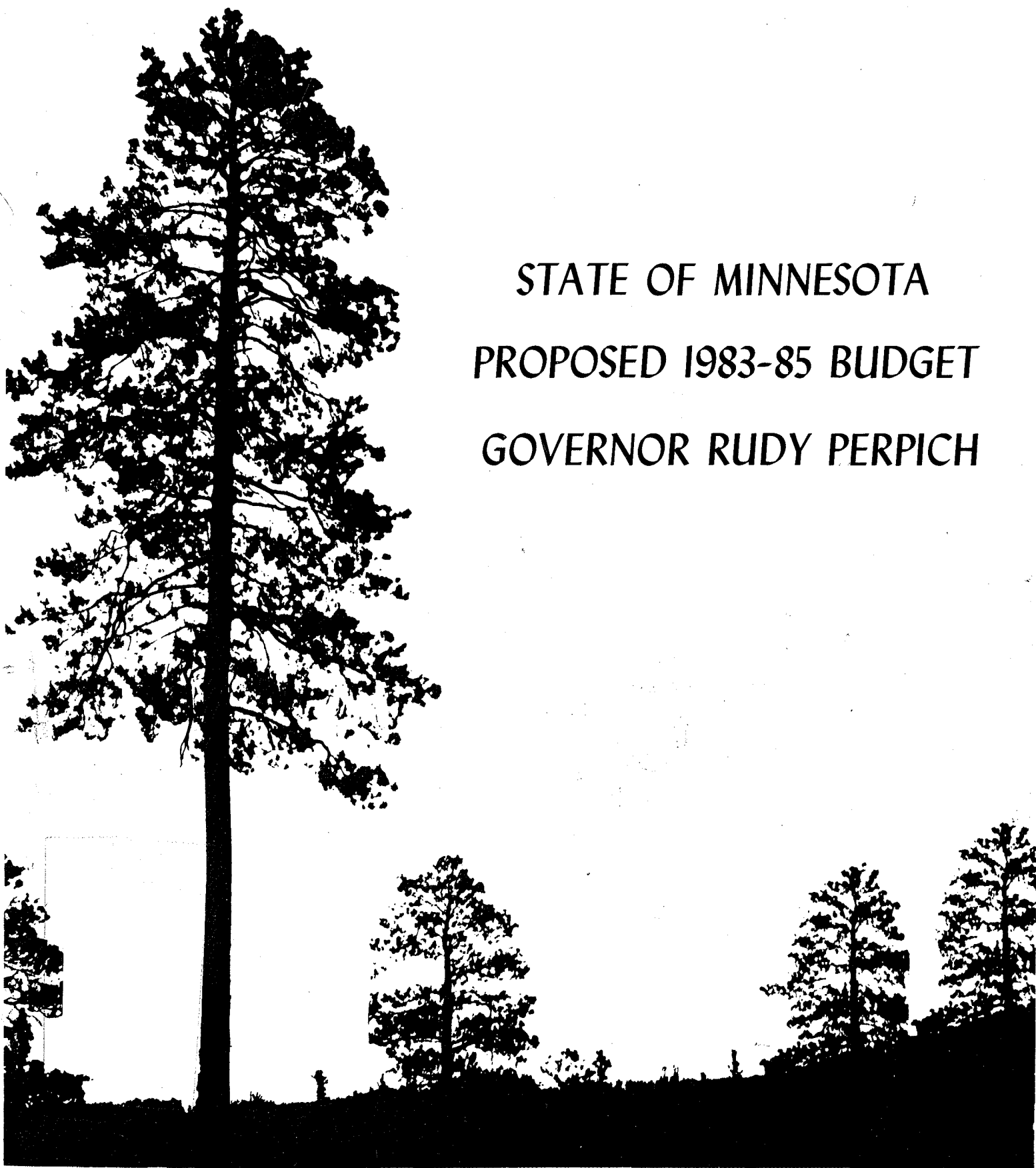


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STATE OF MINNESOTA
PROPOSED 1983-85 BUDGET
GOVERNOR RUDY PERPICH



Errata

Summary Budget Document

Page 30 - Minnesota Tax Burden, incorrectly displayed property tax collections only per \$1,000 personal income.

