directed toward efficient, effective operation of state government.
- Represent the citizens of the state at various official and non-official functions at local, state and national levels.
- Promote business development and help create new jobs with assistance and advice from legislators and business leaders.
- Utilize the governor's residence for visiting guests and dignitaries.
- Participate with other governors in the National Governors' Association, sharing information and developing new ideas for government reform and implementation of policy initiatives.
- Appoint citizens to state boards and commissions and appoint judges for all court systems when vacancies occur.
- Perform all other duties as specified by the laws of the state.

The lieutenant governor's chief duty is to assist the governor in carrying out the functions of the executive branch (and to be prepared to act in the governor's absence when required). The Governor's Office encompasses all levels of support that make it possible for the lieutenant governor to fulfill delegated responsibilities. Major duties of the lieutenant governor are to:

- Serve to promote an effective K-12 education system accountable for student achievement.
- Chair the Capitol Area Architectural Planning Board.
- Serve as a member of the Executive Council.
- Carry out all other gubernatorial assignments.

OPERATING ENVIRONMENT:

The executive operations of the Governor's Office are focused on:

- Managing state government through examining, measuring and reforming government service delivery to ensure affordable government.
- Establishing quality and customer-driven systems, which eliminate overlapping services and the attendant citizen confusion.
- Encouraging sustainable economic development and incentives for job growth.
- Establishing measurable and achievable goals for education.
- Maintaining a quality of life that emphasizes generally available health care, environmental protection and a safe, non-violent society.

ORGANIZATIONAL STRUCTURE:

GOVERNOR AND LIEUTENANT GOVERNOR	2.0 fte
Chief of Staff	1.0 fte
Citizen Outreach	10.0 fte
Communications	6.0 fte
General Counsel	1.0 fte
Operations	16.0 fte
Policy Management	7.0 fte
Governor's Residence	10.0 fte
Washington Office	2.0 fte

9/30/00 TOTAL FTEs 55.0

GOVERNORS OFFICE - EXECUTIVE SUMMARY (Continued)

GOVERNOR'S RECOMMENDATION:

The Governor's general recommendations for the legislature and constitutional offices reflect his firm commitment to minimizing the overall growth of government and the resulting tax burden on Minnesota taxpayers as well as his dedication to the use of technology to increase government efficiency and effectiveness in providing public services. Therefore, the Governor recommends funding to maintain the existing level of appropriations previously established by the legislature, increasing that level for salary and non-salary inflation, and providing a proportional lump sum for technology improvements.

The Governor recommends the base budget which includes an increase of \$377,000 for allowable base adjustments for salary inflation and rental rate increases and a decrease of \$88,000, transferring utility funding for the governor's residence to the Department of Administration in order to consolidate all budgets of state ceremonial spaces.

Agency: GOVERNORS OFFICE

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
State Operations									
COMPENSATION	2,751	3,015	3,245	3,286	3,286	3,286	3,382	3,382	3,382
OTHER OPERATING EXPENSES	1,399	954	1,010	976	976	976	987	987	987
Total Expenditures	4,150	3,969	4,255	4,262	4,262	4,262	4,369	4,369	4,369
Financing by Fund:									
Direct Appropriations:									
GENERAL	4,144	3,969	4,254	4,262	4,262	4,262	4,369	4,369	4,369
Statutory Appropriations:									
GIFT	6	0	1	0	0	0	0	0	0
Total Financing	4,150	3,969	4,255	4,262	4,262	4,262	4,369	4,369	4,369
Revenue Collected:									
Dedicated									
GIFT	4	0	0	0	0	0	0	0	0
Nondedicated									
GENERAL	0	8	4	0	0	0	0	0	0
Total Revenues Collected	4	8	4	0	0	0	0	0	0
FTE by Employment Type:									
FULL TIME	46.0	52.2	54.0	54.0	54.0	54.0	54.0	54.0	54.0
PART-TIME, SEASONAL, LABOR SER	2.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total Full-Time Equivalent	48.9	53.2	55.0	55.0	55.0	55.0	55.0	55.0	55.0

Agency: GOVERNORS OFFICE

Base Budget Report (Dollars in Thousands)	All Funds		General Fund		Other State Funds		Federal Funds	
	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003
FY 2001 Budgeted	4,171	4,171	4,171	4,171	0	0	0	0
Base Adjustments								
2002-03 SAL. & BEN. BASE	93	189	93	189	0	0	0	0
DOC. SPACE RENTAL/LEASE	42	53	42	53	0	0	0	0
TRANSFERS BETWEEN AGENCIES	(44)	(44)	(44)	(44)	0	0	0	0
Subtotal Base Adjustments	91	198	91	198	0	0	0	0
Base Budget	4,262	4,369	4,262	4,369	0	0	0	0

STATE AUDITOR - BUDGET BRIEF

Fund: GENERAL

	FY 2002	FY 2003	Biennium
BASE YEAR (FY 2001) (\$000s)			
Appropriations (FY 2001)			
Appropriations (FY 2001)	\$9,311	\$9,311	\$18,622
BASE ADJUSTMENT			
2002-03 Salary & Benefit Increase	\$232	\$473	\$705
Documented Space Rent/Lease Increase	<u>26</u>	<u>41</u>	<u>67</u>
BASE LEVEL (for 2002 and 2003)	\$9,569	\$9,825	\$19,394
REQUEST ITEMS			
Petition Audits & Local Audit Reviews	231	220	451
Human Resources Staffing	73	68	141
Technology Staffing	80	75	155
Preneed Funeral Trust Reviews	<u>98</u>	<u>94</u>	<u>192</u>
AGENCY REQUEST	\$10,051	\$10,282	\$20,333
GOVERNOR'S RECOMMENDATION			
Non-salary Inflation	17	34	51
Technology	<u>383</u>	<u>-0-</u>	<u>383</u>
GOVERNOR'S RECOMMENDATION	\$9,969	\$9,859	\$19,828

BRIEF EXPLANATION OF BUDGET DECISIONS:

- In FY 2000-01, the Office of the State Auditor (OSA) will spend approximately 77% of its direct appropriated base budget on the function of auditing local governments.
- The remaining 23% of direct appropriated funds for FY 2000-01 will provide for the other primary functions of the OSA, including special investigations, review of public pension funds, the collection and reporting of local government information, and executive level planning and management.
- Changes to the base include compensation-related adjustments of 3.0% per year and documented increases in rent, as directed in the budget guidelines.
- A 4.0% increase in audit rates will occur in January 2001 and January 2002 to recover costs required by law.
- The Audit Practice Division is requesting \$592,000 in funding, which will include one human resources director to address complex management and personnel issues and four auditors to conduct petition audits and reviews of local government audits. The costs of this funding will be offset by \$325,000

in revenues returned to the General Fund.

- The Government Information Division is requesting resources for a technology specialist to address computer network, workstation, training, staff support, and other technology related issues. To serve 145 people, the OSA currently has one network administrator to handle all technology needs.
- The request for the Constitutional Office includes staffing to conduct reviews of providers of cemetery and funeral goods and services to insure that payments for preneed funeral arrangements are properly placed in trust accounts.

GOVERNOR'S RECOMMENDATION:

The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete balanced budget.

The Governor's general recommendations for the legislature and constitutional offices reflect his firm commitment to minimizing the overall growth of government and the resulting tax burden on Minnesota taxpayers as well as his dedication to the effective use of technology to increase government efficiency and effectiveness in providing public services. Therefore, the Governor recommends funding to maintain the existing level of appropriations previously established by the legislature, increasing that level for salary and non-salary inflation, and providing a proportional lump sum for technology improvements.

For the State Auditor, the Governor's recommendation includes \$772,000 for salary inflation and allowable lease rate increases, \$51,000 for non-salary inflation, and \$383,000 for technology.

The Governor makes no recommendation regarding the specific initiatives put forward by the State Auditor or other constitutional officers.

STATE AUDITOR - REVENUE SUMMARY

REVENUE SOURCES:

M.S. 6.58 requires that audit costs of the Office of the State Auditor (OSA) be recovered, generating a significant source of reimbursement for the state. This non-dedicated revenue is received through audit fees charged for the audits of local governments conducted by audit staff. Funds collected by Audit Practice are deposited in the General Fund (until 6-30-01 in the Cambridge Deposit Fund) and are expected to exceed \$6.1 million in FY 2001. In addition to audit fees, other sources of revenue, which offset the appropriations of the OSA, are listed as follows:

- The review of single audit reports by the Audit Practice Division is financed by reimbursements to the General Fund through the statewide indirect cost process managed by the Department of Finance.
- The Government Information Division and Pension Division are supported in part through reductions to aid distributions made by the Minnesota Department of Revenue for: 1) local government aids; and 2) peace officers and fire state aids pursuant to M.S. 477A.014, subd. 4, and M.S. 69.021, subd. 5, respectively.
- The Tax Increment Financing (TIF) Division is funded by 0.25% of tax increment distributed to authorities that administer TIF districts. Payments made to the State Treasurer by counties are transferred to the OSA.
- The OSA also generates miscellaneous revenue through an interagency agreement with the Minnesota Department of Transportation, the sale of documents and accounting software, and by conducting training seminars.

FEE STRUCTURE:

M.S. 6.58 requires that the OSA recover specific costs of conducting its audits. Audit work is billed on an hourly basis, plus reimbursable travel expenses. Audits are billed on an individual client basis. Fees are developed to recover the cost of conducting audits of local governments; i.e., counties, cities, school districts, nursing homes, and other local entities.

RECENT CHANGES:

From January 1997 through December 2000, audit fees did not increase due to a continued effort to provide quality audit services in the most cost efficient manner possible. However, as approved by the Department of Finance, audit fees will increase by 4.0% in January 2001 and January 2002 to recover audit costs as required by law.

FORECAST BASIS:

Revenue from audit work and offsetting expenditures are based upon the estimated time required to complete the annual audits of local governments. The OSA will continue to review the level of fees charged to clients to meet the statutory requirement to recover costs. No rate changes will be implemented without the State Auditor adjusting the schedule of charges in conjunction with reviewing the annual costs of examinations with the Commissioner of Finance. In addition, the Audit Practice Division will continue to strive to maintain the current low rate structure.

CHANGE ITEMS:

None.

Activity: STATE TREASURER
 Program: STATE TREASURER
 Agency: STATE TREASURER

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
Expenditures by Category:									
State Operations									
COMPENSATION	678	752	792	816	816	816	760	760	760
OTHER OPERATING EXPENSES	1,618	1,603	1,934	1,535	1,685	1,581	1,571	1,571	1,617
OTHER FINANCIAL TRANSACTIONS	165	4	0	0	0	0	0	0	0
Subtotal State Operations	2,461	2,359	2,726	2,351	2,501	2,397	2,331	2,331	2,377
PAYMENTS TO INDIVIDUALS	82	0	0	0	0	0	0	0	0
Total Expenditures	2,543	2,359	2,726	2,351	2,501	2,397	2,331	2,331	2,377
Change Items:									
	<u>Fund</u>								
(A) ELECTRONIC FINANCIAL TRANSACTIONS	GEN				150				
(A) TECHNOLOGY	GEN					46			46
Total Change Items					150	46			46
Financing by Fund:									
Direct Appropriations:									
GENERAL	2,543	2,359	2,726	2,351	2,501	2,397	2,331	2,331	2,377
Total Financing	2,543	2,359	2,726	2,351	2,501	2,397	2,331	2,331	2,377
Revenue Collected:									
Dedicated									
GENERAL	5,028	8,188	8,023	11,064	11,064	11,064	11,087	11,087	11,087
STATE GOVERNMENT SPECIAL REVENUE	1,488	1,531	1,600	1,600	1,600	1,600	1,600	1,600	1,600
SPECIAL REVENUE	5,602	2,092	2,060	9,060	9,060	9,060	9,060	9,060	9,060
GAME AND FISH (OPERATIONS)	0	0	0	172	172	172	172	172	172
MISCELLANEOUS AGENCY	558	726	770	770	770	770	770	770	770
HOUSING FINANCE AGENCY	487	395	500	500	500	500	500	500	500
Nondedicated									
GENERAL	19,466	29,456	29,444	36,139	36,139	36,139	36,139	36,139	36,139
STATE GOVERNMENT SPECIAL REVENUE	167	167	300	300	300	300	300	300	300
CAMBRIDGE DEPOSIT FUND	20,850	16,659	16,895	0	0	0	0	0	0
Total Revenues Collected	53,646	59,214	59,592	59,605	59,605	59,605	59,628	59,628	59,628

Activity: STATE TREASURER

Program: STATE TREASURER

Agency: STATE TREASURER

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002			FY 2003		
				Base	Agency Request	Governor Recomm.	Base	Agency Request	Governor Recomm.
FTE by Employment Type:									
FULL TIME	12.1	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
PART-TIME, SEASONAL, LABOR SER	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	12.6	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0

Agency: STATE TREASURER

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
<u>Non-Dedicated Revenue:</u>									
Departmental Earnings:									
GENERAL	0	0	0	16,695	16,695	16,695	16,695	33,390	
CAMBRIDGE DEPOSIT FUND	20,850	16,659	16,895	0	0	0	0	(33,554)	(100.0%)
Other Revenues:									
GENERAL	19,466	29,456	29,444	19,444	19,444	19,444	19,444	(20,012)	(34.0%)
STATE GOVERNMENT SPECIAL REVENUE	167	167	300	300	300	300	300	133	28.5%
Total Non-Dedicated Receipts	40,483	46,282	46,639	36,439	36,439	36,439	36,439	(20,043)	(21.6%)
<u>Dedicated Receipts:</u>									
Other Revenues:									
GENERAL	5,028	8,188	8,023	11,064	11,064	11,087	11,087	5,940	36.6%
STATE GOVERNMENT SPECIAL REVENUE	1,488	1,531	1,600	1,600	1,600	1,600	1,600	69	2.2%
SPECIAL REVENUE	5,602	2,092	2,060	9,060	9,060	9,060	9,060	13,968	336.4%
GAME AND FISH (OPERATIONS)	0	0	0	172	172	172	172	344	
MISCELLANEOUS AGENCY	558	726	770	770	770	770	770	44	2.9%
HOUSING FINANCE AGENCY	487	395	500	500	500	500	500	105	11.7%
Total Dedicated Receipts	13,163	12,932	12,953	23,166	23,166	23,189	23,189	20,470	79.1%
Agency Total Revenues	53,646	59,214	59,592	59,605	59,605	59,628	59,628	427	0.4%

INFORMATION TECHNOLOGY CHANGE ITEM (56113)

Agency: STATE TREASURER
IT Change Item: ELECTRONIC FINANCIAL TRANSACTIONS

ITEM DESCRIPTION AND PURPOSE:

This change item is a continuation of the "EGS - Electronic Financial Transactions Initiative" for which the Office was provided a one-time appropriation of \$75,000 in FY 2000-01. The amount requested will be used to assist state agencies with their efforts to electronically provide goods and services to taxpayers.

FUNDING: (Dollars in Thousands)

Funding Distribution	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personnel	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Hardware	0	0	0	0	0	0
Software	0	0	0	0	0	0
Facilities	0	0	0	0	0	0
Services	150	0	0	0	0	0
Training	0	0	0	0	0	0
Grants	0	0	0	0	0	0
Total	150	0	0	0	0	0

Explain the use of resources and how the new funding is related to the base funding for a given project.

RATIONALE:

This initiative is designed to assist smaller agencies to connect to a secure electronic financial transactions (EFT) infrastructure being developed by the State Treasurer, the Department of Finance and the Office of Technology in cooperation with a third party EFT processor. Smaller agencies will then be able to give Minnesota citizens and businesses the ability to electronically purchase permits and licenses, and electronically pay fees and taxes through commercially available communication channels such as the internet and the telephone. This collaboration of efforts by the above-named support agencies in cooperation with user agencies will establish a broader base of technical capabilities that will allow more agencies to provide EGS services without every agency, or their subcontractors, having to re-invent the basic EFT/connectivity technology.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Development	X					
Operations	X					
Modification						
Retirement						

This project is designed to be completed within FY 2002. The project is an intensive effort to connect as many agencies as possible to the EFT infrastructure that has already been developed. The focus will be on identifying agencies with business needs requiring the electronic delivery of goods or services, then working with them and their subcontractors to connect to the EFT infrastructure being developed and maintained by the support agencies: State Treasurer, Department of Finance and the Office of Technology.

OFFICE OF TECHNOLOGY ANALYSIS:

This initiative is a continuation of funding for electronic financial transactions. Deliverables/Objectives: This is an EGS initiative that addresses Big Plan (Service, Not Systems - Electronic Government Services Initiative) and provides infrastructure for collaborating agencies. The initiative is identified as a priority in the Office SIRMP. Conclusion: This initiative meets information technology criteria for funding. Development needs to occur in collaboration with statewide EGS efforts.

GOVERNOR'S RECOMMENDATION:

The Governor makes no recommendation regarding the specific initiatives put forward by the State Treasurer and other constitutional officers.

Agency: ADMINISTRATIVE HEARINGS

Base Budget Report (Dollars in Thousands)	All Funds		General Fund		Other State Funds		Federal Funds	
	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003
FY 2001 Budgeted	7,839	7,861	0	0	7,839	7,861	0	0
<u>Base Adjustments</u>								
2002-03 SAL. & BEN. BASE	168	343	0	0	168	343	0	0
DOC. SPACE RENTAL/LEASE	58	86	0	0	58	86	0	0
Subtotal Base Adjustments	226	429	0	0	226	429	0	0
Base Budget	8,065	8,290	0	0	8,065	8,290	0	0

BUDGET ACTIVITY SUMMARY

Budget Activity: ADMINISTRATIVE HEARINGS
Program: ADMINISTRATIVE HEARINGS
Agency: ADMINISTRATIVE HEARINGS

ACTIVITY PROFILE:

Administrative law judges (ALJs) assigned to the Administrative Law Division conduct administrative rule reviews and hearings for state agencies and also administrative contested case proceedings for state agencies and local political subdivisions. During FYs 1999 and 2000, staffing was reduced from 11 to eight full-time, permanent ALJs. The Chief and Assistant Chief ALJs conduct rule and contested case hearings in addition to their management responsibilities.

The office contracts with a few attorneys throughout the state to conduct contested case proceedings on an as-needed basis. As a result of legislation enacted in the 2000 session, OAH will have authority to cross-train workers' compensation judges to hear administrative contested case proceedings. This will significantly reduce OAH's need to refer matters to contract ALJs.

PERFORMANCE SUMMARY:

- State agencies and local units of government referred 584 administrative rulemaking and contested case proceedings in FY 2000, approximately the same as during the previous budget cycle.
- OAH has an internal policy requiring ALJs to issue orders or reports within 30 days after the record is closed, absent exceptional circumstances. On average, ALJs in the APA Section issued their orders and reports within 17 days during FY 2000.

FINANCING INFORMATION:

OAH bills state agencies and local units of government for the time (in tenths of hours) that ALJs and staff attorneys actually spend on rule reviews and hearings and administrative contested case proceedings. Currently, OAH charges user agencies and local governments \$91/hr. for time spent by ALJs on their matters and \$50/hr. for time spent by staff attorneys. During FY 2002 and FY 2003, OAH expects to bill those customers \$135 for ALJ time and \$80 for staff attorney time. (Per MS 16A.1283, OAH has submitted a separate change item related to this fee increase.)

Since the 1999 transfer of OAH's child support, the agency has covered anticipated operating losses with accumulated retained earnings. OAH's revolving fund balance was \$1.2 million at the beginning of FY 2000 and \$809,000 at the beginning of FY 2001. It will decline to an estimated \$285,000 as of 7-1-01. After implementing fee increases (43% for ALJ time and 50% for

staff attorney time), OAH expects to receive \$1.42 million in revolving fund revenues in FY 2002 and \$1.45 million in FY 2003. The Administrative Law Division revolving fund supports 14.25 FTEs and has received no loans from the General Fund.

Since agencies will have to absorb the increased costs within existing appropriations, they may be pressured to use publicly funded forums, such as the court system, or to avoid providing aggrieved parties with hearings. State and local agencies that do not receive appropriated funds from the state will have to absorb those costs, pass them on to their licensees, customers, etc. or seek alternative forums. Any such change in demand for OAH services will have ramifications upon its revenue and operations.

The department received a one-time deficiency appropriation from the General Fund in FY 2000 that was used to defray lease obligations of the child support function during FY 2000 and FY 2001.

BUDGET ISSUES:

When the legislature transferred the child support function to the state court system, OAH retained its ongoing lease obligation for the section's office space that will not expire until 6-30-02. Efforts to negotiate with the lessor to liquidate that obligation or to sublease the space have been unsuccessful. OAH is therefore requesting a second one-time General Fund deficiency appropriation of \$168,000 for FY 2002 to meet that obligation. No further costs attributable to transferring the child support function are expected.

Negotiations with OAH's current lessors in Minneapolis and St. Paul have revealed that OAH can expect very substantial increases in the cost of space rental beginning in FY 2003. The Real Estate Management Division has been able to negotiate a lease for space that would allow merger of the two existing Metro area offices into a single St. Paul office, if OAH is able to move to the new site as of 10-1-01. Moving will produce net rental savings of \$96,363 in FY 2002-03 and \$374,440 in FY 2004-05, as well as savings in future biennia. The cost of moving will be \$200,000, and the agency is requesting an appropriation for this cost within the Governor's capital budget.

Activity: ADMINISTRATIVE HEARINGS
 Program: ADMINISTRATIVE HEARINGS
 Agency: ADMINISTRATIVE HEARINGS

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	2,078	1,450	1,140	861	1,149	894	1,189	(252)	(9.7%)
OTHER OPERATING EXPENSES	2,715	1,053	453	103	443	92	264	(799)	(53.1%)
Total Expenditures	4,793	2,503	1,593	964	1,592	986	1,453	(1,051)	(25.7%)
Change Items:									
	<u>Fund</u>								
(B) ADMINISTRATIVE LAW FEE RATE INCREASES	CDT				460			467	
(B) DEFICIENCY - CHILD SUPPORT RENT	GEN				168				
Total Change Items					628			467	
Financing by Fund:									
Direct Appropriations:									
GENERAL	0	205	195	0	168	0	0	0	0
Statutory Appropriations:									
ADMINISTRATIVE HEARINGS	4,793	2,298	1,398	964	1,424	986	1,453		
Total Financing	4,793	2,503	1,593	964	1,592	986	1,453		
Revenue Collected:									
Dedicated									
ADMINISTRATIVE HEARINGS	5,211	1,936	900	900	1,360	900	1,367		
Total Revenues Collected	5,211	1,936	900	900	1,360	900	1,367		
FTE by Employment Type:									
FULL TIME	34.9	19.8	14.6	14.6	14.6	14.6	14.6	14.6	14.6
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	35.0	19.8	14.6	14.6	14.6	14.6	14.6	14.6	14.6

BUDGET CHANGE ITEM (56764)**Agency: ADMINISTRATIVE HEARINGS****Item Title: ADMINISTRATIVE LAW FEE RATE INCREASES**

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Administrative Hrgs.				
-State Operations	\$460	\$467	\$467	\$467
Revenues: (\$000s)				
Administrative Hrgs	\$460	\$467	\$467	\$467
Statutory Change? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends that legislative approval of OAH fee changes be exempted from the requirements of MS 16A.1283 for the reasons discussed below. However, should the agency fall within the statutory requirements, the Governor recommends approval of the fee increases and associated anticipated biennial expenditures and revenues of \$927,000 each.

RATIONALE:

The change item is forwarded as a confirmation for exception to the requirements of MS 16A.1283. Pursuant to paragraph (b), clause (1), which exempts "charges billed within or between state agencies agencies, or billed to federal agencies," legislative approval of OAH fee changes does not appear to be necessary. OAH bills state agencies as well as other units of local government for the time (in tenths of hours) that administrative law judges (ALJs) and staff attorneys actually spend on rule reviews and hearings and administrative contested case proceedings. An exception might be boundary adjustment hearings involving local units where OAH has the statutory authority to allocate a portion of hearing costs to private parties.

From FY 1995 through FY 1998, OAH billed agencies \$89 per hour for ALJ time and \$50 per hour for staff attorney time. From FY 1999 through FY 2001 the charge for ALJs was increased to \$91 per hour. OAH had been able to keep rates that low because of contributions to general office overhead and economies made possible by OAH's child support hearing function. That

function has since been transferred to the court system. So, during FY 2002 and FY 2003, OAH expects to bill the agencies for which it provides hearing and rulemaking services \$135 for ALJ time and \$80 for staff attorney time in order to maintain fiscal stability.

FINANCING:

During FY 2002 and FY 2003, OAH expects to bill agencies \$130 for ALJ time and \$75 for staff attorney time. OAH expects to receive in total \$1.4 million in revolving fund revenues in FY 2002 and \$1.4 million in FY 2003. This level of total revenue equals the current level of total anticipated expenditures for the Administrative Hearings Program in FY 2001.

OUTCOMES:

The increases for OAH's charges will have a negative fiscal impact on the budgets of the agencies for which OAH conducts hearings and review proceedings.

Agency: FINANCE DEPT

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Program:									
STATE FINANCIAL MANAGEMENT INFORMATION & MGMT SERVICES	7,909 21,294	7,513 17,637	8,555 21,442	8,493 18,314	8,443 18,314	8,598 18,683	8,548 18,683	923 (2,082)	5.7% (5.3%)
Total Expenditures	29,203	25,150	29,997	26,807	26,757	27,281	27,231	(1,159)	(2.1%)
Financing by Fund:									
Carry Forward: GENERAL	6	0	0	987	987	1,072	1,072		
Direct Appropriations: GENERAL	25,634	17,933	22,508	18,300	18,250	18,689	18,639		
Statutory Appropriations: GENERAL	3,563	7,217	7,489	7,520	7,520	7,520	7,520		
Total Financing	29,203	25,150	29,997	26,807	26,757	27,281	27,231		
FTE by Employment Type:									
FULL TIME PART-TIME, SEASONAL, LABOR SER OVERTIME PAY	175.0 2.6 1.8	176.8 2.7 0.9	183.9 0.7 1.2	176.9 0.7 1.0	176.9 0.7 1.0	176.9 0.7 1.2	176.9 0.7 1.2		
Total Full-Time Equivalent	179.4	180.4	185.8	178.6	178.6	178.8	178.8		

FINANCE DEPT - BUDGET BRIEF

Fund: GENERAL

		<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001)	(\$000s)			
Appropriations		\$17,935	\$17,935	\$35,870
BASE ADJUSTMENT				
2000-01 Salary & Benefit Base		357	726	1,083
Documented Space Rental		60	80	140
One-time Appropriation Reduction		(10)	(10)	(20)
Attorney General Costs		1	2	3
Transfers Between Agencies		(43)	(44)	(87)
Technical Reallocation		0	0	0
BASE LEVEL (for 2002 and 2003)		\$18,300	\$18,689	\$36,989
CHANGE ITEMS				
Eliminate Uniform Settlement Reporting		(50)	(50)	(100)
GOVERNOR'S RECOMMENDATION		\$18,250	\$18,639	\$36,889

BRIEF EXPLANATION OF BUDGET DECISIONS:

Base adjustments:

- A 3% increase for department staff salary and benefits.
- An increase for a documented rent increase.
- Removal of a one-time appropriation for the purpose of conducting a study of salaries and benefits at the Minnesota Historical Society.
- An increase for the salary and benefits relating to the partner agency agreement with the Attorney General's office.
- A reduction that transfers the funding for the departments legal services to the Attorney General's office.
- A technical reallocation moving salary funding between the two programs.

Budget Issues:

Although described in greater detail on the program summary pages, the two major drivers of the agency budget are salaries and information services costs. The department must continually redeploy resources to accommodate those costs. Those redeployments include:

- reallocating funds from communication, printing and advertising, and contractor costs to salaries and information services;

- eliminating seven positions;
- rearranging work assignments and increasing productivity through more effective use of technology;
- placing higher priorities on mission critical tasks;
- sharing services with other agencies;
- imposing internal division reductions to achieve departmental limitations on spending.

Reallocation of Funds Between Programs:

The department is reallocating \$307,000 in FY 2002 and \$213,000 in FY 2003 from the Information and Management Services program to its State Financial Management program. This reallocation will allow the agency to balance the compensation costs between the two programs. Seven FTEs will be reduced department wide. No additional funds are being requested.

Billing Authority:

The legislature funded part of the FY 2000-2001 operating costs for the Statewide Administrative Systems by instructing the department to bill agencies for their use of the systems. The department is requesting continuation of this authority in the amount of \$7.52 million each year.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's requested base level funding and the reallocation of funds between programs. The Governor also recommends elimination of uniform settlement reporting and continued billing authority for the Statewide Administrative Systems.

Activity: INFORMATION & MGMT SERVICES
 Program: INFORMATION & MGMT SERVICES
 Agency: FINANCE DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	4,778	5,727	6,648	6,377	6,377	6,720	6,720	722	5.8%
OTHER OPERATING EXPENSES	16,516	11,910	14,794	11,937	11,937	11,963	11,963	(2,804)	(10.5%)
Total Expenditures	21,294	17,637	21,442	18,314	18,314	18,683	18,683	(2,082)	(5.3%)
<u>Financing by Fund:</u>									
Carry Forward:									
GENERAL	6	0	0	987	987	1,072	1,072		
Direct Appropriations:									
GENERAL	17,725	10,420	13,953	9,807	9,807	10,091	10,091		
Statutory Appropriations:									
GENERAL	3,563	7,217	7,489	7,520	7,520	7,520	7,520		
Total Financing	21,294	17,637	21,442	18,314	18,314	18,683	18,683		
<u>Revenue Collected:</u>									
Dedicated									
GENERAL	0	7,280	7,489	7,520	7,520	7,520	7,520		
Total Revenues Collected	0	7,280	7,489	7,520	7,520	7,520	7,520		
<u>FTE by Employment Type:</u>									
FULL TIME	71.3	79.0	85.6	78.6	78.6	78.6	78.6		
PART-TIME, SEASONAL, LABOR SER	0.2	1.7	0.7	0.7	0.7	0.7	0.7		
OVERTIME PAY	1.7	0.9	1.2	1.0	1.0	1.2	1.2		
Total Full-Time Equivalent	73.2	81.6	87.5	80.3	80.3	80.5	80.5		

FINANCE - DEBT SERVICE - EXECUTIVE SUMMARY

AGENCY DESCRIPTION:

To pay the principal and interest on General Obligation long-term debt.

On December 1 of each year, the Commissioner of Finance must transfer to the Debt Service Fund an amount sufficient with the balance then on hand in the fund, and all income from the investment of such money, to pay all principal and interest on bonds due and will become due within the ensuing year and including July 1 in the 2nd ensuing year.

The Minnesota Constitution requires the State Auditor to levy a statewide property tax annually in an amount sufficient with the balance on hand in the fund to pay all debt service through this 19-month period. The legislature may make appropriations from any source to the debt service fund to reduce the amount of the statewide property tax levy. The debt service appropriation is made for the purpose of reducing or eliminating the need for a statewide property tax. On December 1 of each year, the Commissioner of Finance shall transfer to the debt service fund from appropriations made for such purposes the amount necessary to reduce or eliminate the statewide property tax.

Debt service is broken down into two categories: existing debt and new issues. Existing debt service is used for payment of principal and interest of previously issued bonds. Debt service for new issues is to cover bonds that are authorized and anticipated to be authorized but have not yet been issued.

	<u>Dollars in Thousands</u>			
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Total Bonds Outstanding:				
Existing Debt on June 30	\$2,490,340	\$2,266,645	\$2,057,130	\$1,854,875
Existing Debt:				
\$ amount of principal payments	\$214,522	\$223,695	\$209,515	\$202,255
\$ amount of interest payments	\$119,501	\$123,256	\$112,350	\$102,279

REVENUES:

Revenues include interest earnings on cash balances in the Debt Service Fund and the Bond Proceeds Fund, the one-third debt service payment required on higher education capital projects, payments on user financed projects, and loan repayments from the Maximum Effort School Loan program, the Rural Finance Authority's programs, and other loan programs.

These revenues reduce the amount of the required General Fund appropriation.

DEBT SERVICE TRANSFER:

The debt service transfer shown below for FY 2002 and FY 2003 is an estimate based upon the dollar amount of bonds sold each year. The amount of the debt service transfer for existing authorizations and new authorizations is also an estimate of the dollar amount of bonds to be sold for capital projects currently authorized and for new authorizations.

	<u>Dollars in Thousands</u>			
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Existing Debt	\$255,037	\$304,994	\$261,512	\$245,128
New Issue/Existing Authorization*	-0-	-0-	31,545	64,590
Future Issue/Future Authorization	-0-	-0-	14,722	35,725

* Additional bonds will be sold in FY 2002-2003

Existing Debt: The amount required in the debt service account is calculated by the total amount of principal and interest payments due December 1, through the 2nd and ensuing July 1 for all outstanding bonds. The appropriation requirements are calculated by adjusting the total transfer requirements for investment income and transfers from dedicated funds.

New Issues: It is assumed that General Obligation debt will be issued in FY 2002 and 2003 for currently authorized capital projects and for new authorizations.

The transfer requirement is determined by the payments of principal and interest that will come due within the December 1 through 2nd ensuing July 1.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's base budget of \$620.670 million and \$32.552 million from the General Fund for additional debt service costs associated with the Governor's 2001 Capital Budget. This appropriation will be used to make the required debt service transfers on existing debt and on new bonds issued during the biennium. The new bonds sold will provide additional funding for capital projects currently authorized and provide funding for a bonding bill in the 2001 legislative session.

BUDGET CHANGE ITEM (60329)**Agency: FINANCE - DEBT SERVICE****Item Title: CHANGE TO ODD-YEAR CAPITAL BUDGETS****OUTCOMES:**

Approval of a capital budget in 2001 will provide immediate resources to urgent needs and eliminate the need to authorize a capital budget in 2002.

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$14,032	\$18,520	\$32,613	\$32,961
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes No X

If yes, statute(s) affected:

 New Activity Supplemental Funding Reallocation**GOVERNOR'S RECOMMENDATION:**

The Governor recommends \$32.552 million be appropriated from the General Fund for additional debt service costs associated with the Governor's 2001 capital budget.

RATIONALE:

The Governor is proposing an initiative that the legislature only meet in session in odd-numbered years. This initiative requires that capital budgets be adopted with the biennial budget in odd-numbered years, rather than even-numbered years as is the current practice.

The Governor is proposing a major capital budget this session as a replacement for the 2002 capital budget. Approval of bond authorizations in 2001 rather than 2002 will result in earlier bond sales and earlier debt service costs. These debt service costs require an additional appropriation in the 2002-03 and 2004-05 biennia.

FINANCING:

Appropriations for debt service are recommended from the General Fund as a transfer to the Debt Service Fund.

TORT CLAIMS - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

To pay tort claim judgments against a state agency which cannot be paid from that agency's appropriated accounts.

As specified in M.S. 3.736, subd. 7, "a state agency, including an entity defined as part of the state in Section 3.732, subd. 1, incurring a tort claim judgment or settlement obligation shall seek approval to make payment by submitting a written request to the commissioner of Finance. If the Commissioner of Finance determines that the agency has sufficient money in its appropriation accounts, the claim will be paid from these accounts. Otherwise, the payment will be made from the appropriation made to the commissioner of Finance for tort claim payments."

GOVERNOR'S RECOMMENDATION:

The Governor recommends the base budget and a \$600,000 per year increase to pay Trunk Highway related tort claims.

Activity: ADMINISTRATION
 Program: HUMAN RESOURCE MGMT
 Agency: EMPLOYEE RELATIONS DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	2,731	2,888	3,334	3,391	3,391	3,577	3,577	746	12.0%
OTHER OPERATING EXPENSES	2,144	949	1,625	968	918	838	788	(868)	(33.7%)
Total Expenditures	4,875	3,837	4,959	4,359	4,309	4,415	4,365	(122)	(1.4%)
Change Items:									
(B) REALLOCATION OF GOVT. TRAINING SERVICES	Fund GEN				(50)			(50)	
Total Change Items					(50)			(50)	
Financing by Fund:									
Direct Appropriations:									
GENERAL	4,565	3,829	4,954	4,349	4,299	4,405	4,355		
Statutory Appropriations:									
GENERAL	303	0	0	0	0	0	0		
SPECIAL REVENUE	7	4	5	10	10	10	10		
MISCELLANEOUS AGENCY	0	4	0	0	0	0	0		
Total Financing	4,875	3,837	4,959	4,359	4,309	4,415	4,365		
Revenue Collected:									
Dedicated									
GENERAL	133	3	0	0	0	0	0		
SPECIAL REVENUE	12	4	6	7	7	8	8		
Total Revenues Collected	145	7	6	7	7	8	8		
FTE by Employment Type:									
FULL TIME	45.0	43.9	50.8	48.8	48.8	48.8	48.8		
PART-TIME, SEASONAL, LABOR SER	2.7	2.9	2.4	2.4	2.4	2.4	2.4		
Total Full-Time Equivalent	47.7	46.8	53.2	51.2	51.2	51.2	51.2		

BUDGET ACTIVITY SUMMARY

Budget Activity: OFFICE OF DIVERSITY AND EQUAL OPPORTUNITY
Program: HUMAN RESOURCE MGMT
Agency: EMPLOYEE RELATIONS DEPT

ACTIVITY PROFILE:

The Office of Diversity and Equal Opportunity (ODEO) exists to provide leadership, consultation, information and support to state agencies in the following areas:

- compliance with Affirmative Action Plan and Equal Employment Opportunity;
- compliance with Americans with Disabilities Act (ADA);
- programming and planning of diversity;
- coordination of recruitment strategies among agencies to address underutilization of protected group members;
- development of selection, retention and mentorship program strategies;
- coordination of EEO/AA resources throughout state of Minnesota; and
- review of sexual harassment cases upon request, pursuant to AFSCME contract.

The challenges faced by the program include:

- coordinating system-wide EEO/AA resources to address targeted areas of underutilization;
- creating a work environment that allows all employees to work naturally;
- creating a work environment that allows for work/life balance; and
- coordinating system-wide EEO/AA resources so that redundancies are eliminated and resources are made available for results oriented programs that will ensure a diverse and productive workforce.

The ODEO serves all state agencies. The office is committed to working with agencies to attract and retain highly qualified employees at all levels of the organization and in a fashion that mirrors the population of Minnesota. However, it is not enough that our efforts result in diversity in representation. Our efforts must also include strategies that result in the creation of a workplace that allows all employees to thrive and contribute to the organization. These strategies will result in getting all our diverse workforce has to offer as opposed to only what is requested. This approach will provide exceptional service and value to the Minnesota taxpayer as well as enhance the state of Minnesota's desire to be the employer of choice in increasingly competitive labor markets.

STRATEGIES AND PERFORMANCE:

A workgroup has been formed to address the strategic goal of achieving diversity. The group expects to complete its work by the end of the first quarter of 2001 and will submit a work plan to accomplish specific outcomes.

The following goals have been established along with precise and valid outcome-based performance measures:

- Provide state agencies with services to assure their compliance with state and federal laws governing affirmative action, equal employment opportunities, and, Americans with Disabilities Act.
- Work with state agencies to increase representation of protected group employees in all job classifications.
- Ensure the turnover rate for protected group members is equal to the rate for non-protected group members.
- Promote initiatives aimed at culture change efforts to allow employees to work naturally as opposed to archaic and rigid management practices which force employees to work in a homogeneous fashion.
- Expand training efforts within state agencies as they relate to mentorship, affirmative action, recruitment and diversity.
- Evaluate benefit programs to ensure that offerings are relevant to entire workforce instead of to only the majority.
- Coordinate with agency EEO/AA offices to maximize resources that effectively attract and retain a diverse workforce.

FINANCING INFORMATION:

The ODEO activities are supported by General Fund appropriations.

BUDGET ISSUES:

No impending budget issues.

Activity: TRNG & DEVELOPMENT RESOURCE CTR
 Program: HUMAN RESOURCE MGMT
 Agency: EMPLOYEE RELATIONS DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	393	409	419	553	603	580	630	405	48.9%
OTHER OPERATING EXPENSES	(124)	155	147	99	99	99	99	(104)	(34.4%)
Total Expenditures	269	564	566	652	702	679	729	301	26.6%
Change Items:									
	<u>Fund</u>								
(B) MANAGER & SUPERVISORY CORE TRAINING	GEN				50			50	
Total Change Items					50			50	
Financing by Fund:									
Direct Appropriations:									
GENERAL	202	0	0	0	50	0	50		
Statutory Appropriations:									
SPECIAL REVENUE	67	564	566	652	652	679	679		
Total Financing	269	564	566	652	702	679	729		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	279	433	566	613	613	663	663		
Total Revenues Collected	279	433	566	613	613	663	663		
FTE by Employment Type:									
FULL TIME	6.2	7.3	10.0	10.0	10.0	10.0	10.0		
PART-TIME, SEASONAL, LABOR SER	1.8	0.6	0.5	0.5	0.5	0.5	0.5		
Total Full-Time Equivalent	8.0	7.9	10.5	10.5	10.5	10.5	10.5		

Activity: CONFERENCE REVOLVING
 Program: HUMAN RESOURCE MGMT
 Agency: EMPLOYEE RELATIONS DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	109	127	152	154	154	163	163	38	13.6%
OTHER OPERATING EXPENSES	921	380	583	211	211	212	212	(540)	(56.1%)
Subtotal State Operations	1,030	507	735	365	365	375	375	(502)	(40.4%)
PAYMENTS TO INDIVIDUALS	1	0	0	0	0	0	0	0	0
Total Expenditures	1,031	507	735	365	365	375	375	(502)	(40.4%)
<u>Financing by Fund:</u>									
Statutory Appropriations:									
SPECIAL REVENUE	1,031	507	735	365	365	375	375		
Total Financing	1,031	507	735	365	365	375	375		
<u>Revenue Collected:</u>									
Dedicated									
SPECIAL REVENUE	1,099	526	754	379	379	387	387		
Total Revenues Collected	1,099	526	754	379	379	387	387		
<u>FTE by Employment Type:</u>									
FULL TIME	1.4	1.7	2.0	2.0	2.0	2.0	2.0		
PART-TIME, SEASONAL, LABOR SER	0.4	0.1	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	1.8	1.8	2.0	2.0	2.0	2.0	2.0		

Activity: EMPLOYEE INSURANCE ADMINISTRAT
 Program: EMPLOYEE INSURANCE DIVISION
 Agency: EMPLOYEE RELATIONS DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	2,079	2,274	2,623	2,879	2,879	3,053	3,053	1,035	21.1%
OTHER OPERATING EXPENSES	3,159	3,227	4,668	4,606	4,606	4,612	4,612	1,323	16.8%
Subtotal State Operations	5,238	5,501	7,291	7,485	7,485	7,665	7,665	2,358	18.4%
LOCAL ASSISTANCE	30	28	40	40	40	40	40	12	17.6%
Total Expenditures	5,268	5,529	7,331	7,525	7,525	7,705	7,705	2,370	18.4%
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	183	255	155	0	0	0	0		
Statutory Appropriations:									
SPECIAL REVENUE	581	863	998	986	986	999	999		
STATE EMPLOYEES INSURANCE	4,504	4,411	6,178	6,539	6,539	6,706	6,706		
Total Financing	5,268	5,529	7,331	7,525	7,525	7,705	7,705		
<u>Revenue Collected:</u>									
Dedicated									
SPECIAL REVENUE	808	661	725	735	735	735	735		
STATE EMPLOYEES INSURANCE	4,535	5,409	5,653	5,653	5,653	5,653	5,653		
Total Revenues Collected	5,343	6,070	6,378	6,388	6,388	6,388	6,388		
<u>FTE by Employment Type:</u>									
FULL TIME	37.1	39.2	45.9	46.0	46.0	46.0	46.0		
PART-TIME, SEASONAL, LABOR SER	2.3	2.1	1.6	1.6	1.6	1.6	1.6		
OVERTIME PAY	0.1	0.0	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	39.5	41.3	47.5	47.6	47.6	47.6	47.6		

BUDGET ACTIVITY SUMMARY

Budget Activity: PEIP
Program: EMPLOYEE INSURANCE DIVISION
Agency: EMPLOYEE RELATIONS DEPT

ACTIVITY PROFILE:

PEIP is a statewide health-dental-life insurance pool for active and retired employees of local units of government. It was established in 1989 to help Minnesota's public employers, including counties, cities, townships, school districts, and other jurisdictions, purchase affordable health care.