A corrected table is reproduced below:

<u>MINNESOTA TAX BURDEN</u>					
<u>State and Local Collection</u>					
<u>Year</u>	<u>Per Capita</u>	<u>Rank</u>	<u>Per \$1,000 Pers. Inc.</u>	<u>Rank</u>	
1976	\$ 822.68	8	\$ 143.11	8	
1977	906.10	9	146.92	7	
1978	1,001.38	9	141.64	8	
1979	1,096.29	8	140.40	7	
1980	1,124.73	9	127.41	9	
1981	1,169.63	11	119.95	11	

Source: Department of Commerce, Bureau of Census
State and Local Government Finances, 1980-81

Page 20 - Current Biennium-Budget Crises, incorrectly listed dates of reforecasts and solution of "initial" problem.

A corrected table is reproduced below:

<u>Current Biennium - Budget Crises</u>						
<u>Date of Crises</u>	<u>Net Problem</u>	<u>"SOLUTIONS"</u>				<u>Reserve</u>
		<u>Tax Increases</u>	<u>Spending Shifts</u>	<u>Budget Cuts</u>	<u>Other Actions</u>	
Initial*	\$(1,390)	\$ 677	\$ 254	\$462	\$ 89	\$ 92
11-05-81	(768)	318	144	304	129	127
03-09-82	(103)	69	103	55	4	128
11-18-82	(312)	108	100	144	-0-	40
01-19-83	(9)	- HIRING, PURCHASING FREEZE-			9	-0-
TOTALS		\$ 1,172	\$ 601	\$965	\$231	
TOTAL BUDGET BALANCING ACTIONS.....					<u>\$ 3 BILLION</u>	

* Approval of the initial budget in June, 1982 dealt with an estimated \$1.4 billion gap between agency requests and estimated resources.

Page 45 - School Aid Programs, comparative graph displayed expenditure data without adjusting for shifts/comparability.

For comparative purposes, shift adjustments for fiscal 1981, 1982, 1983 must be considered. A restated graph and percentages based on adjusted data is reproduced below:

SCHOOL AID PROGRAMS

FOR ELEMENTARY/SECONDARY EDUCATION

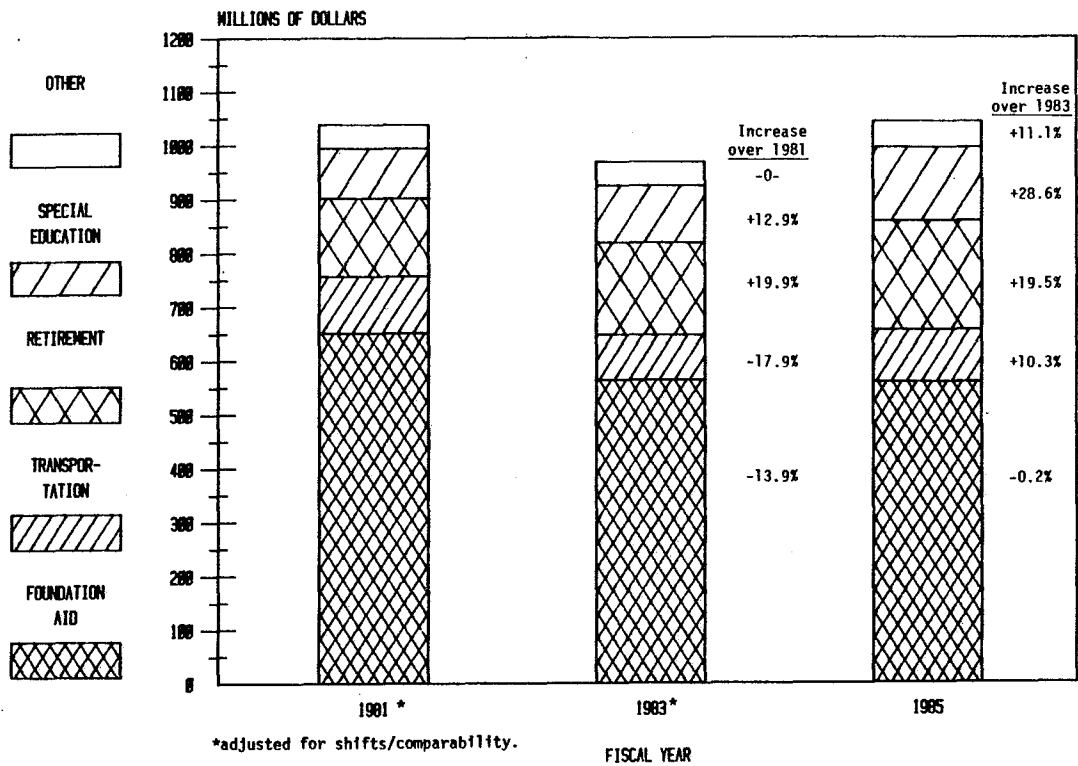


TABLE OF CONTENTS

A.	Transmittal Letter	
B.	Governor's Budget Message	1
C.	Overview of Proposed 1983-85 Budget	16
D.	The Current Situation	
	1. Minnesota's Fund Structure	18
	2. The Budget Crises of the Past Two Years	19
	3. Spending Shifts	20
	4. Other Significant Concerns	22
E.	Revenues	
	1. Forecasting Problems	25
	2. Expected Value Forecasting	27
	3. Estimated 1983-85 Revenues	29
	4. Minnesota's Tax Burden	30
	5. Governor's Tax Recommendations	31
	6. Risk Sharing	33
F.	Expenditures	
	1. Purpose of State Expenditures	34
	2. Property Tax Relief	36
	3. Aids to Local Units	43
	4. School Aids	45
	5. Aids to Individuals	48
	6. State Institutions	53
	7. State Services	58
G.	Cash Flow	60
H.	Four Year Budget Outlook	62
I.	Governor's Investment Initiatives	63
J.	Highway Infrastructure Concerns	64
K.	Fund Statement Summaries	65



STATE OF MINNESOTA

OFFICE OF THE GOVERNOR

ST. PAUL 55155

RUDY PERPICH
GOVERNOR

February 15, 1983

To the Citizens of Minnesota:

This booklet provides an overview of the budget I have recommended for the 1983-85 biennium. Its purpose is four-fold.

- To clearly state the objectives, priorities, and strategy which helped shape my budget decisions.
- To outline the source and scope of the major financial problems we face because of a depressed economy and the deferral of previous budget difficulties.
- To increase public understanding of how the State taxes its citizens and for what purposes it spends their money.
- To describe the specific measures I have recommended to manage the immediate problems facing Minnesota as well as to chart a new course for the future.

I hope this booklet serves to expand the reader's knowledge of the condition of our state and to stimulate thought about its future.

Sincerely,

A handwritten signature in cursive script that reads "Rudy Perpich".

Rudy Perpich, Governor
State of Minnesota

BUDGET MESSAGE

GOVERNOR RUDY PERPICH

February 15, 1983

This budget message is very simple--making Government work again! That may seem a modest theme to some, but to most Minnesotans it is what is expected of us.

It is time we recognize that the key to our success is the cooperation of individuals working toward a common goal. We cannot allow our ideologies to prevent us from making necessary improvements in our social structure. Thomas Jefferson recognized this when he advised the nation to adopt a new constitution every 20 years to prevent the deadhand of generations past and their outdated social structures from hamstringing the country.

My experience has convinced me that this budget will be a complete success only if we abandon organizational and systematic prejudices and remain open to new ideas and methods. A spirit of cooperation guided the budget deliberations. Over the past several months I have sought advice from a multitude of groups and individuals. In some instances, I selected a traditional approach to our problems; in others I chose new innovative solutions. In all cases, I based my decision not on the source of the suggestion, but on its merit.

I ask members of the Legislature to do the same. Minnesota has long been progressive in a bipartisan way--I see no reason to change our basic character. To put together a budget that will work, we must approach the task as pragmatists, shorn of our prejudices and preferences.

The budget has five key points.

- One, we must be realistic about our present situation and our future requirements.
- Two, we must return stability to the budget.
- Three, we must state clear priorities and hold to them.
- Four, we must target our resources and redesign services.
- Five, we must use investment initiatives to accelerate economic development and job creation.

Now, let me deal with each point separately.