There are currently 95 employer groups in PEIP with an enrollment of 2,680 active employees, 1,504 retired employees and 2,677 dependents. The average number of employees per group is 28, with groups as large as 353 and as small as one. Expected claims volume for CY 2000 is projected to be \$11 to \$12 million.

STRATEGIES AND PERFORMANCE:

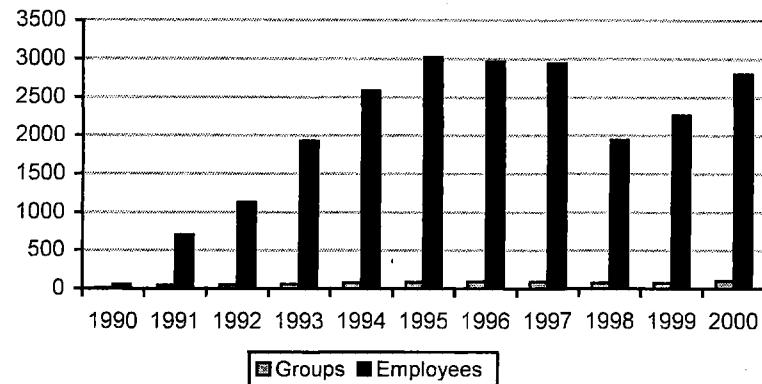
PEIP was created to provide an affordable health insurance purchasing alternative for local units of government throughout Minnesota. While the majority of employers in the state now contract with a single carrier or health plan for health insurance, PEIP offers public sector employers and their employees a choice of health plans wherever possible.

PEIP helps local units of government obtain more competitive health insurance rates. In some cases, PEIP provides the lowest bid. In other cases, PEIP offers a bid that competing insurers will then attempt to match or improve upon in order to be selected. In these instances, even when PEIP is ultimately not the successful bidder, it helps local units of government negotiate with other carriers to obtain the best rates possible.

PEIP's viability and overall impact in the market are determined to a large extent by the number of enrollees in the program. Therefore, an important objective has been to increase the enrollment in PEIP and to make the program more widely known and available. The graph and chart shows the growth in PEIP during the period 1990-2000, and shows the number of public sector employer groups enrolled in the program, as well as the number of employees.

In 1998, PEIP experienced a noticeable downturn in enrollment when the program was perceived as no longer being competitive in the market. This was addressed by altering the program design from an insured model to a self-insured model, and through a new marketing plan. These changes provided for greater flexibility and stability in rating and premium setting, and greater awareness of the program. As a result, the number of public sector employer groups and employees served by PEIP increased in 1999. This trend

PEIP Enrollment 7/1/90-9/1/00



continues, as PEIP's enrollment for health insurance increased again by approximately 18% in CY 2000 over CY 1999.

The number of participating employer groups participating for the past five years.

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
# of PEIP groups	82	91	90	70	73	95
% increase in groups from previous year	-0-	11%	(1%)	(22%)	4%	30%

FINANCING INFORMATION:

PEIP is funded almost exclusively by employer group premiums. Premiums collected in excess of claims paid will be used to reduce the rates charged to employer groups. In addition, PEIP receives investment income that is used to reinforce the programs reserve balance and offset administrative expenses. In the past, PEIP has received General Fund appropriations to assist in establishing required reserves when the program became self-funded.

Activity: VETERANS BENEFITS & SERVICES
 Program: VETERANS BENEFITS & SERVICES
 Agency: VETERANS AFFAIRS DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	972	985	1,159	1,170	1,170	1,218	1,218	244	11.4%
OTHER OPERATING EXPENSES	1,581	421	1,255	59	46	58	45	(1,585)	(94.6%)
Subtotal State Operations	2,553	1,406	2,414	1,229	1,216	1,276	1,263	(1,341)	(35.1%)
PAYMENTS TO INDIVIDUALS	2,633	2,387	3,769	3,396	3,396	3,480	3,480	720	11.7%
LOCAL ASSISTANCE	129	260	250	250	250	250	250	(10)	(2.0%)
Total Expenditures	5,315	4,053	6,433	4,875	4,862	5,006	4,993	(631)	(6.0%)
<u>Change Items:</u>									
(A) REDUCE: VINLAND REHAB, VET SVC OFCR POS	GEN				(13)			(13)	
Total Change Items					(13)			(13)	
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	3,548	2,497	4,411	2,773	2,760	2,820	2,807		
Statutory Appropriations:									
MISCELLANEOUS AGENCY	1,767	1,556	2,022	2,102	2,102	2,186	2,186		
Total Financing	5,315	4,053	6,433	4,875	4,862	5,006	4,993		
<u>Revenue Collected:</u>									
Dedicated									
MISCELLANEOUS AGENCY	1,631	1,707	2,125	2,205	2,205	2,288	2,288		
Nondedicated									
GENERAL	0	0	0	50	50	50	50		
CAMBRIDGE DEPOSIT FUND	37	39	50	0	0	0	0		
Total Revenues Collected	1,668	1,746	2,175	2,255	2,255	2,338	2,338		
<u>FTE by Employment Type:</u>									
FULL TIME	22.1	23.8	22.8	22.8	22.8	22.8	22.8		
PART-TIME, SEASONAL, LABOR SER	1.4	1.2	0.2	0.2	0.2	0.2	0.2		
Total Full-Time Equivalent	23.5	25.0	23.0	23.0	23.0	23.0	23.0		

BUDGET ACTIVITY SUMMARY

Budget Activity: OPERATIONS
Program: OPERATIONS
Agency: VETERANS AFFAIRS DEPT

ACTIVITY PROFILE:

Operations is responsible for the day-to-day administration of the department which includes:

- **Financial and Human Resources**
- **Information Management Systems**
- **State Cemetery Operations**
- **Cemetery Development and Maintenance Account, Federal Account and Cemetery Trust-Income Account, Gifts and Donations**
- **Veterans Gifts and Donations**

In addition to administrative management activities, the department operates two grant programs. They are:

- **Veterans Service Office Grants.** Authorized by MS 197.608, the purpose of these grants is to enable counties to enhance the effectiveness of their veterans service offices. Recipients are eligible counties who have submitted a qualifying application. Financed by the General Fund, the amount of each grant is based upon the veteran population of the county.
- **Vinland National Center Grants.** Authorized by Laws of Minnesota 1999, Chapter 250, Article 1, Section 18, the purpose of this grant is to rehabilitate disabled veterans who have not responded to traditional rehabilitation services. The grant amount is set by statute and is financed by the General Fund.

STRATEGIES AND PERFORMANCE:

The Operations Program is responsible for coordination of the certification program for County Veterans Service Officers (CVSOs). The department annually certifies each CVSO, which the officer achieves by attending training. Certification of the officer is required before a county is allowed to apply to the department for a CVSO Office Improvement Grant.

Furthermore, the Operations Program oversees all department financial transactions, human resources and state cemetery operations. It is required to comply with all applicable state laws, policies and procedures, and rules and regulations, which govern all activities. The program also must comply with federal rules and regulations which govern funding of the state cemetery, all human resource management, affirmative action, MAPS and SEMA4

requirements, generally accepted accounting principles, and the Americans with Disabilities Act.

PERFORMANCE MEASURE:

GOAL: To administer an educational and certification program to CVSOs.

OBJECTIVE: 100% of all CVSOs will be certified annually.

MEASURE: Percentage of CVSOs certified annually.

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Actual	100%	100%	100%	100%	100%	98%
Target	100%	100%	100%	100%	100%	100%

FINANCING INFORMATION:

Revenues generated from fees associated with operating the State Cemetery and from gifts to and from veterans are statutorily dedicated to those activities. Such revenue is intermittent and often irregular.

Furthermore, in FY 2000, the legislature charged the state with raising funds for a WWII memorial to be constructed in cooperation with the Department of Administration. The state will erect the monument on the capitol grounds pending certification in non-state funding and donations to match the state's appropriation of \$150,000 for the project.

BUDGET ISSUES:

Underfunded salary increases, general operating expenses, and communications charges continue to exert pressure on the agency's operating budget. The department needs to continue its computerization efforts to meet the demands of changes in technology and the needs of our clients, as well to serve the four geographic locations where the department has staff.

In 1999, the legislature provided only one-time funding for the Veterans Transportation Grants program. The program was intended to enable local veterans' organizations to provide transportation services for veterans to U.S. Veterans Affairs medical facilities. The department has not implemented the program, because it's biennial appropriation of \$25,000 for FY 2000-2001 is not adequate to establish a meaningful transportation program to serve veterans on a state-wide basis. Costs of required rule promulgation prior to implementation of the program would have further reduced the dollars available for and effectiveness of the grant. Unobligated appropriations will be returned to the General Fund.

Activity: OPERATIONS
 Program: OPERATIONS
 Agency: VETERANS AFFAIRS DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	805	816	914	912	862	946	896	28	1.6%
OTHER OPERATING EXPENSES	429	297	582	310	310	302	302	(267)	(30.4%)
OTHER FINANCIAL TRANSACTIONS	0	0	150	0	0	0	0	(150)	(100.0%)
Subtotal State Operations	1,234	1,113	1,646	1,222	1,172	1,248	1,198	(389)	(14.1%)
LOCAL ASSISTANCE	470	450	571	469	423	469	423	(175)	(17.1%)
Total Expenditures	1,704	1,563	2,217	1,691	1,595	1,717	1,621	(564)	(14.9%)
<u>Change Items:</u>									
(A) REDUCE: VINLAND REHAB, VET SVC OFCR POS	GEN				(96)			(96)	
Total Change Items					(96)			(96)	
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	1,684	1,561	2,023	1,646	1,550	1,664	1,568		
Statutory Appropriations:									
SPECIAL REVENUE	20	2	44	45	45	53	53		
GIFT	0	0	150	0	0	0	0		
Total Financing	1,704	1,563	2,217	1,691	1,595	1,717	1,621		
<u>Revenue Collected:</u>									
Dedicated									
SPECIAL REVENUE	34	46	65	65	65	65	65		
GIFT	1	0	152	2	2	2	2		
Total Revenues Collected	35	46	217	67	67	67	67		
<u>FTE by Employment Type:</u>									
FULL TIME	13.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	
PART-TIME, SEASONAL, LABOR SER	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total Full-Time Equivalent	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	

VFW - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The purpose of the Veterans of Foreign Wars (VFW) is fraternal, patriotic, historical, and educational; to preserve and strengthen comradeship among its members; to assist worthy comrades; to perpetuate the memory and history of our dead, and to assist their widows and orphans; to maintain true allegiance to the government of the United States of America, and fidelity to the U.S. Constitution and laws; to foster true patriotism; to maintain and extend the institutions of freedom, and to preserve and defend the United States from all her enemies, whomsoever.

KEY SERVICE STRATEGIES:

Our services are available to all veterans. Membership in the VFW or Ladies Auxiliary is not required in order to be represented by all VFW offices.

The activities of the claims and services offices include:

- Serving as attorneys-in-fact for veterans, their dependents, widows, and orphans in securing funds and services to which they are entitled.
- Seeking to increase awareness among veterans in Minnesota of the available services.
- Employing two accredited claims representatives and two secretaries at Fort Snelling U.S. Department of Veterans Affairs Regional Office.
- Providing representation in appeal procedures when claims are initially denied by federal agencies.

The V.A. Medical Center in Minneapolis:

- Provides hospital representatives.
- Assists veterans and their dependents in preparing the documentation and information necessary to secure health care benefits.

The VFW National Office in Washington D.C.:

- Provides personnel for appeals for all veterans.
- Provides representation in front of the U.S. Court of Veterans Appeals.

PERFORMANCE SUMMARY:

The VFW provides power of attorney services to more than 86,000 Minnesota veterans and dependents. While not all these accounts are active, the 1999 total cash benefits from the federal government still totaled \$30.4 million. These figures do not include the millions of dollars that are saved annually by Minnesota

taxpayers through the hospital care provided by the U.S. Department of Veterans Affairs.

ISSUES AFFECTING AGENCY'S OPERATIONS:

As veterans age, they experience increasing health and disability problems creating an increase in the demand for our services. Seventy-five percent of veterans in Minnesota will soon be over 65 years of age. The current age of the World War II veteran is 77 years; Korea, 68 years; Vietnam, 53 years and Persian Gulf, 34 years. Both federal and state departments of veterans services project that demand will continue to increase during the next biennium.

Services will be provided to an estimated 95,000 veterans and dependents annually in FY 2002-03, as compared to an estimated 93,000 in FY 2000-01. This will result in an estimated \$35 million in individual benefits each year.

In addition to aging veterans, increased demand is created by the ability of veterans to make appeals to the U.S. Court of Appeals for Veterans Claims. This appeals court only hears U.S. Department of Veterans Affairs issues, and is the next step after the U.S. Board of Veterans Appeals. It is a review court and not a trial type court. While it is clearly advantageous to veterans, it also increases the time and resources spent on resolving some applications.

State resources will be used to fund a portion of the budget for salaries, which total \$160,500.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the current base budget.

Agency: DISABLED AMERICAN VETS

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
LOCAL ASSISTANCE	13	13	13	13	13	13	13	0	0.0%
Total Expenditures	13	13	13	13	13	13	13	0	0.0%
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	13	13	13	13	13	13	13	13	13
Total Financing	13	13	13	13	13	13	13	13	13

GAMBLING CONTROL BOARD - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

The Gambling Control Board regulates lawful gambling in Minnesota as outlined in M.S. Chapter 349. Lawful gambling in Minnesota is a \$1.5 billion a year industry. In FY 2000, charitable contributions amounted to \$78 million; state taxes collected for lawful gambling amounted to \$63 million. The five forms of lawful gambling in Minnesota are pull-tabs, bingo, tipboards, paddlewheels, and raffles.

Mission: To regulate lawful gambling in Minnesota so that the integrity of the industry is ensured and non-profit organizations may continue to raise funds for charitable contributions.

Vision: To continue a pro-active approach to regulation by educating and communicating with the industry to prevent misuse of charitable funds.

KEY SERVICE STRATEGIES:

- Licensing manufacturers, distributors, bingo halls, non-profit organizations, and gambling managers.
- Educating customers through seminars, training courses, mentoring program and a monthly newsletter. The *Lawful Gambling Manual* provides nonprofit organizations a step-by-step tool to be successful in maximizing charitable profits.
- Conducting reviews to ensure compliance with statutes and rules.
- Improving client access by refining web-based services.
- Revising regulatory requirements to reduce manual processes and paper files.

PERFORMANCE SUMMARY:

- Conducted compliance reviews on 72% of licensed organizations.
- Conducted 25 Gambling Manager seminars, 133 continuing education classes, and 32 speaking engagements.
- Provided one-on-one mentoring for 256 non-profit organizations that need guidance so they can properly manage their gambling operation.
- Reviewed over 3,900 new games submitted for sale in Minnesota.
- Developed a web page and updated the *Lawful Gambling Manual*.

REVENUES:

- \$1.7 million in General Fund revenue is generated from license fees during the biennium. In addition to license fees, approximately \$126 million in gambling taxes will be paid to the Minnesota Department of Revenue.
- \$160,000 is collected for the biennium from fines.
- Dedicated fees estimated at \$10,000 cover the cost of inspecting manufacturing facilities.

ISSUES AFFECTING AGENCY'S OPERATIONS:

Since FY 1996, the board has lost 20% of its staffing levels due to salary underfunding and increased benefit costs. At the same time, the number of lawful gambling sites and exempt permits have risen significantly. Salary expenses account for 85% of the board's budget. Therefore, the board is requesting ongoing deficiency funding to restore its base budget to FY 2000 staffing levels.

Also, the board's current base budget will not fund ongoing costs for its information technology, including the provision of web-based services and infrastructure maintenance. The current systems were developed with one-time funding in FY 1998-1999 and an additional one-time appropriation of \$178,000 in FY 2000-2001 through the Office of Technology for Small Agency Infrastructure (SAI). The latter appropriation ends 6-30-01.

Therefore, the board is requesting an ongoing additional \$100,000 per biennium to fund information system replacement schedules and ongoing maintenance.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$5.041 million, which includes \$266,000 for the board's ongoing operating deficiency and \$100,000 in ongoing funding for replacing and monitoring the agency's information system.

Agency: GAMBLING CONTROL BOARD

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	1,737	1,898	1,888	1,926	2,040	2,034	2,152	406	10.7%
OTHER OPERATING EXPENSES	694	364	550	384	434	341	425	(55)	(6.0%)
Total Expenditures	2,431	2,262	2,438	2,310	2,474	2,375	2,577	351	7.5%
Change Items:									
(A) COMPUTER MAINTENANCE & INFRASTRUCTURE	GEN				50			50	
(A) DEFICIENCY	GEN				114			152	
Total Change Items					164			202	
Financing by Fund:									
Direct Appropriations:									
GENERAL	2,430	2,259	2,433	2,305	2,469	2,370	2,572		
Statutory Appropriations:									
SPECIAL REVENUE	0	3	5	5	5	5	5		
FEDERAL	1	0	0	0	0	0	0		
Total Financing	2,431	2,262	2,438	2,310	2,474	2,375	2,577		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	0	3	5	5	5	5	5		
Nondedicated									
GENERAL	73	80	80	1,280	1,280	580	580		
CAMBRIDGE DEPOSIT FUND	501	1,193	501	0	0	0	0		
Total Revenues Collected	574	1,276	586	1,285	1,285	585	585		
FTE by Employment Type:									
FULL TIME	31.5	32.0	31.0	30.9	32.4	29.9	32.4		
PART-TIME, SEASONAL, LABOR SER	2.7	3.0	3.0	2.6	2.6	2.6	2.6		
Total Full-Time Equivalent	34.2	35.0	34.0	33.5	35.0	32.5	35.0		

Agency: GAMBLING CONTROL BOARD

Base Budget Report (Dollars in Thousands)	All Funds		General Fund		Other State Funds		Federal Funds	
	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003
FY 2001 Budgeted	2,246	2,246	2,241	2,241	5	5	0	0
<u>Base Adjustments</u>								
2002-03 SAL. & BEN. BASE	59	119	59	119	0	0	0	0
DOC. SPACE RENTAL/LEASE	5	10	5	10	0	0	0	0
Subtotal Base Adjustments	64	129	64	129	0	0	0	0
Base Budget	2,310	2,375	2,305	2,370	5	5	0	0

BUDGET CHANGE ITEM (68922)**Agency: GAMBLING CONTROL BOARD****Item Title: DEFICIENCY**

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$114	\$152	\$152	\$152
-Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund				
	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <u> </u> No <u> X </u>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends approval of funding at the requested level of \$266,000 for the FY 2002-03 biennium.

RATIONALE:

Since FY 1996, the Board has lost 20% of its staff complement due to salary underfunding and increased benefit costs. At the same time, the number of lawful gambling sites has increased to over 3,320 locations and exempt permits have risen by 25% to over 2,350. Salary expenses account for 85% of the Board's budget. This request restores the base funding for the Board (based on the FY 2000 salary roster).

Without this funding, compliance reviews/audits of each site will continue to drop below an already low rate of 72% completion. Compliance reviews ensure that audited sites appropriately distribute and record funds from lawful gambling (\$1.5 billion annually) and promptly deposit tax receipts with the Department of Revenue.

FINANCING:

Manufacturers, distributors, and organizations already pay fees for licenses and registration. Additionally, the Department of Revenue collects \$62 million annually in the form of sales taxes on lawful gambling.

OUTCOMES:

The Board would continue to conduct compliance reviews of regulated organizations. Through the reviews, the Board would identify accounting or reporting problems and thereby reduce the risk of site suspension or terminations. Lawful gambling proceeds would continue to benefit intended charitable causes in communities throughout Minnesota.

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LOTTERY - EXECUTIVE SUMMARY

MISSION:

The Lottery's mission is to provide secure gaming opportunities designed to maximize public participation and acceptance, within the guidelines provided by statute. The Lottery will offer a variety of paper and electronic gaming options designed to appeal to the state's citizens and visitors. This mission is intended to maximize proceeds to the state beneficiaries as identified by the constitution and the legislature.

KEY SERVICE STRATEGIES:

The Lottery's strategies for meeting its operating objectives include:

- Ensure lottery games are widely available to lottery players by offering scratch and on-line games at over 3,200 retailers;
- Provide lottery retailers with the kind of equipment, training and assistance that best supports the retailers' business needs and lottery sales volume;
- Continuously develop and introduce new scratch and online games with varied themes and styles to keep pace with changes in player preferences;
- Ensure the effectiveness of all marketing and advertising efforts, which include varied and well-timed retailer promotions and incentives;
- Keep pace with changing technology in the areas of telecommunications and computing, and using e-commerce for business transactions;
- Apply research to better understand player demographics and preferences, and to anticipate future directions; and
- Continue to seek greater operating efficiencies.

PERFORMANCE SUMMARY:

The performance measures of the Lottery are to maximize the contributions to the state within statutory guidelines. The Lottery intends to meet its performance objectives through merchandising, advertising and promotion of its games, and the introduction of new and attractive Lottery products. Key measures of the Lottery's performance include:

- Maintain sales revenue at or above the FY00 record of \$397,286;
- Ensure advertising and operating expenses remain below the limits set in statute (2.75% and 15% of gross revenue, respectively);
- Maintain annual contributions to state beneficiaries in excess of \$80 million.

REVENUES:

The Lottery's annual sales estimate is the key driver affecting many other costs and expenses such as in-lieu-of-sales tax, prizes, retailer commissions, on-line vendor expenses, and other variable operating expenses. The annual sales estimate can be significantly affected by jackpot-driven games, such as Powerball, that may generate unpredictable sales patterns.

Lottery sales in FY 2002-2003 are projected to increase.

- A new online game, Rolldown, introduced in September 2000, offers players another option to play a multi-state game in a new format with larger jackpots, and low and mid-tier prizes that increase if the jackpot is not won.
- While projections of Powerball sales for FY 2001-2003 do not anticipate the repeat of a record-breaking jackpot, steady sales reflect the introduction in October 2000 of a new televised Powerball Game Show.
- Players continue to show a strong desire for scratch games. Scratch game sales are projected to show a slight increase in FY2002-03. A Powerball scratch game, new in August 2000, is a part of the new Powerball Game Show and sales of the scratch game will continue for as long as players express their interest in this game.

Net proceeds in each year of the biennium are expected to remain above \$50 million. The Lottery projects the amount contributed to the state at \$175.4 million for FY2002-03.

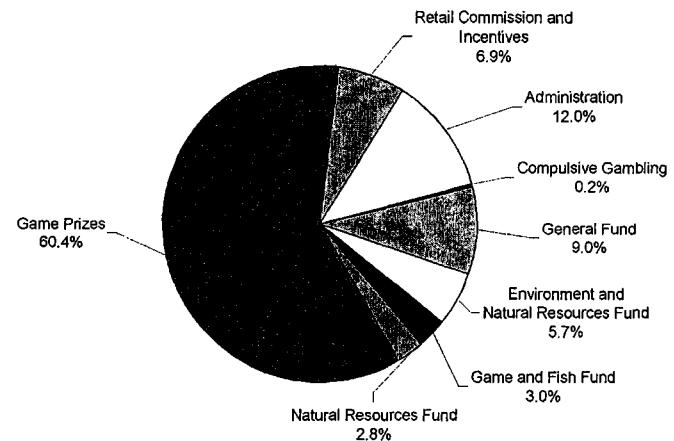
ISSUES AFFECTING AGENCY'S OPERATIONS:

As the Lottery enters its 12th and 13th years, it faces the challenge of sustaining record FY00 sales levels using new and advanced technology, new products, player promotions and retailer incentives. Lottery sales can be dramatically affected by a number of factors: the state of the economy; weather; and regional, national and international events. In addition, competition for discretionary spending includes other forms of gaming, entertainment and recreational opportunities. Recently, the Lottery has experienced a decline in its sales due to a significant jump in gas prices. When economic conditions adversely affect sales, it is essential for the Lottery to act quickly to maintain revenues, profits and its contributions to the state.

LOTTERY - EXECUTIVE SUMMARY (Continued)

	Dollars in Thousands				Dollars in Thousands			
	FY 2000 Actual	FY 2001 Projected	FY 2002 Projected	FY 2003 Projected	FY 2000 Actual	FY 2001 Projected	FY 2002 Projected	FY 2003 Projected
Revenue								
Scratch Ticket Sales	\$282,463	\$282,463	\$286,700	\$291,000	In-Lieu-of-Sales Tax	\$25,824	\$774	\$3,407
Online Sales	114,823	114,823	116,546	118,295	Net Proceeds	31,292	30,598	31,309
Total Sales Revenue	397,286	397,286	403,246	409,295	Unclaimed Prizes	3,986	3,986	3,986
Less In-Lieu-of-Sales Tax	25,824	25,824	26,211	26,604	Compulsive Gambling	1,750	1,888	1,640
Gross Receipts	371,463	371,463	377,035	382,691	Gambling Enforcement	150	150	150
Non-operating Income	2,996	2,996	2,996	2,996	Total General Fund	63,002	37,396	40,492
Gross Revenue	374,459	374,459	380,031	385,687				41,407
Direct Costs								
Prize Expense	\$241,518	\$241,518	\$245,141	\$248,818	Environmental and Natural Resources Fund			
Unclaimed Prizes	6,643	6,643	6,643	6,643	Net Proceeds	20,861	20,399	20,873
Compulsive Gambling	1,750	1,888	1,640	1,640	Unclaimed Prizes	2,657	2,657	2,657
Retailer Com & Incentives	27,134	27,134	27,541	27,954	Total Envir and Natural Resources Fund	23,518	23,056	23,530
Total Direct Costs	277,045	277,183	280,965	285,055	Game and Fish Fund	0	12,525	11,402
Operating Expenses					Natural Resources Fund	0	12,525	11,402
Ticket Expense	4,883	4,883	4,883	4,883	TOTAL PAID TO STATE	\$86,520	\$85,502	\$86,826
Online Vendor Commission	8,368	8,368	8,494	8,621				\$88,658
Advertising	8,721	8,721	8,721	8,721				
Promotions	3,988	3,988	3,988	3,988				
Salaries & Benefits	10,824	11,842	12,321	12,321				
Building and Equipment Rents	1,435	1,435	1,435	1,435				
Communications	970	970	970	970				
Professional Services	1,729	1,729	1,729	1,729				
Depreciation	1,608	1,608	1,608	1,608				
Office & Retailer Supplies	744	744	744	744				
Gambling Enforcement	150	150	150	150				
Other	1,841	1,841	1,841	1,841				
Total Operating Expense	45,261	46,279	46,884	47,011				
Net Proceeds	\$52,153	\$50,997	\$52,182	\$53,621				

FY 2002-03 Distribution of Revenues



Agency: MINN STATE RETIREMENT SYSTEM

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Program:</u>									
MN STATE RETIREMENT SYSTEM	299,464	302,760	314,465	340,620	340,620	346,046	346,046	69,441	11.3%
ELECTIVE OFFICERS PLAN	303	308	335	355	355	376	376	88	13.7%
JUDGES PLAN	10,406	11,244	11,684	12,579	12,579	13,543	13,543	3,194	13.9%
LEGISLATORS PLAN	5,327	7,305	8,463	9,011	9,011	9,595	9,595	2,838	18.0%
Total Expenditures	315,500	321,617	334,947	362,565	362,565	369,560	369,560	75,561	11.5%
<u>Financing by Fund:</u>									
Direct Appropriations:									
JUDICIAL RETIREMENT	1,758	0	0	0	0	0	0	0	0
Open Appropriations:									
GENERAL	2,398	3,953	6,770	7,176	7,176	7,606	7,606		
CORRECTIONAL EMPLOYEES RETIRE	10,772	13,345	13,472	14,543	14,543	15,699	15,699		
STATE EMPLOYEES RETIREMENT	222,841	253,009	263,562	285,661	285,661	286,708	286,708		
HIGHWAY PATROL RETIREMENT	22,315	25,967	27,329	29,512	29,512	31,869	31,869		
UNCLASSIFIED EMPLOYEES RETIRE	7,791	8,585	10,102	10,904	10,904	11,770	11,770		
LEGISLATIVE ANNUITIES	0	3,660	2,028	2,190	2,190	2,365	2,365		
DEFERRED COMPENSATION	35,745	1,854	0	0	0	0	0		
JUDICIAL RETIREMENT	8,648	11,244	11,684	12,579	12,579	13,543	13,543		
Statutory Appropriations:									
LEGISLATIVE ANNUITIES	3,232	0	0	0	0	0	0		
Total Financing	315,500	321,617	334,947	362,565	362,565	369,560	369,560		
<u>FTE by Employment Type:</u>									
FULL TIME	40.7	41.4	41.4	41.4	41.4	41.4	41.4		
PART-TIME, SEASONAL, LABOR SER	4.3	4.5	0.0	0.0	0.0	0.0	0.0		
OVERTIME PAY	0.2	0.2	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	45.2	46.1	41.4	41.4	41.4	41.4	41.4		

Program: MN STATE RETIREMENT SYSTEM
 Agency: MINN STATE RETIREMENT SYSTEM

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
HWY PATROL RETMNT	22,315	25,967	27,329	29,512	29,512	31,869	31,869	8,085	15.2%
CORRECTIONAL EMPL RETMNT	10,772	13,345	13,472	14,543	14,543	15,699	15,699	3,425	12.8%
UNCLASSIFIED EMPL RETMNT	7,791	8,585	10,102	10,904	10,904	11,770	11,770	3,987	21.3%
STATE EMPL RETMNT	219,237	249,322	259,553	280,317	280,317	281,978	281,978	53,420	10.5%
MSRS ADMINISTRATION	3,604	3,687	4,009	5,344	5,344	4,730	4,730	2,378	30.9%
DEFERRED COMPENSATION	35,745	1,854	0	0	0	0	0	(1,854)	(100.0%)
Total Expenditures	299,464	302,760	314,465	340,620	340,620	346,046	346,046	69,441	11.3%

Financing by Fund:									
Open Appropriations:									
CORRECTIONAL EMPLOYEES RETIRE	10,772	13,345	13,472	14,543	14,543	15,699	15,699		
STATE EMPLOYEES RETIREMENT	222,841	253,009	263,562	285,661	285,661	286,708	286,708		
HIGHWAY PATROL RETIREMENT	22,315	25,967	27,329	29,512	29,512	31,869	31,869		
UNCLASSIFIED EMPLOYEES RETIRE	7,791	8,585	10,102	10,904	10,904	11,770	11,770		
DEFERRED COMPENSATION	35,745	1,854	0	0	0	0	0		
Total Financing	299,464	302,760	314,465	340,620	340,620	346,046	346,046		

FTE by Employment Type:									
FULL TIME	40.7	41.4	41.4	41.4	41.4	41.4	41.4	41.4	
PART-TIME, SEASONAL, LABOR SER	4.3	4.5	0.0	0.0	0.0	0.0	0.0	0.0	
OVERTIME PAY	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	
Total Full-Time Equivalent	45.2	46.1	41.4	41.4	41.4	41.4	41.4	41.4	

Activity: ELECTIVE OFFICERS PLAN
 Program: ELECTIVE OFFICERS PLAN
 Agency: MINN STATE RETIREMENT SYSTEM

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
OTHER OPERATING EXPENSES	3	5	0	2	2	2	2	(1)	(20.0%)
OTHER FINANCIAL TRANSACTIONS	300	303	335	353	353	374	374	89	13.9%
Total Expenditures	303	308	335	355	355	376	376	88	13.7%
Financing by Fund:									
Open Appropriations:									
GENERAL	303	308	335	355	355	376	376		
Total Financing	303	308	335	355	355	376	376		

Activity: JUDGES PLAN
 Program: JUDGES PLAN
 Agency: MINN STATE RETIREMENT SYSTEM

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
OTHER OPERATING EXPENSES	31	39	33	34	34	35	35	(3)	(4.2%)
OTHER FINANCIAL TRANSACTIONS	10,375	11,205	11,651	12,545	12,545	13,508	13,508	3,197	14.0%
Total Expenditures	10,406	11,244	11,684	12,579	12,579	13,543	13,543	3,194	13.9%
<u>Financing by Fund:</u>									
Direct Appropriations:									
JUDICIAL RETIREMENT	1,758	0	0	0	0	0	0		
Open Appropriations:									
JUDICIAL RETIREMENT	8,648	11,244	11,684	12,579	12,579	13,543	13,543		
Total Financing	10,406	11,244	11,684	12,579	12,579	13,543	13,543		
<u>Revenue Collected:</u>									
Nondedicated									
JUDICIAL RETIREMENT	7,500	8,065	7,105	7,317	7,317	7,525	7,525		
Total Revenues Collected	7,500	8,065	7,105	7,317	7,317	7,525	7,525		

Activity: LEGISLATORS PLAN
 Program: LEGISLATORS PLAN
 Agency: MINN STATE RETIREMENT SYSTEM

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01				
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent			
<u>Expenditures by Category:</u>												
State Operations												
OTHER OPERATING EXPENSES	29	32	0	30	30	31	31	29	90.6%			
OTHER FINANCIAL TRANSACTIONS	5,298	7,273	8,463	8,981	8,981	9,564	9,564	2,809	17.9%			
Total Expenditures	5,327	7,305	8,463	9,011	9,011	9,595	9,595	2,838	18.0%			
<u>Financing by Fund:</u>												
Open Appropriations:												
GENERAL	2,095	3,645	6,435	6,821	6,821	7,230	7,230					
LEGISLATIVE ANNUITIES	0	3,660	2,028	2,190	2,190	2,365	2,365					
Statutory Appropriations:												
LEGISLATIVE ANNUITIES	3,232	0	0	0	0	0	0					
Total Financing	5,327	7,305	8,463	9,011	9,011	9,595	9,595					
<u>Revenue Collected:</u>												
Nondedicated												
GENERAL	701	523	441	441	441	441	441	441	441			
Total Revenues Collected	701	523	441	441	441	441	441	441	441			

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Agency: TRANSPORTATION DEPT

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Program:									
AERONAUTICS	49,535	62,916	108,228	103,611	105,011	103,577	104,627	38,494	22.5%
TRANSIT	26,679	38,657	110,996	149,247	151,297	77,526	79,576	81,220	54.3%
RAILROADS & WATERWAYS	5,288	8,910	12,384	9,243	9,393	9,289	9,439	(2,462)	(11.6%)
MOTOR CARRIER REGULATION	3,324	3,137	4,955	4,324	4,824	4,503	5,003	1,735	21.4%
LOCAL ROADS	538,804	570,953	612,745	642,339	642,339	668,909	668,909	127,550	10.8%
STATE ROADS	880,421	870,463	1,444,939	950,736	996,296	963,567	1,009,574	(309,532)	(13.4%)
GENERAL SUPPORT	52,400	51,349	66,662	56,103	63,383	57,349	64,632	10,004	8.5%
BUILDINGS	5,348	3,768	29,457	0	7,716	0	0	(25,509)	(76.8%)
Total Expenditures	1,561,799	1,610,153	2,390,366	1,915,603	1,980,259	1,884,720	1,941,760	(78,500)	(2.0%)

Financing by Fund:									
Direct Appropriations:									
ENVIRONMENT & NATURAL RESOURCE	0	75	75	0	0	0	0	0	0
GENERAL	18,067	15,598	306,024	16,007	18,057	16,033	18,083		
STATE GOVERNMENT SPECIAL REVENUE	59	0	24	0	0	0	0	0	0
SPECIAL REVENUE	0	0	0	0	900	0	0	0	0
STATE AIRPORTS	16,458	16,149	22,306	19,357	20,757	19,448	20,498		
MUNICIPAL STATE AID STREET	111,415	87,153	113,501	106,469	106,469	109,827	109,827		
COUNTY STATE AID HIGHWAY	336,341	386,603	390,067	405,330	405,330	418,113	418,113		
TRUNK HIGHWAY	914,023	903,951	1,218,536	979,811	1,040,117	993,867	1,047,807		
Open Appropriations:									
STATE AIRPORTS	110	90	80	0	0	0	0	0	0
MUNICIPAL STATE AID STREET	1,678	1,745	2,193	2,198	2,198	2,292	2,292		
COUNTY STATE AID HIGHWAY	5,331	5,848	6,885	8,342	8,342	8,677	8,677		
TRUNK HIGHWAY	9,120	8,170	8,448	9,547	9,547	9,833	9,833		
HIGHWAY USERS TAX DISTRIBUTION	415	616	590	590	590	590	590		
Statutory Appropriations:									
SPECIAL REVENUE	5,401	14,592	46,909	111,782	111,782	51,782	51,782		
STATE AIRPORTS	1,543	1,119	3,254	1,593	1,593	1,593	1,593		
TRUNK HIGHWAY	13,847	10,857	18,899	17,140	17,140	17,140	17,140		
FEDERAL	127,808	156,453	251,340	237,080	237,080	235,143	235,143		
MISCELLANEOUS AGENCY	183	1,134	1,235	357	357	382	382		
Total Financing	1,561,799	1,610,153	2,390,366	1,915,603	1,980,259	1,884,720	1,941,760		

FTE by Employment Type:									
FULL TIME	4,829.6	4,926.2	5,059.4	5,059.4	5,066.9	5,059.4	5,066.9		
PART-TIME, SEASONAL, LABOR SER	275.0	288.3	131.5	131.5	131.5	131.5	131.5		
OVERTIME PAY	166.2	157.4	158.3	158.3	158.3	158.3	158.3		
Total Full-Time Equivalent	5,270.8	5,371.9	5,349.2	5,349.2	5,356.7	5,349.2	5,356.7		

TRANSPORTATION DEPT - BUDGET BRIEF

Fund: GENERAL

		<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001)	(\$000s)			
Appropriations		\$350,757	\$350,757	\$701,514
BASE ADJUSTMENT				
One-Time Appropriations		(334,777)	(334,777)	(669,554)
Documented Space Rental/Lease		5	7	12
2002-2003 Salary & Benefit Base		22	46	68
BASE LEVEL (for 2002 and 2003)		\$16,007	\$16,033	\$32,040
CHANGE ITEMS				
Transit-Preservation of Existing Serv (Exp)		1,550	1,550	3,100
New Passenger Rail Office		500	500	1,000
GOVERNOR'S RECOMMENDATION		\$18,057	\$18,083	\$36,140

BRIEF EXPLANATION OF BASE ADJUSTMENT:

Base adjustments shown are primarily reductions for one-time money appropriated by the 2000 legislature for highway construction, as well as \$405,000 in transit assistance appropriations from the 1999 appropriation, which were specified as one-time appropriations. \$277.5 million was appropriated in 2001 for road construction (corridor connection and bottlenecks). These appropriations are shown in this budget as being spent in FY 2001, though the legislature made these appropriations available through FY 2003. Significant amounts of these appropriations may not actually be spent until FY 2002 and FY 2003.

Other adjustments shown are for documented increases in existing space rental leases and for salary and benefit increases for existing employees.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the following:

- \$3.1 million for the biennium to maintain current transit service levels throughout greater Minnesota.
- \$1.0 million for the biennium to staff an office in Mn/DOT to oversee passenger rail activities in Minnesota.

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TRANSPORTATION DEPT - REVENUE SUMMARY

REVENUE SOURCES:

The Department of Transportation generates non-dedicated revenues, dedicated revenues, and federal funds. The primary funding for Mn/DOT non-federal expenditures comes as a transfer from the Highway User Tax Distribution fund (HUTD) to the Trunk Highway Fund. In FY 2001 it is estimated that the Trunk Highway Fund will receive \$352.8 million from motor fuel tax collections and another \$252.1 million from motor vehicle registrations and fees. Drivers license sales and patrol fines collected by the Department of Public Safety will add another \$30.7 million of non-dedicated revenues to the Trunk Highway Fund. Funds collected directly by Mn/DOT in FY 2001 are deposited in several state funds.

- General and Cambridge Funds - \$165,000, primarily from aircraft licenses and motor carrier fees.
- Special Revenue Fund - \$39.4 million, primarily from partnership agreements throughout the various Mn/DOT programs.
- State Airports Fund - \$13.6 million, derived from air flight property taxes and aircraft registration tax collection.
- Highway User Tax Distribution Fund (HUTD) - \$1.4 million from investment income.
- Agency Fund - \$1.1 million for right-of-way and other damage deposits, and short term loans for equipment purchases.
- Hangar Revolving Fund - \$700,000 from payments received for hangar construction loans.
- Air Transportation Revolving Fund - \$893,000 used to recover the Mn/DOT-owned airplane expenses and borne by all users of the aircraft.
- Municipal State Aid Street Fund - \$8.8 million gained from investment income.
- County State Aid Street Fund - \$16.3 million derived from investment income.
- Trunk Highway Fund - \$53.1 million collected from fees, account receivable and investment income; \$375.9 million in federal formula highway funds reimbursed to the trunk highway fund, including \$90 million for Advance Construction. It also reflects the loss of \$3.8 million in FY 2001-02 and \$7.7 in FY 2003 and beyond for DWI repeat offender sanctions.
- Federal Fund - The department actively seeks grants from the federal government, and as a result was awarded 34 grants in FY 2001 totaling \$249 million. This excludes federal formula highway funds, aviation planning grants, and non-grant receipts to the federal fund, but does include \$100 million for local government projects.

FEES STRUCTURE:

There are numerous state statutes requiring Mn/DOT to regulate occupational groups, individuals and businesses by licensing or registration, endorsement of rules, or provision of education services. Fees are established to partially recover the cost of providing these services to various clients: trucking firms, aeronautics, rail, waterways and transit-related customers, and the general traveling public.

The department collects fees for advertising devices along highway right-of-way and collects rents for use of vacant right-of-way land until it is used for agency roadway purposes. A portion of agency non-dedicated fee revenue is derived from inter-governmental lab testing and road products testing. Mn/DOT also provides road construction and maintenance for county and municipal agencies that find using Mn/DOT to be more efficient than doing all of their own road activities. Transportation permits are issued for overweight/size vehicles that increase road wear and increase the demand for road maintenance.

RECENT CHANGES:

The annual increase in revenue streams for Mn/DOT has remained fairly constant in the past three fiscal years. We have seen an approximate 20-25% growth in total Mn/DOT dedicated and non-dedicated revenues, along with a 5-7% growth in HUTD fund transfers to the department through FY 2000.

A 1999 legislative mandate reduced motor vehicle registration fees to \$189 the year after purchase and a maximum of \$99 thereafter. The HUTD revenues will be reduced by approximately \$150.0 million in FY 2001 and about \$162.0 million or more in subsequent years. This loss of funding will be replaced by a transfer from the General Fund in FY 2001 and FY 2002. FY 2003 and on will be replaced by a transfer of 32% of the motor vehicle excise tax (estimated at \$183.0 million in FY 2003).

FORECAST BASIS:

Very little change is forecast for the agency in types of revenue or revenue growth patterns. Mn/DOT-collected funds, led by federal construction grants, should remain stable over the next biennium. Predictions for HUTD fund growth are more guarded at about 2.5-3% when the general fund license plate reduction transfer is considered in its receipts. This forecast should enable Mn/DOT to continue to comply with its grant mandates as well as accomplish the mission of the department.

CHANGE ITEMS:

No change items affecting the collection of revenue to the agency are being requested by the department.