Realism

Our current fiscal condition is precarious. We are a four plus billion dollar enterprise with essentially no working capital. Many of you have gone through five special sessions in which you were required to patch--and then repatch the budget.

Patching the budget has led to the use of shifts in expenditures and the acceleration of revenues--which are simply a cosmetic solution. Real spending rates are not reduced by shifts. We have over \$500 million of shifts that we must find revenues to cover in 1984--that's over 10% of the annual budget.

Our short term borrowing this year of \$850 million is second only to New York and tied with Pennsylvania for second--some company--some debt! Our debt rating of AAA has been downgraded to AA--and some say that our current rating is in jeopardy. And finally, we are asking Minnesotans to carry a high income tax and sales tax burden.

We must recognize that a large part of the problem dates back to 1979. We eliminated our financial reserves. We over-indexed the personal income tax in a high inflation period. And we granted excessive property tax relief with a built-in growth formula. I'm not pointing fingers at anyone--it was a truly bipartisan effort!

Our budget difficulties also arise from a structural problem with state tax policy. The state lays claim to the most elastic sources of revenues--taxes on sales and income. When the economy was growing, state coffers were overfilled; when the economy contracted, state revenue growth declined drastically. The funding formula of the 70's may not apply very well in the 80's. The state is in no fiscal condition to give hard pledges on the 60% of its budget that goes to school districts, cities, and property tax relief.

Neither can we realistically expect to be bailed out by a rebound in the national economy. The much awaited national recovery may indeed be around the corner, but for much of Minnesota it will be painfully delayed. Rural Minnesota is now in the third year of depression. A cyclical recovery in the national economy will not automatically restore satisfactory prices for Minnesota's grain, oil seeds, and dairy products. Only a significant increase in foreign demand will bid up those prices--a condition that is difficult to foresee.

On the Range, longer term structural change is occurring. Nationally there is lower demand for steel, iron ore, and taconite. The recovery of mining on the Range will be slow.

The truth is that Minnesota will lag behind a national recovery which itself will be far from robust. The demand for public services and jobs, triggered by high unemployment levels, will not quickly evaporate. Calendar '83 and much of '84 will remain somber years for many Minnesotans unless state government takes action.

Stability

The second point--stability--must be returned to the budget. Stability means a budget that works for a full biennium. A budget that works will demand that we keep faith with basic priorities. A budget that works must establish expenditure levels and trends that are consistent with the long term fiscal outlook for the state.

We have previously had unhappy experiences with the uncertainty of revenue forecasting. Revenue forecasting is a chancy business in this economy, so we must understand the anticipated range of error in any estimate.

I have asked that our revenue forecasts use realistic economic assumptions. But we should all recognize that we are making a 30 month forecast--a far longer forecast than most economists would confidently attempt. Every expert I consult reinforces the conclusion that our risk for the biennium--particularly 1984--is skewed to the downside.

I am convinced that special legislative sessions are not a preferred method for responding to revenue shortfalls. We should be prepared to manage up to a 5% variance in revenues from forecast. The odds are 2 out of 3 that this will be sufficient.

While it would be desirable to appropriate a \$500 million reserve, the amount is presently unattainable. But we can afford to appropriate half that amount--\$250 million--as a reasonable reserve, and achieve the balance of the 5% risk management through risk sharing. I recognize that risk sharing is not a popular idea with a Legislature that is used to guaranteeing revenues and controlling taxes of local jurisdictions. Nonetheless, we are obliged to recognize that further tax increases for the state are not acceptable options. We must try to fashion an equitable method of allocating cuts should revenues continue to fall below our forecasts. We are proposing risk sharing only with entities capable either of developing financial reserves or of cutting their own expenditures and raising their own taxes or revenues.

These are unusual and difficult times and they call for an appropriate response. If we can complete the 84-85 biennium with our reserve intact, then we could readily rely on those existing and perhaps newly appropriated reserves for the subsequent biennium.

In addition to building a reserve, we must restore the state's AAA debt rating. The state's debt rating is the umbrella rating for all subordinate and local units of government. A weak or deteriorating state bond rating will hurt every debt-issuing jurisdiction in the state. A strong state debt rating is the best assurance that all units of government can continue to finance long term investments. The stability and restoration of the state's debt rating requires that the budget hold together without tampering. Equally important, it will require the restoration of liquid financial reserves and the reduction of heavy short term borrowing.