Agency: TRANSPORTATION DEPT

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
<u>Non-Dedicated Revenue:</u>									
Departmental Earnings:									
GENERAL	0	0	0	165	165	165	165	330	
CAMBRIDGE DEPOSIT FUND	175	191	165	0	0	0	0	(356)	(100.0%)
TRUNK HIGHWAY	10,091	8,528	12,636	12,871	12,871	12,881	12,881	4,588	21.7%
Grants:									
STATE AIRPORTS	0	3	250	250	250	250	250	247	97.6%
TRUNK HIGHWAY	236,579	319,471	375,895	311,000	311,000	336,000	336,000	(48,366)	(7.0%)
Other Revenues:									
GENERAL	197	70	50	50	50	50	50	(20)	(16.7%)
STATE AIRPORTS	1,549	1,530	1,108	1,108	1,108	1,108	1,108	(422)	(16.0%)
MUNICIPAL STATE AID STREET	4,906	6,004	8,750	8,750	8,750	8,750	8,750	2,746	18.6%
COUNTY STATE AID HIGHWAY	13,068	15,445	16,250	16,250	16,250	16,250	16,250	805	2.5%
TRUNK HIGHWAY	25,197	22,500	23,046	23,161	23,161	23,512	23,512	1,127	2.5%
HIGHWAY USERS TAX DISTRIBUTION	1,392	1,547	1,390	1,390	1,390	1,390	1,390	(157)	(5.3%)
Other Sources:									
GENERAL	0	0	1	1	1	1	1	1	100.0%
Taxes:									
GENERAL	38	34	50	50	50	50	50	16	19.0%
STATE AIRPORTS	12,474	15,520	12,200	13,500	13,500	13,800	13,800	(420)	(1.5%)
TRUNK HIGHWAY	0	0	200	200	200	200	200	200	100.0%
Total Non-Dedicated Receipts	305,666	390,843	451,991	388,746	388,746	414,407	414,407	(39,681)	(4.7%)

Agency: TRANSPORTATION DEPT

	Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
					Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
<u>Dedicated Receipts:</u>										
Departmental Earnings (Inter-Agency):										
SPECIAL REVENUE	0	0	52	0	0	0	0	0	(52)	(100.0%)
Departmental Earnings:										
SPECIAL REVENUE	39	21	275	275	275	275	275	275	254	85.8%
STATE AIRPORTS	624	607	890	890	890	890	890	890	283	18.9%
MISCELLANEOUS AGENCY	0	0	2	2	2	2	2	2	2	100.0%
Grants:										
SPECIAL REVENUE	2,826	9,938	38,350	108,118	108,118	48,118	48,118	107,948	107,948	223.6%
TRUNK HIGHWAY	5,934	5,627	16,100	16,100	16,100	16,100	16,100	16,100	10,473	48.2%
FEDERAL	127,145	157,226	248,950	237,027	237,027	235,080	235,080	235,080	65,931	16.2%
Other Revenues:										
SPECIAL REVENUE	410	555	760	744	744	744	744	744	173	13.2%
STATE AIRPORTS	0	8	3	3	3	3	3	3	(5)	(45.5%)
TRUNK HIGHWAY	2,114	4,816	1,127	1,040	1,040	1,040	1,040	1,040	(3,863)	(65.0%)
FEDERAL	63	271	74	53	53	63	63	63	(229)	(66.4%)
MISCELLANEOUS AGENCY	177	317	310	335	335	360	360	360	68	10.8%
Other Sources:										
SPECIAL REVENUE	2,436	3,325	2,000	2,000	2,000	2,000	2,000	2,000	(1,325)	(24.9%)
STATE AIRPORTS	597	650	700	700	700	700	700	700	50	3.7%
MISCELLANEOUS AGENCY	0	823	820	0	0	0	0	0	(1,643)	(100.0%)
Total Dedicated Receipts	142,365	184,184	310,413	367,287	367,287	305,375	305,375	178,065	178,065	36.0%
Agency Total Revenues	448,031	575,027	762,404	756,033	756,033	719,782	719,782	138,384	138,384	10.3%

TRANSPORTATION DEPT - FEDERAL FUNDS SUMMARY

Mn/DOT-collected revenues (lab testing, motor carrier fees) contribute approximately 3% to the department's overall receipts in FY 2000 – FY 2001; while federal sources contributed 28%. Transfers from the Highway User Tax Distribution Fund (HUTD) provide for 59% of department activities. The balance of the agency's funding is derived from non-trunk highway appropriations and fund balance drawdowns (10%). Much of the federal revenue is passed through the department to local governments and entities as pass-through grants or direct payments for activities on behalf of the department.

Federal revenues are a major source of overall funding for several of the department's budget programs. Of the proposed expenditures in these programs, federal revenues represent approximately the following percents: State Roads 30%, Transit 47%, Aeronautics 75%, Rail and Waterways 33%, Motor Carrier 15% and Local Roads 15%. Most of the federal revenues are relatively stable. In cases where these revenues have fluctuated, the department has adjusted to compensate for the changes. The department anticipates very little change in overall available federal revenues for the next biennium with the largest dollar increase occurring in the State Roads program. Although overall federal revenues supporting most transit activities are expected to remain at approximately current levels for the FY 2002-2003 biennium, there will be an increase for the Northstar Corridor Planning Study.

Certain federal revenues are available on a one-time basis, such as the FEMA Living Snowfence and Central Corridor Study, or are project-based, such as the Guidestar program.

Mn/DOT aggressively seeks federal sources of funding as opportunities present themselves. New federal programs affecting Minnesota constituents are monitored to maintain as high a level as possible with available resources.

TRANSPORTATION DEPT - FEDERAL FUNDS SUMMARY (Continued)

Federal Programs (in thousands)		Capital & Other Expenditures	Capital & Other Expenditures	Capital & Other Expenditures	Capital & Other Expenditures	Capital & Other Expenditures	Estimated 2003 Revenues
AERONAUTICS							
Aviation Planning Grant		State is required to provide 10% matching funds.	Planning grants for state aviation system.	3	250	250	250
Federal Airport Improvement Program		Airport may be required to provide matching funds.	Upgrading and modernizing airports in Minnesota	44,336	80,000	80,000	80,000
Airport Inspection Program 5010		None	State inspection of airports for safety concerns	-0-	70	35	35
Minneapolis - St. Paul Airport Cargo Study		None	Twin Cities Airports Task Force --Study of MSP Cargo Operations	-0-	125	125	-0-
Air Traffic Control Training		None	Fund air traffic control training at Hennepin Vo-Tech, Eden Prairie	1,262	2,500	2,500	2,500
TRANSIT							
Non-Urban Area Formula Grant Program (FTA Section 5311)		Operating - Local 40% Mn/DOT 35% Capital - Local 20%	Provides capital and operating assistance to areas w <50,000 population	6,701	5,954	6,292	6,629
Urban Area Formula Program (FTA Section 5307)		Local - 20%	Provides capital and planning funds for Twin Cities Metro Area	-0-	6,488	2,750	-0-
Elderly & Persons w/Disabilities Program (Capital Sec 5310 Vehicle Disp)		None	Reimbursement of funds originally spent on Sec 16 vehicles which have been disposed of	13	50	50	50

TRANSPORTATION DEPT - FEDERAL FUNDS SUMMARY (Continued)

Federal Programs (\$ in thousands)	Related SFY 2000 Spending	Primary Program Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
Northstar Commuter Bus Demo	State or Local - 20%	Funds for four parking facilities and commuter bus demo from Sherburne County to Minneapolis	-0-	9,925	-0-	-0-
Foley Blvd Park and Ride	Local - 20%	Capital funds to construct a ramp at TH 610 and Foley Blvd.	-0-	981	-0-	-0-
Elderly & Persons w/Disabilities Program (FTA Capital Purchases)	Capital - Local 20% Admin - Mn/DOT 20%	Provides capital assistance to private/non-profit & other organizations for elderly & disabled travelers	1,367	1,237	1,336	1,435
Metropolitan Planning Program State Planning & Research Program (FTA Section 5303/5313 Planning)	None	Provide planning funds to Metro Planning Orgs., and Mn/DOT	1,624	3,833	3,583	3,583
Capital Program (Central Corridor)	None	Provide funds for transit projects on the Twin Cities Central Corridor	2,007	5,091	-0-	-0-
FTA Appropriations for Transitways	Local or State 20%	Provide funds to study the Northstar and Riverview Corridors and other transitways to recommend transportation improvement changes	2,832	7,645	4,953	-0-

TRANSPORTATION DEPT - FEDERAL FUNDS SUMMARY (Continued)

Federal Programs (Continued)		Estimated FY 2001 Expenditure	Program Purpose	Estimated FY 2001 Revenues	Estimated FY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2002 Revenues
Riverview & Central Corridor Eng	20% - Local or State		Provide funds to Ramsey County Reg Rail (#79608) to continue Riverview Corridor Study & Central Corridor Transit Study	-0-		4,500	4,500
Surface Transportation Program (STP) Riverview Central Implementation	State 20%		Provide funds to Ramsey County Regional Rail Authority (#79236) to improve transit services in the Riverview Corridor	-0-		1,500	-0-
STP Mn Valley Park & Ride Vehicle	Local 20%		Provide funds for park & ride lot. Repair & rehab 6 small transit vehicles	-0-		208	-0-
STP Vehicle Park – Ride Lot Maintenance	Local 20%		Provide capital funds for 6-40 foot buses for SW Metro Transit Commission, rebuild 21 buses. Rehab Park & Ride	-0-		2,365	-0-
STP Rebuild transmissions for metro	Local 20%		Provide capital funds to rebuild transmissions for metro mobility buses	-0-		167	-0-

TRANSPORTATION DEPT - FEDERAL FUNDS SUMMARY (Continued)

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
SW Metro Congestion Mitigation and Air Quality (CMAQ) Reverse Commute	Local 20%	Provide funds to SW Metro Transit Commission to conduct a reverse commute demonstration project	-0-	1,083	-0-	-0-
CMAQ & Rideshare	Local 20%	Pass through funds to Met Council/City Mpls. to reduce congestion in Twin Cities Metro Area	1,185	4,154	1,988	1,988
Rush Line Corridor (FTA Section 5309)	Local and state may be required to provide matching funds	Forest Lake to Rush City Commuter Rail Study	-0-	375	-0-	-0-
RAILROADS & WATERWAYS						
Federal/Local Rail Projects	Most grants require matching funds	Grade Crossing Safety	4,172	4,000	5,000	5,000
Fed-Rail Assistance – 97 Flood	None	Flood repairs to rail lines	119	476	-0-	-0-
Hi-Speed Rail Phase 2 Feasibility	100% State Match	2 nd Phase Feasibility Study	60	100	-0-	-0-
Freight-Border X'ing	None	Enhanced customs rail car inspection at Canadian borders	-0-	120	120	120
MOTOR CARRIER						
Motor Carrier Safety Assist Program	80/20 after first \$213,000	Prevent commercial vehicle accidents	533	771	800	880
LOCAL ROADS						
Federal County Road & Bridge	Local Match	Local government road construction projects	89,329	100,000	120,000	130,000

TRANSPORTATION DEPT - FEDERAL FUNDS SUMMARY (Continued)

Federal Programs (Minnesota)		Related SFY 2002 Revenues	Program Type	Estimated SFY 2003 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
STATE ROADS						
Federal Formula Highway Funds	80/20% Match	State road & bridge construction projects	319,467	375,895	311,000	336,000
Metropolitan Planning Grants (Sec 112 Planning Grants)	Local Match 20%	Supplement MPO budgets for transportation planning and coordination	1,345	101	101	101
Bike/Ped Coordinators	State Match 20%	Coordinate bike/pedestrian activities for Mn/DOT	65	94	94	94
Mn/Road Pooled Fund Project	20%	Mn/Road research activities regarding pavement performance	471	2,528	2,528	2,528
Non-Intrusive Technology (Guidestar)	20%	Camera monitoring: freeway traffic control	53	350	-0-	-0-
ITS Special Projects	20% State Match	Intelligent vehicle initiative test program.	16	125	125	-0-
FACT Prog-EEO/Contract Management	None	Increase women and minorities in construction trades	-0-	200	200	200
FEMA Living Snow Fence Federal Emergency Funds to help prevent future disasters	25% State Match	Plants used as snowfences along highway	7	1,908	-0-	-0-
Agency Total			476,967	625,169	548,330	571,393

BUDGET CHANGE ITEM (46436)**Budget Activity:** AVIATION SUPPORT**Program:** AERONAUTICS**Agency:** TRANSPORTATION DEPT**Item Title:** IMPLEMENT GPS NAVIGATION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
State Airports Fund				
- State Operations	\$600	\$600	\$250	\$250
Revenues: (\$000s)				
State Airports Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <u> </u> No <u> X </u>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$1.2 million for this biennium to provide GPS navigation systems that will aid safe landings at Minnesota airports.

RATIONALE:

The Federal Aviation Administration (FAA) is transitioning from ground-based navigation systems to the Global Positioning System (GPS), which is satellite-based. This is "commercialization of new technology" in that a system developed for defense purposes is being adapted and made available for civilian use. Two things must be accomplished to provide GPS instrument approach procedures with 3-dimensional guidance to landing aircraft. First, a Local Area Augmentation System (LAAS) needs to be installed on the ground to enhance the accuracy of the position information provided by the GPS radio signal. Secondly, the FAA needs accurate information showing the location and elevation of potential obstructions to design GPS-based instrument approach procedures for airports. Without current survey information, the FAA will use data they have on file and add a factor of safety to offset a potential obstruction that may or may not be there. This results in more restrictive conditions on the approach procedure than necessary.

This request will allow the agency to hire surveyors to document the location and elevation of potential obstructions in the approach area to runways. It will

also allow the agency to begin installing the ground-based components of the LAAS. GPS enhanced with LAAS provides more accurate position information and will be more cost effective to operate than conventional ground-based landing systems. To maximize the benefits of GPS navigation for Minnesota pilots, installation of ground stations should continue through the FY 2004-05 biennium.

FINANCING:

\$600,000 is requested the first year to hire surveyors to document the location of potential obstructions. \$600,000 is requested in the second year to continue the surveying and to install the ground components of the LAAS. A decreased base-funding level will be needed during the FY 2004-05 biennium for installing ground stations as well as support for their operation.

OUTCOMES:

Documenting the location of potential obstructions will provide the agency with up-to-date information on the condition of approach areas to runways, tell airport owners if they have obstructions in the runway approaches and what corrections are needed, and provide the FAA with current, accurate information for designing GPS-based instrument approach procedures. Installing LAAS to supplement the systems installed by the FAA will accelerate the availability of GPS based 3-dimensional landing guidance at Minnesota airports. Increasing the availability of enhanced GPS signals coupled with the instrument approach procedures will encourage aircraft owners to upgrade the equipment in their aircraft so they can utilize this new technology. This will in turn increase the utility of their aircraft and improve safety. When a reasonable portion of the aircraft fleet has equipment on board to utilize GPS, and LAAS approach procedures are becoming commonplace, removal of conventional ground based landing systems can begin.

INFORMATION TECHNOLOGY CHANGE ITEM (46443)

Activity: AVIATION SUPPORT
Program: AERONAUTICS
Agency: TRANSPORTATION DEPT
IT Change Item: ONLINE AIRCRAFT REGISTRATION

ITEM DESCRIPTION AND PURPOSE:

This request will establish the capability for aircraft owners to electronically submit all the documentation needed to register their aircraft and to pay their registration fees electronically.

FUNDING: (Dollars in Thousands)

Funding Distribution	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personnel	80	0	0	0	0	0
Supplies	0	0	0	0	0	0
Hardware	40	0	0	0	0	0
Software	12	2	2	2	2	2
Facilities	0	0	0	0	0	0
Services	248	48	48	48	48	48
Training	20	0	0	0	0	0
Grants	0	0	0	0	0	0
Total	400	50	50	50	50	50

Develop and implement new Aircraft Registration databases and electronic processes to provide the ability for customers to register their aircraft via Internet online transactions.

RATIONALE:

With the explosion of electronic business conducted via the Internet, aircraft owners will look for the opportunity to register their aircraft electronically. Consistent with that need and with the Electronic Government Services Initiative in the Governor's Big Plan, this project will allow aircraft owners to submit the documentation needed to register their aircraft online and to make their payments electronically.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Development	X					
Operations	X		X	X	X	X
Modification			X	X	X	X
Retirement						

The information resources that will be developed in this initiative are expected to go into operation during FY 2002. Modifications to add new features and interfaces are expected beginning in FY 2003.

OFFICE OF TECHNOLOGY ANALYSIS:

This initiative develops and implements a new aircraft registration database. Deliverables/Objectives: It enables electronic document submittal for registration and online payment of licensing fees. This initiative supports EGS, Big Plan (SNS - Electronic Government Services Initiative) and infrastructure components. It is listed as a priority in the agency SIRMP. Conclusion: This initiative meets information technology criteria for funding. Development of EGS components need to occur in collaboration with statewide EGS efforts.

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$400,000 in FY 2002 and \$50,000 in FY 2003 for the development of online aircraft registration capabilities.

Program: TRANSIT
 Agency: TRANSPORTATION DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
GREATER MINN TRANSIT ASSIST	21,660	22,921	29,473	25,718	27,268	26,124	27,674	2,548	4.9%
TRANSIT ADMINISTRATION	1,198	1,361	1,662	1,776	1,776	1,852	1,852	605	20.0%
METRO TRANSIT	3,821	14,375	79,861	121,753	121,753	49,550	49,550	77,067	81.8%
PASSENGER RAIL TRANSIT	0	0	0	0	500	0	500	1,000	
Total Expenditures	26,679	38,657	110,996	149,247	151,297	77,526	79,576	81,220	54.3%
Change Items:									
(B) PRESERVATION OF EXISTING SERVICE LEVELS	GEN				1,550		1,550		
(B) NEW PASSENGER RAIL OFFICE	GEN				500		500		
Total Change Items					2,050		2,050		
Financing by Fund:									
Direct Appropriations:									
GENERAL	17,423	14,841	17,805	15,499	17,549	15,512	17,562		
TRUNK HIGHWAY	332	297	358	340	340	348	348		
Statutory Appropriations:									
SPECIAL REVENUE	2,040	8,575	35,528	107,622	107,622	47,622	47,622		
FEDERAL	6,704	14,627	56,902	25,452	25,452	13,685	13,685		
MISCELLANEOUS AGENCY	180	317	403	334	334	359	359		
Total Financing	26,679	38,657	110,996	149,247	151,297	77,526	79,576		
FTE by Employment Type:									
FULL TIME	18.1	20.9	21.0	21.0	25.0	21.0	25.0		
PART-TIME, SEASONAL, LABOR SER	0.5	0.2	0.4	0.4	0.4	0.4	0.4		
OVERTIME PAY	0.0	0.0	0.2	0.2	0.2	0.2	0.2		
Total Full-Time Equivalent	18.6	21.1	21.6	21.6	25.6	21.6	25.6		

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Activity: METRO TRANSIT
 Program: TRANSIT
 Agency: TRANSPORTATION DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	0	0	296	0	0	0	0	(296)	(100.0%)
OTHER OPERATING EXPENSES	2,055	8,575	26,540	107,622	107,622	47,622	47,622	120,129	342.1%
Subtotal State Operations	2,055	8,575	26,836	107,622	107,622	47,622	47,622	119,833	338.4%
CAPITAL OUTLAY & REAL PROPERTY	613	1,429	10,325	0	0	0	0	(11,754)	(100.0%)
LOCAL ASSISTANCE	1,153	4,371	42,700	14,131	14,131	1,928	1,928	(31,012)	(65.9%)
Total Expenditures	3,821	14,375	79,861	121,753	121,753	49,550	49,550	77,067	81.8%
<u>Financing by Fund:</u>									
Statutory Appropriations:									
SPECIAL REVENUE	2,040	8,575	35,476	107,622	107,622	47,622	47,622		
FEDERAL	1,781	5,800	44,385	14,131	14,131	1,928	1,928		
Total Financing	3,821	14,375	79,861	121,753	121,753	49,550	49,550		
<u>Revenue Collected:</u>									
Dedicated									
SPECIAL REVENUE	2,040	8,665	35,386	107,622	107,622	47,622	47,622		
FEDERAL	1,892	6,024	44,107	14,191	14,191	1,988	1,988		
Total Revenues Collected	3,932	14,689	79,493	121,813	121,813	49,610	49,610		

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Activity: RAIL & WATERWAYS IMPROVEMENT
 Program: RAILROADS & WATERWAYS
 Agency: TRANSPORTATION DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
OTHER OPERATING EXPENSES	11	121	309	275	275	275	275	120	27.9%
OTHER FINANCIAL TRANSACTIONS	1,698	2,920	5,620	2,200	2,200	2,200	2,200	(4,140)	(48.5%)
NON-CASH TRANSACTIONS	0	12	0	0	0	0	0	(12)	(100.0%)
Subtotal State Operations	1,709	3,053	5,929	2,475	2,475	2,475	2,475	(4,032)	(44.9%)
CAPITAL OUTLAY & REAL PROPERTY	1,724	3,555	3,630	5,000	5,000	5,000	5,000	2,815	39.2%
Total Expenditures	3,433	6,608	9,559	7,475	7,475	7,475	7,475	(1,217)	(7.5%)
<u>Financing by Fund:</u>									
Statutory Appropriations:									
SPECIAL REVENUE	1,561	2,949	5,453	2,475	2,475	2,475	2,475		
FEDERAL	1,872	3,659	4,106	5,000	5,000	5,000	5,000		
Total Financing	3,433	6,608	9,559	7,475	7,475	7,475	7,475		
<u>Revenue Collected:</u>									
Dedicated									
SPECIAL REVENUE	2,551	3,462	2,475	2,475	2,475	2,475	2,475		
FEDERAL	2,007	4,291	4,476	5,000	5,000	5,000	5,000		
Total Revenues Collected	4,558	7,753	6,951	7,475	7,475	7,475	7,475		

BUDGET ACTIVITY SUMMARY

Budget Activity: RAILROADS & WATERWAYS ADMIN
Program: RAILROADS & WATERWAYS
Agency: TRANSPORTATION DEPT

ACTIVITY PROFILE:

The Railroads and Waterways administrative activity provides funding necessary to support the following:

- Promote the safe interaction of rail transportation with highway and pedestrian movements through administration of Federal Grade Safety Improvement program agreements among the state, railroads, and local units of government.
- Develop and maintain comprehensive rail and water transportation plans that identify the major needs and issues of shippers, receivers, rail and water transportation providers and provides the basis for prioritizing those needs.
- Expedite the relocation and restoration of railroad facilities and acquisition of railroad rights-of-way where affected by trunk highway construction projects.
- Provide information and technical assistance to rail users who face the potential loss of rail service through rail abandonment.
- Administer the Minnesota Rail Service Improvement program and the Port Development Assistance program.
- Develop and support partnerships with Minnesota's freight community.
- Seek research opportunities that enhance safety and improve productivity for the shipping community.

STRATEGIES AND PERFORMANCE:

- Identify, negotiate, and manage all approved grade crossing safety projects including installation of signs and signals, roadway improvements, crossing closures and consolidations.
- Provide railroad expertise to trunk highway construction projects where they affect railroad operations.
- Guide investments for the Minnesota Rail Service Improvement program and the Port Development program.
- Partner with Minnesota's shipping community to identify public/private ventures for freight infrastructure investments.

- Manage research projects that offer the potential to enhance goods movement for Minnesota shippers.

FINANCING INFORMATION:

The Railroads and Waterways Administrative budget consists of General and Trunk Highway funds. General funds support administration of the Minnesota Rail Service Improvement (MRSI) program. Trunk Highway funds finance the administration of the grade crossing safety program, rail/highway construction projects, rail and waterways planning activities, and freight logistics.

Activity: RAILROADS & WATERWAYS ADMIN
 Program: RAILROADS & WATERWAYS
 Agency: TRANSPORTATION DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	1,351	1,420	1,438	1,500	1,500	1,553	1,553	195	6.8%
OTHER OPERATING EXPENSES	504	882	1,387	268	418	261	411	(1,440)	(63.5%)
Total Expenditures	1,855	2,302	2,825	1,768	1,918	1,814	1,964	(1,245)	(24.3%)
<u>Change Items:</u>									
	<u>Fund</u>								
(B) CORRIDOR GRADE CROSSING SAFETY	THI					150		150	
Total Change Items						150		150	
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	334	346	479	273	273	280	280		
TRUNK HIGHWAY	1,236	1,264	1,297	1,335	1,485	1,374	1,524		
Statutory Appropriations:									
SPECIAL REVENUE	30	0	84	40	40	40	40		
FEDERAL	255	692	965	120	120	120	120		
Total Financing	1,855	2,302	2,825	1,768	1,918	1,814	1,964		
<u>Revenue Collected:</u>									
Dedicated									
SPECIAL REVENUE	0	4	80	40	40	40	40		
FEDERAL	120	60	595	120	120	120	120		
Total Revenues Collected	120	64	675	160	160	160	160		
<u>FTE by Employment Type:</u>									
FULL TIME									
PART-TIME, SEASONAL, LABOR SER	23.3	24.4	23.2	23.2	23.2	23.2	23.2		
0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	23.6	24.6	23.2	23.2	23.2	23.2	23.2		

BUDGET CHANGE ITEM (46688)

Budget Activity: RAILROADS & WATERWAYS ADMIN

Program: RAILROADS & WATERWAYS

Agency: TRANSPORTATION DEPT

Item Title: CORRIDOR GRADE CROSSING SAFETY

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Trunk Highway Fund -State Operations	\$150	\$150	\$150	\$150
Revenues: (\$000s)				
Trunk Highway Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$150,000 each year for an increase to the number of corridor grade crossing safety projects completed each year.

RATIONALE:

This request is driven by increased demand from our customers (local units of government and the railroads) to improve safety at public at-grade crossings of railroads and roadways. A proven and effective method to address the safety concerns of our customers is to focus Mn/DOT's attention on county or multi-county rail corridors in partnership with all potentially affected parties.

Corridor safety projects are a very intense and complex multi-jurisdictional effort to improve the overall safety at rail grade crossings. To be successful requires substantial numbers of meetings on location and willingness to compromise. A successful corridor safety project will generally result in several crossings in a corridor being closed, adjacent/parallel roadways improved, and the remaining crossings updated with state of the art crossing protection.

Mn/DOT staff have completed five corridor safety projects and are working on five others, but have requests for 12 additional efforts. These requests exceed our capacity to deliver. Approval of this Budget Change Item request will allow us to complete additional efforts.

This is an effort that supports Mn/DOT's Interregional Corridor and Multimodal strategic objectives and Governor Ventura's Big Plan Initiatives of "Multimodal Transportation to get people and goods around the state" and "Improving the competitive position of rural Minnesota." Collisions at railroad grade crossings are a serious impediment to the safe and efficient movement of goods. Efforts to reduce incidents provide for a predictable and safe trip.

FINANCING:

Current funding of corridor safety projects is provided by a combination of sources. Mn/DOT staff (OFRW Administration less than one FTE), planning funds from Mn/DOT districts, local and railroad funds all contribute to these projects. This funding partnership is expected to continue. This funding request will be used to provide consultant services to increase the number of corridor safety projects that we manage.

OUTCOMES:

In calendar year 1999, the state of Minnesota achieved a record low number of incidents at railroad-highway grade crossings. We are on a pace to "beat" that low in calendar year 2000. These tremendous outcomes are largely influenced by the corridor safety efforts accomplished to date. Increased attention and response to our many customer requests for corridor safety projects will aid in continuing the trend of reduced numbers of incidents and for safer trips for the motoring public.

The corridor approach to improving safety is a relatively new technique that has proven very effective. Results have been very positive as witnessed by our low number of incidents. However, loss of life and property damage from incidents continue to be a serious problem that requires increased attention.

Customer demand for corridor safety projects far exceeds the resources that are currently available. Projects are being deferred for 12-24 months.

Program: STATE ROADS
 Agency: TRANSPORTATION DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Activity:</u>									
STATE ROAD CONSTRUCTION	492,501	500,473	1,010,441	537,933	578,793	537,933	578,793	(353,328)	(23.4%)
HIGHWAY DEBT SERVICE	5,847	9,722	13,658	19,235	19,235	24,228	24,228	20,083	85.9%
RESEARCH & INVESTMENT MGMT	16,703	12,728	17,739	15,293	15,543	15,392	15,442	518	1.7%
CENTRAL ENGINEERING SERVICES	67,532	64,808	68,896	69,894	65,971	71,201	67,278	(455)	(0.3%)
DESIGN & CONSTRUCTION ENGINEER	75,545	74,643	93,536	85,042	88,886	87,253	91,097	11,804	7.0%
STATE ROAD OPERATIONS	216,292	202,926	225,495	217,552	222,106	221,644	226,845	20,530	4.8%
ELECTRONIC COMMUNICATIONS	6,001	5,163	15,174	5,787	5,762	5,916	5,891	(8,684)	(42.7%)
Total Expenditures	880,421	870,463	1,444,939	950,736	996,296	963,567	1,009,574	(309,532)	(13.4%)
<u>Change Items:</u>									
(A) BASE REDUCTION-SALES TAX	THI				(4,429)			(4,429)	
(A) BASE REDUCTION-WORKFORCE MANAGEMENT	THI				(3,700)			(3,700)	
(A) INVENTORY REDUCTION	THI				(746)			(249)	
(A) TRANSPORTATION WORKER IMPLEMENTATION	THI				(250)			(250)	
(P) INCREASE IN CONSTRUCTION PROGRAM	THI				47,805			47,805	
(P) REDUCE RESEARCH ACTIVITIES	THI				(250)			(250)	
(B) ALTERNATIVE FINANCE PROJECTS	THI				150			150	
(B) MPO GRANT/STATEWIDE TRANSP PLAN UPDATE	THI				250			50	
(B) GIS DATA INTEGRATION	THI				750			750	
(B) DEVELOP DESIGN-BUILD METHODS	THI				100			100	
(B) SCIENTIFIC EQUIPMENT	THI				500			500	
(B) CONSULTANT SERVICES REDUCTION	THI				(3,000)			(3,000)	
(B) PROGRAM SUPPORT CONSOLIDATIONS	THI				(570)			(570)	
(B) FACILITIES MAINTENANCE PROGRAM	THI				2,750			2,750	
(B) PAVEMENT STRIPING	THI				3,000			3,000	
(B) REST AREA MAINTENANCE AND CLOSINGS	THI				(75)			75	
(B) ROAD EQUIPMENT AND SUPPORT	THI				3,250			3,250	
(B) INTELLIGENT TRANSP SYSTEMS COORDINATION	THI				(825)			(825)	
(B) HIGHWAY SYSTEMS MAINTENANCE	THI				875			875	
(B) TRANSP OPS COMM CENTER (TOCC) SUPPORT	THI				100			100	
(B) ELIMINATE SHOPS & SERVICES	THI				(125)			(125)	
Total Change Items					45,560			46,007	

Program: STATE ROADS
 Agency: TRANSPORTATION DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003				
				Base	Governor Recomm.	Base	Governor Recomm.			
<u>Financing by Fund:</u>										
Direct Appropriations:										
GENERAL	100	1	282,717	9	9	9	9			
TRUNK HIGHWAY	862,037	854,878	1,132,290	929,166	974,726	942,122	988,129			
Statutory Appropriations:										
SPECIAL REVENUE	1,517	2,738	5,477	1,350	1,350	1,350	1,350			
TRUNK HIGHWAY	13,847	10,857	18,899	17,140	17,140	17,140	17,140			
FEDERAL	2,917	1,977	5,525	3,048	3,048	2,923	2,923			
MISCELLANEOUS AGENCY	3	12	31	23	23	23	23			
Total Financing	880,421	870,463	1,444,939	950,736	996,296	963,567	1,009,574			
<u>FTE by Employment Type:</u>										
FULL TIME	4,310.6	4,386.9	4,484.6	4,484.6	4,485.1	4,484.6	4,485.1			
PART-TIME, SEASONAL, LABOR SER	240.6	256.9	117.9	117.9	117.9	117.9	117.9			
OVERTIME PAY	164.1	154.2	156.4	156.4	156.4	156.4	156.4			
Total Full-Time Equivalent	4,715.3	4,798.0	4,758.9	4,758.9	4,759.4	4,758.9	4,759.4			

Activity: STATE ROAD CONSTRUCTION
 Program: STATE ROADS
 Agency: TRANSPORTATION DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	411	195	0	0	0	0	0	(195)	(100.0%)
OTHER OPERATING EXPENSES	25,757	27,781	54,165	3,023	3,023	3,023	3,023	(75,900)	(92.6%)
OTHER FINANCIAL TRANSACTIONS	0	120	6	3	3	3	3	(120)	(95.2%)
Subtotal State Operations	26,168	28,096	54,171	3,026	3,026	3,026	3,026	(76,215)	(92.6%)
CAPITAL OUTLAY & REAL PROPERTY	466,099	471,933	956,270	534,907	575,767	534,907	575,767	(276,669)	(19.4%)
LOCAL ASSISTANCE	234	444	0	0	0	0	0	(444)	(100.0%)
Total Expenditures	492,501	500,473	1,010,441	537,933	578,793	537,933	578,793	(353,328)	(23.4%)
Change Items:									
	<u>Fund</u>								
(P) INCREASE IN CONSTRUCTION PROGRAM	THI					40,860		40,860	
Total Change Items						40,860		40,860	
Financing by Fund:									
Direct Appropriations:									
GENERAL	0	0	282,500	0	0	0	0	0	0
TRUNK HIGHWAY	492,425	500,461	711,424	521,707	562,567	521,707	562,567	0	0
Statutory Appropriations:									
SPECIAL REVENUE	0	0	126	3	3	3	3	0	0
TRUNK HIGHWAY	0	0	16,200	16,200	16,200	16,200	16,200	0	0
FEDERAL	76	0	160	0	0	0	0	0	0
MISCELLANEOUS AGENCY	0	12	31	23	23	23	23	0	0
Total Financing	492,501	500,473	1,010,441	537,933	578,793	537,933	578,793	0	0
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	11	10	3	3	3	3	3	0	0
TRUNK HIGHWAY	7,069	9,472	16,200	16,200	16,200	16,200	16,200	0	0
MISCELLANEOUS AGENCY	0	17	23	3	3	3	3	0	0
Nondedicated									
TRUNK HIGHWAY	267,917	346,324	407,646	342,921	342,921	368,282	368,282	0	0
Total Revenues Collected	274,997	355,823	423,872	359,127	359,127	384,488	384,488	0	0

Activity: STATE ROAD CONSTRUCTION

Program: STATE ROADS

Agency: TRANSPORTATION DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE by Employment Type:							
FULL TIME	5.3	2.0	0.0	0.0	0.0	0.0	0.0
PART-TIME, SEASONAL, LABOR SER	4.5	2.8	0.0	0.0	0.0	0.0	0.0
OVERTIME PAY	0.1	0.4	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	9.9	5.2	0.0	0.0	0.0	0.0	0.0

Activity: RESEARCH & INVESTMENT MGMT
 Program: STATE ROADS
 Agency: TRANSPORTATION DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	7,222	7,931	7,605	7,780	7,780	8,101	8,101	345	2.2%
OTHER OPERATING EXPENSES	5,671	2,785	9,132	6,596	6,846	6,374	6,424	1,353	11.4%
Subtotal State Operations	12,893	10,716	16,737	14,376	14,626	14,475	14,525	1,698	6.2%
LOCAL ASSISTANCE	3,810	2,012	1,002	917	917	917	917	(1,180)	(39.2%)
Total Expenditures	16,703	12,728	17,739	15,293	15,543	15,392	15,442	518	1.7%
<u>Change Items:</u>									
(P) REDUCE RESEARCH ACTIVITIES	THI				(150)			(150)	
(B) ALTERNATIVE FINANCE PROJECTS	THI				150			150	
(B) MPO GRANT/STATEWIDE TRANSP PLAN UPDATE	THI				250			50	
Total Change Items					250			50	
<u>Financing by Fund:</u>									
Direct Appropriations:									
TRUNK HIGHWAY	13,578	10,699	13,751	12,087	12,337	12,311	12,361		
Statutory Appropriations:									
SPECIAL REVENUE	199	54	584	357	357	357	357		
TRUNK HIGHWAY	85	3	149	1	1	1	1		
FEDERAL	2,841	1,972	3,255	2,848	2,848	2,723	2,723		
Total Financing	16,703	12,728	17,739	15,293	15,543	15,392	15,442		
<u>Revenue Collected:</u>									
Dedicated									
SPECIAL REVENUE	25	16	427	317	317	317	317		
TRUNK HIGHWAY	78	0	0	0	0	0	0		
FEDERAL	2,926	1,950	3,198	2,848	2,848	2,723	2,723		
Total Revenues Collected	3,029	1,966	3,625	3,165	3,165	3,040	3,040		
<u>FTE by Employment Type:</u>									
FULL TIME	88.6	125.4	126.3	126.3	126.3	126.3	126.3		
PART-TIME, SEASONAL, LABOR SER	11.0	9.5	2.5	2.5	2.5	2.5	2.5		
OVERTIME PAY	0.5	0.4	0.6	0.6	0.6	0.6	0.6		
Total Full-Time Equivalent	100.1	135.3	129.4	129.4	129.4	129.4	129.4		

BUDGET CHANGE ITEM (46829)**Budget Activity:** RESEARCH & INVESTMENT MGMT**Program:** STATE ROADS**Agency:** TRANSPORTATION DEPT**Item Title:** ALTERNATIVE FINANCE PROJECTS

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Trunk Highway Fund				
-State Operations	\$150	\$150	\$150	\$150
Revenues: (\$000s)				
Trunk Highway Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <u> </u> No <u> X </u>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity	<input checked="" type="checkbox"/> Supplemental Funding	<input type="checkbox"/> Reallocation		

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$150,000 each year for this initiative. It is expected that this project will produce reliable data in the area of alternative transportation financing. The wireless communications portion supports cooperation between the public and private sector as well as between state agencies in the area of wireless communications.

RATIONALE:

This funding request is for projects that need to be conducted in the arena of alternative transportation financing. Examples include a road pricing demonstration and wireless communications system partnership. The department is requesting base level funding for these projects as a means to create improved efficiency through new models of financing and partnering in service delivery.

The road pricing demonstration project relates to the Ventura Administration's *Big Plan* for Minnesota because outcomes could provide long-term solutions that address economic needs. In addition, this demonstration is aligned with all of Mn/DOT's strategic objectives for Multimodal, Interregional Corridors and Information. It also supports the department's directions to make Mn/DOT and the system work better.

Because of recent and rapid development of alternative fuel - including affordable, mass market hybrid gas-electric vehicles and breakthroughs in fuel cell technology - the gas tax as a reliable long-term source of transportation funding is clearly threatened. In addition, the current pricing of transportation provides few incentives (consumer price signals) that have an impact on fuel consumption and reductions in vehicle miles traveled. The efficient collection of road user fees and the demonstration of market-based principles in transportation may help in delivering cost-effective transportation service, reduce adverse impacts of congestion in metro areas, and test an alternative financing method that could eventually replace the gas tax and other sources of transportation funding, including property taxes.

With regard to transportation, this project supports Mn/DOT's own plan for wireless communications services, as well as the plans of its clients (the Department of Natural Resources and the State Patrol). Wireless partnerships could save hundreds of thousands of dollars and are clearly aligned with Mn/DOT's strategic objectives for Multimodal, Interregional Corridors and Information and the department's directions to make Mn/DOT and the system work better.

FINANCING:

The road pricing demonstration project will require a state commitment of \$150,000 for the biennium to design, manage, and implement a statistically valid pilot project, which will examine the sensitivity of driving behavior to various pricing signals. State funds will be used to match 80% federal road pricing demonstration funds. The wireless communications project will require \$150,000 for the biennium to be used to provide technical expertise for public-private partnership development. It is estimated that the state will leverage its investment two to four times through the development of these initiatives, with the potential for substantially greater savings.

OUTCOMES:

The Road Pricing Demonstration Project will show how Intelligent Transportation System (ITS) technology can be used to develop reliable transportation financing alternatives, to help manage congestion through market-based road user fees, and to provide incentives to reduce vehicle miles traveled.

The Wireless Partnership Project will invite the private sector to propose cost-effective alternatives for Mn/DOT and other state agencies to meet wireless communications needs. It will also assist the state in delivery of services while reducing the proliferation of wireless towers.

Activity: CENTRAL ENGINEERING SERVICES
 Program: STATE ROADS
 Agency: TRANSPORTATION DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	34,037	40,800	41,718	42,798	41,503	44,461	43,168	2,153	2.6%
OTHER OPERATING EXPENSES	33,473	23,442	26,278	26,291	23,663	25,935	23,305	(2,752)	(5.5%)
Subtotal State Operations	67,510	64,242	67,996	69,089	65,166	70,396	66,473	(599)	(0.5%)
PAYMENTS TO INDIVIDUALS	22	1	0	0	0	0	0	(1)	(100.0%)
LOCAL ASSISTANCE	0	565	900	805	805	805	805	145	9.9%
Total Expenditures	67,532	64,808	68,896	69,894	65,971	71,201	67,278	(455)	(0.3%)
<u>Change Items:</u>									
(A) BASE REDUCTION-SALES TAX	THI				(403)			(403)	
(A) BASE REDUCTION-WORKFORCE MANAGEMENT	THI				(1,200)			(1,200)	
(P) REDUCE RESEARCH ACTIVITIES	THI				(100)			(100)	
(B) GIS DATA INTEGRATION	THI				750			750	
(B) DEVELOP DESIGN-BUILD METHODS	THI				100			100	
(B) SCIENTIFIC EQUIPMENT	THI				500			500	
(B) CONSULTANT SERVICES REDUCTION	THI				(3,000)			(3,000)	
(B) PROGRAM SUPPORT CONSOLIDATIONS	THI				(570)			(570)	
Total Change Items					(3,923)			(3,923)	
<u>Financing by Fund:</u>									
Direct Appropriations:									
TRUNK HIGHWAY	67,513	63,853	67,625	68,954	65,031	70,261	66,338		
Statutory Appropriations:									
SPECIAL REVENUE	19	955	1,071	740	740	740	740		
FEDERAL	0	0	200	200	200	200	200		
Total Financing	67,532	64,808	68,896	69,894	65,971	71,201	67,278		
<u>Revenue Collected:</u>									
Dedicated									
SPECIAL REVENUE	389	249	161	140	140	140	140		
TRUNK HIGHWAY	0	38	1	1	1	1	1		
FEDERAL	0	0	200	200	200	200	200		
Total Revenues Collected	389	287	362	341	341	341	341		

Activity: CENTRAL ENGINEERING SERVICES

Program: STATE ROADS

Agency: TRANSPORTATION DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE by Employment Type:							
FULL TIME	578.4	658.8	688.1	688.1	683.1	688.1	683.1
PART-TIME, SEASONAL, LABOR SER	23.1	27.0	8.9	8.9	8.9	8.9	8.9
OVERTIME PAY	5.8	7.2	4.8	4.8	4.8	4.8	4.8
Total Full-Time Equivalent	607.3	693.0	701.8	701.8	696.8	701.8	696.8

Activity: DESIGN & CONSTRUCTION ENGINEER
 Program: STATE ROADS
 Agency: TRANSPORTATION DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	64,743	69,092	71,938	75,074	79,519	77,827	82,272	20,761	14.7%
OTHER OPERATING EXPENSES	9,922	5,551	21,598	9,968	9,367	9,426	8,825	(8,957)	(33.0%)
Subtotal State Operations	74,665	74,643	93,536	85,042	88,886	87,253	91,097	11,804	7.0%
CAPITAL OUTLAY & REAL PROPERTY	878	0	0	0	0	0	0	0	0
PAYMENTS TO INDIVIDUALS	2	0	0	0	0	0	0	0	0
Total Expenditures	75,545	74,643	93,536	85,042	88,886	87,253	91,097	11,804	7.0%
<u>Change Items:</u>									
(A) BASE REDUCTION-SALES TAX									
THI									
(A) BASE REDUCTION-WORKFORCE									
THI									
MANAGEMENT									
(P) INCREASE IN CONSTRUCTION PROGRAM									
THI									
Total Change Items								3,844	3,844
<u>Financing by Fund:</u>									
Direct Appropriations:									
TRUNK HIGHWAY	74,933	73,156	90,097	84,991	88,835	87,202	91,046		
Statutory Appropriations:									
SPECIAL REVENUE	612	1,487	3,439	51	51	51	51		
Total Financing	75,545	74,643	93,536	85,042	88,886	87,253	91,097		
<u>Revenue Collected:</u>									
Dedicated									
SPECIAL REVENUE	665	840	2,356	44	44	44	44		
Total Revenues Collected	665	840	2,356	44	44	44	44		
<u>FTE by Employment Type:</u>									
FULL TIME	1,119.1	1,150.1	1,216.3	1,216.3	1,216.3	1,216.3	1,216.3		
PART-TIME, SEASONAL, LABOR SER	56.1	54.4	29.7	29.7	29.7	29.7	29.7		
OVERTIME PAY	78.6	80.2	52.1	52.1	52.1	52.1	52.1		
Total Full-Time Equivalent	1,253.8	1,284.7	1,298.1	1,298.1	1,298.1	1,298.1	1,298.1		

BUDGET ACTIVITY SUMMARY

Budget Activity: STATE ROAD OPERATIONS
Program: STATE ROADS
Agency: TRANSPORTATION DEPT

ACTIVITY PROFILE:

The state road operations activity preserves and maintains the quality of travel on Minnesota's highway system by keeping the system safe, structurally sound, convenient to use and protected from deterioration.

Specific work in this activity includes the following:

- Preservation and maintenance of the trunk highway system
- Removal of obstructions or impediments on the highways (snow and ice)
- Maintenance of a system of traffic signs, signals and pavement markings
- Maintenance and improvement of roadsides
- Engineering, technical and administrative efforts that directly support the management and maintenance of transportation facilities

STRATEGIES AND PERFORMANCE:

This activity addresses these priorities:

- Safety (crashes, work zones, snow and ice)
- Deteriorating infrastructure, such as roadways and bridges
- Barriers to mobility (bottlenecks, system disruption, weight restrictions, snow and ice)
- Accessibility (changing demographics)
- Stewardship, awareness and sensitivity to the environment
- Fiscally sound decision making – extend the value of our existing investments and obtain the highest value for each new investment dollar

The aging transportation system, increasing concerns for the environment and changing demographics highlight the need to preserve and maintain the existing system.

This preservation strategy reflects the need to provide the highest level of service on the greatest portion of the system at the lowest cost.

Mn/DOT restructured its budget programs and activities in the 1998-1999 biennium to reduce distinctions between construction and maintenance. The focus is now to provide smooth roads and a comfortable ride to highway users who want less wear on their vehicles and better travel times. Highway users want more visible signs and pavement markings. In addition, people want Mn/DOT to use fewer chemicals for de-icing and keep roads free from snow and ice, litter and hazardous debris.

FINANCING INFORMATION:

This activity is funded primarily by direct appropriation from the Trunk Highway Fund. The expenditures for this activity include 64% for personal services and 36% for operating expense (material, supplies, utilities, etc.).

BUDGET ISSUES:

With increasing operating costs and the aging transportation system, in order to meet the needs and expectations of the highway users, Mn/DOT is continuing to conduct market research and adapting other tools to manage state road operations. The "Business Planning" process is assisting us in defining our products and services along with cause and effect performance indicators. These processes and the implementation of the Transportation Specialist series will provide greater flexibility to manage the state road operations. These efforts help contain costs while meeting the customers' transportation needs.

INFORMATION TECHNOLOGY CHANGE ITEM (46032)

Activity: **GENERAL MANAGEMENT**

Program: **GENERAL SUPPORT**

Agency: **TRANSPORTATION**

IT Change Item: INFORMATION TECHNOLOGY INFRASTRUCTURE

ITEM DESCRIPTION AND PURPOSE:

To fund preservation (maintenance and replacement) of the agency's Information Technology (IT) infrastructure, particularly network components, and to improve efficiency and coordination of Mn/DOT's networks.

FUNDING:

Dollars in Thousands						
Funding Distribution	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personnel	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Hardware	3,000	3,000	3,000	3,000	3,000	3,000
Software	3,000	3,000	3,000	3,000	3,000	3,000
Facilities	0	0	0	0	0	0
Services	600	600	600	600	600	600
Training	0	0	0	0	0	0
Grants	0	0	0	0	0	0
Total	6,600	6,600	6,600	6,600	6,600	6,600

Just as people and goods require a well managed and maintained transportation infrastructure to travel safely and efficiently from one place to another, information systems require a secure and reliable IT infrastructure to collect, distribute, process and store information. An IT Infrastructure includes the hardware, software and connectivity required for information systems to operate.

Just as congestion and the need to reach new locations require growth in the size and costs of the transportation system, the automation of more business processes and the increase in internal and external demand for information require growth in the IT Infrastructure. Mn/DOT's IT Infrastructure has experienced rapid growth in capacity, capabilities and costs over the past decade.

RATIONALE:

Mn/DOT has made an extensive investment in IT Infrastructure components, such as routers and switches for WAN connectivity; internet connectivity; hardware and software for remote access; firewalls and virus protection for

security; application and database servers and server operating systems; application and database software; developer tools; and Computer-Aided Design (CAD) engineering workstations. These investments require on-going maintenance and replacement, such as on-going software licensing, hardware maintenance contracts, and hardware replacement. Most of the infrastructure has been implemented with one-time funding, with no opportunities to budget for these ongoing costs of maintenance and replacement. The rapid obsolescence of information technology requires increasingly frequent replacement, thus adding to the on-going costs of preserving the IT Infrastructure. Mn/DOT has significantly increased the IT Infrastructure base budget through internal reallocations. However, significant gaps remain between the base budget and the funding requirements to maintain and replace the existing IT Infrastructure.

With the existing budget shortage, Mn/DOT is unable to meet commitments for software licenses, maintenance contracts, and replacement of aging equipment, thus threatening the performance and security of its information systems. Critical business functions are now conducted electronically and rely on these information systems, including bridge design, road design, right-of-way management, and management of the STIP. This Change Item implements the **Budget Principle** of doing the right things and doing them well, as the dependence on smooth operations of these information systems is especially critical at a time when Mn/DOT is committed to delivering a significantly larger program and shortening the project delivery cycle.

Office of Technology IT Budget Drivers

Driver	Relationship	Explanation
Collaboration	✓	Positions Mn/DOT to integrate its networks with statewide network plans and collaborations with cities and counties.
Big Plan	✓	Preservation of Mn/DOT Information Technology Infrastructure and improvements in the integration and coordination of its networks contribute directly to the Big Plan priority of ensuring an Information Highway for Minnesota.
Electronic Government Services	✓	This request is essential for Mn/DOT to move into providing services electronically. EGS requires high levels of reliability and security. Future enhancements to enable EGS must be built on an infrastructure that is already reliable and secure.
Infrastructure	✓	This request is entirely for IT Infrastructure.

INFORMATION TECHNOLOGY CHANGE ITEM (46032)

Activity: GENERAL MANAGEMENT

Program: GENERAL SUPPORT

Agency: TRANSPORTATION

IT Change Item: INFORMATION TECHNOLOGY INFRASTRUCTURE

LIFE CYCLE ANALYSIS:

Life Cycle Status	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Development						
Operations	X	X	X	X	X	X
Modification						
Retirement						

OFFICE OF TECHNOLOGY ANALYSIS:

This initiative requests funding for IT Infrastructure upgrade, replacements and maintenance. Items funded in this request include hardware investments for routers, switches, servers, and CAD workstations. Software investments include server operating systems, firewalls, virus protection, databases, and developer tools. This initiative supports infrastructure principles. It is listed as a priority in the agency SIRMP. Recommendation: Funding is recommended to replace aging technology infrastructure.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$13.2 million for improvements and expansion of information systems technology infrastructure.

BUDGET CHANGE ITEM (45584) (45584)

Program: MET COUNCIL TRANSIT
 Agency: METROPOLITAN COUNCIL

Item Title: PRESERVE/EXPAND TRANSIT SERVICE

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
Grants	\$15,000	\$15,000	\$15,000	\$15,000
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <u> X </u> No _____				
If yes, statute(s) affected: 473.466 Transit Tax Levies				
_____ New Activity <u> X </u> Supplemental Funding _____ Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$30 million dollars from the General Fund to preserve transit service levels and ridership growth achieved during the 2000-2001 biennium for regular route, Metro Mobility, and community-based services.

Five million dollars of this appropriation would be for a fuel contingency. Fuel prices would be reviewed at the end of each year of the biennium. If annual average fuel prices drop 10% below the budgeted amount of \$.85 per gallon (\$.765 per gallon), the \$2.5 million per year would be reduced proportionate to the amount that the actual price was below \$.85 per gallon.

The Governor further recommends that the Metropolitan Council be authorized to increase the existing property tax levies for transit and para-transit by \$11.5 million per year on an ongoing basis beginning with the 2002-2003 biennium. Because it is not possible to levy a property tax in the first six months of the biennium because the levy already has been set for taxes payable for 2001, \$17.4 million would be levied during calendar 2002 and \$11.5 would be added to the base levy in calendar year 2003. These funds shall be used to expand all elements of the Council's transit and paratransit programs.

The Council shall be authorized to levy this increased amount in communities eligible for replacement services under 473.388. The Metropolitan Council shall

disburse taxes levied in these communities back to those communities in the same proportions as current taxes levied for transit services.

The Council shall spend up to \$4.2 million of the general fund appropriation increase for Metro Mobility.

RATIONALE:

Description

This proposal is to maintain and expand transit service in the Twin Cities region. It would provide funds to:

- Maintain service levels established in the 2000-2001 biennium
- Provide for growth throughout the transit system
- Reduce trip denials for Metro Mobility
- Provide for regular route service outside the Transit Taxing District

This Proposal Assumes a \$106.2 Base, 6.5% Lower than the 2000-2001 Biennium Funding Level

Due to how the base is calculated, the 2002-2003 base is 6.5% lower than 2000-2001. This proposal is for a base level that maintains current service levels.

This Proposal Would Preserve 2000-2001 Service Levels and Ridership Gains

The proposed \$30 million general fund initiative and a proposed fare increase of \$.25 (to be implemented on 7/1/01) are needed to address inflationary and extraordinary cost increases and make permanent new service deployed in FY 2001. Extraordinary cost increases include:

- Fuel costs increasing 22% from calendar 2000 to 2001.
- Labor costs increasing due to the tight job market, especially in the pay range for starting bus drivers.
- Health costs increasing 23% in one year from calendar 2000 to 2001
- Service added to respond to overloads.

BUDGET CHANGE ITEM (45584) (Continued)

Program: MET COUNCIL TRANSIT
Agency: METROPOLITAN COUNCIL
Item Title: PRESERVE/EXPAND TRANSIT SERVICE

This Proposal Would Provide Transit Service Expansion and Ridership Growth Throughout the Metropolitan Area

In FY 2000, 76.4 million trips were taken on transit, a growth of 22% over the last four years. This is a reflection of citizen's growing demand for transit. This proposal would provide \$11.5 million per year of increased property tax revenue to continue ridership growth in the Metropolitan Transit Taxing District (including Metro Transit and community providers); communities eligible for replacement service (opt out communities); the Metropolitan Transit Area; and the Metro Mobility/ADA system.

This Proposal Would Reduce Metro Mobility Trip Denials

Metro Mobility provides transit service for mobility-impaired persons in the Twin Cities region as required by the Americans with Disabilities Act. For calendar 1998, 3.4% of the calls to Metro Mobility for rides were denied because there were not enough buses available to meet demand. For 1999, this rate increased to 4.9%. This proposal would direct a portion of the new property tax revenues to reduce the trip denial rate to near zero.

This Proposal Would Provide Additional Money to Opt Out Communities

From calendar 1996 to calendar 1999, opt-out ridership increased 28% and now demand for service outstrips available funding. As property taxes and fares are opt out communities' primary sources of funding, the proposed increased property tax and fare increase would provide them with needed resources. The Metropolitan Council would levy this increased levy and disburse it back to these communities according to the same formula used for the current transit levies.

Financing

- \$30 million dollars would be used to preserve transit service levels and ridership gains achieved during the 2000-2001 biennium. \$5 million of these funds would be set aside for a fuel contingency.
- \$17.4 million, in calendar year 2002, would be raised through an increased property tax for transit levied both in the Metropolitan Transit Taxing District and the Metropolitan Transit Area, and \$11.5 million would be raised in calendar year 2003. The Council would disburse funds raised through this

increased levy from replacement service communities in the same proportions used for the current transit operating levies.

- \$15.8 million would be raised through a base fare increase by the Metropolitan Council, which would begin on July 1st, 2001. This assumption is based on a 25¢ increase across the board. The Council will study other fare options to minimize the negative impacts on ridership.

OUTCOMES:

Ridership has increased 22% over the last four years. This proposal would continue the trend for ridership gains by increasing ridership by 2% during the 2002-2003 biennium.

For calendar 1998, 3.4% of the calls to Metro Mobility for rides were denied because there were not enough buses available to meet demand. For 1999, this rate increased to 4.9%. With the proposed funding, trip denials due to capacity should approach zero.

Agency: PUBLIC SAFETY DEPT

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01				
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent			
Non-Dedicated Revenue:												
Departmental Earnings:												
GENERAL	0	0	0	12,426	12,426	12,480	12,480	24,906				
CAMBRIDGE DEPOSIT FUND	11,528	12,331	12,372	0	0	0	0	(24,703)	(100.0%)			
TRUNK HIGHWAY	21,279	23,941	24,815	25,186	30	25,587	30	(48,696)	(99.9%)			
HIGHWAY USERS TAX DISTRIBUTION	5,702	6,934	7,159	7,790	7,790	7,973	7,973	1,670	11.8%			
ENVIRONMENTAL	4,434	4,580	4,705	4,830	4,830	4,955	4,955	500	5.4%			
Other Revenues:												
GENERAL	23	17	35	30	30	30	30	8	15.4%			
TRUNK HIGHWAY	5,570	6,574	6,677	6,675	6,675	6,675	6,675	99	0.7%			
HIGHWAY USERS TAX DISTRIBUTION	674	730	810	809	809	809	809	78	5.1%			
Taxes:												
GENERAL	487,223	541,169	520,325	524,111	524,111	388,270	388,270	(149,113)	(14.0%)			
HIGHWAY USERS TAX DISTRIBUTION	557,780	611,928	441,500	468,111	473,303	666,043	674,403	94,278	8.9%			
Total Non-Dedicated Receipts	1,094,213	1,208,204	1,018,398	1,049,968	1,030,004	1,112,822	1,095,625	(100,973)	(4.5%)			
Dedicated Receipts:												
Departmental Earnings (Inter-Agency):												
GENERAL	156	282	170	170	170	170	170	(112)	(24.8%)			
Departmental Earnings:												
GENERAL	23	26	28	28	28	28	28	2	3.7%			
SPECIAL REVENUE	16,887	13,475	9,890	10,004	35,160	10,119	35,676	47,471	203.2%			
TRUNK HIGHWAY	1,239	1,362	1,028	1,028	1,028	1,028	1,028	(334)	(14.0%)			
Grants:												
SPECIAL REVENUE	7	5	0	0	0	0	0	(5)	(100.0%)			
FEDERAL	6,424	7,889	16,786	17,101	17,101	21,654	21,654	14,080	57.1%			
Other Revenues:												
GENERAL	6	134	147	3	3	3	3	(275)	(97.9%)			
SPECIAL REVENUE	1,183	1,787	1,851	1,856	1,856	1,860	1,860	78	2.1%			
TRUNK HIGHWAY	392	619	273	223	223	173	173	(496)	(55.6%)			
REINVEST IN MINNESOTA	625	936	900	900	900	900	900	(36)	(2.0%)			
GIFT	56	118	55	55	55	55	55	(63)	(36.4%)			
Total Dedicated Receipts	26,998	26,633	31,128	31,368	56,524	35,990	61,547	60,310	104.4%			
Agency Total Revenues	1,121,211	1,234,837	1,049,526	1,081,336	1,086,528	1,148,812	1,157,172	(40,663)	(1.8%)			

PUBLIC SAFETY DEPT - FEDERAL FUNDS SUMMARY

PROGRAM: Administration & Related Services

PROGRAM DESCRIPTION:

This program receives a small amount of grant money to pay for a portion of planning and administrative services provided to the traffic safety program. There is also money provided to the communications activity for an information and public education alcohol safety campaign.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

No changes are anticipated.

FUNDS AT RISK:

None

PROGRAM: State Patrol

PROGRAM DESCRIPTION:

Motor Carrier Safety Assistance (MCSAP). This is an assistance program for state commercial vehicle enforcement activities, including roadside driver and vehicle inspections, traffic enforcement, motor carrier review audits, public safety data management, and training. The Federal Highway Administration (FHWA) may have high priority projects to target, and it allows states to compete for special research and development projects. Grants are requested and approved throughout the year.

National Highway Traffic Safety Administration (NHTSA) grant. This is a grant issued through the traffic safety program. It provides funding for various traffic safety programs such as safe and sober, operation nightcap, and drug recognition expert.

Office of Justice Programs (OJP). The Office of Police Corps and Law Enforcement Education (OPCLEE), through participating states, administers the police corps program, which is appropriated to the Department of Justice Office of Community Oriented Policing (COPS), but is administered by OJP. The police corps program offers scholarship assistance on a competitive basis to college students who agree to serve as police or sheriff deputies for at least four years. OPCODEE provides up to \$7,500 per academic year up to \$30,000 total. Agencies that employ police corps participants receive \$10,000 per participant for each year of required service. The police corps also covers the cost of 16-24 weeks of rigorous residential police corps training.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

The MCSAP is authorized from 1998 through 2003. Each year the FHWA requests Congress to allocate the funds that were authorized. Requests are usually approved for an amount lower than requested. Congress has also earmarked certain funds dedicated to certain activities within truck and bus safety. Special projects and dedicated funds have been combined in the basic grant allocations. MCSAP funds have been authorized to increase at least 5% each year from 1998 through 2003

Federal law authorizes the funding for the Office of Police Corps and Law Enforcement Education. Congress must allocate funds as authorized. Funding will increase each year as additional participants are added to the state program.

The local law enforcement block grant program administered by the drug policy and violence prevention activity has provided a grant to the state patrol to upgrade and expand the existing mobile data network and purchase replacement mobile data computers. The current system is based on ten year old technology and replacement parts are no longer available from the original manufacturer. The grant will allow the system to be maintained and upgraded to new technology.

FUNDS AT RISK:

None

PROGRAM: Driver and Vehicle Services

PROGRAM DESCRIPTION:

The drivers education training grant provides funding for training sessions for commercial school driver training professionals through classroom and behind the wheel curricula.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

This is a one-time grant.

FUNDS AT RISK:

None

PROGRAM: Traffic Safety

Activity: VEHICLE REGISTRATION & TITLE
 Program: DRIVER & VEHICLE SERVICES
 Agency: PUBLIC SAFETY DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	8,131	8,569	9,522	9,679	9,699	9,952	9,972	1,580	8.7%
OTHER OPERATING EXPENSES	9,160	8,875	9,323	8,465	9,986	8,626	9,608	1,396	7.7%
OTHER FINANCIAL TRANSACTIONS	46	49	47	45	45	45	45	(6)	(6.3%)
TRANSFERS	0	0	0	0	11,725	0	0	11,725	
Total Expenditures	17,337	17,493	18,892	18,189	31,455	18,623	19,625	14,695	40.4%
Change Items:									
(P) DVS TECHNOLOGICAL IMPROVEMENTS						910		335	
(B) MOTOR VEHICLE TAX REFUNDS						11,725			
(B) OPEN APPROPRIATION- MV LICENSE PLATES						631		667	
Total Change Items			875			13,266		1,002	
Financing by Fund:									
Direct Appropriations:									
GENERAL	3,611	3,531	3,728	3,803	15,528	3,940	3,940		
HIGHWAY USERS TAX DISTRIBUTION	13,502	13,689	15,038	14,251	9,951	14,548	9,584		
Open Appropriations:									
HIGHWAY USERS TAX DISTRIBUTION	0	0	0	0	5,841	0	5,966		
Statutory Appropriations:									
SPECIAL REVENUE	133	199	50	61	61	61	61		
FEDERAL	34	0	0	0	0	0	0		
REINVEST IN MINNESOTA	12	28	29	29	29	29	29		
GIFT	45	46	47	45	45	45	45		
Total Financing	17,337	17,493	18,892	18,189	31,455	18,623	19,625		

Activity: VEHICLE REGISTRATION & TITLE

Program: DRIVER & VEHICLE SERVICES

Agency: PUBLIC SAFETY DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>Revenue Collected:</u>							
Dedicated							
SPECIAL REVENUE	8,030	3,941	80	80	80	80	80
FEDERAL	34	0	0	0	0	0	0
REINVEST IN MINNESOTA	625	936	900	900	900	900	900
GIFT	46	47	45	45	45	45	45
Nondedicated							
GENERAL	487,241	541,186	520,357	531,152	531,152	395,365	395,365
CAMBRIDGE DEPOSIT FUND	6,620	6,849	6,957	0	0	0	0
HIGHWAY USERS TAX DISTRIBUTION	563,574	618,948	448,744	475,985	481,177	674,100	682,460
ENVIRONMENTAL	4,434	4,580	4,705	4,830	4,830	4,955	4,955
Total Revenues Collected	1,070,604	1,176,487	981,788	1,012,992	1,018,184	1,075,445	1,083,805
<u>FTE by Employment Type:</u>							
FULL TIME	193.4	196.3	210.0	209.7	209.7	209.7	209.7
PART-TIME, SEASONAL, LABOR SER	8.3	11.6	2.8	2.8	2.8	2.8	2.8
OVERTIME PAY	0.6	0.8	0.4	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	202.3	208.7	213.2	212.5	212.5	212.5	212.5



TAX COURT - EXECUTIVE SUMMARY

AGENCY MISSION AND VISION:

Mission: To resolve tax appeals in a timely and impartial manner.

Description: The Tax Court is a specialized trial court in the executive branch. It has statewide jurisdiction to hear and determine all matters arising out of Minnesota's tax laws. The Court consists of three judges and three support staff.

STRATEGIES AND PERFORMANCE:

The Tax Court docket, tracks, schedules and resolves all tax cases filed. Appeals are scheduled for trial within one year of filing. Many cases are resolved within a year of filing. A written decision is issued and distributed on every case heard by the Court in Regular Division.

The Court resolves complex procedural issues. For example, one case involved multi-year complaints by multi-county property owners against assessors and county officials. The case involved substantive issues regarding classification, class action status, and jurisdictional issues.

The Court also resolves statutory interpretations regarding Commissioner of Revenue cases. Past Tax Court cases include business/non-business, unitary business, capital equipment, and non-domiciliary resident issues.

The Tax Court case management goals are:

- To schedule cases for hearing within one year of filing.
- To dispose of cases as quickly as possible.
- To issue decisions within three months of hearing.

The Tax Court continues to take proactive steps to improve the appeals process, by educating and informing the taxpayer and surveying Court constituents. Much of our information is now available on our newly created website.

The Court prepared a handbook titled "*Presenting Property Tax Appeals to the Minnesota Tax Court*" for pro se litigants. The handbook is designed to help taxpayers understand the property tax appeal process along with their rights and responsibilities. This handbook is now on our website, and courts from other states now use this handbook as a model.

The Court held a customer service meeting in 2000 to solicit information on how to better serve its constituents. One initiative resulting from this meeting involves exploring the possibility of forming a pro bono program for pro se taxpayers. This program would be similar to the program currently used by the U.S. Bankruptcy Court.

To further improve citizen access, the Court recently created its own website which provides the following free information to taxpayers via an Electronic Delivery System:

- an explanation of the Tax Court mission;
- access to Tax Court decisions;
- a direct e-mail link to Tax Court staff;
- forms and information for filing a petition or appeal;
- the pro se handbook;
- the Tax Court *Rules of Procedure*;
- directions to the Tax Court; and
- links to other court related information.

Despite the ebb and flow in the number of petitions and appeals filed, the Tax Court has the same number of judges and staff as when it first became a full time court in 1977. At that time, a backlog of approximately 1,950 tax cases, many 10 to 13 years old, was transferred from the district courts to the Tax Court. To date, the Tax Court has eliminated that backlog and cases are currently set for trial within one year of filing.

While the Court's annual caseload fluctuates with the economic market, the number of cases currently filed is now higher than the number filed in 1977. In addition, the average length of trials has increased due to the growing complexity of the cases that reach trial. Matters of lesser complexity are often resolved before going to trial. That can be attributed, in part, to the consistent body of law developed through the Court's decisions in Regular Division cases which are readily accessible to taxpayers and attorneys through the Court's website and other law-related publications.

REVENUES:

This agency generates non-dedicated revenue from filing fees. Tax Court forecasts \$10,000 in non-dedicated revenues for each year of the biennium based on historical levels.

GRANTS:

During the last biennium, Tax Court received funding to expand and improve the agency's technology infrastructure through the Small Agency Infrastructure Initiative coordinated by the Minnesota Office of Technology. As enacted, the Small Agency Infrastructure Initiative was a one-time grant.

TAX COURT - EXECUTIVE SUMMARY (Continued)

BUDGET ISSUES:

Changes in state property, sales and use, income and other tax laws affect Tax Court operations. The Tax Reform initiative being pursued by Department of Revenue will influence the future workload of the Tax Court. However, at this point, it is too early to determine if Reform will increase or decrease the Court's workload. Other issues that influence the Tax Court budget include local real estate market changes, national and state economic changes, activities of the state legislature, changes in data practice laws and the availability of law students to volunteer as interns.

Special Change Item: **Unanticipated Severance Costs**

On February 2, 2001, Governor Ventura appointed a new judge to the Tax Court, replacing a sitting judge completing a six-year term. The current judge's last day of service was identified as February 27, 2001. The new judge's first day of service was identified as February 28, 2001. Both judges have the same annual salary established in law. This change of judges has created an FY 2001 budget problem within the Tax Court related to unanticipated severance pay. Working with DOER, the severance pay for the judge that is leaving was determined to be \$14,000.

Agencies normally cover unanticipated severance costs using salary savings generated by the temporary vacancy created during the hiring search process and salary differential between the two positions. Neither of these mechanisms is available to the Tax Court. There is no salary differential between the judges because salaries are set in law. Leaving a position vacant is not viable either. The Tax Court would need to leave a judge positions vacant for approximately two full months to cover the unanticipated severance. This would have tremendous impact on resolving current and anticipated cases.

In addition, the unanticipated severance cost is large relative the Tax Court's total FY 2001 non-salary budget (5%). It is virtually impossible for a small agency like the Tax Court to absorb this level of unanticipated severance cost with only four months of the fiscal year remaining.

Therefore the Governor recommends a one-time, \$14,000 appropriation in FY 2001 to cover unanticipated severance costs incurred by the Tax Court.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the base funding level as requested in the Tax Court budget with the following additions:

- a one-time appropriation of \$14,000 in Fy 2001 to cover unanticipated severance costs, and
- additional funding of \$47,000 annually for on-going technology infrastructure support.

Agency: TAX COURT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	449	498	520	527	527	543	543	52	5.1%
OTHER OPERATING EXPENSES	537	173	259	165	212	170	217	(3)	(0.7%)
Total Expenditures	986	671	779	692	739	713	760	49	3.4%
Change Items:									
	Fund								
(A) TECHNOLOGY SUPPORT & MAINTENANCE	GEN				47			47	
(A) UNEXPECTED SEVERANCE	GEN		14						
Total Change Items			14		47			47	
Financing by Fund:									
Direct Appropriations:									
GENERAL	986	671	779	692	739	713	760		
Total Financing	986	671	779	692	739	713	760		
Revenue Collected:									
Nondedicated									
GENERAL	8	9	10	10	10	10	10	10	
Total Revenues Collected	8	9	10	10	10	10	10	10	
FTE by Employment Type:									
FULL TIME	5.8	5.4	6.0	6.0	6.0	6.0	6.0	6.0	
PART-TIME, SEASONAL, LABOR SER	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	
Total Full-Time Equivalent	5.8	5.6	6.0	6.0	6.0	6.0	6.0	6.0	

INFORMATION TECHNOLOGY CHANGE ITEM (48863)

Agency: TAX COURT
IT Change Item: TECHNOLOGY SUPPORT & MAINTENANCE

ITEM DESCRIPTION AND PURPOSE:

This initiative provides funds for ongoing maintenance and support of information resource activities created in the recent Small Agency Infrastructure initiative which include:

- contracts for maintenance and support of new Case Management System,
- software upgrades and licensing,
- training on existing software (and upgrades), and
- web site improvements.

FUNDING: (Dollars in Thousands)

Funding Distribution	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personnel	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Hardware	8	8	8	8	8	8
Software	1	1	1	1	1	1
Facilities	0	0	0	0	0	0
Services	35	35	35	35	35	35
Training	3	3	3	3	3	3
Grants	0	0	0	0	0	0
Total	47	47	47	47	47	47

This base funding is needed to maintain the advances made under the Small Agency Infrastructure grant funded last biennium. That grant completed the acquisition and implementation of a new Case Management System. The Tax Court now needs base funding to cover on-going support and maintenance of the new systems (including hardware and software upgrades), as well as periodic training for employees, and normal hardware rotation.

RATIONALE:

Tax Court recently completed implementation of a state of the art Case Management System (CMS) and other information systems. Current infrastructure allows for electronic communications within the court and externally with customers, saving time and money. With the CMS, the website and the Microsoft Office Suite applications, the Court is able to provide up-to-date information critical to taxpayers and staff.

The Court must now maintain and support the CMS and other existing technology in order to continue providing the higher level of service to petitioners, appellants, attorneys, district court personnel and the general public. In addition, the Court must continue to train current and new staff in order to fully utilize the information resources currently available to us.

The Tax Court's philosophy embraces expanding electronic dissemination of information on a widespread basis. The Court is working toward sending trial notices, case status updates, amendments, changes to legal representation, and responses to questions via e-mail. Information on the Court website also serves to guide and link taxpayers to other resources for appropriate assistance.

The Court's Strategic Information Resource Management Plan demonstrates several key themes.

1. Maintain and support existing technology, including the CMS, in order to continue expanding dissemination of information by electronic means;
2. Train staff and judges on all existing court software and hardware; and
3. Continue providing efficient and consistent on-line services to customers via improved access to Court case data.

LIFE CYCLE ANALYSIS:

Life Cycle Status	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Development						
Operations	X	X	X	X	X	X
Modification						
Retirement						

This is simply for on-going support and maintenance of existing technology and information resources and for employee training on all existing systems and software.

OFFICE OF TECHNOLOGY ANALYSIS:

Deliverables/Objectives: This initiative will support and maintain existing technology and provide funds to purchase new versions of hardware and software as they are released. This is a continuation of funding from the Small Agency Infrastructure Initiative. These funds would provide a base budget for technology. This initiative is a part of the agency SIRMP. It supports infrastructure components. **Conclusion:** This initiative meets information technology criteria for funding.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the Tax Court's base budget be increased by \$47,000 annually for on-going technology infrastructure support.

Program: HUMAN RIGHTS ENFORCEMENT
 Agency: HUMAN RIGHTS DEPARTMENT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Activity:</u>									
CONTRACT COMPLIANCE	482	469	487	523	523	540	540	107	11.2%
COMPLAINT PROCESSING	2,868	2,659	2,872	2,787	2,787	2,869	2,869	125	2.3%
MANAGEMENT SERVICES & ADMIN	737	822	793	776	832	793	849	66	4.1%
Total Expenditures	4,087	3,950	4,152	4,086	4,142	4,202	4,258	298	3.7%
<u>Change Items:</u>									
(A) HARDWARE/SOFTWARE REPLACEMENT PLAN	GEN				56			56	
Total Change Items					56			56	
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	4,087	3,908	3,990	4,032	4,088	4,148	4,204		
Statutory Appropriations:									
SPECIAL REVENUE	0	42	162	54	54	54	54		
Total Financing	4,087	3,950	4,152	4,086	4,142	4,202	4,258		
<u>FTE by Employment Type:</u>									
FULL TIME	57.8	58.5	62.6	61.0	61.0	61.0	61.0		
PART-TIME, SEASONAL, LABOR SER	2.2	1.6	0.0	0.0	0.0	0.0	0.0		
OVERTIME PAY	0.5	0.3	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	60.5	60.4	62.6	61.0	61.0	61.0	61.0		

HUMAN RIGHTS DEPARTMENT - BUDGET BRIEF

Fund: **GENERAL**

BASE YEAR (FY 2000)	(\$000s)	FY 2002	FY 2003	Biennium
Appropriations		\$3,924	\$3,924	\$7,848
<u>BASE ADJUSTMENT</u>				
Doc. Space Rental/Lease	12	28	40	
2002-2003 Sal. & Ben. Base	96	196	292	
BASE LEVEL (for 2002 and 2003)		\$4,032	\$4,148	\$8,180
<u>CHANGE ITEMS</u>				
Hardware/Software Replacement Plan	56	56	112	
GOVERNOR'S RECOMMENDATION		\$4,088	\$4,204	\$8,292

BRIEF EXPLANATION OF BUDGET DECISIONS:

Space Rental/Lease and Salary and Benefit Increases: Allows the agency to maintain the same level of staffing and office space costs necessary for continued support of agency basic functions.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends base funding levels as requested in the agency's budget except for the following adjustment: a biennial increase in funding of \$112,00 to maintain departmental hardware and software according to life cycle standards and for other system enhancements, which will allow the agency to continue serving its clients in an efficient manner. The Governor also recommends that the commissioner be given authority to seek monetary penalties and other sanctions against respondents who willfully fail to respond to complaints or requests for information, for an anticipated revenue increase of \$25,000 annually.

Activity: COMPLAINT PROCESSING
 Program: HUMAN RIGHTS ENFORCEMENT
 Agency: HUMAN RIGHTS DEPARTMENT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	2,018	2,077	2,172	2,236	2,236	2,306	2,306	293	6.9%
OTHER OPERATING EXPENSES	730	582	700	551	551	563	563	(168)	(13.1%)
Subtotal State Operations	2,748	2,659	2,872	2,787	2,787	2,869	2,869	125	2.3%
LOCAL ASSISTANCE	120	0	0	0	0	0	0	0	0
Total Expenditures	2,868	2,659	2,872	2,787	2,787	2,869	2,869	125	2.3%
Financing by Fund:									
Direct Appropriations:									
GENERAL	2,868	2,636	2,730	2,752	2,752	2,834	2,834		
Statutory Appropriations:									
SPECIAL REVENUE	0	23	142	35	35	35	35		
Total Financing	2,868	2,659	2,872	2,787	2,787	2,869	2,869		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	0	126	35	35	35	35	35		
Total Revenues Collected	0	126	35	35	35	35	35		
FTE by Employment Type:									
FULL TIME	40.4	40.3	42.6	41.0	41.0	41.0	41.0		
PART-TIME, SEASONAL, LABOR SER	2.0	1.6	0.0	0.0	0.0	0.0	0.0		
OVERTIME PAY	0.4	0.3	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	42.8	42.2	42.6	41.0	41.0	41.0	41.0		

BUDGET ACTIVITY SUMMARY

Budget Activity: MANAGEMENT SERVICES & ADMIN
Program: HUMAN RIGHTS ENFORCEMENT
Agency: HUMAN RIGHTS DEPARTMENT

ACTIVITY PROFILE:

This activity includes the commissioner, deputy commissioner, director of policy and legal affairs, human resources, fiscal services, and information technology staff. Policy and legal affairs processes case appeals, identifies training needs, develops appropriate in-service training, and provides in-house legal assistance on case adjudication. Human resources ensures adequate staffing, compliance with existing contracts and develops human resource policies and procedures. Fiscal services supports the various business units in the department by providing accounting, procurement, payroll functions, maintenance, and office services and ensures that fiscal activities conform to accounting standards and Minnesota statutes. Information technology supports business units by managing and maintaining the agency's database and updating, repairing, and maintaining computer hardware and software systems.

STRATEGIES AND PERFORMANCE:

- The Department of Human Rights (MDHR) processes approximately 200 appeals and requests for reconsideration of its determinations annually. New guidelines for reviewing and processing appeals were implemented in FY 2000. As a result of this effort, all new appeals are processed within 20 days.
- The agency completed its disaster recovery plan in FY 2000 and has scheduled annual offsite testing to ensure it is updated and operational.
- During its first full year in operation, the department's web site was visited by more than 361,000 Minnesotans seeking information on human rights and discrimination issues.
- Automated bi-weekly management reporting was implemented to better monitor and correct problems in complaint processing. MIS staff was trained in report generation techniques and related data management issues.
- The agency's annual Human Rights Day event, "Acting in Concert" will be held at the RiverCentre on 12-1-2000. Last year's event was highlighted by a Governor's Proclamation and reception to honor human rights leaders from around the state.
- The database for the Contract Compliance activity was migrated to software supported by the industry. The result of the migration will allow interconnectivity with the case processing database.

FINANCING INFORMATION:

General Funds support the activity's budget. Dedicated receipts are received through a contract with the federal government for investigation of cases. The resulting revenue is transferred to the General Fund as a partial offset of the agency's appropriation.

BUDGET ISSUES:

MDHR's strategic information plan was submitted to the Office of Technology (OT) to provide funds for on-going maintenance of the agency information technology resources. The agency did receive \$112,000 during the last biennium for equipment replacement and software upgrades through OT's Small Agency Technology Grant Program, but this funding was not ongoing.

Agency: CORRECTIONS DEPT

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Program:									
CORRECTIONAL INSTITUTIONS	240,187	246,132	291,693	295,746	290,309	301,934	291,935	44,419	8.3%
JUVENILE SERVICES	24,383	17,491	20,656	19,016	19,208	19,340	19,693	754	2.0%
COMMUNITY SERVICES	96,056	95,928	110,165	106,686	108,847	106,970	114,762	17,516	8.5%
MANAGEMENT SERVICES	11,818	11,907	15,778	13,568	14,318	13,750	14,500	1,133	4.1%
Total Expenditures	372,444	371,458	438,292	435,016	432,682	441,994	440,890	63,822	7.9%
Financing by Fund:									
Direct Appropriations:									
GENERAL	311,718	312,553	365,637	360,713	358,187	371,755	370,298		
SPECIAL REVENUE	0	1,055	1,122	1,389	1,389	1,242	1,242		
Statutory Appropriations:									
GENERAL	103	147	937	111	111	111	111		
SPECIAL REVENUE	12,254	9,654	13,087	12,877	13,069	12,863	13,216		
FEDERAL	9,149	7,128	14,588	13,578	13,578	6,830	6,830		
MISCELLANEOUS AGENCY	19,939	21,778	22,670	22,891	22,891	23,198	23,198		
GIFT	23	16	48	34	34	34	34		
CORRECTIONAL INDUSTRIES	19,258	19,127	20,203	23,423	23,423	25,961	25,961		
Total Financing	372,444	371,458	438,292	435,016	432,682	441,994	440,890		
FTE by Employment Type:									
FULL TIME	3,423.1	3,430.2	3,863.3	3,872.3	3,877.3	3,890.1	3,895.1		
PART-TIME, SEASONAL, LABOR SER	109.1	99.1	25.5	25.4	25.4	25.4	25.4		
OVERTIME PAY	71.3	60.5	33.4	33.4	33.4	33.4	33.4		
Total Full-Time Equivalent	3,603.5	3,589.8	3,922.2	3,931.1	3,936.1	3,948.9	3,953.9		

CORRECTIONS DEPT - BUDGET BRIEF

Fund: GENERAL

		<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001)	(\$000s)			
Appropriations		\$350,905	\$350,905	\$701,810
<u>BASE ADJUSTMENT</u>				
Caseload/Enrollment Change		5,800	10,507	16,307
One-Time Appropriations		(2,105)	(2,105)	(4,210)
DOC Space Rental/Lease		47	87	134
2002-03 Salaries and Benefits Base		5,856	12,151	18,007
Transfers Between Agencies		210	210	420
BASE LEVEL (for 2002 and 2003)		\$360,713	\$371,755	\$732,468
<u>CHANGE ITEMS</u>				
Adult Facility Cost Reductions		(6,937)	(11,499)	(18,436)
Adult Facility Cost Efficiency Investment		1,500	1,500	3,000
Prioritization of Health Care Services		175	0	175
Prioritization of Health Care Services		(175)	0	(175)
CLWL/Performance Enhancement		800	1,200	2,000
Expand Intensive Supervised Release		750	750	1,500
Performance Accountability and TA		700	700	1,400
Sex Offender Treatment and Reimb.		1,000	1,000	2,000
County Probation Reimbursement		1,628	2,142	3,770
Increase CCA Subsidy		1,000	2,000	3,000
Extend MCF-Red Wing Fee Reduction		(3,717)	0	(3,717)
CrIMNet		750	750	1,500
GOVERNOR'S RECOMMENDATION:		\$358,187	\$370,298	\$728,485

BRIEF EXPLANATION OF BUDGET DECISIONS:

- The department will spend approximately \$71 million annually or 19% of the department's General Fund base level budget for grants, primarily to counties and also to non-profit organizations for correctional services. The state has a strong state/local shared partnership in providing correctional services throughout the state of Minnesota.
- The remaining 81% of the department's General Fund base level budget funds operations of the state prisons and juvenile facilities (85%), community services (11%) and management services (4%).

BASE ADJUSTMENT:

- The budget base is increased by \$16.3 million for the biennium based on projected inmate population growth. This adjustment is calculated using the increase of 641 inmates at a marginal cost per inmate per day of just under \$70. The Department must house all prisoners committed to the Commissioner of Corrections.
- The budget base is reduced by \$4.21 million for the biennium for various one-time appropriations or pilot projects. This is comprised of Productive Day Initiative Grants for \$2.36 million, Dakota County Justice Zone Pilot Program for \$500,000, Juvenile Mentoring Project Grants for \$50,000, Dodge/Filmore/Olmsted Sex Offender Caseload Reduction Pilot Project for \$300,000, and Pre-design for a joint Public Safety and Corrections headquarters building for \$1 million.
- The budget base is increased by \$134,000 for small increases in documented space or rental rates for field offices and central office.
- The budget base is increased by \$18 million for compensation inflation as allowed at 3% each year for salaries department-wide.
- Base funding of \$420,000 is transferred from the Department of Public Safety for statewide probation system components.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a net reduction in biennial funding of \$3.983 million below the agency base level, which includes the following initiatives:

- A reduction of \$18.436 million to implement a Per Diem Reduction Plan for adult facilities.
- An increase of \$3 million for facility cost efficiency improvements.
- A reallocation of \$175,000 within the base level of the Health Services activity to prioritize health care services for inmates.
- An increase of \$13.67 million to maintain correctional services in the community, including:
 - \$2 million to provide additional funding for statewide probation caseload/workload reduction.
 - \$1.5 million for additional state agents and grants to counties for intensive supervision of dangerous offenders.
 - \$1.4 million to expand performance accountability and technical assistance for community services programs around the state.
 - \$2 million for sex offender treatment and transitional funding.
 - \$3.77 to maintain county probation officer reimbursement at the statutory 50% level.

Agency: CORRECTIONS DEPT

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent
<u>Non-Dedicated Revenue:</u>									
Departmental Earnings:									
GENERAL	0	0	0	13,510	9,635	13,937	13,779	23,414	
CAMBRIDGE DEPOSIT FUND	8,651	9,397	8,226	0	0	0	0	(17,623)	(100.0%)
Grants:									
GENERAL	43	48	41	41	41	41	41	(7)	(7.9%)
Other Revenues:									
GENERAL	56	104	30	29	29	29	29	(76)	(56.7%)
Taxes:									
GENERAL	158	199	196	196	196	196	196	(3)	(0.8%)
Total Non-Dedicated Receipts	8,908	9,748	8,493	13,776	9,901	14,203	14,045	5,705	31.3%
<u>Dedicated Receipts:</u>									
Departmental Earnings (Inter-Agency):									
CORRECTIONAL INDUSTRIES	18,616	19,035	23,000	24,500	24,500	26,000	26,000	8,465	20.1%
Departmental Earnings:									
SPECIAL REVENUE	6,576	7,512	10,444	10,401	10,593	10,506	10,859	3,496	19.5%
CORRECTIONAL INDUSTRIES	547	774	660	910	910	1,000	1,000	476	33.2%
Grants:									
GENERAL	115	146	933	111	111	111	111	(857)	(79.4%)
SPECIAL REVENUE	51	142	60	60	60	60	60	(82)	(40.6%)
FEDERAL	9,065	9,257	12,283	13,547	13,547	6,790	6,790	(1,203)	(5.6%)
Other Revenues:									
SPECIAL REVENUE	3,107	3,605	3,690	3,818	3,818	3,911	3,911	434	5.9%
MISCELLANEOUS AGENCY	12,335	13,074	14,750	15,013	15,013	15,237	15,237	2,426	8.7%
GIFT	15	18	31	28	28	27	27	6	12.2%
CORRECTIONAL INDUSTRIES	276	362	339	530	530	535	535	364	51.9%
Other Sources:									
SPECIAL REVENUE	0	9	25	17	17	17	17	0	0.0%
MISCELLANEOUS AGENCY	7,778	8,197	8,011	8,090	8,090	8,169	8,169	51	0.3%
Total Dedicated Receipts	58,481	62,131	74,226	77,025	77,217	72,363	72,716	13,576	10.0%
Agency Total Revenues	67,389	71,879	82,719	90,801	87,118	86,566	86,761	19,281	12.5%

CORRECTIONS DEPT – FEDERAL FUNDS SUMMARY

The explanations below pertain to the Federal Funds Summary table on the following page.