My objective is to reduce this year's \$850 million of short term borrowing to half that level in 1984. I also intend to eliminate the need for such borrowing altogether by 1987. We need to meet these objectives for two simple reasons:

- First, borrowing costs money and that expense is better redeployed to needed programs that benefit our citizens.
- Second, there is no better way to restore our credit rating than to significantly reduce and then eliminate short term borrowing.

In order to achieve these objectives, I will recommend two primary revisions to current practice. First, change the payments of property taxes to a quarterly basis from a semi-annual basis. Second, smooth the timing of payment to the jurisdictions.

Stable budget management also requires that we stretch our planning horizon beyond the biennium to at least 1987. We need to appraise the longer term effects of many of our current actions. The actions on some policy changes take years to become apparent.

Priorities

If we are to direct our resources in a consistent and purposeful manner, we must have clear priorities. Let me tell you what I believe our priorities must be.

- First, we must protect those who are needy. This has been a long standing priority of Minnesotans. This priority requires that we quickly and humanely respond to our fellow citizens for whom there is no work. Beyond simply putting bread on the table, our work determines much of our identity and feeling of self worth. It is a tragedy beyond calculation that nearly 200 thousand Minnesotans are without work.

The cost of protecting the needy, however, is substantial and growing rapidly. We must be sure that we are providing only services and resources that are needed. And there is no excuse for government not to seek out competitive, cost effective ways to meet human needs.

- Second, we must sustain our investment in education. Because all of us know how important education is, we have always committed the necessary resources to insuring its quality. We also know that a democratic society works best when it's citizens are well-informed and competent. More recently, we have come to understand the critical linkages between economic growth, job development and a well-educated, motivated labor force.

In my inaugural speech, I outlined a number of ideas I intend to pursue. Among them, I urge that we mandate foreign language, science, and computer fluency for the curriculum of our primary and secondary schools. We should also establish entry requirements for our state higher education systems that include minimum competency levels in all areas.

- Third, we must create public/private partnerships to accelerate economic development, alternative energy generation, and new jobs. The investment initiatives, which I delivered to you last week, reflect this priority. The state can be a catalyst that can help entrepreneurs, labor, education, and finance cooperate in new and innovative ways. The example of Japan, Inc. is not one to blindly emulate. But the essential idea of cooperatively approaching economic development is an idea that can find a unique application in Minnesota.
- Fourth, we must restore our infrastructure. During this period of fiscal constraint, the level of maintenance of our infrastructure--especially our highway system--has been inadequate.

We will significantly increase the expenditures for repairs and betterments in each budget where physical facilities are funded. We intend to be fully caught up to a desired level of maintenance in 6 years.

Targeting and Redesign

The fourth them of this message is targeting and redesign on both the revenue and expenditure sides of the budget.

In our recent and all too frequent budget crises, debate has polarized between the options of expenditure cuts and tax increases. If these are the only long term options available to us, then our future is indeed stark and the quality of public services in jeopardy.

Minnesotans have too long been inventive in crafting public policy for me to believe that these are our only options.

We must and will find new solutions to the alternatives of cut! and tax! We need to reconsider and possibly restructure the way we provide state services. The answers will not come easily. But if we bring our will and wit to bear on the problem, solutions will come from the informed pragmatism of many Minnesotans determined to create new alternatives.

This budget is only a beginning in the process of fundamental reconsideration of how best to provide the services of government. But we must begin

* * * *

For a moment let me talk about revenues. I am asking that all Minnesotans share the burden of putting our fiscal house in order. To do so we must keep the 10% surtax on incomes and the 6% sales tax rate in place.

I fully recognize that the tax burden of Minnesotans is high. But we must fund the shifts of prior years, while meeting obligations and priorities. If this budget works as planned, I will recommend tax reductions in 1985. The first tax to be removed will be the surtax on income.

While I cannot promise Minnesotans they will pay less income tax over the next two years, we can radically simplify the preparation of tax returns.

For those who itemize deductions, I recommend that we conform 100% with Federal definitions.

In 1981 Minnesota switched its treatment of Federal tax deductions from a cash to an accrual basis. The complexity of the calculation has bedeviled taxpayers for two years. I propose that Minnesota allow a full deduction of the remaining 4/6 Federal tax balance due in tax year 1983. This is the first reverse shift--and I hope we have some more before long.

Our highway system is in bad shape and urgently in need of repair and maintenance. The fair way to pay for our highway

system is a user tax. I will recommend an additional 5¢/gallon gas tax to fund an accelerated maintenance and repair program for roads, bridges, and highways.

* * * *

The fastest growing segment of the budget is welfare. The largest, fastest growing piece in that budget is medical assistance to our elderly, our mentally retarded, and those receiving AFDC or General Assistance support.

Over 75% of the medical assistance budget is for long term care residents--our elderly in nursing homes and the mentally retarded requiring residential care. Minnesota has 96 nursing home beds per 1,000 elderly. The national average is 59. Nine percent of Minnesota's elderly are in nursing homes compared to 5% nationally. Medical Assistance reimbursement constitutes 65% of the nursing home industry's total revenues, and 99% of the community based residential homes for the mentally retarded. The average per diem charges for Minnesota homes are higher than any of our upper midwest neighboring states.

As an initial response to cost control, I will propose that our cost-plus reimbursement system be modified. Rather than reimburse homes for their actual cost of fixed assets, we will substitute a rental concept based on the value of nursing home assets.

I will also propose an 8% cap on rate increases for nursing homes and intermediate care facilities for the mentally retarded.

These proposals, of course, are inadequate for genuine cost containment. Our present system encourages institutionalization and provides few incentives for living independently or remaining with family. While there has been inadequate time to prepare a proposal for your consideration, I intend to do so no later than the 1984 session. The broad outlines of policy I intend to propose are as follows:

- Provide a continuum of care, in the home, community and institutions.
- Establish financial incentives for individuals to use the least costly options consistent with their needs.
- Introduce competition in rate determination.
- Prepay for care on a capitation basis.

- Provide a risk management fund so that high cost institutions can adjust to competitive rates.
- Use existing pilot projects to determine and rectify flaws in the system.

I will also propose that medical assistance for AFDC families and non-institutionalized general assistance recipients be placed on a prepaid, competitive bid capitation basis. I believe we can implement this change in the metropolitan area within the year.

I will recommend financing state hospitals through a revolving fund. The hospital would come under the same rate setting mechanism as other community facilities. There would be incentives for each hospital to meet the needs of its region, to collect user fees, and to operate efficiently--or close down.

In Corrections we have a very old facility for adult women at Shakopee in need of replacement, and underutilized correctional facilities for adolescents.

I propose that we close the women's prison at Shakopee and move the adult women to the Sauk Center facility. Minimal modifications will be required to accommodate the adult women's program at Sauk Center. The adolescent boy's program at Sauk Center will move to Red Wing, which has ample capacity. This is a cost effective way to use existing facilities, avoiding the necessity for a new women's prison.

* * * *

School aids are a high priority for us all in this budget, and I know you share that judgment. During the budget crises of this biennium, a commitment was made on the foundation aid formula of \$1475 per pupil unit for 1984. That commitment should be honored. But in the interest of a fair sharing of fiscal restraint, I will recommend the same amount for 1985.

Minnesota has attempted to equalize educational opportunity for all Minnesota students regardless of the tax base in the district. The equalization has eroded. You can measure the differences between high and low district expenditures per pupil--or you can look at the declining share of state support to all districts.

Currently we offset foundation aids against a base 24 mill levy. This year, 62 districts were "off formula"--that is, the 24 mill levy generated more than the foundation aid--but these

districts still received categorical aids. We must target our assistance to school districts in keeping with the original policy adopted in 1971. Therefore, I will recommend that we also offset categorical aids against the base mill levy.

A number of school districts have substantially reduced student populations. Rather than close institutions, there is a strong case to be made for pairing districts to share administrators as well as certain academic and vocational programs. I will recommend a \$50 per pupil unit aid and levy program as an incentive for such pairing. These funds would be available only after an agreement between districts has been approved by the Commissioner of Education.

The developments in computer technology now provide adequate capability in microcomputers dispersed to each district. I will recommend that the state delete its appropriation for shared support to the Minnesota Education Computing Consortium and the Regional MIS system. The Consortium will continue to operate from earned revenues--probably as a non-profit corporation.