16.572 State Criminal Alien Assistance Program is to assist states in funding incarceration costs of inmates determined to be illegal aliens by the U.S. Immigration and Naturalization Service. Revenues are projected at the state FY 1999 level; the actual amount to be received is not known until late each fiscal year.

16.586 Violent Offender Incarceration - Truth in Sentencing program is intended to help state and local governments expand their capacity to house violent offenders. Up to 15% of the funds can be sub-granted to local units of government and up to 10% of later awards can be used for drug testing. \$7.6 million has been allocated to Minnesota Correctional Facility-Lino Lakes for an administrative segregation unit, \$1.5 million has been sub-granted to Anoka County for an expansion of their medium-security adult correctional center, \$13.1 million will be used towards a high security administrative control unit at Minnesota Correctional Facility-Oak Park Heights, \$.6 million has been allocated for drug testing purposes, and \$4.8 million is proposed for an administrative segregation unit at Minnesota Correctional Facility-Stillwater.

84.002 The Adult Basic Education program provides offenders the opportunity to learn how to read and master the curriculum taught in kindergarten to twelfth grade. The main focus of the program is to help offenders who did not graduate from high school to earn a GED.

85.225 The Literacy for Incarcerated Adults program was a three-year grant from the Office of Vocational and Adult Education in the Department of Education which ended 11-30-2000. The grant provided funding for a demonstration project at MCF-Faribault in which offenders earned industry certification and/or licenses during their incarceration. Upon release, ex-offenders were provided support in the community to secure and retain jobs directly related to training.

CORRECTIONS DEPT – FEDERAL FUNDS SUMMARY (Continued)

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
10.553/5 National School Breakfast/Lunch	576	SO	303	310	312	314
16.523 Juvenile Accountability & Incentive Block	23	SO	273	224	19	0
16.540 Juvenile Justice & Delinquency Prevention	0	SO	39	60	60	60
16.572 State Criminal Alien Assistance	2,219	SO	2,219	2,297	2,297	2,297
16.579 State/Local Narcotic Control	7	SO	211	497	286	286
16.580 Natl. Criminal History Improvement Program	120	SO	396	224	80	0
16.586 Violent Offender Incarceration/T.I.S.	500	GPS	4,497	7,258	9,185	2,598
16.591 Sex Offender Management	0	SO	0	98	91	0
16.593 Residential Substance Abuse	211	SO	367	514	469	484
16.710 Community Oriented Policing	0	SO	0	56	0	0
84.002 Adult Basic Education	1,224	SO	216	258	258	258
84.009 Children with Disabilities	150	SO	15	15	15	15
84.013 Title 1 Neglected & Delinquent	0	SO	225	217	220	223
84.048 Vocational Education (Perkins)	0	SO	17	17	17	17
84.255 Literacy For Incarcerated Adults	0	GPS	358	165	165	165
84.331 Post-Secondary Education	200	GPS	121	73	73	73
Agency Total	5,230		9,257	12,283	13,547	6,790

KEY: SO - State Operations GPS - Grants to Political Subdivisions GI - Grants to Individuals

INFORMATION TECHNOLOGY CHANGE ITEM (46054)

Agency: **CORRECTIONS DEPT**
 IT Change Item: **CRIMNET**

ITEM DESCRIPTION AND PURPOSE:

The Department of Corrections (DOC) is a part of the Criminal Justice Information Policy Group, which is responsible for coordinating all public safety information systems. The collaboration is among local, state and national organizations. State criminal justice agencies include the Minnesota Supreme Court, Department of Public Safety, Sentencing Guidelines Commission, Department of Administration, Department of Finance and the Department of Corrections.

This budget change item is a part of the collaborative CriMNet request for the continuation of the state's role in developing and implementing the criminal justice information enterprise view. This effort is to ensure state information requirements and standards are created, maintained and followed by local jurisdictions. To ensure these state standards are met, the enterprise view also focuses on connectivity between criminal justice disciplines (law enforcement, courts, corrections) at the local level.

The DOC's component of the CriMNet request is to ensure the Department of Corrections Operations Management System (COMS) and the Statewide Supervision System (SSS) conform to the CriMNet architectural models. As the DOC is currently in the process of developing COMS and the SSS, the first two years of this funding will focus on developing enhancements to these systems and ensuring local connectivity conforms to statewide standards. As the COMS and SSS systems are completed next year, the continued funding request will be used for ongoing maintenance of the COMS system, which includes maintenance of the SSS.

FUNDING: (Dollars in Thousands)

Funding Distribution	2002-03 Biennium		2004-05 Biennium		2006-07 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personnel	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Hardware	50	200	80	230	225	225
Software	50	110	50	80	100	100
Facilities	0	0	0	0	0	0
Services	130	420	100	420	420	420
Training	20	20	20	20	25	25
Grants	500	0	500	0	0	0
Total	750	750	750	750	770	770

Funding for the FY 2002-03 biennium will be used to develop components of four projects as part of DOC's CriMNet efforts. In subsequent biennia this funding will be used to support and maintain the COMS and SSS, and to meet enterprise

model standards as they evolve. The SSS costs will cover SSS's connections to other CriMNet projects and maintenance of the new components being added to the SSS, such as the sentencing guidelines worksheet, out-of-home placement and electronic probation file transfer.

RATIONALE:

Minnesota's interest in centralizing supervision and corrections information is for the greater public safety. Any criminal justice professional will be able to access the SSS to find out if the offender they are dealing with is or has been under supervision anywhere in Minnesota. These projects are part of the agency's Electronic Government (EG) services efforts.

Funding this budget request will allow the department to provide law enforcement and other criminal justice professionals with accurate, timely and complete information on offenders under supervision and incarcerated. It will also ensure coordination and compatibility with all other justice databases being developed and with Department of Administration standards and guidelines.

This initiative will also meet the department goals of:

Operational Effectiveness - will reduce redundancy of local and state systems collecting information on offenders under supervision.

Community Safety - will increase the safety of police officers on the streets by providing them with timely, accurate and complete information on suspects who are under supervision in Minnesota.

These projects are identified in the DOC Strategic Information Resource Management Plan (SIRMP). Results of the SSS will be measured against the target and vision target of the agency's "Improve/standardize data systems and practices" outcome in the agency's Strategic Plan.

The SSS is an interactive web-based site for anyone under supervision in Minnesota (pre-trial supervision, probation, supervised release, jails, workhouses, juvenile detention centers, and prisons). Through collaboration with the Minnesota Sentencing Guidelines Commission, the system also includes a sentencing guidelines worksheet data entry component for probation officers. The state repository of this information has been prototyped for probation, detention and the sentencing guidelines worksheet project. The next phases will be to populate this system nightly from over 90 different probation systems and 240 jail facilities, and then to make the data entry components, guidelines worksheet and detention information accessible statewide.

During the FY 2000-01 biennium, the legislature funded \$800,000 in grants to local probation and detention facilities, with a 50% matching requirement, to complete extracts from their existing systems to the SSS. The requests for both probation and detention grants were nearly twice the amount available. The local grants will be used to allow local agencies/facilities to provide data to the SSS and to support agencies/facilities moving to standard operational systems.

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PROGRAM SUMMARY

Program: CORRECTIONAL INSTITUTIONS
Agency: CORRECTIONS DEPT

PROGRAM PROFILE:

The Adult Facilities Division includes the operation of eight adult facilities plus the department-wide coordination and supervision of institution chemical dependency, education, and industry programming, inmate health care, and other support services. The facilities serve a dual purpose by protecting the community through incarceration of the offender and by providing industrial, vocational, academic, and therapeutic opportunities for inmates that maximize the probability that they will return to the community as law-abiding citizens. The mission of the facilities is to provide a safe, secure, and humane environment for staff and inmates while offering various program opportunities.

The primary program driver of this division is the number of offenders who are committed to the commissioner of corrections to serve their state prison sentences. The inmate population has grown significantly since 1989 and projections indicate that this trend continues into the foreseeable future with additional beds needed beyond capacity beginning in FY 2006.

Following is the prison bed need based on the February 2001 inmate population projections prepared by the Department of Corrections and the Minnesota Sentencing Guidelines Commission.

	<u>July 2001</u>	<u>July 2003</u>	<u>July 2005</u>	<u>Increase (2001-2005)</u>	
Adult male beds	5,963	6,361	6,769	806	14%
Adult female beds	377	410	435	58	15%
Total	6,340	6,771	7,204	864	14%

Minnesota Laws 2000, Chapter 488, Article 7, Section 1, directs the commissioner of corrections to develop a uniform method to calculate the average department-wide per diem cost of incarcerating offenders at state adult correctional facilities. The total agency per diem for FY 2000 based on the new legislation is \$95.98. The per diem figures in the following adult correctional institution budget activity narratives are for the facility operating per diems only (not including capital costs).

STRATEGIES AND PERFORMANCE:

- Developed an inmate per diem reduction plan that will move the department out of the "top five" in the nation, as determined by the Corrections Yearbook Report, by July 2001.

- Opened the first Level Four custody prison in the state at Rush City.
- Continued to refine managed health care for offenders.
- MINNCOR (prison industry) remains on track to be self-sufficient by the end of 2002.
- Firmly established transitional centers (offender pre-release programs) at Faribault, Lino Lakes, and Moose Lake.
- Started to implement the use of a Risk Assessment Tool (LSI-R) in identifying offender risk factors.
- Opened the expanded DOC infirmary and mental health units at Oak Park Heights for inmates system-wide.
- Implemented a 10% surcharge on incoming money to offenders.

FINANCING INFORMATION:

	<u>FY 2000-01</u>	<u>FY 2002-03</u>	
	<u>(\$000s)</u>	<u>Expenditures/Budget</u>	<u>Base Budget</u>
Salary	\$324,809	60%	\$359,899
Non-Salary	212,904	40%	237,781
Total	\$537,713	100%	\$597,680

BUDGET ISSUES:

The budget plan deals with the division program drivers that include prison population growth and inmate programming, which keeps inmates occupied and creates opportunities for those offenders who are inclined to make positive changes in their lives.

The challenge in this division is to continue cost-containment measures while planning and programming for a continuous increase in the adult inmate population. Base adjustments are included for salaries and benefits of employees and for costs of projected prison bed expansions.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends base funding levels as requested in the agency budget, except for the following adjustments: a biennial reduction of \$18.436 million to implement a Per Diem Reduction Plan for adult facilities, a biennial increase of \$3 million for facility cost efficiency investments, and a reallocation of \$175,000 under the Health Services activity to prioritize health care services for inmates.

Program: CORRECTIONAL INSTITUTIONS
 Agency: CORRECTIONS DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
MCF-FARIBAULT	28,550	29,471	30,787	30,590	30,590	31,178	31,178	1,510	2.5%
MCF-LINO LAKES	37,589	37,307	36,580	35,616	35,616	36,331	36,331	(1,940)	(2.6%)
MCF-SHAKOPEE	12,371	12,748	14,073	14,142	14,142	14,439	14,439	1,760	6.6%
MCF-WILLOW RIVER	3,050	2,752	2,998	2,980	2,980	3,045	3,045	275	4.8%
MCF-MOOSE LAKE	23,630	23,613	26,024	25,407	25,407	25,888	25,888	1,658	3.3%
MCF-STILLWATER	35,161	34,262	37,293	39,676	39,676	40,408	40,408	8,529	11.9%
MCF-ST CLOUD	27,771	27,055	28,323	28,438	28,438	29,104	29,104	2,164	3.9%
MCF-OAK PARK HEIGHTS	19,146	18,288	26,308	26,191	26,191	20,147	20,147	1,742	3.9%
MCF-RUSH CITY	302	9,301	20,743	20,777	20,777	21,455	21,455	12,188	40.6%
CAMP RIPLEY	1,353	112	0	0	0	0	0	(112)	(100.0%)
HEALTH SERVICES	20,569	21,912	29,983	28,044	28,044	28,365	28,365	4,514	8.7%
EDUCATION	602	272	545	402	402	406	406	(9)	(1.1%)
INSTITUTION SUPPORT SERV	30,093	29,039	38,036	43,483	38,046	51,168	41,169	12,140	18.1%
Total Expenditures	240,187	246,132	291,693	295,746	290,309	301,934	291,935	44,419	8.3%
Change Items:									
(P) ADULT FACILITY COST REDUCTIONS	GEN				(6,937)			(11,499)	
(P) ADULT FACILITY COST EFFICIENCY	GEN				1,500			1,500	
INVESTMNT									
(B) PRIORITIZATION OF HEALTH CARE SERVICES	GEN				(175)				
(B) PRIORITIZATION OF HEALTH CARE SERVICES	GEN				175				
Total Change Items					(5,437)			(9,999)	
Financing by Fund:									
Direct Appropriations:									
GENERAL	190,281	197,179	229,948	231,202	225,765	241,146	231,147		
SPECIAL REVENUE	0	784	785	932	932	785	785		
Statutory Appropriations:									
GENERAL	68	77	80	76	76	76	76		
SPECIAL REVENUE	4,174	3,124	5,905	5,574	5,574	5,596	5,596		
FEDERAL	7,446	4,811	12,737	12,299	12,299	5,824	5,824		
MISCELLANEOUS AGENCY	18,948	21,023	21,998	22,217	22,217	22,523	22,523		
GIFT	12	7	37	23	23	23	23		
CORRECTIONAL INDUSTRIES	19,258	19,127	20,203	23,423	23,423	25,961	25,961		
Total Financing	240,187	246,132	291,693	295,746	290,309	301,934	291,935		

Program: CORRECTIONAL INSTITUTIONS

Agency: CORRECTIONS DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
<u>FTE by Employment Type:</u>							
FULL TIME	2,679.1	2,755.6	3,093.3	3,103.7	3,103.7	3,121.5	3,121.5
PART-TIME, SEASONAL, LABOR SER	71.0	64.4	9.7	9.6	9.6	9.6	9.6
OVERTIME PAY	61.8	53.3	26.5	26.5	26.5	26.5	26.5
Total Full-Time Equivalent	2,811.9	2,873.3	3,129.5	3,139.8	3,139.8	3,157.6	3,157.6

BUDGET CHANGE ITEM (48207)

Program: CORRECTIONAL INSTITUTIONS
 Agency: CORRECTIONS DEPT

Item Title: ADULT FACILITY COST REDUCTIONS

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$(6,937)	\$(11,499)	\$(11,499)	\$(11,499)
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <u> </u> No <u> X </u>				
If yes, statute(s) affected:				
<u> </u> New Activity <u> X </u> Supplemental Funding <u> </u> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a budget reduction of \$18.436 million for adult facilities operated by the Department of Corrections (DOC). This recommendation is based in part on the department's Per Diem Reduction Plan, which itemizes cost-reduction initiatives that can be reasonably undertaken while maintaining the safety and security of the institutions. The Governor has used a portion of these cost savings to fund initiatives for improving programs for offenders in the community under the Community Services program in this budget.

RATIONALE:

The legislature decreased the DOC's base funding for adult facilities in FY 2000-01 by nearly \$6 million. The current administration and the legislature have encouraged further cost reduction efforts while maintaining offender staff and public safety.

As a result, the DOC completed a thorough review of the Adult Facilities Division in FY 2001 and set a goal in the agency's strategic plan to ensure Minnesota moves out of the five states in the nation that spend the most on prisons per inmate and, long term, out of the top 10 (Corrections Yearbook rankings). To accomplish these goals, the DOC contracted with consultants to review Adult Facilities Division efforts. The consultants recommended 38 action

items to reduce per diems. The main findings of the consultants were: a) populations at existing facilities could be safely increased at marginal costs; and b) current facility staffing levels could accommodate more inmates.

A departmental Per Diem Reduction Committee reviewed 38 recommendations made by the consultants and accepted 35 of them. The Committee's Per Diem Reduction Plan was finalized in October 2000. The plan includes the following initiatives for implementation:

Growth: Over the next biennium the DOC will add nearly 500 beds within existing facilities at reduced marginal costs. This effort will exhaust the possibility of any future bed expansions at existing facilities without additional capital funding and full ongoing operational costs.

Agency-wide and facility initiatives: An extensive review of agency health care, food service, education and MINNCOR Industries was completed. In addition, each facility thoroughly examined their operations. As a result, several program reduction efforts were identified and over 180 staff positions will be left unfilled over the next biennium. As the DOC's inmate population continues to grow, these unfilled positions will be shifted to cover the marginal costs identified in the growth areas. In essence, the DOC inmate population will grow into the current budget. Other facility initiatives include reductions in management staff and eliminating programs that are not cost-effective.

The main focus of the Per Diem Reduction Plan is to ensure safety and security at each institution. This plan pays special attention to core corrections activities. Programs that were identified as not cost-effective will be restructured or eliminated, ensuring the agency is fiscally conservative and prudent. The plan also identifies continued cost saving reviews and initiatives, such as the use of savings for fences, electronics and locks that decrease future operational costs.

FINANCING:

This recommendation reduces base funding for Correctional Institutions by \$18.436 million for the biennium.

As part of the state revenue and expenditure forecast and in the biennial budget base adjustment process, the Department of Finance recognizes cost increases for projected prison population increases based on current projections and costs. Based on population projections and cost information provided by the DOC and the Minnesota Sentencing Guidelines Commission, the base adjustment included in the biennial budget is \$16.3 million. Through the cost reduction efforts recommended under this initiative, DOC will be able to forgo the amount of the base adjustment plus a little more for the FY 2002-03 biennium. It is anticipated that current DOC staffing levels will accommodate projected inmate population increases through the end of FY 2003. As the inmate population continues to

BUDGET CHANGE ITEM (48207) (Continued)

Program: CORRECTIONAL INSTITUTIONS

Agency: CORRECTIONS DEPT

Item Title: ADULT FACILITY COST REDUCTIONS

grow in future biennia, or as changes are made to increase prison populations above those currently forecast for the FY 2002-03 biennium, this initiative assumes that increased caseload funding will be required.

OUTCOMES:

To meet the Governor's plan to efficiently deliver services, the Per Diem Reduction Plan focuses on cost reduction efforts that decrease the adult institution per diems while maintaining public and staff safety and institutional security.

This reduction will drop the DOC's current adult inmate per diem of \$87.00 by nearly \$10 in the first year; ultimately, the plan is to reduce the per diem to under \$69.00 in FY 2001 dollars. As a result, the department will achieve the agency strategic plan goal to remove Minnesota from the top five states in the nation for prison spending per inmate and, ultimately, out from the top 10 (Corrections Yearbook rankings).

Additionally, this funding reduction frees up additional resources for initiatives meeting the Governor's goal of "Healthy and Vital Communities." Funding recommendations under the Community Services program deal with offenders in the community, transitioning offenders back into the community, and expanding offender treatment options.

The main goal of the DOC's Per Diem Reduction Plan is to focus on safety/security of institutions while balancing cost reductions. Changes made from the Per Diem Reduction Plan that increase staffing levels or reduce the number of inmates at facilities will raise per diems and not allow the DOC to achieve its goal.

The per diem reduction plan should yield cost savings throughout the correctional system. The target per diem by the end of FY 2003 resulting from these measures, including all health care costs, are listed, by facility.

<i>Facility</i>	<i>Total Target Per Diem</i>
Faribault	\$67.75
Lino Lakes	\$73.84
Shakopee	\$85.49
Willow River	\$85.46
Moose Lake	\$59.24
Stillwater	\$72.51
St. Cloud	\$88.20
Oak Park Heights	\$116.61
Rush City	\$73.75

BUDGET CHANGE ITEM (46046)

Program: CORRECTIONAL INSTITUTIONS
Agency: CORRECTIONS DEPT

Item Title: FACILITY COST EFFICIENCY INVESTMENTS

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,500	\$1,500	\$1,500	\$1,500
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected: M.S.				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$3 million for cost efficiency projects to ensure that the facility per diem reduction goals of the Department of Corrections are accomplished. Any further cost savings incurred in the budgets for Correctional Institutions in the FY 2002-03 biennium could be used to supplement this amount.

RATIONALE:

These cost efficiency efforts are a critical component of the DOC Per Diem Reduction Plan for FY 2002-03 and into the future. This plan has identified six projects in three areas to achieve facility cost reductions.

- Electronic locks: By retrofitting an electronic locking system at level three (medium custody) facilities, the department can reduce the number of staff on the first watch by approximately 12 posts, equating to 21 positions. Other correctional facilities, such as the Hennepin Home School, now use this type of electronic lock system to help control inmates and costs. The estimated costs of this effort are \$6 million.
- Perimeter fencing and electronics: By installing electronics on the wall at Stillwater and erecting a perimeter fence, with electronics, inside the St.

Cloud facility wall, the department can eliminate less efficient tower posts/positions. The estimated costs of these efforts are \$5 million.

- Technology enhancements: The department is continuing to review additional technology enhancements to improve efficiency and reduce costs. Those efforts and their costs are being identified.

These projects are estimated to cost at least \$11 million over the next few years. If all are completed, the payback in operational savings will occur in less than eight years.

FINANCING:

\$3 million would be appropriated for the FY 2002-03 biennium to fund the first phase of the cost efficiency projects. It is expected that the department's Per Diem Reduction Plan will generate additional savings that, with legislative approval, may also be used to fund these initiatives. This funding would continue in the base for the next biennium since the projects will not all be completed in the FY 2002-03 biennium. The department will continue to identify cost efficiencies in the future.

OUTCOMES:

These cost efficiency projects will help to make the DOC more accountable, responsible and limited. Through the funding of this budget request, the department will be able to identify and implement technical and physical plant initiatives which will continue to reduce facility per diems. The Per Diem Reduction Plan, which contains the cost effectiveness projects, will be used to measure the department's progress towards reaching its goal.

This initiative will also meet the department goals of:

- "Operational Effectiveness" - this budget initiative is a key part of the department's Per Diem Reduction Plan, which meets the department's outcome of "reduce costs of correctional services" and achieves the vision goal of getting Minnesota out of the top ten states in per diem costs.
- "Community Safety" - the cost efficiency projects will not only save costs but also will increase the effectiveness of staff, resulting in increased safety and security for staff and inmates within the facilities.

BUDGET ACTIVITY SUMMARY

Budget Activity: MCF-FARIBAULT
Program: CORRECTIONAL INSTITUTIONS
Agency: CORRECTIONS DEPT

ACTIVITY PROFILE:

The Minnesota Correctional Facility-Faribault (MCF-FRB) is a Level 3 (medium custody) facility for adult male offenders. The facility also has a unit that houses Level 1 and 2 (minimum custody) inmates. The facility encompasses approximately 140 acres with 44 buildings consisting of 1,026,092 square feet. The current operating bed capacity is 1,065 offenders, which includes 136 beds in a minimum-security unit. One-and-a-half miles of double fence with razor ribbon and electronic alarm systems encloses 70 acres for Level 3 offenders and an additional half-mile of fencing encloses the minimum-custody unit. During FY 2002, operating capacity for medium custody will increase by 60 beds and total operating capacity will be 1,125.

STRATEGIES AND PERFORMANCE:

The mission of the MCF-FRB is to protect the public while maintaining a safe, secure, humane environment for adult male offenders and employees. Offenders productively participate in a seven-hour, five day per week assignment. Programs include industry, education, alcohol and other drug treatment, and essential institution support services. An Institutional Community Work Crew from the Level 1 and 2 units provides services to local communities and non-profit agencies. On average, 97% of offenders are involved in full-time assignments. Offenders leaving the MCF-FRB transition to other minimum custody units and community work crews, statewide work release programs and/or are released to the community. The DOC is continuing efforts to reduce per diems through initiatives identified in the per diem reduction plan. The target per diem reduction for MCF-FRB as the end of the biennium as a result of these measures is \$55.67.

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Average daily population	975	1,062	1,051	1,125	1,125
Average daily cost	\$67.59	\$63.84	\$66.15	\$62.25	\$63.66

FINANCING INFORMATION:

(\$000s)	FY 2000-01		FY 2002-03	
	Expenditures/Budget	Base Budget		
Salary	\$38,492	64%	\$41,624	67%
Non-Salary	21,766	36%	20,144	33%
Total	\$60,258	100%	\$61,768	100%

Revenues: Dedicated revenues are received from provision of utilities to the Minnesota State Academies, space rental for the Rice County Sheriff's Department, meal sales to employees and visitors, 10% cost-of-confinement fees on all incoming offender personal funds, offender medical co-pay, and other miscellaneous receipts. Social Welfare accounts generate interest, which is used to maintain quality of life for offenders. Phone commissions are also used to provide recreational and quality of life items to offenders.

BUDGET ISSUES:

The MCF-FRB has been in an expansion mode for the last two biennia. The facility plans to add 60 beds in FY 2002 without adding additional staff

Activity: MCF-FARIBAULT
 Program: CORRECTIONAL INSTITUTIONS
 Agency: CORRECTIONS DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	18,227	18,502	19,990	20,516	20,516	21,108	21,108	3,132	8.1%
OTHER OPERATING EXPENSES	7,241	7,430	7,738	7,120	7,120	7,116	7,116	(932)	(6.1%)
Subtotal State Operations	25,468	25,932	27,728	27,636	27,636	28,224	28,224	2,200	4.1%
CAPITAL OUTLAY & REAL PROPERTY	132	115	60	0	0	0	0	(175)	(100.0%)
PAYMENTS TO INDIVIDUALS	2,869	3,330	2,999	2,954	2,954	2,954	2,954	(421)	(6.7%)
LOCAL ASSISTANCE	81	94	0	0	0	0	0	(94)	(100.0%)
Total Expenditures	28,550	29,471	30,787	30,590	30,590	31,178	31,178	1,510	2.5%
Financing by Fund:									
Direct Appropriations:									
GENERAL	23,544	24,651	25,703	25,848	25,848	26,429	26,429		
Statutory Appropriations:									
SPECIAL REVENUE	336	237	251	253	253	253	253		
FEDERAL	1,062	387	879	749	749	749	749		
MISCELLANEOUS AGENCY	3,608	4,196	3,954	3,740	3,740	3,747	3,747		
Total Financing	28,550	29,471	30,787	30,590	30,590	31,178	31,178		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	289	274	309	309	309	309	309		
FEDERAL	927	924	749	749	749	749	749		
MISCELLANEOUS AGENCY	3,711	4,293	3,783	3,783	3,783	3,790	3,790		
Nondedicated									
GENERAL	31	30	30	30	30	30	30		
Total Revenues Collected	4,958	5,521	4,871	4,871	4,871	4,878	4,878		
FTE by Employment Type:									
FULL TIME	350.2	345.0	359.6	358.6	358.6	358.6	358.6		
PART-TIME, SEASONAL, LABOR SER	3.0	2.4	0.6	0.5	0.5	0.5	0.5		
OVERTIME PAY	9.4	8.4	8.3	8.3	8.3	8.3	8.3		
Total Full-Time Equivalent	362.6	355.8	368.5	367.4	367.4	367.4	367.4		

BUDGET ACTIVITY SUMMARY

Budget Activity: MCF-LINO LAKES
Program: CORRECTIONAL INSTITUTIONS
Agency: CORRECTIONS DEPT

ACTIVITY PROFILE:

The Minnesota Correctional Facility-Lino Lakes (MCF-LL) is the second largest state-operated correctional facility in Minnesota. It is a Level 1 minimum and Level 3 medium-security facility for adult male felons transferred from other state correctional facilities. Additionally, the MCF-LL serves as the Department of Corrections intake facility for release violators. The MCF-LL provides a safe, secure, and controlled environment for staff and offenders.

The facility was constructed in 1963 and operated as a juvenile facility until 1978, when it was converted to a medium-security adult facility.

To meet the growing demand for more therapeutic programming for offenders, the department constructed a 240-bed chemical dependency living unit which made the MCF-LL the primary therapeutic center for offenders requiring chemical dependency and transitional sex offender treatment. A significant portion of the industry program was transferred to other correctional facilities. A 42-bed segregation unit was constructed in the former industry building, which has minimized the transporting of inmates to segregation units at other facilities. A portion of this same building was demolished and reconstructed to serve as a 160-bed secure housing unit for release violators during intake processing, inmates who need disciplinary confinement, and those who are unable to function within the general population.

These changes, along with modifications resulting in additional double bunking of inmates as per diem reduction initiatives, increased the capacity of the MCF-LL from 480 inmates at the beginning of the 1994-95 biennium to 1,177 inmates during the 2002-03 biennium.

STRATEGIES AND PERFORMANCE:

The MCF-LL has expanded to meet the need for more prison beds and plans to reduce its per diem accordingly. As the inmate population has grown, the MCF-LL has also developed program options for inmates to reduce idleness. Planning continues related to reducing per diems, while maintaining staff and inmate safety and the security of the facility. The target per diem for MCF-LL at the end of the biennium as a result of these measures is \$62.91.

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Average daily population	1,001	1,017	1,067	1,177	1,177
Average daily cost	\$75.62	\$73.84	\$74.21	\$68.86	\$70.51

FINANCING INFORMATION:

(\$000s)	FY 2000-01		FY 2002-03	
	Expenditures/Budget	Base Budget		
Salary	\$47,411	64%	\$50,668	70%
Non-Salary	26,476	36%	21,259	30%
Total	\$73,887	100%	\$71,927	100%

Revenue: This activity generates dedicated special revenue from Anoka County reimbursements for services provided to that entity, employee meal receipts, aid to victims of crime, Institution Community Work Crew projects, agency indirect costs, inmate health care co-payments and inmate cost-of-confinement receipts. Dedicated agency funds reflect inmate banking and canteen activities at the facility.

BUDGET ISSUES:

The budget plan reflects a concerted effort to operate this facility as safely and efficiently as possible and provides funding for maintenance of operations. The base level budget is critical to the operation of this facility.

Activity: MCF-LINO LAKES
 Program: CORRECTIONAL INSTITUTIONS
 Agency: CORRECTIONS DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	23,211	23,104	24,307	24,980	24,980	25,708	25,708	3,277	6.9%
OTHER OPERATING EXPENSES	7,987	7,430	8,307	7,247	7,247	7,234	7,234	(1,256)	(8.0%)
Subtotal State Operations	31,198	30,534	32,614	32,227	32,227	32,942	32,942	2,021	3.2%
CAPITAL OUTLAY & REAL PROPERTY	3,685	3,529	577	0	0	0	0	(4,106)	(100.0%)
PAYMENTS TO INDIVIDUALS	2,706	3,225	3,389	3,389	3,389	3,389	3,389	164	2.5%
LOCAL ASSISTANCE	0	19	0	0	0	0	0	(19)	(100.0%)
Total Expenditures	37,589	37,307	36,580	35,616	35,616	36,331	36,331	(1,940)	(2.6%)
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	28,336	27,726	30,005	29,798	29,798	30,505	30,505		
Statutory Appropriations:									
SPECIAL REVENUE	1,437	1,722	1,404	1,230	1,230	1,236	1,236		
FEDERAL	4,424	3,594	1,149	566	566	568	568		
MISCELLANEOUS AGENCY	3,388	4,261	4,020	4,020	4,020	4,020	4,020		
GIFT	4	4	2	2	2	2	2		
Total Financing	37,589	37,307	36,580	35,616	35,616	36,331	36,331		
<u>Revenue Collected:</u>									
Dedicated									
SPECIAL REVENUE	1,274	1,763	1,553	1,472	1,472	1,478	1,478		
FEDERAL	4,397	3,952	1,017	440	440	440	440		
MISCELLANEOUS AGENCY	3,532	4,013	4,062	4,062	4,062	4,062	4,062		
GIFT	1	2	3	2	2	2	2		
Nondedicated									
GENERAL	24	16	26	25	25	25	25		
Total Revenues Collected	9,228	9,746	6,661	6,001	6,001	6,007	6,007		
<u>FTE by Employment Type:</u>									
FULL TIME	453.6	440.7	463.4	463.3	463.3	463.3	463.3		
PART-TIME, SEASONAL, LABOR SER	3.8	3.8	0.0	0.0	0.0	0.0	0.0		
OVERTIME PAY	10.6	8.1	4.3	4.3	4.3	4.3	4.3		
Total Full-Time Equivalent	468.0	452.6	467.7	467.6	467.6	467.6	467.6		

BUDGET ACTIVITY SUMMARY

Budget Activity: MCF-SHAKEPEE
Program: CORRECTIONAL INSTITUTIONS
Agency: CORRECTIONS DEPT

ACTIVITY PROFILE:

The Minnesota Correctional Facility-Shakopee (MCF-SHK) exists to provide a safe, secure, and humane environment for adult female offenders. The mission of the institution is to protect the public while providing a variety of programs for the offenders. The facility houses adult women felons convicted by the courts and sentenced to more than one year. As of 6-30-00, the population had grown to 346 offenders. Of those, 32.7% were under the age of 30 and 74% had dependents.

Institution activities provide academic and vocational education, specialized programming, and industry and work support programs. Academic education includes adult basic education and literacy instruction. Vocational programs include electronic office skills and horticulture. Extensive specialized programming is offered in chemical dependency, sex offender treatment, parent/family issues, personal development skills, critical thinking skills, anger management, victim empathy, and pre-release training.

STRATEGIES AND PERFORMANCE:

Emphasis is placed on parenting, education, and relapse prevention through the institution's parenting/family program, the education program, the chemical health program, and the institution's commitment to restorative justice. The primary focus of the parenting program is to help mothers restructure and preserve the family unit during their incarceration while providing them with parenting skills.

The education program offers a variety of services including individualized programs and community resources. Approximately one-third of the offenders have less than a high school diploma or GED. During the quarter ending 6-30-00, offenders earned 10 GED certificates and in the last year, two offenders completed Associate of Arts degrees.

The chemical health program is also important to MCF-SHK. An average of 32 offenders participate in Addiction Service classes each quarter. With the assistance of a Residential Substance Abuse Treatment (RSAT) grant, a long-term program began in August 2000 that includes 16 offenders. In addition, about 10 offenders per quarter participate in the Sex Offender program.

Two examples of the facility's Restorative Justice program are the Canine Companions for Independence (CCI) program in which six to eight offenders train dogs for use in this national program and the Each One Teach One

program in which offenders with various skills share those skills on a one-to-one basis with other offenders.

The MCF-SHK is currently built to house a total capacity of 353 offenders. To meet the needs of the growing population long term, a double-bunking project was completed in FY 1999, which added 48 beds. The 1997 legislature authorized \$4.6 million in capital funds for a 62-bed expansion which is now in use. The facility's short-term plan includes converting seven flex beds to permanent beds and adding an additional 40 permanent beds in FY 2001. The Independent Living Center closed this year for remodeling; bed capacity will increase from 24 to 48 beds when it reopens in FY 2003. A future request for capital funds will be considered to build the other half of the new unit recently completed, adding 62 beds.

The DOC is continuing efforts to reduce per diems through initiatives identified in the per diem reduction plan. The target per diem for MCF-SHK at the end of the biennium as a result of these measures is \$73.78.

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Average daily population	279	315	344	391	415
Average daily cost	\$106.29	\$98.83	\$97.12	\$86.77	\$83.07

FINANCING INFORMATION:

(\$000s)	FY 2000-01		FY 2002-03	
	Expenditures/Budget	Base Budget		
Salary	\$19,279	72%	\$21,081	74%
Non-Salary	7,542	28%	7,500	26%
Total	\$26,821	100%	\$28,581	100%

Grants: Local assistance consists of educational grants which provide educational services to inmates.

Revenue: This activity generates dedicated special revenue from employee meal receipts, 10% cost-of-confinement fee on all incoming offender personal funds, offender medical co-pay and other minor miscellaneous receipts as well as federal funding. Dedicated agency funds reflect inmate banking and canteen activities at the facility.

Expenditures: The agency budget plan provides for the maintenance of operations through the preservation of corrections services. As security is always the number one priority, it also takes the biggest share of the budget.

BUDGET ISSUES:

The major budget issue is providing for the population growth while maintaining a high level of security at still decreasing per diems. Base budget funding is critical to the operation of this facility.

Activity: MCF-SHAKOPEE
 Program: CORRECTIONAL INSTITUTIONS
 Agency: CORRECTIONS DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	8,735	9,218	10,061	10,390	10,390	10,691	10,691	1,802	9.3%
OTHER OPERATING EXPENSES	2,697	2,608	3,086	2,786	2,786	2,782	2,782	(126)	(2.2%)
Subtotal State Operations	11,432	11,826	13,147	13,176	13,176	13,473	13,473	1,676	6.7%
PAYMENTS TO INDIVIDUALS	906	866	877	917	917	917	917	91	5.2%
LOCAL ASSISTANCE	33	56	49	49	49	49	49	(7)	(6.7%)
Total Expenditures	12,371	12,748	14,073	14,142	14,142	14,439	14,439	1,760	6.6%
Financing by Fund:									
Direct Appropriations:									
GENERAL	10,971	11,369	12,499	12,412	12,412	12,704	12,704		
SPECIAL REVENUE	0	48	49	49	49	49	49		
Statutory Appropriations:									
SPECIAL REVENUE	166	20	20	20	20	20	20		
FEDERAL	90	47	207	257	257	262	262		
MISCELLANEOUS AGENCY	1,144	1,263	1,290	1,396	1,396	1,396	1,396		
GIFT	0	1	8	8	8	8	8		
Total Financing	12,371	12,748	14,073	14,142	14,142	14,439	14,439		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	62	110	161	153	153	153	153		
FEDERAL	80	51	127	129	129	131	131		
MISCELLANEOUS AGENCY	1,126	1,210	1,309	1,354	1,354	1,354	1,354		
GIFT	4	4	8	8	8	8	8		
Nondedicated									
GENERAL	12	13	14	14	14	14	14		
Total Revenues Collected	1,284	1,388	1,619	1,658	1,658	1,660	1,660		
FTE by Employment Type:									
FULL TIME	167.3	172.3	190.9	191.9	191.9	191.9	191.9		
PART-TIME, SEASONAL, LABOR SER	3.3	4.5	2.2	2.2	2.2	2.2	2.2		
OVERTIME PAY	4.0	3.0	1.6	1.6	1.6	1.6	1.6		
Total Full-Time Equivalent	174.6	179.8	194.7	195.7	195.7	195.7	195.7		

BUDGET ACTIVITY SUMMARY

Budget Activity: MCF-WILLOW RIVER
Program: CORRECTIONAL INSTITUTIONS
Agency: CORRECTIONS DEPT

ACTIVITY PROFILE:

The Minnesota Correctional Facility – Willow River operates Phase 1 of the Challenge Incarcerated Program (CIP), an intensive, highly structured, and disciplined program for non-violent, chemically dependent or chemically abusive offenders. There is an elevated level of offender accountability and control, specifically designed to prepare the offender for successful reintegration into society. Through culturally-sensitive chemical dependency programs, along with academic and cognitive skills training, this program is structured to promote the offender's self-worth and self-discipline and to develop positive work habits. The program also has a rigorous physical training schedule.

The capacity of this program is 90 (80 men and 10 women). The offenders participate in the incarceration phase at Willow River for a minimum of six months. If successful, they graduate to Phases II and III in the community.

STRATEGIES AND PERFORMANCE:

This program offers excellent values for offenders to use when released into society. CIP continues to aid the department by reducing bed needs in other facilities.

The DOC is continuing efforts to reduce per diems through initiatives identified in the per diem reduction plan. The target per diem for MCF-WR at the end of the biennium as a result of these measures is \$75.75

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Women	6	6	8	10	10
Men	69	68	72	80	80
Average daily population	75	74	80	90	90
Average daily cost	\$103.27	\$101.48	\$98.29	\$82.29	\$91.27

FINANCING INFORMATION:

(\$000s)	FY 2000-01		FY 2002-03	
	Expenditures/Budget	Base Budget		
Salary	\$4,191	73%	\$4,493	75%
Non-Salary	1,559	27%	1,532	25%
Total	\$5,750	100%	\$6,025	100%

Revenue: This activity generates dedicated special revenue from employee meal receipts, vocational work projects, and offender health care co-payments. Dedicated agency funds reflect offender banking and canteen activities, which have been centralized at the Minnesota Correctional Facility – Moose Lake.

BUDGET ISSUES:

CIP has a maximum capacity of 90. The base level funding will meet the needs of the current estimated population of 90.

Activity: MCF-WILLOW RIVER
 Program: CORRECTIONAL INSTITUTIONS
 Agency: CORRECTIONS DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	1,991	2,048	2,143	2,207	2,207	2,286	2,286	302	7.2%
OTHER OPERATING EXPENSES	960	637	785	703	703	689	689	(30)	(2.1%)
Subtotal State Operations	2,951	2,685	2,928	2,910	2,910	2,975	2,975	272	4.8%
PAYMENTS TO INDIVIDUALS	99	67	70	70	70	70	70	3	2.2%
Total Expenditures	3,050	2,752	2,998	2,980	2,980	3,045	3,045	275	4.8%
Financing by Fund:									
Direct Appropriations:									
GENERAL	3,012	2,747	2,981	2,958	2,958	3,023	3,023		
Statutory Appropriations:									
SPECIAL REVENUE	6	4	17	22	22	22	22		
FEDERAL	0	1	0	0	0	0	0		
MISCELLANEOUS AGENCY	32	0	0	0	0	0	0		
Total Financing	3,050	2,752	2,998	2,980	2,980	3,045	3,045		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	21	10	29	29	29	29	29		
Nondedicated									
GENERAL	1	1	1	1	1	1	1		
Total Revenues Collected	22	11	30	30	30	30	30		
FTE by Employment Type:									
FULL TIME	37.0	35.7	36.5	36.5	36.5	36.5	36.5		
PART-TIME, SEASONAL, LABOR SER	0.0	0.2	0.0	0.0	0.0	0.0	0.0		
OVERTIME PAY	1.7	1.8	1.2	1.2	1.2	1.2	1.2		
Total Full-Time Equivalent	38.7	37.7	37.7	37.7	37.7	37.7	37.7		

BUDGET ACTIVITY SUMMARY

Budget Activity: MCF-MOOSE LAKE
Program: CORRECTIONAL INSTITUTIONS
Agency: CORRECTIONS DEPT

ACTIVITY PROFILE:

The primary purpose of the Minnesota Correctional Facility-Moose Lake (MCF-ML) is to maintain a safe, secure, and humane environment for adult male medium-security offenders. The secondary purpose is to provide a variety of programs including vocational education, academic, literacy, living skills (such as parenting, critical thinking, anger management, and vocational and academic education), and industry.

Offenders participate in vocational programming (building maintenance and care, horticulture, and barbering); industry (MINNCOR) production (print shop, garment-making, lures, pallets, and woodshop); or are placed in support services such as food services, maintenance, and yard/work crew.

This correctional facility is focused on creating an environment where offenders are able to pursue positive change. When offenders return to the community with increased academic, vocational, interpersonal, and social skills, they are in a better position to achieve a self-sufficient, productive law-abiding lifestyle, thereby helping to make communities safer.

STRATEGIES AND PERFORMANCE:

The MCF-ML has recently transferred the sex offender treatment program to the MCF-LL in an effort to gain cost efficiencies. The MCF-ML has created additional offender programming to reduce idleness. An additional living unit for approximately 80 offenders opened in February 2000, which was the last step in conversion from the Regional Treatment Center. Many of the facility's single rooms have been converted to doubles, as well as doubles to triples and day rooms to dorm rooms. Staff schedules have changed and continue to be reviewed to create efficiencies in the number of staff needed and to minimize overtime.

These actions have all been accomplished to lower the facility's per diem while maintaining a safe and secure environment. The target per diem for MCF-ML at the end of the biennium as a result of these measures is \$49.47.

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Average daily population	737	800	857	1,024	1,024
Average daily cost	\$73.25	\$67.77	\$65.96	\$55.77	\$57.05

FINANCING INFORMATION:

(\$000s)	FY 2000-01	FY 2002-03	
	Expenditures/Budget	Base Budget	
Salary	\$31,536	64%	\$34,418
Non-Salary	18,101	36%	16,877
Total	\$49,637	100%	\$51,295
			100%

Grants: Local assistance consists of educational grants to local education agencies, providing education services to inmates.

Revenue: This activity generates dedicated special revenue from employee meal receipts, aid to victims of crime assessments, vocational work projects, agency indirect costs, 10% cost-of-confinement fee on all incoming offender personal funds, and offender health care co-payments. Federal revenue is generated from the Criminal Alien Assistance grant. Dedicated agency funds reflect offender banking and canteen activities at the Minnesota Correctional Facility – Moose Lake.

BUDGET ISSUES:

The base level is essential to the operation of this facility.

Activity: MCF-MOOSE LAKE
 Program: CORRECTIONAL INSTITUTIONS
 Agency: CORRECTIONS DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	14,012	15,283	16,253	16,962	16,962	17,456	17,456	2,882	9.1%
OTHER OPERATING EXPENSES	6,012	5,676	6,963	5,669	5,669	5,656	5,656	(1,314)	(10.4%)
Subtotal State Operations	20,024	20,959	23,216	22,631	22,631	23,112	23,112	1,568	3.5%
CAPITAL OUTLAY & REAL PROPERTY	1,046	218	32	0	0	0	0	(250)	(100.0%)
PAYMENTS TO INDIVIDUALS	2,560	2,390	2,734	2,734	2,734	2,734	2,734	344	6.7%
LOCAL ASSISTANCE	0	46	42	42	42	42	42	(4)	(4.5%)
Total Expenditures	23,630	23,613	26,024	25,407	25,407	25,888	25,888	1,658	3.3%
Financing by Fund:									
Direct Appropriations:									
GENERAL	20,070	20,178	21,862	21,247	21,247	21,728	21,728		
Statutory Appropriations:									
SPECIAL REVENUE	65	17	37	37	37	37	37		
FEDERAL	315	58	361	359	359	359	359		
MISCELLANEOUS AGENCY	3,180	3,359	3,763	3,763	3,763	3,763	3,763		
GIFT	0	1	1	1	1	1	1		
Total Financing	23,630	23,613	26,024	25,407	25,407	25,888	25,888		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	97	92	120	120	120	120	120		
FEDERAL	276	266	276	276	276	276	276		
MISCELLANEOUS AGENCY	3,296	3,143	3,918	3,918	3,918	3,918	3,918		
GIFT	0	1	1	1	1	1	1		
Nondedicated									
GENERAL	20	16	13	13	13	13	13		
Total Revenues Collected	3,689	3,518	4,328	4,328	4,328	4,328	4,328	4,328	4,328
FTE by Employment Type:									
FULL TIME	265.9	285.1	309.0	309.0	309.0	309.0	309.0		
PART-TIME, SEASONAL, LABOR SER	5.5	5.0	0.7	0.7	0.7	0.7	0.7		
OVERTIME PAY	9.6	9.4	3.5	3.5	3.5	3.5	3.5		
Total Full-Time Equivalent	281.0	299.5	313.2	313.2	313.2	313.2	313.2	313.2	313.2

BUDGET ACTIVITY SUMMARY

Budget Activity: MCF-STILLWATER
Program: CORRECTIONAL INSTITUTIONS
Agency: CORRECTIONS DEPT

ACTIVITY PROFILE:

The primary goal of the Minnesota Correctional Facility-Stillwater (MCF-STW) is to protect the public by confining adult male offenders in a safe, secure, and humane environment. Secondary goals include providing academic and vocational education, therapeutic programs, and employment for offenders to better prepare them to return to the community as contributing, law-abiding citizens; sound fiscal management that works towards cost reductions; efficient plant operations; and reduction of inmate per diems.

The MCF-STW is the department's largest correctional facility and houses convicted male felons. It is classified as Level 5, providing close custody controlled movement of offenders. There are 22 acres within the secured perimeter and over 61 buildings totaling 1.2 million square feet. There are 467 staff positions of which 323 are uniform security staff who cover 24-hour, seven-days-a-week security assignments.

STRATEGIES AND PERFORMANCE:

- **Safety and Security:** 1) Initiated several years ago, controlled movement of small groups of offenders provides manageable control of offenders and increased safety for staff; 2) assigned seating in the dining area has greatly increased security and control and provided a deterrence to offender predatory behavior; 3) continual improvements in closed circuit camera surveillance and phone monitoring; and 4) continuous monitoring of incompatibilities between offenders. These programs provide deterrents against inappropriate offender behavior.
- **Academic, vocational, therapeutic and work programming:** Programs include education classes from basic education through post-secondary; vocational classes under contract with Century College; Computers for Schools; chemical dependency programming; critical thinking, anger management, changing lifestyles, grief-loss groups, religious programming and parenting classes; and MINNCOR industrial work providing work skills and enrichment opportunities in metal fabrication, upholstery, furniture and other related products. Maintenance programs are also available to offenders in plumbing, electrical, and related areas.
- **Fiscal Management:** As a continual effort to reduce per diem costs, the MCF-STW and MCF-OPH have combined finance and staff development departments resulting in standardization of forms, services, and delivery systems.

The DOC is continuing efforts to reduce per diems through initiatives identified in the per diem reduction plan. The target per diem for MCF-STW at the end of the biennium as a result of these measures is \$60.12.

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Average daily population	1,263	1,281	1,282	1,293	1,293
Average daily cost	\$66.36	\$65.04	\$67.17	\$67.60	\$68.66

Revenue: This activity generates employee meal receipts, canteen proceeds, telephone commissions, 10% cost-of-confinement fees on incoming offender personal funds, and offender medical co-pay.

FINANCING INFORMATION:

(\$000s)	FY 2000-01		FY 2002-03	
	Expenditures/Budget	Base Budget		
Salary	\$47,768	67%	\$51,289	64%
Non-Salary	23,787	33%	28,795	36%
Total	\$71,555	100%	\$80,084	100%

BUDGET ISSUES:

Base level funding is essential to continuing operations of this facility.

Activity: MCF-STILLWATER
 Program: CORRECTIONAL INSTITUTIONS
 Agency: CORRECTIONS DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	23,607	23,201	24,567	25,277	25,277	26,012	26,012	3,521	7.4%
OTHER OPERATING EXPENSES	8,002	7,582	9,423	8,677	8,677	8,674	8,674	346	2.0%
Subtotal State Operations	31,609	30,783	33,990	33,954	33,954	34,686	34,686	3,867	6.0%
CAPITAL OUTLAY & REAL PROPERTY	247	0	0	2,419	2,419	2,419	2,419	4,838	
PAYMENTS TO INDIVIDUALS	3,287	3,419	3,276	3,276	3,276	3,276	3,276	(143)	(2.1%)
LOCAL ASSISTANCE	18	60	27	27	27	27	27	(33)	(37.9%)
Total Expenditures	35,161	34,262	37,293	39,676	39,676	40,408	40,408	8,529	11.9%
Financing by Fund:									
Direct Appropriations:									
GENERAL	30,264	29,796	32,110	32,116	32,116	32,848	32,848		
SPECIAL REVENUE	0	0	6	0	0	0	0		
Statutory Appropriations:									
SPECIAL REVENUE	217	100	83	50	50	50	50		
FEDERAL	484	125	531	2,950	2,950	2,950	2,950		
MISCELLANEOUS AGENCY	4,196	4,241	4,550	4,558	4,558	4,558	4,558		
GIFT	0	0	13	2	2	2	2		
Total Financing	35,161	34,262	37,293	39,676	39,676	40,408	40,408		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	226	501	198	198	198	198	198		
FEDERAL	420	405	420	2,839	2,839	2,839	2,839		
MISCELLANEOUS AGENCY	3,978	4,176	4,525	4,525	4,525	4,525	4,525		
GIFT	0	3	3	3	3	3	3		
Nondedicated									
GENERAL	35	41	47	47	47	47	47		
Total Revenues Collected	4,659	5,126	5,193	7,612	7,612	7,612	7,612		
FTE by Employment Type:									
FULL TIME	453.1	428.8	461.8	461.8	461.8	461.8	461.8		
PART-TIME, SEASONAL, LABOR SER	7.6	3.6	0.0	0.0	0.0	0.0	0.0		
OVERTIME PAY	8.2	5.9	2.7	2.7	2.7	2.7	2.7		
Total Full-Time Equivalent	468.9	438.3	464.5	464.5	464.5	464.5	464.5		

BUDGET ACTIVITY SUMMARY

Budget Activity: MCF-ST CLOUD
Program: CORRECTIONAL INSTITUTIONS
Agency: CORRECTIONS DEPT

ACTIVITY PROFILE:

The Minnesota Correctional Facility-St. Cloud (MCF-SCL) is a Level 5 institution and the Department of Corrections intake center for all adult male offenders, excluding release violators without new sentences. Offenders are processed through an intake area and placed in a separate living unit where assessments are done including health, education, alcohol and other drugs, predatory sex offender, and psychological.

The facility's primary mission is to protect the public through incarceration of offenders in a safe and secure manner. This mission is accomplished by assisting the offender in reducing risk factors that lead to recidivism. The assessment process utilized at the facility provides a method for appropriate program and institutional placements, maximizing the use of state correctional resources. The facility also provides programming for offenders not immediately transferred to other state correctional facilities including education, vocational, and treatment programming. In addition, MCF-SCL facility houses the close-custody male population under the age of 21. This includes juveniles certified as adults. Special programming has been developed to meet the unique needs of this group of offenders.

STRATEGIES AND PERFORMANCE:

Through the direct provision of assessment services to offenders, the facility is able to identify offender needs and direct appropriate institutional program placements. Assessment services create the following results:

- A program plan for each offender that addresses the offender's program needs.
- An identification of the risk level of each offender during incarceration and upon release.
- A "package" of data on each offender for research planning and future program planning.
- A program plan that makes the best use of scarce correctional resources.

The DOC is continuing efforts to reduce per diems through initiatives identified in the per diem reduction plan. The target per diem for MCF-SCL as a result of these measures is \$74.95.

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Average daily population	753	770	771	821	821
Average daily cost	\$86.69	\$86.49	\$88.81	\$85.53	\$87.01

FINANCING INFORMATION:

(\$000s)	FY 2000-01		FY 2002-03	
	Expenditures/Budget	Base Budget	Expenditures/Budget	Base Budget
Salary	\$42,980	78%	\$45,590	79%
Non-Salary	12,398	22%	11,952	21%
Total	\$55,378	100%	\$57,542	100%

Grants: Local assistance consists of post secondary education grants.

Revenue: This activity generates dedicated special revenue from employee meal receipts, aid to victims of crime assessments, vocational work projects, agency indirect costs, 10% cost-of-confinement fees on incoming offender personal funds, and inmate health care co-payments. Federal revenue is generated from the Child Nutrition and Criminal Alien Assistance Grants. Dedicated agency funds reflect inmate banking and canteen activities at the facility.

BUDGET ISSUES:

Base level funding is essential to the continuing operation of this facility.

Activity: MCF-ST CLOUD
 Program: CORRECTIONAL INSTITUTIONS
 Agency: CORRECTIONS DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	20,238	21,165	21,815	22,456	22,456	23,134	23,134	2,610	6.1%
OTHER OPERATING EXPENSES	5,468	4,144	5,005	4,479	4,479	4,467	4,467	(203)	(2.2%)
Subtotal State Operations	25,706	25,309	26,820	26,935	26,935	27,601	27,601	2,407	4.6%
CAPITAL OUTLAY & REAL PROPERTY	357	67	80	80	80	80	80	13	8.8%
PAYMENTS TO INDIVIDUALS	1,708	1,661	1,411	1,411	1,411	1,411	1,411	(250)	(8.1%)
LOCAL ASSISTANCE	0	18	12	12	12	12	12	(6)	(20.0%)
Total Expenditures	27,771	27,055	28,323	28,438	28,438	29,104	29,104	2,164	3.9%
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	24,482	24,109	25,545	25,666	25,666	26,325	26,325		
Statutory Appropriations:									
SPECIAL REVENUE	252	165	56	56	56	56	56		
FEDERAL	689	318	669	663	663	670	670		
MISCELLANEOUS AGENCY	2,348	2,462	2,051	2,051	2,051	2,051	2,051		
GIFT	0	1	2	2	2	2	2		
Total Financing	27,771	27,055	28,323	28,438	28,438	29,104	29,104		
<u>Revenue Collected:</u>									
Dedicated									
SPECIAL REVENUE	95	201	170	170	170	170	170		
FEDERAL	511	481	501	501	501	501	501		
MISCELLANEOUS AGENCY	2,387	2,366	2,066	2,066	2,066	2,066	2,066		
GIFT	1	2	2	2	2	2	2		
Nondedicated									
GENERAL	40	49	33	33	33	33	33		
Total Revenues Collected	3,034	3,099	2,772	2,772	2,772	2,772	2,772		
<u>FTE by Employment Type:</u>									
FULL TIME	373.4	379.0	386.3	386.3	386.3	386.3	386.3		
PART-TIME, SEASONAL, LABOR SER	2.5	1.0	0.0	0.0	0.0	0.0	0.0		
OVERTIME PAY	5.1	4.0	0.9	0.9	0.9	0.9	0.9		
Total Full-Time Equivalent	381.0	384.0	387.2	387.2	387.2	387.2	387.2		

BUDGET ACTIVITY SUMMARY

Budget Activity: MCF-OAK PARK HEIGHTS
Program: CORRECTIONAL INSTITUTIONS
Agency: CORRECTIONS DEPT

ACTIVITY PROFILE:

The MCF-Oak Park Heights (MCF-OPH) is the state's only maximum high-security (Level 6) adult male correctional facility. The facility is designed to receive inmates from adult male correctional facilities who are classified as maximum custody or who present risks to the public, including those convicted of serious person offenses, high escape risks and dangerous or serious management cases. Program services are provided for offenders in education, mental health, and work experiences under close supervision within a highly structured environment. The overall facility program is designed to encourage offender participation through incentive-based programming and maximize the number of difficult-to-manage offenders involved in constructive program assignments, thereby reducing the frequency, scope and seriousness of potential incidents. This facility houses over 95% person offenders, of whom nearly 30% are serving life sentences. Although the facility does include a 52-bed segregation unit and two 52-bed special housing units, it is unique for maximum security in that over half of the offenders are programmed out of their cells 15 hours a day, seven days a week. The legislature has also approved funding for planning and pre-design of a 60-bed administrative/control unit.

STRATEGIES AND PERFORMANCE:

- The facility's education program is provided through a combination of employees and contracted services. The program offers full-time and part-time educational programs with instruction in literacy, basic education, GED, and some college-level courses. The offender education and programming emphasizes change in behavior and attitudes by incorporating anger management, commitment to change, critical thinking skills and parenting into the curriculum.
- The primary focus of the two 52-bed special housing units (SHUs) is to house inmates who are awaiting positive programming placement, offenders who refuse to accept work or education assignments, and transition and segregation status inmates.
- The mental health unit provides inpatient psychiatric care for offenders from throughout the department. This 46-bed unit services offenders who volunteer for treatment, are on emergency hold status, and those who have been committed by the court. Psychiatrists, psychologists, and therapists provide services.
- Physicians, registered nurses, dentists, and other medical professionals provide inpatient and outpatient health care services. The Transitional Care Unit has an inpatient capacity of 39 beds and provides 24-hour-a-day nursing care.

- The goal of the industry unit is to become self-supporting, to provide a cost-effective work experience, and to reduce idleness by maintaining constructive offender assignments.

The DOC is continuing efforts to reduce per diems through initiatives identified in the per diem reduction plan. The target per diem for MCF-OPH at the end of the biennium as a result of these measures is \$102.14.

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Average daily population	373	334	383	392	452
Average daily cost	\$124.78	\$139.69	\$127.71	\$127.11	\$112.34

FINANCING INFORMATION:

(\$000s)	FY 2000-01		FY 2002-03	
	Expenditures/Budget	Base Budget	Expenditures/Budget	Base Budget
Salary	\$28,931	65%	\$31,157	67%
Non-Salary	15,665	35%	15,181	33%
Total	\$44,596	100%	\$46,338	100%

Revenue: This activity generates employee meal receipts, canteen proceeds, telephone commissions, 10% cost-of-confinement fees on incoming offender personal funds, and offender medical co-pay.

BUDGET ISSUES:

MCF-OPH will continue to manage safe and efficient operations. The base level funding is critical to the operation of this facility.

Activity: MCF-OAK PARK HEIGHTS
 Program: CORRECTIONAL INSTITUTIONS
 Agency: CORRECTIONS DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	14,054	14,001	14,930	15,355	15,355	15,802	15,802	2,226	7.7%
OTHER OPERATING EXPENSES	4,005	3,149	3,973	3,431	3,431	3,429	3,429	(262)	(3.7%)
Subtotal State Operations	18,059	17,150	18,903	18,786	18,786	19,231	19,231	1,964	5.4%
CAPITAL OUTLAY & REAL PROPERTY	122	285	6,489	6,489	6,489	0	0	(285)	(4.2%)
PAYMENTS TO INDIVIDUALS	939	853	916	916	916	916	916	63	3.6%
LOCAL ASSISTANCE	26	0	0	0	0	0	0	0	0
Total Expenditures	19,146	18,288	26,308	26,191	26,191	20,147	20,147	1,742	3.9%
Financing by Fund:									
Direct Appropriations:									
GENERAL	17,597	16,893	18,326	18,212	18,212	18,657	18,657		
SPECIAL REVENUE	0	50	50	50	50	50	50		
Statutory Appropriations:									
SPECIAL REVENUE	309	126	139	139	139	139	139		
FEDERAL	180	203	6,634	6,634	6,634	145	145		
MISCELLANEOUS AGENCY	1,052	1,016	1,151	1,151	1,151	1,151	1,151		
GIFT	8	0	8	5	5	5	5		
Total Financing	19,146	18,288	26,308	26,191	26,191	20,147	20,147		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	1,338	1,171	1,216	1,216	1,216	1,216	1,216		
FEDERAL	138	302	6,627	6,627	6,627	138	138		
MISCELLANEOUS AGENCY	1,108	990	1,111	1,111	1,111	1,111	1,111		
GIFT	0	1	5	5	5	5	5		
Nondedicated									
GENERAL	8	7	5	5	5	5	5		
Total Revenues Collected	2,592	2,471	8,964	8,964	8,964	2,475	2,475		
FTE by Employment Type:									
FULL TIME	260.9	257.3	284.1	284.1	284.1	284.1	284.1		
PART-TIME, SEASONAL, LABOR SER	1.8	2.2	0.0	0.0	0.0	0.0	0.0		
OVERTIME PAY	3.9	3.8	2.5	2.5	2.5	2.5	2.5		
Total Full-Time Equivalent	266.6	263.3	286.6	286.6	286.6	286.6	286.6		

BUDGET ACTIVITY SUMMARY

Budget Activity: MCF-RUSH CITY
Program: CORRECTIONAL INSTITUTIONS
Agency: CORRECTIONS DEPT

ACTIVITY PROFILE:

The Minnesota Correctional Facility-Rush-City (MCF-RC) began receiving adult male offenders in February 2000. The population currently consists of Minnesota offenders and federal Immigration and Naturalization Services (INS) detainees. This facility provides a safe, secure, controlled environment for staff, offenders, and detainees operating as a Level 4 close-custody facility with double-bunking in all but the handicap and segregation cells. This facility is the state's only Level 4 facility and the only one to house INS detainees.

The offender/detainee population as of 7-1-2000, was 319. Plans are to house up to 380 offenders and detainees until February 2002, when this number is expected to increase to 466. By the end of FY 2003 the population is projected to be 555. This facility is not expected to reach full capacity by the end of the 2002-2003 biennium.

Programming for offenders and detainees includes Adult Basic Education, English as a Second Language and life skills training. Apprenticeship programs in building maintenance and horticulture provide offenders with the opportunity to work with staff in maintaining the interior of the facility and landscaping the grounds while obtaining job skills. As of 8-1-2000, the private partnership/industry program employed 52 offenders, five days per week on two shifts, in a light manufacturing and assembly program. When the facility is at full capacity, this program is anticipated to employ 300 offenders, seven days per week on three shifts.

STRATEGIES AND PERFORMANCE:

Housing INS detainees generates income that helps to offset the higher per diem costs of this new facility. One strategy under consideration is renting beds to house offenders from other states that are experiencing overcrowding. In an effort to lower per diems, this facility is sharing financial services with Stillwater and Lino Lakes in the areas of purchasing, payroll and accounts payable. In addition, the education director and information center supervisor positions are shared between the facilities. Initial per diems are high due to a high staff-to-offender ratio during the phase-in process of opening the facility. Continued per diem reductions will evolve as the population count increases, with a target per diem of \$62.72 upon reaching facility capacity of 989 offenders.

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Average daily population	380	415	486
Average daily cost	\$125.80	\$117.60	\$102.55

FINANCING INFORMATION:

	<u>FY 2000-01</u>		<u>FY 2002-03</u>	
	<u>(\$000s)</u>	<u>Expenditures/Budget</u>	<u>Base Budget</u>	
Salary	\$17,948	60%	\$25,500	60%
Non-Salary	12,096	40%	16,732	40%
Total	\$30,044	100%	\$42,232	100%

Revenue: This activity generates employee meal receipts, canteen proceeds, telephone commissions, 10% cost-of-confinement fees on incoming offender personal funds, and offender medical co-payments.

BUDGET ISSUES:

This budget request for base level funding will be sufficient to cover the expansion at the MCF-RC over the next biennium. FY 2001 will be the first full fiscal year of operations. The base funding level is critical to the operation of this facility.

Activity: CAMP RIPLEY
 Program: CORRECTIONAL INSTITUTIONS
 Agency: CORRECTIONS DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	1,029	112	0	0	0	0	0	(112)	(100.0%)
OTHER OPERATING EXPENSES	324	0	0	0	0	0	0	0	0
Total Expenditures	1,353	112	0	0	0	0	0	(112)	(100.0%)
Financing by Fund:									
Direct Appropriations:									
GENERAL	1,353	112	0	0	0	0	0	0	0
Total Financing	1,353	112	0	0	0	0	0	0	0
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	64	2	0	0	0	0	0	0	0
Total Revenues Collected	64	2	0	0	0	0	0	0	0
FTE by Employment Type:									
FULL TIME	21.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OVERTIME PAY	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	21.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

BUDGET ACTIVITY SUMMARY

Budget Activity: **HEALTH SERVICES**
Program: **CORRECTIONAL INSTITUTIONS**
Agency: **CORRECTIONS DEPT**

ACTIVITY PROFILE:

The Health Services Unit exists to provide medical, dental, and mental health care to the adult and juvenile inmate population. This program incorporates several components, which include:

- Operation of health services clinics at nine facilities including physician and nursing care, dental care, and mental health services.
- Operation of transitional care unit for adult male offenders.
- Operation of two inpatient mental health units with a new unit being built at the MCF-Red Wing (MCF-RW).
- Management of a comprehensive contract to provide physician and psychiatric services, inpatient and outpatient hospital care, specialty services, pharmacy services and ancillary services such as physical therapy, laboratory, and dietician services.

STRATEGIES AND PERFORMANCE:

The correctional health care delivery system continues to make progress towards a comprehensive managed care system. Offenders are receiving quality health care services in a cost-efficient manner. Offenders are receiving more care on-site resulting in less frequent off-site trips and related costs. The department's health care per diem has been reduced since the inception of a more centralized system of health care.

Nursing services in the infirmary, now known as the Transitional Care Unit (TCU), are being upgraded to provide for a higher level of acuity. This will reduce lengths of stay of offenders in community hospital settings. A new inpatient mental health unit is being built at the MCF-RW to ensure an appropriate level of mental health services for juvenile male offenders within a correctional setting.

The Mental Health Unit at the MCF-Oak Park Heights was successfully expanded resulting in comprehensive mental health services for the department's most acutely mentally ill offenders. Further, it ensures a smoother transition for the mentally ill into the general population.

However, more effort needs to be directed toward establishing policies and practices that make this program consistent with other public health care programs (MA, GAMC, MNCare). Over the next biennium, the department will evaluate initiatives to move the correctional health care delivery system in this direction.

FINANCING INFORMATION:

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Facility Per Diem	\$4.32	\$3.87	\$4.88	\$5.10	\$4.77
Central Office Per Diem	5.06	5.19	5.89	5.33	5.55
Mental Health Per Diem	.54	.61	.77	.73	.73
Health Services Per Diem	\$9.92	\$9.67	\$11.54	\$11.16	\$11.05
(\$000s)		FY 2000-01		FY 2002-03	
		Expenditures/Budget		Base Budget	
Salary	\$22,952	44%	\$26,954	48%	
Non-Salary	<u>28,943</u>	<u>56%</u>	<u>29,455</u>	<u>52%</u>	
Total	\$51,895	100%	\$55,409	100%	

BUDGET ISSUES:

The base level funding is essential to the operations of this activity.

Activity: EDUCATION
 Program: CORRECTIONAL INSTITUTIONS
 Agency: CORRECTIONS DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	163	134	194	198	198	202	202	72	22.0%
OTHER OPERATING EXPENSES	255	136	351	204	204	204	204	(79)	(16.2%)
Subtotal State Operations	418	270	545	402	402	406	406	(7)	(0.9%)
LOCAL ASSISTANCE	184	2	0	0	0	0	0	(2)	(100.0%)
Total Expenditures	602	272	545	402	402	406	406	(9)	(1.1%)
Financing by Fund:									
Direct Appropriations:									
GENERAL	400	223	524	381	381	385	385		
Statutory Appropriations:									
FEDERAL	202	49	21	21	21	21	21		
Total Financing	602	272	545	402	402	406	406		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	2	0	0	0	0	0	0	0	0
FEDERAL	605	579	565	568	568	571	571		
MISCELLANEOUS AGENCY	0	7	5	5	5	5	5		
Total Revenues Collected	607	586	570	573	573	576	576		
FTE by Employment Type:									
FULL TIME	2.0	1.5	3.0	3.0	3.0	3.0	3.0		
PART-TIME, SEASONAL, LABOR SER	0.5	0.5	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	2.5	2.0	3.0	3.0	3.0	3.0	3.0		

BUDGET ACTIVITY SUMMARY

Budget Activity: INSTITUTION SUPPORT SERV
Program: CORRECTIONAL INSTITUTIONS
Agency: CORRECTIONS DEPT

ACTIVITY PROFILE:

This activity includes the centralized coordination of support services for the adult correctional facilities including support service administration, transfer and transportation services, industry program coordination, and investigation coordination.

- Facility Support Services Administration includes:
 - Facility planning and development (new construction, renovations), policy development, compliance reviews, and inmate classification.
 - Property Risk Insurance.
 - Contract caseload management when adult inmate population exceeds state correctional facility bed capacity.
 - Religious Service Coordination.
- Transfer and Transportation Services include:
 - Coordination and transportation of inmates between correctional facilities, and new commitment transportation services from two metro counties to the department's intake facility.
 - Coordination and transportation of Minnesota inmates to and from state locations and release violators who are returned to correctional facilities.
 - Sheriffs' expense reimbursement for transporting inmates to correctional facilities.
- Industry Program (MINNCOR) coordinates the work program at the adult correctional facilities.
- Office of Special Investigations coordinates all investigative work for the department such as criminal investigations, employee misconduct, intelligence information, and staff training. Office of Special Investigations also has a law enforcement agency component responsible for the apprehension of DOC warranted fugitives.

STRATEGIES AND PERFORMANCE:

Centralized coordination of support services:

- Ensures uniformity of policy and practices.
- Ensures adequate services are provided at all facilities.
- Reduces duplication of similar services within the facilities.

FINANCING INFORMATION:

(\$000s)	FY 2000-01		FY 2002-03	
	Expenditures/Budget	Base Budget		
Salary	\$22,993	34%	\$26,705	28%
Non-Salary	44,082	66%	67,946	72%
Total	\$67,075	100%	\$94,651	100%

Grants: Local assistance consists of a grant to Washington County for the provision of legal services.

Revenue: This activity generates special dedicated revenue from agency indirect costs and aid to victims of crime assessments. Dedicated agency funds reflect collection of state and federal withholding from inmates participating in interstate MINNCOR programs. MINNCOR or correctional industries generates revenue from the sale of products and services produced by inmates at the facilities.

BUDGET ISSUES:

The overall base budget is essential to support the correctional facilities and overall department operations.

Activity: INSTITUTION SUPPORT SERV
 Program: CORRECTIONAL INSTITUTIONS
 Agency: CORRECTIONS DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Category:</u>									
State Operations									
COMPENSATION	11,063	11,293	11,700	12,953	12,816	13,752	13,752	3,575	15.5%
OTHER OPERATING EXPENSES	16,978	15,454	23,938	28,043	22,743	34,849	24,850	8,201	20.8%
Subtotal State Operations	28,041	26,747	35,638	40,996	35,559	48,601	38,602	11,776	18.9%
PAYMENTS TO INDIVIDUALS	1,961	2,240	2,323	2,412	2,412	2,492	2,492	341	7.5%
LOCAL ASSISTANCE	91	52	75	75	75	75	75	23	18.1%
Total Expenditures	30,093	29,039	38,036	43,483	38,046	51,168	41,169	12,140	18.1%
<u>Change Items:</u>									
(P) ADULT FACILITY COST REDUCTIONS	GEN				(6,937)			(11,499)	
(P) ADULT FACILITY COST EFFICIENCY INVESTMNT	GEN				1,500			1,500	
Total Change Items					(5,437)			(9,999)	
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	9,381	8,411	10,996	15,909	10,472	21,163	11,164		
SPECIAL REVENUE	0	670	680	675	675	536	536		
Statutory Appropriations:									
GENERAL	68	77	80	76	76	76	76		
SPECIAL REVENUE	1,386	725	3,829	3,283	3,283	3,315	3,315		
FEDERAL	0	29	2,230	100	100	100	100		
MISCELLANEOUS AGENCY	0	0	18	17	17	17	17		
CORRECTIONAL INDUSTRIES	19,258	19,127	20,203	23,423	23,423	25,961	25,961		
Total Financing	30,093	29,039	38,036	43,483	38,046	51,168	41,169		
<u>Revenue Collected:</u>									
Dedicated									
GENERAL	72	76	76	76	76	76	76		
SPECIAL REVENUE	1,069	641	1,058	1,288	1,288	1,372	1,372		
FEDERAL	0	29	11	100	100	100	100		
MISCELLANEOUS AGENCY	0	1	17	17	17	17	17		
CORRECTIONAL INDUSTRIES	19,439	20,171	23,999	25,940	25,940	27,535	27,535		
Nondedicated									
GENERAL	51	82	80	80	80	80	80		
Total Revenues Collected	20,631	21,000	25,241	27,501	27,501	29,180	29,180		

Activity: INSTITUTION SUPPORT SERV
 Program: CORRECTIONAL INSTITUTIONS
 Agency: CORRECTIONS DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Base	Governor Recomm.	Base	Governor Recomm.
FTE by Employment Type:							
FULL TIME	179.8	168.3	183.0	182.2	182.2	182.5	182.5
PART-TIME, SEASONAL, LABOR SER	9.0	9.0	5.0	5.0	5.0	5.0	5.0
OVERTIME PAY	3.2	2.7	0.0	0.0	0.0	0.0	0.0
Total Full-Time Equivalent	192.0	180.0	188.0	187.2	187.2	187.5	187.5

Program: JUVENILE SERVICES
 Agency: CORRECTIONS DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Activity:									
MCF-RED WING	12,198	11,829	13,778	13,131	13,131	13,426	13,426	950	3.7%
MCF-SAUK CENTRE	6,152	1,188	414	0	0	0	0	(1,602)	(100.0%)
THISTLEDEW CAMP	4,502	3,865	4,030	4,000	4,192	4,015	4,368	665	8.4%
JUVENILE SUPPORT SERVICES	1,531	609	2,434	1,885	1,885	1,899	1,899	741	24.4%
Total Expenditures	24,383	17,491	20,656	19,016	19,208	19,340	19,693	754	2.0%
Change Items:									
(B) THISTLEDEW CAMP FEE INCREASE	SR				192			353	
Total Change Items					192			353	
Financing by Fund:									
Direct Appropriations:									
GENERAL	18,435	12,406	15,569	13,984	13,984	14,283	14,283		
Statutory Appropriations:									
GENERAL	33	70	42	35	35	35	35		
SPECIAL REVENUE	4,727	3,820	3,835	3,848	4,040	3,857	4,210		
FEDERAL	702	978	987	924	924	939	939		
MISCELLANEOUS AGENCY	477	216	222	224	224	225	225		
GIFT	9	1	1	1	1	1	1		
Total Financing	24,383	17,491	20,656	19,016	19,208	19,340	19,693		
FTE by Employment Type:									
FULL TIME	297.3	215.2	247.1	248.1	248.1	248.1	248.1		
PART-TIME, SEASONAL, LABOR SER	12.6	12.5	4.9	4.9	4.9	4.9	4.9		
OVERTIME PAY	8.7	6.1	6.9	6.9	6.9	6.9	6.9		
Total Full-Time Equivalent	318.6	233.8	258.9	259.9	259.9	259.9	259.9		

BUDGET ACTIVITY SUMMARY

Budget Activity: MCF-RED WING
Program: JUVENILE SERVICES
Agency: CORRECTIONS DEPT

ACTIVITY PROFILE:

The Minnesota Correctional Facility–Red Wing (MCF-RW) provides counseling and educational services to serious and chronic male juvenile and extended juvenile jurisdiction offenders after having been determined by the juvenile court to be inappropriate candidates for community-based or local corrections. The facility has a fenced perimeter in the interest of security and public safety. The target population, serious and chronic offenders, represents those juveniles in need of intensive intervention and rehabilitation services. Typically these residents have the following profile:

- Lack the skills necessary to function successfully in the community.
- Are two or three years behind in education grade levels.
- Have special education needs.
- Lack skills to maintain employment.
- Have adopted delinquent lifestyles and engage in anti-social behavior.
- Lack leisure time, recreational and other pro-social interests and skills.
- Have mental health and/or chemical dependency issues.

STRATEGIES AND PERFORMANCE:

The primary goals of the program are to provide effective and efficient counseling and education services in order to increase the likelihood that residents will successfully adjust to community-based living. Counseling objectives are accomplished by integration of the principles and practices associated with cognitive/behavioral intervention treatment, therapeutic community and psycho-educational activities. Education objectives are accomplished by academic and vocational activities and training. Security and safety goals are accomplished by close supervision of residents, staff training, policy and procedure and a fenced perimeter at the facility.

Indicators of accomplishment of these goals and objectives include successful completion of the individual counseling and education goals as defined in individual treatment plans, successful completion of the facility's progression level program, and successful completion of the facility's furlough or transition program. Data regarding recidivism is also used as an indicator of the impact of programming. Safety and security indicators include the number of assaults by residents on staff, the number of assaults by residents on other residents, the

number of escapes, and the number of major disturbances created by groups of residents.

Average daily population

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Adult*	29	11			
Juvenile	151	135	147	189	196
Total	180	146	147	189	196

*Adults were removed from MCF-RW in March 2000

FINANCING INFORMATION:

(\$000s)	FY 2000-01		FY 2002-03	
	Expenditures/Budget	Base Budget	Expenditures/Budget	Base Budget
Salary	\$19,728	77%	\$21,672	82%
Non-Salary	5,879	23%	4,885	18%
Total	\$25,607	100%	\$26,557	100%

Revenue: This activity generates dedicated special revenues from vocational work projects. Federal revenue includes special education and child nutrition funds. Dedicated agency funds reflect resident banking and canteen activities at the facility.

Counties pay a per diem rate for juveniles admitted to the MCF-RW with the revenue deposited to the Cambridge Bank Deposit Fund as a non-dedicated receipt. Non-dedicated revenues will revert to the General Fund starting in FY 2002.

BUDGET ISSUES:

The base budget funds programming for juvenile males who are admitted to the Minnesota Correctional Facility - Red Wing.

PROGRAM SUMMARY

Program: COMMUNITY SERVICES
Agency: CORRECTIONS DEPT

PROGRAM PROFILE:

The Community Services Division provides a broad range of correctional services in the community. Some of these services are provided directly by employees of the department and some through the program's oversight of state funding through grants and subsidies. Objectives of these services are to protect the public, control the criminal behavior of offenders, assist offenders in the development of skills necessary to function in the community, and ensure compliance with standards governing operation of local correctional facilities. In order to achieve these objectives, the division manages activities in the community that are offender accountability driven. Higher levels of accountability require greater intensity of the management services provided for offenders. At the same time, the number of offenders is rising sharply, from 80,000 in 1992 to more than 122,000 at the end of 1999. The division also manages the research and evaluation unit for the department.

A combination of increased legislative mandates, higher accountability expectations, and the increasing population being supervised stretches current resources and requires improved creativity and efficiency.

- New programs such as Sentencing to Service's affordable housing for low-income families has brought the program into new areas that are addressing community needs with offender labor. Up-front funding by the legislature created a self-renewing fund that will continue to meet needs into the long-term future.
- The legislatively mandated Community Notification for Level 2 and 3 Sex Offenders has allowed the program to begin addressing long-standing community concerns about dangerous offenders in its midst. The most acute need in this area is for housing for these high visibility offenders.
- The public has an expectation that all offenders are managed with a high level of accountability. With ever-increasing numbers under supervision and high levels of accountability expected by the public, resources are strained to meet increasing caseloads and workloads.
- The state role of performance accountability is a new focus area. With more research-validated best practice information now available, the department is gearing up to provide more direction in setting of standards, performance accountability and enhancement, and technical assistance.

STRATEGIES AND PERFORMANCE:

The Community Services Division is dedicated to its current effective programs, building on the success of other researched programs, and being smarter about how existing resources are being used. The following objectives are primary focus areas:

- To provide efficient and effective management of offenders under supervision in the community that enhance public safety and reduce recidivism;
- To develop and monitor performance standards statewide and provide technical assistance to improve the quality of services;
- To provide low-cost alternatives to prison;
- To enable local facilities to free up limited jail space while continuing to ensure public safety;
- To provide innovative programs such as Intensive Community Supervision, Intensive Supervised Release, Challenge Incarceration Program - Phase 2, restorative justice, Sentencing to Service and work release;
- To develop and initiate intermediate sanctions which safely manage offenders in the community on probation and reduce reliance on more secure and expensive sanctions.

FINANCING INFORMATION:

	FY 2000-01 (\$000s)	FY 2002-03 Expenditures/Budget	FY 2002-03 Base Budget
Salary	\$40,222	19%	\$44,801
Non-Salary	23,982	12%	24,458
Local Assistance	141,791	69%	144,406
Total	\$205,955	100%	\$213,665

BUDGET ISSUES:

The base level of funding for this program is essential to the maintenance of current effective community programs, including grants and subsidies to local units of government.

PROGRAM SUMMARY (Continued)

Program: COMMUNITY SERVICES
Agency: CORRECTIONS DEPT

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the General Fund biennial appropriation for this program be increased by \$13.67 million to maintain correctional services in the community. Specific initiatives funded under this recommendation are:

- \$2 million to provide additional funding for statewide probation caseload/workload reduction.
- \$1.5 million for additional state agents and grants to counties for intensive supervision of dangerous offenders.
- \$1.4 million to expand performance accountability and technical assistance for community services programs around the state.
- \$2 million for sex offender treatment and transitional funding.
- \$3.77 million to maintain county probation officer reimbursement at the statutory 50% level.
- \$3 million to increase the Community Corrections Act subsidy for local correctional services.

The Governor also recommends a one-time reduction of \$3.717 million in Juvenile Residential Treatment Grants in FY 2002 to offset a reduction in fees counties will be charged for sending juvenile male offenders to MCF-Red Wing (change item at agency level); a reduction of \$316,000 in probation fees now collected by the state that will go to the counties who pay for the services provided; and a reallocation of funds, estimated at \$41,000 for the biennium, for the DOC to contract with other agencies for background studies on applicants to work in various juvenile facilities.

Program: COMMUNITY SERVICES
 Agency: CORRECTIONS DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Activity:</u>									
PROBATION & SUPERVISED RELEASE	11,709	12,478	15,478	15,476	15,476	15,706	15,706	3,226	11.5%
SPECIAL SUPERVISION	5,646	5,513	6,184	5,996	6,746	6,050	6,800	1,849	15.8%
COMMUNITY PROGRAMS	3,930	3,943	4,371	4,215	4,915	4,139	4,839	1,440	17.3%
SENTENCING TO SERVICE	6,245	5,951	7,213	6,841	6,841	6,924	6,924	601	4.6%
FACILITIES PLANNING & INSPECTI	1,968	2,042	2,114	2,073	2,073	2,025	2,025	(58)	(1.4%)
PASS THRU GRANTS & SUBSIDIES	66,018	65,433	73,632	70,827	71,538	70,836	77,178	9,651	6.9%
ADMINISTRATION & RESEARCH	540	568	1,173	1,258	1,258	1,290	1,290	807	46.4%
Total Expenditures	96,056	95,928	110,165	106,686	108,847	106,970	114,762	17,516	8.5%
<u>Change Items:</u>									
(A) EXTEND MCF-RED WING CHARGE REDUCTION	GEN				(3,717)				
(P) CLWL/PERFORMANCE ENHANCEMENT	GEN				800			1,200	
(B) EXPAND INTENSIVE SUPERVISED RELEASE	GEN				750			750	
(B) PERFORMANCE ACCOUNTABILITY AND TA	GEN				700			700	
(B) COUNTY PROBATION REIMBURSEMENT	GEN				1,628			2,142	
(B) INCREASE CCA SUBSIDY	GEN				1,000			2,000	
(B) SEX OFFENDER TREATMENT & REIMBURSEMENT	GEN				1,000			1,000	
Total Change Items					2,161			7,792	
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	92,077	92,021	106,019	102,697	104,858	103,241	111,033		
SPECIAL REVENUE	0	88	90	150	150	150	150		
Statutory Appropriations:									
GENERAL	2	0	15	0	0	0	0		
SPECIAL REVENUE	2,562	2,342	2,941	3,104	3,104	3,052	3,052		
FEDERAL	899	930	640	275	275	67	67		
MISCELLANEOUS AGENCY	514	539	450	450	450	450	450		
GIFT	2	8	10	10	10	10	10		
Total Financing	96,056	95,928	110,165	106,686	108,847	106,970	114,762		
<u>FTE by Employment Type:</u>									
FULL TIME	337.2	346.9	397.5	395.8	400.8	395.8	400.8		
PART-TIME, SEASONAL, LABOR SER	20.0	17.9	10.1	10.1	10.1	10.1	10.1		
OVERTIME PAY	0.6	0.6	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	357.8	365.4	407.6	405.9	410.9	405.9	410.9		

BUDGET CHANGE ITEM (46460)

Program:	COMMUNITY SERVICES			
Agency:	CORRECTIONS DEPT			
Item Title:	CLWL/PERFORMANCE ENHANCEMENT			
	2002-03 Biennium		2004-05 Biennium	
Expenditures: (\$000s)	FY 2002	FY 2003	FY 2004	FY 2005
General Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$800	\$1,200	\$1,200	\$1,200
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <u> </u> No <u> X </u>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity	<input checked="" type="checkbox"/> Supplemental Funding	<input type="checkbox"/> Reallocation		

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$2 million be added to the Probation Caseload/Workload Reduction initiative that was begun in FY 1996 to reduce caseloads of probation officers.