I've said before that we cannot send our students into a high tech world with a low tech education. I will, therefore, recommend a major initiative to accelerate both the use of technology in teaching and the teaching of new technology. As part of this program, I hope to encourage more women to develop their skills in technology-oriented fields.

This initiative will create 20 model high school centers and 10 model centers for college freshmen. The centers will demonstrate the potential scholastic application of computers.

In addition, we will retrain 100 teachers in computer technology and place them in high schools. We will also encourage planning for use of technology in teaching.

In higher education our task is demanding. We must protect and enhance the quality of post secondary education. The curriculum must be responsive to a rapidly changing technological world. And all this must be done with innovative resource management, for the traditional age population of the student body will decline by 25% over the next 12 years.

I support the recommendation of the Task Force on the Future Funding of Post Secondary Education. The Task Force urged that state support for instruction at all post secondary institutions be related to the level of instruction, the cost of programs, and the number of students. This method is called "average cost funding." This method of funding will place all systems--including the Vocational-Technical Institutes--on an equitable funding formula responsive to the conditions of the 80's.

As we face funding constraints in higher education, we must reconsider levels of state support. I will recommend that tuition fund 35% of instructional costs by 1985. For the AVTIs, that level will be 25%. This is not an unreasonable sharing of cost for the student who can afford to pay it.

For those who cannot afford tuition, we need to significantly increase student grants and aids. I will recommend sufficient funding to meet 50% of the financial needs of qualifying students at public institutions.

For students attending private post secondary institutions in Minnesota, I will also recommend substantial increases in student grants and aids. The present direct grant to private institutions will be redirected to students through the aid formula. Our fiscal limitations prevent full funding to the tuition and expense level recommended by the Higher Education Coordinating Board. But it is my intention to achieve the goal by 1987.

No system of funding, however, will ensure innovative planning, creative curriculum development, and sound resource management. That is the task of the respective governing boards. I will recommend that each governing board have full responsibility for the direction and management of its system. This includes the responsibility to determine which campuses remain open. It is the intention of the funding policy to encourage long range planning by each system as well as innovative and cooperative arrangements among them as they face declining enrollments--and funding.

For these reasons, I will recommend that the governance of Vocational-Technical Institutes be modified to parallel that of its sister post-secondary systems. The AVTIs are substantially funded from state sources and effective management of the system must now be assigned to a statewide governing board.

Our higher education institutions do not have the capacity to train the engineers and scientists our economy requires--or to fulfill the technical aspirations of our students. I will propose a special appropriation to accelerate the expansion of the Institute of Technology at the University, to establish an engineering school at UMD, and to add an engineering school at one of the State University campuses.

The importance of Minnesota Indians to the economic and social development of this state cannot be denied. One important objective of this administration is to support the education and the development of job skills for Minnesota Indian students. In the next biennium there will be additional state funds for scholarships to Indians attending all post-secondary institutions in the state.

* * * *

The "Minnesota Miracle" of the 1970's was originally designed to make the entire state-local financing system work so that property taxes were balanced with sales and income taxes. It also meant that areas with low property values and people with lower incomes would not be forced to pay substantially higher property taxes to provide reasonable levels of local services, particularly elementary and secondary schooling.

During the last four years we have lost our focus on the objectives of the "Minnesota Miracle." Property tax relief was given broadly and excessively so that property taxes increased less than the rate of inflation. The tax tripod has become unbalanced again, but this time the property tax leg is shorter, not longer, than the sales and income tax.

The original objectives did not promise that property taxes would not increase. Nor did they presume that the state should control property taxes for all jurisdictions. We need to refocus the state-local financing system. State revenue should be targeted to equalize property tax burdens across jurisdictions and to prevent those unable to pay from being overburdened.

Beyond that, the state should play a limited role in setting local property taxes. Minnesotans must understand that property taxes are a local tax determined to a great extent by local officials.

The homestead credit is the most expensive property tax relief program--accounting for over 10% of the entire General Fund budget. As the Legislative Auditor's recent study discloses, it is a program in search of a rationale and strategy.