RATIONALE:

Probation officers are the "eyes and ears" of the district courts. Under the authority of either the courts or the Department of Corrections, probation officers primarily conduct investigations and supervise offenders. In addition to these two core duties they also perform other tasks such as electronic monitoring, collecting restitution and victim impact investigation. In fact, the duties of a probation officer have increased from approximately 10 separate and distinct activities in the early 1980s to now close to 40 in the late 1990s. Some of the reasons for these increased duties are: greater use of probation for all ages and all offenses; sentencing guidelines; demand for greater accountability; legislative mandates; increased expectations of the judiciary; and increased involvement in the development of and participation in programming, to name just a few.

The original initiative for funding caseload/workload reduction was based on the need for an additional 579 officers statewide and for all delivery systems to supervise approximately 90,000 offenders on probation and supervised release.

After the funding provided during the past three bienniums, approximately 325 probation officers have been added statewide along with additional support staff, technology, diversion and prevention programming. However, at the same time the total number of offenders under supervision has increased to 126,000 as of 12-31-99. The funding has basically allowed correctional departments to avoid slipping any further below caseload standards and reduction of outcomes.

Recent efforts have been focused on how to make sure that the activities conducted by probation staff line up with research-validated practices. The Department of Corrections in conjunction with Community Corrections Act (CCA) jurisdictions and County Probation Officer (CPO) counties has developed an eight-point plan designed to establish minimum standards of supervision statewide. It is the intent of this department to directly tie this funding to those core standards outlined in the eight point plan. The standards are known to directly correlate with outcomes around recidivism reduction, victim restoration, and community involvement and prevention. With this initiative comes even greater responsibility placed upon the probation officer. In order to accomplish the goals of the eight-point plan it is imperative that caseload/workload (CLWL) levels be reduced. As correctional agencies are re-aligning staff activities with best practices, it is becoming more clear what the staffing needs are and how to best use existing and new staffing.

This initiative is important both because of its link to research outcomes as identified in the eight point plan and because of its link to the other budget initiatives of performance accountability and technical assistance. The recent field services survey has identified the critical need of ensuring that all correctional agencies are performing the kind of activities that work in producing articulated outcomes, and that a monitoring and technical assistance service be provided to ensure that resources are producing the intended results. It is the DOC's intent to tie any new CLWL funding to the eight-point plan. The survey pointed out that the correctional jurisdictions are motivated to meet the eight point plan standards, but can only do so if they have adequate staffing.

FINANCING:

The probation CLWL reduction subsidy is \$16,782,000 in FY 2001. Probation caseloads and all of the activity associated with them continue to rise statewide along with the demands of the courts and the legislature. The CLWL reduction effort will help keep pace with these increases. It is estimated that to continue the commitment made by the Legislature in 1996, an additional \$800,000 in FY 2002 and \$1,200,000 in FY 2003 will need to be added to the base. The new base funding for the caseload/workload reduction subsidy with these increases will be \$17,582,000 in FY 2002 and \$17,982,000 in FY 2003.

This CLWL initiative is distinct from the other funding streams (such as CPO reimbursement, CCA subsidy, and ISR agents) in that it specifically targets the

BUDGET CHANGE ITEM (46460) (Continued)

Program: COMMUNITY SERVICES

Agency: CORRECTIONS DEPT

Item Title: CLWL/PERFORMANCE ENHANCEMENT

goal of reducing the average probation officer caseload, which exceeds 100 per adult agent in many areas. It is not reasonable to expect that public safety and restorative outcomes can be reached under such pressure. This is different than CCA funding which provides funds for a wide assortment of correctional programming and not just probation officers; CPO which only accomplishes the reimbursement of probation officer salaries by 50%; and ISR agents which are designed to target the relatively small number of the highest risk offenders for highly intense supervision services.

OUTCOMES:

The DOC is in the process of collecting outcome data from counties. This will eventually serve as benchmark data which can be compared to changes in future years. Based on preliminary data so far, it appears that research validated practices are being performed in various parts of the state based on their local levels of knowledge and resources, which vary significantly. Linking the CLWL to a performance enhancement goal as identified in the eight point plan and the other budget initiative for performance accountability and technical assistance is expected to significantly improve outcomes over time.

It is anticipated that for the first year only, in combination with the performance accountability initiative, this funding can meet the following outcomes below. Additional improvements should be expected in future years.

DOC Goal: Community Safety

- Reduce recidivism by 5% each the rate of re-arrest, reconviction, and re-incarceration of released offenders for new felony offenses within three years of release.
- Reduce recidivism by 5% each the rate of re-arrest and reconviction of offenders of a new felony while under supervision.

DOC Goal: Offender Accountability

- Increase payment of restitution and victim aid by 10%.
- Increase compliance with conditions of release and court-ordered sanctions by 5%.
- Increase repair of harm caused by offenders.

DOC Goal: Shared Responsibility with the Community

- Increase community and victim roles in decision-making.
- Increase community involvement in direct offender service activities.
- Increase community volunteering with correctional activities.

DOC Goal: Operational Effectiveness

- Improve quality of correctional services.
- Maintain a diverse well-trained staff.
- Improve/standardize data systems and practices
- Increase community satisfaction with correctional services.

BUDGET ACTIVITY SUMMARY

Budget Activity: PROBATION & SUPERVISED RELEASE
Program: COMMUNITY SERVICES
Agency: CORRECTIONS DEPT

ACTIVITY PROFILE:

The probation, parole and supervised release activity exists to provide direct correctional field services in the 56 counties that are not organized under the Community Corrections Act (CCA). The unit provides adult felon services in all 56 counties and in 26 of these counties the unit also provides adult misdemeanor and juvenile services. These services include the supervision of offenders and investigation services for the courts and the department's Hearings and Release Unit. In these 56 counties, corrections agents supervise monthly caseloads of approximately 15,000 adult and juvenile offenders as of 7-1-98. Over 90% of these offenders are on court-ordered probation, with the remainder on parole or supervised release.

STRATEGIES AND PERFORMANCE:

The main goal of this activity is to assure the safety of the public through the supervision of offenders in the community and through the provision of reports to the courts. Offenders appropriately placed on probation are able to be employed and provide for themselves and their families as well as to repay victims through restitution and community work service. Following are measures of the workload and outcomes of supervision for FY 1998.

Felony Workload Statistics:

- State corrections agents supervised over 7,000 adult felon offenders in the 56 counties not in the Community Corrections Act.
- Average caseload per agent was 98 offenders.
- Average workload per agent was 164 points versus a standard of 156 points.
- Agents completed nearly 2,000 presentence investigations and nearly 700 presentence investigations were completed by contract.

Juvenile and Misdemeanor Workload Statistics:

- State corrections agents supervised nearly 2,300 juveniles and over 2,500 adult misdemeanants in 26 counties that contract with the state for these services.
- Average monthly workload for these agents was 123 versus a standard of 121 points.

Outcome Measures:

- Nearly \$1.2 million in restitution was collected from these offenders, plus another \$720,000 in fines and court costs.
- These offenders completed over 26,000 hours of community work service.
- The average cost of supervision per offender per day was \$2.05.

FINANCING INFORMATION:

(\$000s)	FY 2000-01		FY 2002-03	
	Expenditures/Budget	Base Budget	Expenditures/Budget	Base Budget
Salary	\$23,198	83%	\$25,894	83%
Non-Salary	4,630	17%	5,197	17%
Total	\$27,858	100%	\$31,091	100%

Revenue: This activity generates non-dedicated revenue from county reimbursement for juvenile probation and parole services provided by the state to contracting counties. The dedicated special revenue consists of domestic abuse assessments collected from offenders.

Prior Major Funding Initiatives: Over the last three bienniums, the caseload/workload reduction initiative has provided funding for an additional 60 corrections agents along with improving the overall technology of the unit.

BUDGET ISSUES:

Probation caseloads continue to rise along with ever increasing demands from the courts and legislature. The overall base level budget needs to be supported and structural problems addressed to avoid a reduction in the services provided to courts and the amount of supervision available for offenders.

Activity: PROBATION & SUPERVISED RELEASE
 Program: COMMUNITY SERVICES
 Agency: CORRECTIONS DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	9,829	10,694	12,504	12,760	12,760	13,134	13,134	2,696	11.6%
OTHER OPERATING EXPENSES	1,880	1,784	2,974	2,716	2,716	2,572	2,572	530	11.1%
Total Expenditures	11,709	12,478	15,478	15,476	15,476	15,706	15,706	3,226	11.5%
Financing by Fund:									
Direct Appropriations:									
GENERAL	11,702	12,478	15,177	15,306	15,306	15,644	15,644		
Statutory Appropriations:									
GENERAL	2	0	11	0	0	0	0		
SPECIAL REVENUE	5	0	64	60	60	62	62		
FEDERAL	0	0	226	110	110	0	0		
Total Financing	11,709	12,478	15,478	15,476	15,476	15,706	15,706		
Revenue Collected:									
Dedicated									
GENERAL	2	0	11	0	0	0	0		
SPECIAL REVENUE	12	57	53	53	53	53	53		
FEDERAL	0	0	226	110	110	0	0		
Nondedicated									
GENERAL	0	0	0	2,810	2,652	2,810	2,652		
CAMBRIDGE DEPOSIT FUND	2,296	2,532	2,650	0	0	0	0		
Total Revenues Collected	2,310	2,589	2,940	2,973	2,815	2,863	2,705		
FTE by Employment Type:									
FULL TIME	194.4	202.7	230.2	229.2	229.2	229.2	229.2		
PART-TIME, SEASONAL, LABOR SER	12.6	10.4	10.1	10.1	10.1	10.1	10.1		
Total Full-Time Equivalent	207.0	213.1	240.3	239.3	239.3	239.3	239.3		

BUDGET CHANGE ITEM (46070)

Budget Activity: PROBATION & SUPERVISED RELEASE

Program: COMMUNITY SERVICES

Agency: CORRECTIONS DEPT

Item Title: PROBATION FEES

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$158	\$158	\$158	\$158
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected:	M.S. 241.272, Subd. 6 (Use of Fees)			
<input checked="" type="checkbox"/> New Activity	<input type="checkbox"/> Supplemental Funding	<input type="checkbox"/> Reallocation		

GOVERNOR'S RECOMMENDATION:

The Governor recommends that M.S. 241.272 be amended to allow fees collected by Department of Corrections (DOC) agents under the authority of M.S. 244.19 (a), (3) to be retained by the county and used for correctional purposes.

RATIONALE:

During the 1999 legislative session, permissive language was passed to allow the commissioner of corrections to collect correctional fees from offenders on probation and supervised release. The language states that any fees collected under this statute would go to the General Fund. Fees collected by adult felon agents are used to support these positions. However, state agents supervising misdemeanants under the authority of M.S. 244.19 (a), (3) are totally funded by the counties through a bill back process. This initiative would require that correctional fees collected by any agent funded by county funds would go to offset the expenses incurred by the county. The restriction on the use of these funds would match that of local correctional agencies under M.S. 244.18. This initiative is being proposed to assure that the governmental agency responsible for the fiscal support of correctional services receives the benefit of any correctional fees collected.

FINANCING:

During the 1999 legislative session it was estimated that the department could collect \$350,000 in FY 2000 and \$720,000 in FY 2001 and in each year thereafter. These figures were based on the total number of adult offenders supervised by DOC agents multiplied by \$120. This number was then cut in half with the assumption that we would have around 50% success in collecting the fees from offenders. Agents under the authority of M.S. 244.19 supervise 22% of the adult offenders.

OUTCOMES:

This change item will allow funds collected by corrections agents to remain in the community and to be used for additional correctional programming.

PUBLIC SAFETY DEPT - EXECUTIVE SUMMARY (Continued)

GOVERNOR'S RECOMMENDATION:

The Governor recommends base funding levels as requested in the agency's budget except for the following adjustments:

Change Item/Fund	Biennial Total
------------------	----------------

General Fund

State Match for Federal Disaster Assistance (Also State Match Deficiency for FY2001 of \$4,400,000)	\$7,434,000
Reduce funding for Hazardous Material Teams	(\$385,000)
BCA overtime	\$400,000
DWI Enforcement	\$2,689,000
CriMNet Staff	\$1,500,000
CriMNet Integration Analysis and Options	\$3,000,000
CriMNet Suspense File	\$2,000,000
Racial Profiling Study	\$280,000
Eliminate Funding for Camp Ripley Weekend Camp	(\$1,250,000)
General Fund Total	\$15,668,000

Special Revenue Fund

Expenditures

Fee for Access to Criminal History Data	\$303,000
Special Revenue Fund Total	\$303,000

Revenues

Eliminate Automobile Theft Prevention Program Surcharge	(\$1,150,000)
Special Revenue Fund Total	(\$1,150,000)

Trunk Highway

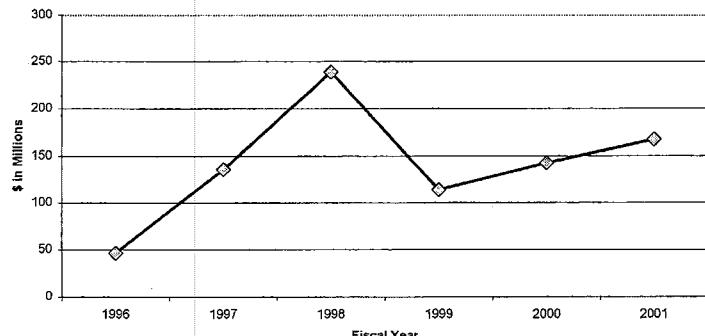
DWI Enforcement	\$715,000
Trunk Highway Total	\$715,000

These change items are outlined on the following budget brief pages as well as detailed on individual change item pages within the agency's budget.

PUBLIC SAFETY DEPT - EXECUTIVE SUMMARY (Continued)

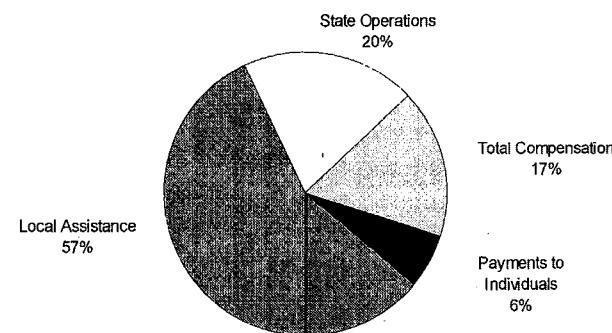
TRENDS AND PERSPECTIVE:

Total Budget - All Funds



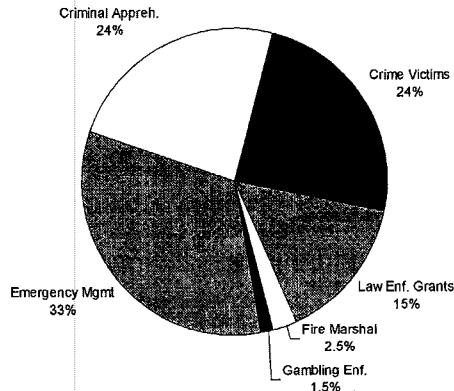
2000-01 Expenditures by Category

Total: \$314.5 Million



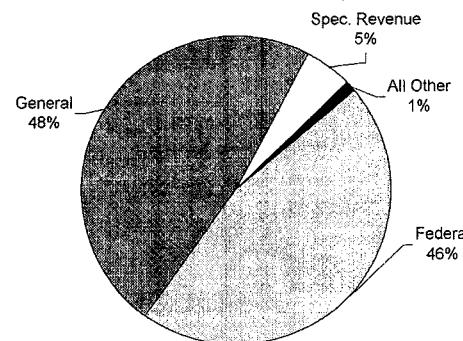
2000-01 Expenditures by Program

Total: \$314.5 Million



2000-01 Expenditures by Fund

Total: \$314.5 Million



Agency: PUBLIC SAFETY DEPT

Agency Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Program:									
EMERGENCY MANAGEMENT	52,140	61,490	41,642	9,668	13,226	9,714	13,205	(76,701)	(74.4%)
CRIMINAL APPREHENSION	27,262	26,292	48,445	34,298	40,181	34,051	39,359	4,803	6.4%
FIRE MARSHAL	4,116	3,941	4,186	4,264	4,264	4,363	4,363	500	6.2%
GAMBLING ENFORCEMENT	2,082	2,315	2,844	2,490	2,490	2,532	2,532	(137)	(2.7%)
CRIME VICTIMS SERVICES CENTER	22,331	24,929	50,154	42,675	42,675	42,709	42,709	10,301	13.7%
LAW ENFORC & COMMUNITY GRANTS	6,242	23,845	24,441	21,001	20,656	16,313	15,688	(11,942)	(24.7%)
Total Expenditures	114,173	142,812	171,712	114,396	123,492	109,682	117,856	(73,176)	(23.3%)
Financing by Fund:									
Carry Forward:									
GENERAL	166	55	38	40	40	42	42		
Direct Appropriations:									
GENERAL	51,495	52,938	94,735	72,270	80,265	72,744	80,417		
STATE GOVERNMENT SPECIAL REVENUE	8	6	8	7	7	7	7		
SPECIAL REVENUE	559	487	2,451	544	544	557	557		
TRUNK HIGHWAY	1,794	1,478	148	0	354	0	361		
ENVIRONMENTAL	43	44	46	47	47	49	49		
Statutory Appropriations:									
GENERAL	1,555	1,388	1,988	2,041	2,041	1,786	1,786		
SPECIAL REVENUE	4,070	5,193	8,295	6,688	7,435	6,412	6,552		
FEDERAL	54,470	81,223	63,979	32,753	32,753	28,078	28,078		
GIFT	13	0	24	6	6	7	7		
Total Financing	114,173	142,812	171,712	114,396	123,492	109,682	117,856		
FTE by Employment Type:									
FULL TIME	362.4	381.9	443.3	425.8	462.8	425.6	462.6		
PART-TIME, SEASONAL, LABOR SER	16.7	12.7	10.2	7.3	7.3	7.3	7.3		
OVERTIME PAY	14.3	12.4	11.5	8.1	8.1	8.1	8.1		
Total Full-Time Equivalent	393.4	407.0	465.0	441.2	478.2	441.0	478.0		

PUBLIC SAFETY DEPT - BUDGET BRIEF

Fund: GENERAL

		<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	Biennium
BASE YEAR (FY 2001)	(\$000s)				
Appropriations		\$ 84,472	\$ 84,472	\$ 168,944	
BASE ADJUSTMENT					
New programs to agency base		976	886	1,862	
One-time appropriations		(7,972)	(7,972)	(15,944)	
Documented space rental/lease inc.		24	37	61	
2002-03 salary and benefit base		532	1,083	1,615	
System development cost		(5,552)	(5,552)	(11,104)	
Transfers between agencies		(210)	(210)	(420)	
BASE LEVEL (for 2002 and 2003)		\$ 72,270	\$ 72,744	\$ 145,014	
CHANGE ITEMS					
Increased State Match for Federal Disaster Assistance	4,400	3,717	3,717	7,434	
Reduce funding for Hazardous Material Teams		(159)	(226)	(385)	
DWI Enforcement in BCA		1,332	1,357	2,689	
BCA overtime		200	200	400	
CriMNet Staff		750	750	1,500	
CriMNet Suspense File		1,000	1,000	2,000	
CriMNet Integration Analysis and Options		1,500	1,500	3,000	
Racial Profiling Study		280	0	280	
Eliminate Funding for Camp Ripley Weekend Camp		(625)	(625)	(1,250)	
GOVERNOR'S RECOMMENDATION	\$4,400	\$80,265	\$80,417	\$160,682	

BRIEF EXPLANATION OF BUDGET DECISIONS:

New program base adjustments include \$976,000 in FY 2002 and \$886,000 in FY 2003 for the new Bemidji forensic laboratory.

The following one-time appropriations were removed from the base budget for FY 2002-03 in the law enforcement and community grants program: weed and seed grants of \$150,000, Northwest community law enforcement project grant of \$50,000, Asia juvenile crime intervention grant of \$500,000, reducing rural violence grants of \$200,000, teen prostitution prevention grants of \$50,000, domestic abuse prosecution grants of \$250,000, juvenile prostitution grants of \$150,000, and multi-jurisdictional narcotic task force grants of \$150,000. A base reduction of \$817,000 was made each year to the criminal gang strike force grant

funding to bring the base funding for FY 2002-03 within current law. Current law has the grant budget for FY 2002-03 set at \$1,595,000 per year.

A one-time appropriation of \$60,000 for bomb disposal team reimbursements was removed from the base budget in the emergency management program. \$1,656,000 was removed from the base each year under the forensic science laboratory activity of the criminal apprehension program. The agency was given a one-time appropriation of \$1,656,000 in FY 2001 in the 2000 transportation bill. An appropriation for the same amount in FY 2001 from the Trunk Highway Fund was cancelled in this same bill. The funding for a portion of the laboratory costs for blood and urine analysis for DWI cases has historically been appropriated from the Trunk Highway Fund. A one-time appropriation of \$400,000 for laboratory supplies and equipment was removed from the base budget.

One-time appropriations in Katie's Law for criminal justice information improvement grants of \$1,000,000 were removed from the base budget in the criminal apprehension program. One-time appropriations of \$200,000 for BCA agent overtime and \$25,000 for court security training were removed from the base. One-time appropriation of \$75,000 for liquor law compliance check grants was removed from the base. One-time appropriations for crime victim services claim management system of \$45,000, witness pilot project for \$38,000, St. Paul victim intervention project for \$30,000, battered women study by Metro State University grant for \$40,000, women leaving prostitution grants for \$300,000, and \$1,200,000 for FY 2000 battered women shelter per diem payments were removed from the base budget.

One-time appropriations for new program areas in FY 2001 are removed from the base budget for FY 2002-03 in the following areas: fire code development and training costs of \$10,000, sex offender registration administrative costs of \$527,000, and DNA testing of predatory offenders costs of \$49,000 each year.

System development cost of \$5,552,000 in one-time appropriation for criminal justice technology infrastructure (system development costs) was removed.

There was a transfer between agencies of \$210,000 each year to the Department of Corrections from the criminal apprehension program for the statewide probation system integration with the criminal justice information system.

Salary and benefit base adjustments are included for \$532,000 in FY2002 and \$1,083 million in FY2003. Documented rent increases of \$24,000 in FY2002 and \$37,000 in FY2003 are also included.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends base funding levels as requested in the agency's budget except for the following adjustments:

PUBLIC SAFETY DEPT - BUDGET BRIEF

Fund: GENERAL (Continued)

- **Increased State Match for Federal Disaster Assistance.** The current level of appropriations of \$1.283 million per year has proved insufficient in recent years to provide the state's share of match for federal disaster assistance. The proposal is to increase this appropriation by \$3.717 million per year to \$5 million. This change will reduce the need for deficiency requests in future years. Any unused funds will be cancelled to the state General Contingent account administered by the Department of Finance. This request also includes a deficiency request for FY2001 of \$4.4 million.
- **Reduce funding for Hazardous Material Teams.** Reconfigure hazardous material/chemical assessment teams statewide to more accurately reflect the actual need for the two types of teams, reducing funding by \$385 thousand for the biennium.
- **DWI Enforcement in BCA.** The 2000 Legislature removed base funding from the Trunk Highway fund for DWI analysis, which funds 18 laboratory scientists. This initiative is to replace \$2.689 million for the biennium from the General Fund; the remaining \$715,000 (21% of total) is proposed to come from the Trunk Highway fund, since the State Patrol makes approximately 21% of DWI arrests in Minnesota in their patrolling of state trunk highways.
- **BCA overtime.** \$200,000 each year to provide funds for the Bureau of Criminal Investigation for investigations and other activities that generate the need for overtime.
- **CriMNet--Staff.** \$1.5 million to analyze, develop and maintain the CriMNet enterprise model for use in all criminal justice information systems implementation efforts, and to staff other CriMNet activities.
- **CriMNet--Integration Analysis and Options.** \$3 million to work with counties to develop cost estimates and recommendations on how best to integrate local criminal justice agency systems and data with state information; this initiative would explore options ranging along a spectrum from a centralized provision of statewide systems that all local agencies would use to decentralized, locally-designed systems that would link with the state CriMNet backbone.
- **CriMNet--Suspense File.** \$2 million to alleviate the "suspense file" problem which occurs when criminal justice information is not collected, processed, or transmitted properly, resulting in incomplete criminal history files. Funds will be used to work on eliminating records currently in suspense, and to

assist local agencies in changing their business practices to prevent inaccurate and incomplete data from being submitted.

- **Racial Profiling Study.** Provide \$280,000 in one-time funding to collect and analyze data on police stops in Minnesota.
- **Eliminate Funding for Camp Ripley Weekend Camp.** Removes \$1.25 million for the biennium in funding for this program that provides a weekend camp for at-risk youth.

PUBLIC SAFETY DEPT - BUDGET BRIEF

Fund: SPECIAL REVENUE

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennium</u>
BASE YEAR (FY 2001) (\$000s)			
Appropriations	\$ 532	\$ 532	\$ 1,064
BASE ADJUSTMENT			
2002-03 salary and benefit base	12	25	37
BASE LEVEL (for 2002 and 2003)	\$ 544	\$ 557	\$ 1,101
CHANGE ITEMS	-0-	-0-	-0-
GOVERNOR'S RECOMMENDATION	\$ 544	\$ 557	\$ 1,101

BRIEF EXPLANATION OF BUDGET DECISIONS:

The base appropriations from the Special Revenue Fund are \$99,000 for the Bureau of Criminal Apprehension (BCA) confidential account and \$433,000 for the BCA laboratory account.

Base adjustments are made for anticipated increases in wage and benefits.

GOVERNOR'S RECOMMENDATION(S):

The Governor recommends the agency's base budget.

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PUBLIC SAFETY DEPT - REVENUE SUMMARY

REVENUE SOURCES:

The Department of Public Safety (DPS) receives non-dedicated revenues, dedicated revenues and federal funds.

Non-dedicated revenue. Collected from individuals, business and local governmental agencies as taxes or assessments, business and industrial regulatory charges, service/user fees and occupational licensure charges. Deposited 3% in General Fund and 97% in Cambridge Deposit Fund. Effective July 1, 2001, the Cambridge Deposit Fund will no longer be used for the deposit of the non-dedicated receipts pledged for the repayment of the Cambridge Revenue Bonds. These receipts will be deposited into the General Fund. Non-dedicated revenue represents 3% of the department's total receipts.

Dedicated revenue. Collected from individuals, businesses and local governmental agencies as service/user fees, business and industrial regulatory charges and taxes or assessments. Deposited 70% in Special Revenue Fund and 30% in General Fund. Dedicated receipts represent 7% of the department's total receipts.

Federal grants. The amount awarded for FY 2000 is \$81 million. Federal funds represent 90% of the department's total receipts.

FEE STRUCTURE:

State statutes require DPS to regulate occupational groups, individuals and business; and require registration, license, business, industrial regulatory, certification, and service fees. Federal grants account for 90% of revenues, other revenue accounts for 3%, and departmental earnings accounts for 7% of the fees collected. There are 26 separate fee groups and 49 different revenue source codes; 32 are related to service/user charges, six to occupational licensure charges, six to business and industrial regulatory charges, and five to special tax or assessments.

Types of fees that are collected:

- Hazardous chemical reports are collected and entered into a database.
- Training for law enforcement is provided.
- A criminal justice data network is provided to law enforcement agencies.
- Permits are required for sprinkler systems and fireworks.
- Manufacturers of gambling devices are licensed.
- Background checks are conducted on individuals participating in legal gambling.

- The crime alert network provides members with information regarding crime or criminals that may affect them.

RECENT CHANGES:

The Bureau of Criminal Apprehension has increased fees charged for non-criminal justice records. These fee increases were necessary to cover an increase in costs related to the maintenance and improvement of the criminal history record system. The auto theft surcharge has been transferred to DPS. This fee generated approximately \$2,300,000 in revenues in FY 2001.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the following changes to base agency revenues:

- **Fee for Access to Criminal History Data.** A biennial increase in fee revenue of \$584,000 by charging a fee of \$5 for access over the internet to public criminal history data. One-time costs of \$607,000 and on-going annual costs of \$140,000 would be recovered over four years.
- **Eliminate Automobile Theft Prevention Program surcharge.** A reduction in FY2002 revenue to the Special Revenue Fund of \$1.15 million by eliminating the surcharge on comprehensive automobile insurance policies authorized by M.S. 168A.40. This surcharge is scheduled to sunset on January 1, 2002, per M.S. 168A.40. No base appropriations have been made from these funds.

Agency: PUBLIC SAFETY DEPT

Summary of Agency Revenues (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01				
				Forecast	Governor Recomm.	Forecast	Governor Recomm.	Dollars	Percent			
<u>Non-Dedicated Revenue:</u>												
Departmental Earnings:												
GENERAL	0	0	0	2,470	2,470	2,490	2,490	4,960				
CAMBRIDGE DEPOSIT FUND	2,219	2,491	2,450	0	0	0	0	(4,941)	(100.0%)			
Other Revenues:												
GENERAL	71	81	74	69	69	69	69	(17)	(11.0%)			
Total Non-Dedicated Receipts	2,290	2,572	2,524	2,539	2,539	2,559	2,559	2	0.0%			
<u>Dedicated Receipts:</u>												
Departmental Earnings:												
GENERAL	1,381	1,480	1,250	1,350	1,350	1,250	1,250	(130)	(4.8%)			
SPECIAL REVENUE	1,964	2,291	5,044	3,894	3,036	2,744	3,036	(1,263)	(17.2%)			
MISCELLANEOUS AGENCY	0	0	1	1	1	1	1	1	100.0%			
Grants:												
GENERAL	597	323	429	433	433	437	437	118	15.7%			
SPECIAL REVENUE	10	40	1,260	0	0	0	0	(1,300)	(100.0%)			
FEDERAL	54,446	80,764	63,893	32,753	32,753	28,078	28,078	(83,826)	(57.9%)			
Other Revenues:												
GENERAL	109	132	87	87	87	87	87	(45)	(20.5%)			
SPECIAL REVENUE	2,081	2,265	2,306	2,845	2,845	2,819	2,819	1,093	23.9%			
FEDERAL	0	1	1	0	0	0	0	(2)	(100.0%)			
GIFT	20	5	6	6	6	6	6	1	9.1%			
Total Dedicated Receipts	60,608	87,301	74,277	41,369	40,511	35,422	35,714	(85,353)	(52.8%)			
Agency Total Revenues	62,898	89,873	76,801	43,908	43,050	37,981	38,273	(85,351)	(51.2%)			

PUBLIC SAFETY DEPT - FEDERAL FUNDS SUMMARY

PROGRAM: Crime Victim Services Center

PROGRAM DESCRIPTION:

The Minnesota Center for Crime Victim Services is responsible for the administration of federal funds for victims of crime. The center distributes grants to local programs and offers technical assistance and training to grantees. Additionally, the center's crime victims reparations board provides direct financial assistance to victims of violent crime.

Federal funds are critical to all of the center's program activities. Most local victim services programs funded by the center receive a combination of state and federal funding, but a large portion of each program's grant comes from federal sources. Several projects are supported by federal funding entirely. In addition, federal dollars make up a large percentage of the funds distributed by the board.

The following is a description of the center's federal funding sources.

The Victim's Compensation Grant (VOCA) is received annually from the U.S. Department of Justice. Funds are used to reimburse crime victims and their family members for financial losses incurred due to a crime involving personal injury or death. The VOCA compensation grant is a match of state spending, and the match level of 40% is not likely to change in the future.

The Byrne Memorial victims training grant funds were provided to the center by the drug policy and violence prevention activity. Funding was used for training and outreach activities. This grant cannot be renewed, and there will be no funding in 2002-2003.

The Victims of Crime Grant (VOCA) is received annually from the U.S. Department of Justice, Office for Victims of Crime. This grant funding is distributed to victims services programs for direct services such as crisis intervention, counseling, transportation and advocacy. The center grants a portion of VOCA funding to the Department of Children, Families and Learning (DCFL) for its abused children program.

The Violence Against Women Grant (VAWA) is received annually from the Department of Justice, Violence Against Women Office. These funds are for projects to improve law enforcement and prosecution strategies and victim services, in cases involving violence against women.

The Minnesota Department of Health grant is made available to the center annually for rape prevention programs and services for victims of sexual assault. The funding originates from the U.S. Department of Health and Human Services.

The **Family Violence Prevention Services grant** is received annually from the U.S. Department of Health and Human Services. Grant funds are for emergency shelter and related assistance for battered women and their children. The amount of the grant has remained at approximately the same level for several years.

The **Rural Domestic Violence grant** is a one-time grant received from the U.S. Department of Justice, VAWA Office during the 2000-2001 biennium. No funds will be received for FY 2002-2003.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

The amount of federal funding varies from year to year. Both reparations and victims assistance programs rely on the Victims of Crime Act (VOCA) funds which are derived from the amount of fine money collected by the federal government and deposited into the dedicated federal crime victims fund. Although deposits have increased in recent years, Congress has put a cap on the amount that can be spent. As a result, the amount of the center's VOCA funding is likely to remain steady during the next biennium.

FUNDS AT RISK:

The federal Byrne grant for the center has expired, resulting in a decrease in fund funds available for training and outreach activities.

PUBLIC SAFETY DEPT - FEDERAL FUNDS SUMMARY (Continued)

PROGRAM: Fire Marshal

PROGRAM DESCRIPTION:

Fire Life Safety Inspection Grant. This grant funds the inspection of specified health care facilities to determine compliance with state and federal fire and life safety standards.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

Funding and /or guidelines have not changed.

FUNDS AT RISK:

It is anticipated that the fire life safety federal survey grant, estimated at \$548,000 for 2002, and \$560,000 for 2003 due to estimated salary increases, will continue into the next biennium.

PROGRAM: Gambling Enforcement

PROGRAM DESCRIPTION:

Enforcing Underage Drinking Laws Program. This grant offered by the federal Office of Juvenile Justice and Delinquency Prevention and funded through the office of traffic safety, reimburses local law enforcement departments for compliance work done within their respective communities to reduce the incidence of underage alcohol access. Local law enforcement officials conduct compliance checks at licensed liquor establishments using cooperating underage persons to attempt to purchase alcohol. In the event a sale takes place at a licensed establishment, civil and criminal penalties are imposed. Funding has been used to provide law enforcement presence at community celebrations, such as homecoming and on college campuses, where excessive alcohol consumption is often the case.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

Funding of this program may end in May of 2001.

FUNDS AT RISK:

Funding of this program may end in May of 2001.

PROGRAM: Law Enforcement & Community Grants

PROGRAM DESCRIPTION:

Edward Byrne Memorial State and Local Law Enforcement Assistance Program (BJA). These funds are provided for programs with a high probability of improving the functioning of the criminal justice system and enhancing drug control efforts.

Residential Substance Abuse Treatment for State Prisoners (RSAT). These funds are provided for developing and implementing residential substance abuse treatment programs in correctional facilities.

Local Law Enforcement Block Grant (LLEBG). These funds are provided for use in seven purpose areas for preventing and controlling crime.

Weed and Seed (WS). The purpose of this program is to assist neighborhoods in "weeding out crime" and "seeding" community livability and vitality.

State Information Systems Improvement Grant. These funds were provided to improve criminal justice information systems.

Crime Identification Technology Act. These funds are provided to assist states to establish or upgrade criminal justice information systems and identification technologies.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

The state information systems improvement grant ended in federal FY 1998.

FUNDS AT RISK:

None

PUBLIC SAFETY DEPT - FEDERAL FUNDS SUMMARY (Continued)

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
Victims' Compensation Grant	1,585	SO	336	743	855	855
Crime Victims Training Grant	-0-	SO	127	84	-0-	-0-
Victims of Crime Grant (VOCA)	-0-	SO/GPS	6,354	8,384	6,406	6,406
Violence Against Women Act Grants (VAWA)	-0-	SO/GPS	2,311	4,822	2,206	2,206
MN Department of Health Grant	-0-	SO/GPS	221	287	251	251
Family Violence Prevention Act (FVPSA)	-0-	SO/GPS	979	1,219	1,171	1,171
Rural Domestic Violence Grants	-0-	SO/GPS	735	14	-0-	-0-
United States Justice, DEA	-0-	SO/GPS	150	150	150	150
United States Justice, NIJ	-0-	SO	-0-	131	200	200
United States Justice, OJP	-0-	SO/GPS	428	541	500	500
United States Justice, Drug Abuse Act	141	SO/GPS	740	610	537	537
United States Justice, Juvenile Accountability	-0-	SO	20	203	-0-	-0-
United States Justice, OJP	-0-	SO/GPS	109	299	-0-	-0-
United States Justice, NSOR	-0-	SO	259	347	-0-	-0-
Emergency Management Performance Grant (EMPG) – Administration	2,281	SO	1,298	1,117	1,174	1,236
Emergency Management Performance Grant (EMPG) – Grants	-0-	GPS	960	934	864	802
Disaster Assistance Grants	5,128	SO/GPS	50,365	28,348	291	304
Hazardous Materials Emergency Preparedness (HMEP)	-0-	SO/GPS	172	257	257	257
NOAA Weather Radio	-0-	SO	39	35	35	35

PUBLIC SAFETY DEPT - FEDERAL FUNDS SUMMARY (Continued)

Federal Program (\$ in Thousands)	Related SFY 2000 Spending	Primary Purpose	SFY 2000 Revenues	SFY 2001 Revenues	Estimated SFY 2002 Revenues	Estimated SFY 2003 Revenues
Office of Justice Programs – Terrorism	-0-	GPS	N/A	949	1,251	1,251
Terrorism Consequence Management Preparedness Assistance (TCMPA)	-0-	SO	168	287	287	287
Comprehensive Emergency Response Compensation and Liability Act (CERCLA)	-0-	GPS	1	3	3	3
Fire Life Safety Inspection Program	191	GPS	409	536	548	560
Youth and Alcohol Prevention Grant	51	GPS	154	235	190	190
Weed & Seed Grants	150	SO/GPS	1,143	1,466	1,300	1,300
Edward Byrne Memorial Anti-Drug	1,817	SO/GPS	12,155	10,069	8,525	8,525
Residential Substance Abuse Treatment	6	SO/GPS	549	496	445	445
Local Law Enforcement Block Grant	5	SO/GPS	230	1328	607	607
State Information Systems Grant	-0-	SO/GPS	353	-0-	-0-	-0-
Crime Identification Technology Act	-0-	GPS	0	0	4,700	0
Agency Total			80,765	63,894	32,753	28,078

PROGRAM SUMMARY

Program: **EMERGENCY MANAGEMENT**
Agency: **PUBLIC SAFETY DEPT**

PROGRAM PROFILE:

This program seeks to reduce or eliminate the effects of natural or technological disaster by providing preparedness, prevention, response, and recovery assistance to political jurisdictions, state agencies, and the general public.

STRATEGIES AND PERFORMANCE:

This program utilizes several strategies to accomplish its mission.

- Provide financial assistance.
- Provide direct service.
- Coordinate affiliated organizations.
- Develop and disseminate guidance.
- Provide on-scene assistance.
- Promote both traditional and innovative concepts.

The frequency and severity of natural disasters, in addition to the number of people affected, has increased substantially during the past ten years and is expected to continue to increase. Each activity within the emergency management program develops and monitors performance measures.

The program has experienced significant results in the past several years.

- Operation of the Minnesota duty officer program provides a 24-hour point of contact for receipt of emergency notifications and requests for state and federal assistance.
- Operation of the hazardous materials emergency response and chemical assessment teams ensures that the capability exists to respond to a serious hazardous materials incident.
- Maintenance of the state bomb disposal squad system ensures that bomb disposal services are available statewide, without the need for all communities or the state to maintain such squads.
- Operation of a state-of-the-art state emergency operations center facilitates coordination of the state's response to emergencies and disasters.
- Operation of the state emergency response commission ensures the implementation of the federal emergency planning community right-to-know act requirements.

- Operation of a donated goods and volunteer services program helps ensure that these services will be effectively coordinated during times of disaster.
- Development of a terrorism and weapons of mass destruction program ensures that state and local officials are prepared to respond to these types of threats.
- Distribution of \$400.2 million in disaster assistance in the past five years helps communities recover from disasters.
- Development of dozens of innovative hazard mitigation strategies reduces the disaster threat to those communities.
- Maintenance of a nuclear power plant accident/incident response system ensures state and local readiness should such an accident/incident occur.

BUDGET ISSUES:

The budget issues are outlined in greater detail within the individual budget activities.

GOVERNOR'S RECOMMENDATION:

The Governor recommends base funding levels as requested in the agency's budget except for the following adjustments:

- **Increased State Match for Federal Disaster Assistance.** The current level of appropriations of \$1.283 million per year has proved insufficient in recent years to provide the state's share of match for federal disaster assistance. The proposal is to increase this appropriation by \$3.717 million per year to \$5 million. This change will reduce the need for deficiency requests in future years. Any unused funds will be cancelled to the state General Contingent account administered by the Department of Finance. This request also includes a deficiency request for FY 2001 of \$4.4 million.
- **Reduce funding for Hazardous Material Teams.** Reconfigure hazardous material/chemical assessment teams statewide to more accurately reflect the actual need for the two types of teams, saving \$385,000 for the biennium.

Activity: EMERGENCY RESPONSE COMMISSION
 Program: EMERGENCY MANAGEMENT
 Agency: PUBLIC SAFETY DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	203	269	300	280	280	289	289	0	0.0%
OTHER OPERATING EXPENSES	209	234	240	245	245	250	250	21	4.4%
Total Expenditures	412	503	540	525	525	539	539	21	2.0%
Financing by Fund:									
Direct Appropriations:									
GENERAL	369	459	494	478	478	490	490		
ENVIRONMENTAL	43	44	46	47	47	49	49		
Total Financing	412	503	540	525	525	539	539		
Revenue Collected:									
Nondedicated									
GENERAL	0	0	0	700	700	700	700		
CAMBRIDGE DEPOSIT FUND	398	718	700	0	0	0	0		
Total Revenues Collected	398	718	700	700	700	700	700		
FTE by Employment Type:									
FULL TIME	3.8	5.6	5.0	5.0	5.0	5.0	5.0		
PART-TIME, SEASONAL, LABOR SER	0.3	0.0	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	4.1	5.6	5.0	5.0	5.0	5.0	5.0		

PROGRAM SUMMARY

Program: CRIMINAL APPREHENSION
Agency: PUBLIC SAFETY DEPT

PROGRAM PROFILE:

This program provides investigative assistance, forensic science services, statewide criminal justice information and fingerprint identification, and training to the criminal justice community throughout Minnesota.

STRATEGIES AND PERFORMANCE:

Performance indicators are provided in detail in the individual activity narratives.

BUDGET ISSUES:

All activities of the Bureau of Criminal Apprehension (BCA) have been directly affected by increased activities in death investigations, violent gang-related crime, felony-level conflict of interest cases, interstate and international methamphetamine drug trafficking, and crimes involving computers. In addition, there is increased emphasis and activity on information system integration throughout the criminal justice community.

During FY 2001, funding was provided to begin construction of a new St. Paul full-service facility and a limited-service laboratory facility in Bemidji. Construction coordination, staffing, and adequate equipping of these facilities will be an important focus during the next biennium.

The BCA continues to explore creative means of funding critical activities through federal grants, foundations, dedicated receipts, and forfeited property.

GOVERNOR'S RECOMMENDATION:

The Governor recommends base funding levels as requested in the agency's budget except for the following adjustments:

- **DWI Enforcement in BCA.** The 2000 Legislature removed base funding from the Trunk Highway fund for DWI analysis, which funds 18 laboratory scientists. This initiative is to replace \$2.689 million for the biennium from the General Fund; the remaining \$715,000 (21% of total) is proposed to come from the Trunk Highway fund, since the State Patrol makes approximately 21% of DWI arrests in Minnesota in their patrolling of state trunk highways.
- **BCA overtime.** \$200,000 each year to provide funds for the Bureau of Criminal Investigation for investigations and other activities that generate the need for overtime.

- **Fee for Access to Criminal History Data.** A biennial increase in fee revenue of \$584,000 by charging a fee of \$5 for access over the internet to public criminal history data. One-time costs of \$607,000 and on-going annual costs of \$140,000 would be recovered over four years.

The Governor recommends \$27 million to improve criminal justice information systems through the multi-agency CriMNet initiative. This funding will continue current statewide projects that meet criminal justice integration enterprise architecture standards and further planning efforts to determine the best approach and cost estimates for integrating information systems that now are primarily implemented at the local level. This initiative includes the following components in BCA:

- \$2 million to alleviate the "suspense file" problem which occurs when criminal justice information is not collected, processed, or transmitted properly, resulting in incomplete criminal history files. Funds will be used to work on eliminating records currently in suspense, and to assist local agencies in changing their business practices to prevent inaccurate and incomplete data from being submitted.
- \$3 million to work with counties to develop cost estimates and recommendations on how best to integrate local criminal justice agency systems and data with state information; this initiative would explore options ranging along a spectrum from a centralized provision of statewide systems that all local agencies would use to decentralized, locally-designed systems that would link with the state CriMNet backbone.
- \$1.5 million to analyze, fill out and maintain the CriMNet enterprise model for use in all criminal justice information systems implementation efforts, and to staff other CriMNet activities.

This initiative includes the following components in other agencies:

- \$4 million to complete the development of the integration backbone, a search engine that will tie all the CriMNet components together.
- \$15 million to continue implementation of the court information system MNCIS, which will fully integrate the adjudication function in the state.
- \$1.5 million to develop statewide systems for tracking offenders in jail or prison, or under community supervision.

Program: CRIMINAL APPREHENSION
 Agency: PUBLIC SAFETY DEPT

Program Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
<u>Expenditures by Activity:</u>									
FORENSIC SCIENCE LABORATORY	7,033	6,434	9,296	7,161	8,847	7,180	8,898	2,015	12.8%
CRIMINAL JUSTICE INFORM. SYS.	10,071	9,695	26,761	16,217	20,214	15,754	19,144	2,902	8.0%
CRIMINAL INVESTIGATIONS	8,004	8,083	10,091	8,760	8,960	8,936	9,136	(78)	(0.4%)
POLICE TRAINING & DEVELOPMENT	1,473	1,441	1,606	1,461	1,461	1,492	1,492	(94)	(3.1%)
CRIMINAL APPREHENSION SUPPORT	681	639	691	699	699	689	689	58	4.4%
Total Expenditures	27,262	26,292	48,445	34,298	40,181	34,051	39,359	4,803	6.4%
<u>Change Items:</u>									
(P) BCA OVERTIME	GEN				200		200		
(B) DWI ENFORCEMENT-BCA	GEN				1,332		1,357		
(B) DWI ENFORCEMENT-BCA	THI				354		361		
(B) FEE FOR ACCESS TO CRIMINAL HISTORY DATA	SR				747		140		
(B) CRIMNET- STAFF	GEN				750		750		
(B) CRIMNET- INTEGRATION ANALYSIS & OPTIONS	GEN				1,500		1,500		
(B) CRIMNET-SUSPENSE FILES	GEN				1,000		1,000		
Total Change Items					5,883		5,308		
<u>Financing by Fund:</u>									
Direct Appropriations:									
GENERAL	19,471	18,259	40,053	26,718	31,500	26,979	31,786		
STATE GOVERNMENT SPECIAL REVENUE	8	6	8	7	7	7	7		
SPECIAL REVENUE	559	487	565	544	544	557	557		
TRUNK HIGHWAY	1,794	1,478	148	0	354	0	361		
Statutory Appropriations:									
GENERAL	1,105	946	1,468	1,519	1,519	1,260	1,260		
SPECIAL REVENUE	2,490	3,180	3,882	4,119	4,866	3,856	3,996		
FEDERAL	1,822	1,936	2,319	1,387	1,387	1,387	1,387		
GIFT	13	0	2	4	4	5	5		
Total Financing	27,262	26,292	48,445	34,298	40,181	34,051	39,359		
<u>FTE by Employment Type:</u>									
FULL TIME	207.9	215.0	258.8	242.4	279.4	242.2	279.2		
PART-TIME, SEASONAL, LABOR SER	9.9	8.0	7.2	4.3	4.3	4.3	4.3		
OVERTIME PAY	13.3	10.9	10.9	7.6	7.6	7.6	7.6		
Total Full-Time Equivalent	231.1	233.9	276.9	254.3	291.3	254.1	291.1		

BUDGET CHANGE ITEM (69841)

Program: CRIMINAL APPREHENSION

Agency: PUBLIC SAFETY DEPT

Item Title: BCA OVERTIME

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$200	\$200	\$200	\$200
-Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity <input checked="" type="checkbox"/> Supplemental Funding <input type="checkbox"/> Reallocation				

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$200,000 in FY2002 and FY2003 for Special Agent overtime expenses in the Bureau of Criminal Apprehension (BCA).

RATIONALE:

BCA Special Agents accrue approved overtime in a compensation bank on a regular basis as a result of the geographic location and nature of criminal investigations. Examples include: officer-involved shootings, long-term federal and state drug trafficking, wiretaps, complicated homicide investigations, and child abductions such as Katie Poirier in Carlton County, Cally Jo Larson in Waseca County, and Julie Holmquist in Kittson County. These type of cases result in overtime hours worked by the Special Agents involved of up to 300-500 hours per year. The hours are accrued in compensatory banks and are taken off as compensatory time whenever possible.

OUTCOMES:

Based on the number of Special Agents that BCA currently has funding for, this initiative would be equivalent to an average of 100 additional hours per agent per year. At present, Special Agents either receive payment for overtime or are given compensatory time. Additional funding would:

- Allow greater management flexibility in assigning work on complicated, multi-jurisdictional, and violent criminal investigations
- Provide adequate funding for agents

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BUDGET ACTIVITY SUMMARY

Budget Activity: FORENSIC SCIENCE LABORATORY
Program: CRIMINAL APPREHENSION
Agency: PUBLIC SAFETY DEPT

ACTIVITY PROFILE:

The forensic science laboratory provides scientific examinations of physical evidence from law enforcement agencies. It provides expert witness testimony to the courts, assists law enforcement in the processing of major crime scenes to recover evidence, and instructs law enforcement in the proper collection and presentation of physical evidence. The laboratory is accredited by the American Society of Crime Laboratory Directors/Laboratory Accreditation Board (ASCLD, LAB).

STRATEGIES AND PERFORMANCE:

- Maintain an expanded convicted offender DNA database (as required by M.S. 609.3461), and participate in the Federal Bureau of Investigation (FBI) Combined DNA Index System (CODIS) and the National DNA Index System (NDIS) that links all states that have convicted offender DNA databases.
- Maintain the National Integrated Ballistics Identification Network (NIBIN, formerly called DRUGFIRE), the computerized database of fired cartridge cases that links firearms-related cases entered at computer stations at the Bureau of Criminal Apprehension (BCA), Hennepin County Sheriff, and Minneapolis Police Department.
- Establish a regional forensic science laboratory in Bemidji by the fall of 2001.
- Maintain evidentiary breath alcohol testing devices (intoxilyzers) in the state, and train and certify law enforcement officers in their operation.
- Perform applied research to improve the comparison and identification of physical evidence.
- Train new forensic scientists in the various scientific specialties.
- Maintain a quality assurance program and ASCLD/LAB accreditation.

FINANCING INFORMATION:

This activity generates dedicated revenue. Basic intoxilyzer schools and breath test recertification classes are conducted to train law enforcement officers. Fees are collected to cover the costs of these classes.

BUDGET ISSUES:

- Laboratory turnaround time is a critical issue in bringing criminal cases to court. Without additional staff or a reduction of services, the BCA has not been able to significantly improve turnaround time. Over 40% of submissions (excluding blood alcohols) take over two months before reports are sent to the submitting law enforcement agency. The Laboratory will continue to prioritize cases in order to live within existing resources.
- Increased supply costs due to new technologies and infection control have strained the laboratory's ability to function. Maintenance of the supplemental supply and equipment budget appropriated during the last biennial budget is necessary to continue current service levels. One-time appropriation of \$400,000 for laboratory supplies and equipment was removed from the base budget for FY 2002-03.
- Maintenance of the portion of the BCA laboratory budget, formerly funded from the Trunk Highway Fund and transferred to the General Fund during the last legislative session, is essential to the continuation of the laboratory's entire Driving While Intoxicated (DWI) program. This one-time appropriation of \$1,656,000 funded 18 scientists and all analyses related to DWIs.
- \$100,000 from the equipment budget was moved to cover facility operation costs for the Bemidji facility.

Activity: CRIMINAL INVESTIGATIONS
 Program: CRIMINAL APPREHENSION
 Agency: PUBLIC SAFETY DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	5,965	6,014	6,989	6,772	6,972	6,948	7,148	1,117	8.6%
OTHER OPERATING EXPENSES	2,017	2,055	3,096	1,982	1,982	1,982	1,982	(1,187)	(23.0%)
Subtotal State Operations	7,982	8,069	10,085	8,754	8,954	8,930	9,130	(70)	(0.4%)
LOCAL ASSISTANCE	22	14	6	6	6	6	6	(8)	(40.0%)
Total Expenditures	8,004	8,083	10,091	8,760	8,960	8,936	9,136	(78)	(0.4%)
Change Items:									
	Fund								
(P) BCA OVERTIME	GEN					200		200	
Total Change Items						200		200	
Financing by Fund:									
Direct Appropriations:									
GENERAL	7,122	6,684	8,392	7,749	7,949	7,925	8,125		
Statutory Appropriations:									
GENERAL	40	47	110	50	50	50	50		
SPECIAL REVENUE	597	816	811	811	811	811	811		
FEDERAL	245	536	778	150	150	150	150		
Total Financing	8,004	8,083	10,091	8,760	8,960	8,936	9,136		
Revenue Collected:									
Dedicated									
GENERAL	67	72	40	40	40	40	40		
SPECIAL REVENUE	250	359	350	350	350	350	350		
FEDERAL	274	429	700	150	150	150	150		
GIFT	0	0	1	1	1	1	1		
Nondedicated									
GENERAL	26	22	25	25	25	25	25		
Total Revenues Collected	617	882	1,116	566	566	566	566		
FTE by Employment Type:									
FULL TIME	82.5	82.0	93.0	91.0	91.0	91.0	91.0		
PART-TIME, SEASONAL, LABOR SER	6.5	6.6	5.5	3.5	3.5	3.5	3.5		
OVERTIME PAY	9.0	6.4	6.8	4.3	4.3	4.3	4.3		
Total Full-Time Equivalent	98.0	95.0	105.3	98.8	98.8	98.8	98.8		

BUDGET ACTIVITY SUMMARY

Budget Activity: POLICE TRAINING & DEVELOPMENT
Program: CRIMINAL APPREHENSION
Agency: PUBLIC SAFETY DEPT

ACTIVITY PROFILE:

This activity provides training to local law enforcement pursuant to the Bureau of Criminal Apprehension (BCA) enabling legislation. The BCA's statewide reputation in the criminal justice community for high quality and state-of-the-art training has significantly increased the demand for BCA-sponsored courses.

STRATEGIES AND PERFORMANCE:

This activity provides 3,000 law enforcement and criminal justice personnel with the professional knowledge and skills necessary to effectively serve their communities, through specialized and advanced Peace Officer Standards and Training (POST) Board approved training for law enforcement officers and criminal justice professionals throughout the state. Course subjects include major criminal investigative techniques, evidence and crime scene processing, stress management, arson, police management, technology crimes, diversity, and police ethics.

- Provide crime prevention programs including Minnesota Crime Watch, Drug Abuse Resistance Education, and crime prevention practitioners' training.
- Provide investigative training focusing on child maltreatment, economic crimes, rural crime, problem oriented policing, arson and fire, crimes involving computers and other technology, and dealing effectively with seniors.
- Provide continuing education for narcotics officers and multi-disciplinary training that assists child protection workers and other criminal justice professionals in the recognition of illegal drug production (i.e., methamphetamine) and other narcotics.
- Provide sexual assault training that encourages collaborations and guidelines for working with new immigrant populations and training related to guidelines for handling abduction cases.
- Manage and provide training related to the Minnesota crime alert network, a statewide network that enables law enforcement to quickly alert businesses and community groups throughout the state about crime or criminals that may affect them.
- Provide advanced death investigation training for investigators within Minnesota and around the region.

- Explore other methods of course delivery such as computer-based training and distance learning strategies.

BCA agents were provided training and testing via the internet for mandatory in-service topics not requiring face-to-face presentations. Methamphetamine awareness training is being developed on CD-Rom in cooperation with the Minnesota chiefs and sheriffs associations.

FINANCING INFORMATION:

- This activity generates dedicated revenue. Fees are charged to recover a portion of the costs of providing these classes.
- Narcotics training is provided in part through a grant and interagency agreement with other state agencies.
- Sexual assault training is provided through the Violence Against Women Act grant.
- This activity continues to seek federal funding to provide computer crime investigation training.
- This activity has a grant initiative to seek funding for Abduction Response Investigative training.

PROGRAM SUMMARY

Program: LAW ENFORC.& COMMUNITY GRANTS
Agency: PUBLIC SAFETY DEPT

PROGRAM PROFILE:

The Office of Drug Policy and Violence Prevention (ODPVP) serves as a catalyst for statewide approaches to reducing and preventing crime, violence, and drug abuse. It was originally created in 1989 to develop and promote policies to reduce drug abuse, modeled after the federal Office of National Drug Control policy. In 1992, violence prevention was added and in 2000 the auto theft prevention program was added.

The overall goals for the office are safer Minnesota communities and an improved criminal justice system. The office serves state and local governments, public and non-profit agencies, community organizations, and the legislature.

ODPVP has three main activities: 1) establishing policy; 2) coordinating activities; and 3) administering funding.

STRATEGIES AND PERFORMANCE:

Policy development. The office convened an advisory committee of 30 individuals representing Minnesota's criminal justice system and the community, for the purpose of developing a strategic plan which now serves as a blueprint for all drug and violent crime control efforts in the state. The committee proposed six recommendations which form the basis of the office's goals and objectives for the coming biennium.

- Promote problem-solving partnerships to assure that citizens most impacted by crime are working effectively with the criminal justice system.
- Improve coordination and strategic planning for the criminal justice system.
- Make Minnesota's criminal justice system more effective through greater sharing of information within various jurisdictions.
- Place greater emphasis on chemical dependency treatment as a cost-effective strategy to reduce crime.
- Invest resources to ensure the provision of coordinated prevention efforts that are proven to be effective.
- Form an ongoing committee to review criminal justice issues.

Coordination. The State Agencies Focused on Effectiveness (SAFE) council was created by the governor to develop a statewide strategic plan for addressing and coordinating crime, violence, and drug abuse prevention efforts in Minnesota. The council is made up of the commissioners of Public Safety, Corrections, Health, Human Services, Economic Security, and Children, Families

and Learning (CFL); the Adjutant General of Military Affairs; Attorney General; director of Minnesota Planning; chief justice of the supreme court; and the United States Attorney. The SAFE council adopted the above six goals. Work groups have been formed to address each of the goals and ODPVP provides ongoing staff to the SAFE council.

The director of the office is the co-director of the state's incentive grant, which was awarded to the state from the federal center for Substance Abuse Prevention.

- Develop and implement a scientifically based statewide prevention strategy designed to improve community-based prevention efforts.
- Coordinate and redirect substance abuse prevention resources to reduce the use of alcohol, tobacco, and other drugs by our youth.

The office collaborated with CFL and the Konopka Institute at the University of Minnesota in the publication of the booklet "Growing Absolutely Fantastic Youth". This is a guide to best practices in healthy youth development including effective prevention, intervention, and health promotion strategies within families, schools, and communities. ODPVP and CFL are conducting training sessions statewide using this booklet as the foundation.

Grant administration. The office administers \$18 million in state and federal funding to agencies throughout Minnesota.

- Edward Byrne Memorial State and Local Law Enforcement Assistance Program (BJA), for programs with a high probability of improving the functioning of the criminal justice system and enhancing drug control efforts.
- Residential Substance Abuse Treatment for State Prisoners (RSAT), for developing and implementing residential substance abuse treatment programs in correctional facilities.
- Local Law Enforcement Block Grant (LLEBG), for use in seven purpose areas for preventing and controlling crime.
- Weed and Seed (WS) to assist neighborhoods in "weeding out crime" and "seeding" community livability and vitality.
- Community and Youth Focused Crime Prevention to assist communities in their crime control and prevention efforts.
- Criminal Gang Strike Force to identify, investigate, arrest, and prosecute gang members engaged in crimes.
- Camp Ripley Weekend Camp for Juvenile Offenders, to fund a weekend camp for juvenile offenders at Camp Ripley.
- Auto Theft Prevention Program, to prevent auto theft in the state of Minnesota.

PROGRAM SUMMARY (Continued)

Program: LAW ENFORC.& COMMUNITY GRANTS
Agency: PUBLIC SAFETY DEPT

FINANCING INFORMATION:

Funding History	Dollars in Thousands				
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Byrne Formula Grant					
No. of grants	250	250	250	250	250
Administration Grants	\$526	\$527	\$527	\$527	\$527
	\$7,999	\$7,998	\$7,998	\$7,998	\$7,998
RSAT					
No. of grants	2	2	2	2	2
Administration Grants	\$22	\$22	\$22	\$22	\$22
	\$423	\$423	\$423	\$423	\$423
LLEBG					
No. of grants	10	10	10	10	10
Administration Grants	\$21	\$18	\$18	\$18	\$18
	\$661	\$589	\$589	\$589	\$589
Weed and Seed					
No. of grants	7	7	7	7	7
Administration Grants	\$75	\$75	\$75	\$75	\$75
	\$1,225	\$1,225	\$1,225	\$1,225	\$1,225
Community and Youth Crime Prevention					
No. of grants	100	100	100	100	100
Administration Grants	\$1,198	\$383	\$389	\$389	\$389
	\$1,702	\$2,452	\$2,452	\$2,452	\$2,452
(159 of total is match to federal Byrne administrative funds)					
MCGSF					
No. of grants	16	16	16	16	16
Administration Grants	\$97	\$73	\$75	\$75	\$75
	\$2,412	\$1,595	\$1,595	\$1,595	\$1,595
Camp Ripley					
No. of grants	1	1	1	1	1
Administration Grants	\$102	\$101	\$101	\$101	\$101
	\$525	\$524	\$524	\$524	\$524
Auto Theft Program					
No. of grants	30	0	0	0	0
Admin Grants	\$171	\$0	\$0	\$0	\$0
	\$1,715	\$0	\$0	\$0	\$0

All programs complete quarterly reports summarizing their activities and outcomes. Selected programs are chosen each year for more intensive evaluation. This year community justice initiatives are being evaluated. Two communities have been selected to review the overall impact of ODPVP funding on community safety and livability. Programs are invited to participate in training sessions designed to increase their capacity to institute program evaluation efforts. Staff conduct site visits to review the progress of grantees and to provide training and technical assistance as needed.

BUDGET ISSUES:

Funding is needed at the base level in order to continue to meet the demand for grants and services. Grant requests continue to outpace available resources by a ratio on average of four to one. Base resources are prioritized according to legislative mandates for use of funds.

GOVERNOR'S RECOMMENDATION:

The Governor recommends base funding levels as requested in the program's budget except for the following adjustments:

- **Eliminate Automobile Theft Prevention Program surcharge.** A reduction in FY2002 revenue to the Special Revenue Fund of \$1.15 million by eliminating the surcharge on comprehensive automobile insurance policies authorized by M.S. 168A.40. This surcharge is scheduled to sunset on January 1, 2002, per M.S. 168A.40. No base appropriations have been made from these funds.
- **Eliminate Funding for Camp Ripley Weekend Camp.** Removes \$1.25 million for the biennium in funding for this program that provides a weekend camp for at-risk youth.
- **Racial Profiling Study.** Provide \$280,000 in one-time funding to collect and analyze data on police stops in Minnesota.

Activity: LAW ENFORC. & COMMUNITY GRANTS
 Program: LAW ENFORC. & COMMUNITY GRANTS
 Agency: PUBLIC SAFETY DEPT

Budget Activity Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003		Biennial Change 2002-03 Gov / 2000-01	
				Base	Governor Recomm.	Base	Governor Recomm.	Dollars	Percent
Expenditures by Category:									
State Operations									
COMPENSATION	185	774	1,207	1,046	1,030	1,078	1,062	111	5.6%
OTHER OPERATING EXPENSES	680	1,177	1,330	1,126	1,321	1,107	1,022	(164)	(6.5%)
Subtotal State Operations	865	1,951	2,537	2,172	2,351	2,185	2,084	(53)	(1.2%)
LOCAL ASSISTANCE	5,377	21,894	21,904	18,829	18,305	14,128	13,604	(11,889)	(27.1%)
Total Expenditures	6,242	23,845	24,441	21,001	20,656	16,313	15,688	(11,942)	(24.7%)
Change Items:									
(B) CAMP RIPLEY- WEEKEND CAMP					(625)				
(B) RACIAL PROFILING DATA COLLECTION					280				
Total Change Items					(345)				(625)
Financing by Fund:									
Direct Appropriations:									
GENERAL	6,208	9,186	7,936	5,424	5,079	5,436	4,811		
SPECIAL REVENUE	0	0	1,886	0	0	0	0		
Statutory Appropriations:									
SPECIAL REVENUE	34	229	1,260	0	0	0	0		
FEDERAL	0	14,430	13,359	15,577	15,577	10,877	10,877		
Total Financing	6,242	23,845	24,441	21,001	20,656	16,313	15,688		
Revenue Collected:									
Dedicated									
SPECIAL REVENUE	0	40	3,560	1,150	0	0	0		
FEDERAL	0	14,430	13,359	15,577	15,577	10,877	10,877		
Total Revenues Collected	0	14,470	16,919	16,727	15,577	10,877	10,877		
FTE by Employment Type:									
FULL TIME	2.9	12.4	15.2	14.2	14.2	14.2	14.2		
PART-TIME, SEASONAL, LABOR SER	2.8	2.1	2.0	2.0	2.0	2.0	2.0		
OVERTIME PAY	0.0	0.1	0.0	0.0	0.0	0.0	0.0		
Total Full-Time Equivalent	5.7	14.6	17.2	16.2	16.2	16.2	16.2		

PUBLIC SAFETY DEPT - GRANTS DETAIL

Program Name Federal or State Or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2001	Most Recent Federal Award (cite year)
Law Enforcement and Community Grants	Assist communities in their crime control and prevention efforts.	Private and public non-profit organizations	\$1,200 (general)	
Criminal Gang Strike Force M.S.299A.66	Assist in the identification, arrest, and prosecution of criminal gang members (State Funds)	Public and non-profit organizations	\$2,571 (general)	
Community and Youth Focused Crime Prevention M.S. 299A.296	Assist communities in their crime control and prevention efforts. (State Funds)	Private and public non-profit organizations	\$1,852 (general)	
Department of Justice Byrne Formula Grant M.S. 4.07 Omnibus Crime Control and Safe Streets Act of 1968. Pub. L. 90-351	Funds programs with a high probability of improving the functioning of the criminal justice system and enhancing drug control efforts.	Private and public non-profit organizations	\$9,513 (federal)	FFY 2000
Department of Justice Residential Substance Abuse Program M.S. 4.07 1994 Crime Act. Pub. L. 103-322	Developing and implementing substance abuse programs in correction facilities.	Correctional organizations	\$467 (federal)	FFY 2000
Department of Justice Local Law Enforcement Block Grants M.S. 4.07 Pub. L. 106-113	Seven "purpose areas" for preventing and controlling crime.	Governmental organizations	\$1,306 (federal)	FFY 2000
Camp Ripley 1999MN Session Laws, Chapter 216	Weekend Camp for Juvenile Offenders	Private and non-profit organizations	\$525 (general)	
Department of Justice Weed & Seed Grants M.S. 4.07 Omnibus Crime Control and Safe Streets Act of 1968. Pub. L. 105-277.	Assist neighborhoods in "weeding" out crime and "seeding" in community livability and vitality.	Private and public non-profit organizations	\$150 (general) \$1,351 (federal)	FFY 2000
Auto Theft Prevention Grants M.S. 168A.40	Assist communities in combating and preventing auto theft.	Private and public non-profit organizations	\$1,716 (special revenue)	
Juvenile Assessment Center Grants	Grant program to establish 24-hour juvenile assessment centers.	Private and public non-profit organizations	\$1,253 (special revenue)	

BUDGET CHANGE ITEM (50736)

Agency: PUBLIC SAFETY DEPT

Item Title: AUTO THEFT PREVENTION

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
Special Revenue Fund				
-State Operations	\$-0-	\$-0-	\$-0-	\$-0-
-Grants	\$-0-	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
Special Revenue Fund	\$1,150	\$0	\$0	\$0
Statutory Change? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
If yes, statute(s) affected: M.S. 168A.40				
<input type="checkbox"/> New Activity	<input type="checkbox"/> Supplemental Funding	<input type="checkbox"/> Reallocation		

GOVERNOR'S RECOMMENDATION:

The Governor recommends the elimination of the Automobile Theft Prevention Program surcharge authorized by M.S. 168A.40. This surcharge is scheduled to sunset on January 1, 2002, per M.S. 168A.40. A reduction in FY2002 revenue to the Special Revenue Fund of \$1.15 million is estimated by eliminating the surcharge on July 1, 2001. No base appropriations have been made from these funds.

RATIONALE:

This program was created by the 1996 legislature to combat the rise in auto theft and auto theft related criminal activity. One dollar from each personal automobile insured in the state is collected by the Department of Revenue and deposited in the ATPP account in the Special Revenue Fund. The program has consisted of a media campaign, training to law enforcement officers and county attorneys, and grants to local law enforcement agencies statewide, as well as the county attorney offices in Ramsey, Hennepin and Dakota counties. These funds have allowed law enforcement agencies to do additional activities, such as investigation and prevention of auto theft, outside of their primary enforcement roles.

Local units of government receiving the grants from this program have now had sufficient time to integrate the program efforts into their regular police

operations. The 2000 Legislature eliminated the staff and the board of directors for the program, transferred it to the Department of Public Safety, and did not assume ongoing appropriations for program operations.

FINANCING:

Appropriations from these fees were one-time in FY 2001. Revenue would be eliminated for FY2002 and beyond. This surcharge is scheduled in current law to sunset on January 1, 2002, per M.S. 168A.40.

OUTCOMES:

From 7-1-2000 to 6-30-2001, about 30 grants will be made to local law enforcement agencies, county attorney offices, and the Anti-Vehicle Crime Association of Minnesota (AVCAM). AVCAM is a non-profit group of law enforcement, insurers, attorneys, etc., who work to reduce motor vehicle crime. This group is responsible for the media campaign and the law enforcement training. The awards to local law enforcement range from \$10,000 to South St. Paul police department to \$200,500 to Minneapolis police department, 4th precinct. The grants to law enforcement represent all sizes of departments and are distributed geographically over the state. Law enforcement agencies use the grant money for training, auto theft investigation, decoy vehicles, and other related activities.

BUDGET CHANGE ITEM (50726)**Agency: PUBLIC SAFETY DEPT****Item Title: CAMP RIPLEY- WEEKEND CAMP**

	2002-03 Biennium		2004-05 Biennium	
	FY 2002	FY 2003	FY 2004	FY 2005
Expenditures: (\$000s)				
General Fund				
-State Operations	\$101	\$101	\$101	\$101
-Grants	\$(524)	\$(524)	\$(524)	\$(524)
Statutory Change? Yes	<input type="checkbox"/>	No <input checked="" type="checkbox"/>		
If yes, statute(s) affected:				
<input type="checkbox"/> New Activity	<input type="checkbox"/> Supplemental Funding	<input checked="" type="checkbox"/> Reallocation		

GOVERNOR'S RECOMMENDATION:

The Governor recommends the elimination of \$1.25 million for the biennium in funding for this program that provides a weekend camp for at-risk youth.

RATIONALE:

This program provides a weekend camp for at-risk youth at Camp Ripley. The program serves approximately 350 children. Funds pay for staff time, transportation, food, rent of facility, program materials, etc. This program has served a very small number of youth, the costs of operating the program at the Camp Ripley facility are very high, and funds are available for these services through competitive grant processes or through other governmental and/or private non-profit agencies.

There is ongoing funding provided for this type of activity that is available through competitive application processes. This program should compete for such funding rather than be funded through direct line-item appropriations.

FINANCING:

The base General Fund budget includes funding for grants of \$524,000 per year, and administrative costs of \$101,000 per year, which will be eliminated.

OUTCOMES:

The program is a prevention program for juvenile offenders and other youth at high risk of chronic delinquency and future criminal behavior. It combines weekend camp visits with year-round youth activities at home. The expected outcomes include nine specific numerical objectives within the following five categories:

- Reduce delinquency/criminal behavior.
- Promote school success.
- Reduce high-risk behaviors.
- Establish stable relationships with caring adults.
- Promote involvement in positive activities.

While the program has been relatively successful in meeting its objectives, it serves a relatively small clientele. The program served 339 children during the year ending 6-30-99.

Revenue Category Description: Teacher and Administrator licensing.

Requesting a Fee Change: No

Purpose: To assure staffing by qualified teachers and supervisors.

Revenue Source Code(s): 4540

Legal Citation(s): M.S. 122A.21

Fund: GENERAL (100), SPECIAL REVENUE (200), CAMBRIDGE DEPOSIT FUND (212)

Dedicated Recpts: Yes **Non-Ded Recpts:** Yes

Appr Name: ALTERNATIVE LICENSING FEE

Fee Setting Authority: Rule

Revenue Category Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.
Accumulated Balance Forward Resources:	0	(1)	87	(218)	(218)	(428)	(428)
Departmental Earnings: Service User Business Regulatory Occupational Licensure Taxes/Assessments Other	1,401	1,520	1,500	1,300	1,300	1,300	1,300
Less Revenue Refunds							
Total Departmental Earnings	1,401	1,520	1,500	1,300	1,300	1,300	1,300
Other Resources: Earnings Transferred In Rev Collected at Other Agency Other Receipts							
Resource Reductions: Earnings Transferred Out Rev Collected for Other Agency							
Total Resources	1,401	1,519	1,587	1,082	1,082	872	872
Expenditures:							
Direct Expenditures	1,118	1,188	1,556	1,256	1,256	1,042	1,042
Indirect Expenditures	284	244	249	254	254	258	258
Total Expenditures	1,402	1,432	1,805	1,510	1,510	1,300	1,300
Current Difference	(1)	88	(305)	(210)	(210)	0	0
Accumulated Ending Balance	(1)	87	(218)	(428)	(428)	(428)	(428)

This program receives revenue from the processing fees generated by the teacher and administrator licensure program authorized under M.S. 122A.21. State statute requires that each application for the issuance, renewal, or extension of a license as supervising personnel and teacher be accompanied by a processing fee in an amount set by the state board of education by rule. The current processing fee is \$47.00. The fees are deposited with the state treasurer, as provided by law, and the amount deposited each month is reported to the commissioner of Finance. The fees are generally not refundable, although M.S. 122A.21 does allow for a fee refund under certain conditions.

Governor's Recommendation:

The Governor recommends that the fees be dedicated to make this a self-funded activity. The Governor also recommends that the agency's budget be reduced by \$800,000 per year and the remaining \$500,000 per year be used to fund costs associated with the upgrading of the licensing system. The agency will waive indirect expenditures for the first year of this initiative.

Revenue Category Description: Fees for services provided. **Requesting a Fee Change:** No
Purpose: To collect fees necessary to recover all expenditures related to the operation of the Minnesota career information system.
Legal Citation(s): M.S.124D.505 **Revenue Source Code(s):** 4541
Fund: SPECIAL REVENUE (200) **Dedicated Recpts:** Yes **Non-Ded Recpts:** No
Appr Name: MCIS SERVICE FEES
Fee Setting Authority: 16A Exemption

Revenue Category Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.
Accumulated Balance Forward	0	197	129	59	59	(11)	(11)
Resources:							
Departmental Earnings:							
Service User	850	633	650	650	650	650	650
Business Regulatory							
Occupational Licensure							
Taxes/Assessments							
Other							
Less Revenue Refunds							
Total Departmental Earnings	850	633	650	650	650	650	650
Other Resources:							
Earnings Transferred In							
Rev Collected at Other Agency							
Other Receipts							
Resource Reductions:							
Earnings Transferred Out							
Rev Collected for Other Agency							
Total Resources	850	830	779	709	709	639	639
Expenditures:							
Direct Expenditures	583	609	645	645	645	645	645
Indirect Expenditures	70	92	75	75	75	75	75
Total Expenditures	653	701	720	720	720	720	720
Current Difference	197	(68)	(70)	(70)	(70)	(70)	(70)
Accumulated Ending Balance	197	129	59	(11)	(11)	(81)	(81)

Revenue Summary and Fee Structure:

- Campground clubs and membership camping sales persons pay a fee set by statute to provide for regulation of the industry. Fees include registration of the investment offering, an annual report fee and license fees for salespersons.
- The fees collected partially support the cost of regulation.
- Currently, there is 1 campground that files an annual report and 4 licensed salespersons.
- This industry does not recover the cost of regulation. Because of the size of this industry, it would be impossible to raise the fees to a level to provide cost recovery and continue to have the business regulation required by statute. However, fees were increased effective 7/1/99 as follows:
 1. The annual report fee increased from \$100 to \$500 per year.
 2. The initial license to sell memberships increased from \$25 to \$50 per year.
 3. The renewal license increased from \$10 to \$25 per year.

Forecast Basis:

The forecast is based on historical data and patterns over the past three years.

Change Items:

None

Governor's Recommendation:

The Governor concurs with the current fees.

Agency: COMMERCE DEPT
 Revenue Category: COLLECTIONS

Revenue Category Description: Fees paid by collection agencies and debt collectors.

Purpose: To recover the cost of regulation of the industry.

Legal Citation(s): M.S. 332

Requesting a Fee Change: Yes

Revenue Source Code(s): 3915-3923, 4146, 4201, N002

Fund: GENERAL (100), CAMBRIDGE DEPOSIT FUND (212)

Dedicated Recpts: No Non-Ded Recpts: Yes

Appr Name:

Fee Setting Authority: Statute/Law

Revenue Category Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.
Accumulated Balance Forward	0	312	627	865	865	1,121	1,128
Resources:							
Departmental Earnings:							
Service User							
Business Regulatory	399	396	365	352	359	352	359
Occupational Licensure	237	253	240	240	240	240	240
Taxes/Assessments							
Other	0	2	2	2	2	2	2
Less Revenue Refunds							
Total Departmental Earnings	636	651	607	594	601	594	601
Other Resources:							
Earnings Transferred In							
Rev Collected at Other Agency							
Other Receipts							
Resource Reductions:							
Earnings Transferred Out							
Rev Collected for Other Agency							
Total Resources	636	963	1,234	1,459	1,466	1,715	1,729
Expenditures:							
Direct Expenditures	217	256	273	267	267	274	274
Indirect Expenditures	107	80	96	71	71	73	73
Total Expenditures	324	336	369	338	338	347	347
Current Difference	312	315	238	256	263	247	254
Accumulated Ending Balance	312	627	865	1,121	1,128	1,368	1,382

Revenue Sources and Fee Structure:

- The collection industry pays license fees to be able to operate as a business or debt collector in this state. Fees are charged to license an agency or individual.
- The industry recovers the cost of operations entirely through the revenue collected for license transactions.

Forecast Basis:

The basis for the revenue estimates is historical data for the past three years. There is no significant change in the revenue stream anticipated for this industry.

Change Items:

Change Item 54219 will increase General Fund revenue by approximately \$7,000 per year. Increased revenue will come from fees charged to audit approximately 10 collection agencies per year. The basis for the revenue is as follows:

- 10 audits per year
- 15 hours per audit
- \$44.58 per hour
- \$6,687 total annual revenue

Governor's Recommendation:

The Governor concurs with the current fees and recommends the change item to recover collection agencies audit fees.

Revenue Category Description: Fees charged to the cosmetology industry.

Purpose: To recover the cost of regulation of the industry.

Legal Citation(s): M.S. 155A

Requesting a Fee Change: No

Revenue Source Code(s): 3964-3969, 3971-3973, 3976-3979, 3986, 3989, 3996-3997, 4178, 4180-4182

Fund: GENERAL (100), CAMBRIDGE DEPOSIT FUND (212)

Dedicated Recpts: No **Non-Ded Recpts:** Yes

Appr Name:

Fee Setting Authority: Statute/Law

Revenue Category Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.
Accumulated Balance Forward <u>Resources:</u>	0	340	605	831	831	1,072	1,072
Departmental Earnings:							
Service User	2	2	2	2	2	2	2
Business Regulatory	167	121	119	112	112	112	112
Occupational Licensure	436	404	391	391	391	391	391
Taxes/Assessments							
Other	0	1	1	1	1	1	1
Less Revenue Refunds							
Total Departmental Earnings	605	528	513	506	506	506	506
Other Resources:							
Earnings Transferred In							
Rev Collected at Other Agency							
Other Receipts							
Resource Reductions:							
Earnings Transferred Out							
Rev Collected for Other Agency							
Total Resources	605	868	1,118	1,337	1,337	1,578	1,578
Expenditures:							
Direct Expenditures	181	204	216	213	213	219	219
Indirect Expenditures	84	59	71	52	52	53	53
Total Expenditures	265	263	287	265	265	272	272
Current Difference	340	265	226	241	241	234	234
Accumulated Ending Balance	340	605	831	1,072	1,072	1,306	1,306

Revenue Sources and Fee Structure:

- Unclaimed property is turned over to the state by the holder after an account has had no activity for the appropriate term of abandonment.
- The department attempts to return property to rightful owners or heirs. Refunds on this report reflect the annual amount of property returned.
- Property is held until a rightful owner or heir is located.
- The large Revenue Refund increases are due to an estimated cumulative "catch up" in remitting to other states' unclaimed property units in FY 2001 and continuing forward in FY 2002 and FY 2003 on a current basis. Previously data systems within the agency were not sufficient to calculate these amounts.

Forecast Basis:

Revenue and refund estimates are based on historical information for the past ten years. The department relies on voluntary compliance for the remittance of property. There is no plan to change this effort.

Change Item:

None

Governor's Recommendation:

There are no fees associated with this revenue category and the Governor recommends no changes.

Agency: COMMERCE DEPT
 Revenue Category: WC/SI

Revenue Category Description: Fees paid by entities interested in self insuring auto and workers compensation liability.

Purpose: To recover the cost of regulation of the industry.

Legal Citation(s): M.S. 65B, 70A, 79, 176

Requesting a Fee Change: Yes

Revenue Source Code(s): 4139-4141, 4143-4144, 4164-4170, N001

Fund: GENERAL (100), CAMBRIDGE DEPOSIT FUND (212)

Dedicated Recpts: No **Non-Ded Recpts:** Yes

Appr Name:

Fee Setting Authority: Statute/Law

Revenue Category Summary (Dollars in Thousands)	Actual FY 1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.
Accumulated Balance Forward	0	(326)	(463)	(730)	(730)	(970)	(937)
Resources:							
Departmental Earnings:							
Service User							
Business Regulatory	257	348	350	350	383	350	383
Occupational Licensure							
Taxes/Assessments							
Other							
Less Revenue Refunds							
Total Departmental Earnings	257	348	350	350	383	350	383
Other Resources:							
Earnings Transferred In							
Rev Collected at Other Agency							
Other Receipts							
Resource Reductions:							
Earnings Transferred Out							
Rev Collected for Other Agency							
Total Resources	257	22	(113)	(380)	(347)	(620)	(554)
Expenditures:							
Direct Expenditures	460	362	438	462	462	483	483
Indirect Expenditures	123	123	179	128	128	132	132
Total Expenditures	583	485	617	590	590	615	615
Current Difference	(326)	(137)	(267)	(240)	(207)	(265)	(232)
Accumulated Ending Balance	(326)	(463)	(730)	(970)	(937)	(1,235)	(1,169)

Revenue Sources and Fee Structure:

- Fees are charged to business entities to allow them to self-insure their risk for automobile or workers compensation insurance.
- This area, on its own, does not currently recover cost of regulation. However, when reviewed with the other insurance earnings types, the industry will recover cost with recommended fee changes.
- Numerous fees were increased effective 7/1/99 as follows:
 1. The no fault application fee was increased from \$500 to \$1,500.
 2. The no fault renewal-political subdivision fee was increased from \$100 to \$400.
 3. The no fault renewal fee was increased from \$250 to \$500.
 4. The rating service organization license fee was increased from \$1,000/3 years to \$3,000/3 years.
 5. The registration or exemption certificate fee was increased from \$50 to \$100.
 6. The workers' compensation application fee was increased from \$2,500 to \$4,000.
 7. The workers' compensation additional member fee was increased from \$250 to \$400.
 8. The annual report fee was increased from \$200 to \$500.
 9. The self-insurance administrator application fee was increased from \$500 to \$1,000.
 10. The self-insurance administrator license fee was increased from \$500/2 years to \$1,000/2 years.

Forecast Basis:

The basis for the revenue estimate is historical information for the past three years. No significant changes are anticipated in the established trends.

Change Items:

Change Item 54222 will increase General Fund revenue by approximately \$33,000 per year. Increased revenue will come from fees charged by the department to certify self-insurance plans and to review utilization plans. The bases for this revenue estimate is as follows:

Self-Insurance Plan

- 100 self-insurance filings per year
- \$75 fee to review each filing
- \$7,500 annual revenue

Utilization Plan Review

- 25 utilization plans reviewed each year
- \$1,000 fee to review each plan
- \$25,000 annual revenue

Governor's Recommendation:

The Governor concurs with the current fees and recommends the change item to recover fees incurred for certifying self-insurance plans and reviewing utilization plans by the department.

Agency: COMMERCE DEPT
 Revenue Category: ENERGY COST ASSESSMENT

Revenue Category Description: Assessment of Gas and Electric Utility Companies

Purpose: To recover the costs of regulating the rates and services provided by gas and electric utility companies.

Legal Citation(s): M.S. 216B.62, Subd. 2, 3, 5 ; M.S. 216C.261

Requesting a Fee Change: No

Revenue Source Code(s): 6720-6726, 6728, 6733, N006

Fund: GENERAL (100), SPECIAL REVENUE (200), CAMBRIDGE DEPOSIT FUND (212)

Dedicated Recpts: Yes Non-Ded Recpts: Yes

Appr Name: ENERGY CONSERVATION

Fee Setting Authority: Statute/Law

Revenue Category Summary (Dollars in Thousands)	Actual FY-1999	Actual FY 2000	Budgeted FY 2001	FY 2002		FY 2003	
				Forecast	Governor Recomm.	Forecast	Governor Recomm.
Accumulated Balance Forward <u>Resources:</u>	0	(131)	101	0	0	0	0
Departmental Earnings:							
Service User	2	0	2	2	2	2	2
Business Regulatory	3,517	4,082	3,725	3,700	3,700	3,779	3,779
Occupational Licensure							
Taxes/Assessments							
Other							
Less Revenue Refunds							
Total Departmental Earnings	3,519	4,082	3,727	3,702	3,702	3,781	3,781
Other Resources:							
Earnings Transferred In							
Rev Collected at Other Agency							
Other Receipts							
Resource Reductions:							
Earnings Transferred Out	2	72	8	0	0	0	0
Rev Collected for Other Agency							
Total Resources	3,517	3,879	3,820	3,702	3,702	3,781	3,781
Expenditures:							
Direct Expenditures	2,585	2,690	2,679	2,632	2,632	2,697	2,697
Indirect Expenditures	1,063	1,088	1,141	1,070	1,070	1,084	1,084
Total Expenditures	3,648	3,778	3,820	3,702	3,702	3,781	3,781
Current Difference	(131)	232	(101)	0	0	0	0
Accumulated Ending Balance	(131)	101	0	0	0	0	0