I urge that the homestead credit program be retargeted and limited in the following ways:

- The first \$100 of tax will not qualify for the credit.
- The State's share of the credit will be reduced from 58% to 50%--as a reasonable proportioning.
- The maximum credit of \$650 would remain, but be progressively reduced beginning with homes with assessed market values of \$150,000 and eliminated completely for homes above \$210,000.

One cannot consider policy options on the homestead credit without simultaneously dealing with the circuit breaker. I will recommend that the circuit breaker be modified as follows:

- Increase relief for those under 65 by adopting for all persons the relief schedule now used by senior and disabled persons.

- Phase out the credit for incomes beginning at \$30,000 with no credit for incomes of \$40,000 or more.

These program changes respond to the criticism that the homestead credit is an indiscriminate subsidy of homeowners. The two revised programs of homestead credit and circuit breaker target the aid to those less able to pay and limit the growth in cost.

The renter's credit currently bases aid on a formula which assumes that 23% of the rent paid is for property taxes. Actual studies indicate that this number is too high. I will recommend a revised formula assuming taxes to be 20% of rent. This is an equitable revision.

For the agricultural credit, I will recommend a \$4,000 maximum credit limit. There must be a reasonable limit to state assistance on large or very valuable farms.

Local Government Aids also require revision. I will recommend that aids to counties and towns be eliminated in 1984. As an appropriate offset, I recommend a 1 mill reduction in the school levy.

With these changes, the Local Government Aids become municipal aids. The revised formula will drop all the "Grandfathers" and minimum grants. Increases in aid to any municipality will be limited to 6% per year.

With these changes in aids and the adoption of risk sharing, there must be a corresponding modification of levy limits. I will recommend the following:

- Elimination of levy limits for towns and counties.
- Levy limits on school districts and cities would be expanded to offset any future state aid loss--including risk sharing adjustments to aids.
- Levy limits would be automatically adjusted each year using an inflation index.

* * * *

State agency budgets will maintain the reduced levels of spending and personnel achieved in the current biennium. The inflation adjustments in those budgets will be pegged at 5% each year. I am also committed to achieving the objective of comparable worth in the pay of men and women over the next four years.

INVESTMENT INITIATIVES

The fifth objective of this budget is to use investment initiatives to accelerate economic development and jobs. It is difficult to contemplate--much less advocate--new governmental initiatives in times such as these. However, the initiatives I propose can be funded without resorting to new taxes.

The primary goal in this investment part of the budget is the creation of new jobs. I can think of no better investment than one to preserve and sustain our human resources.

We simply cannot allow some Minnesotans to bear the brunt of an economic policy that is supposed to ultimately benefit us all. If unemployment were to be less prolonged and less severe, and adequate unemployment compensation was available, then one could argue that the system had its own internal adjustment mechanism--and that people who lost jobs were cared for. But the cold truth is that the unemployed are inadequately protected.

We all applaud the sharp reduction in the inflation rate. But it is unacceptable for some 200,000 Minnesotans to pay the price for a lowered inflation rate when many have exhausted their unemployment compensation and no new jobs are available. We see the signs of financial need all about. Less public, but no less real is the internal pain and loss of self esteem borne by those 200,000 fellow citizens.

The unemployed want jobs, not an extension of welfare. We must help to create meaningful jobs, most of which should be in the private sector.

The primary program would involve private sector employers and would help them to hire new employees. The state would subsidize each employer by paying him or her an amount equal to the regular General Assistance Grant--about \$191 per month. The employer would then pay the difference between that subsidy and the customary wage for that job.

In some regions where there is inadequate private capacity to hire people who qualify for such jobs, I recommend public sector jobs. We have ample need to effectively use workers in reforestation, conservation, parks, and other public sector activities.

I recommend an appropriation of \$75 million for one year to fund this jobs program. During the next several months we will be able to determine whether Washington will do something about jobs--and what effect any such program will have on Minnesota. We can then better determine what we need to do for 1985.

Our budget also proposes several new initiatives in job retraining. We must be sure that our workers have the skills needed for the jobs of the future. These new initiatives will compliment money coming to the state from the Federal Jobs Training Partnership Act.

The second investment initiative will fund economic development, which leads to new job creation. We have a number of geographic regions where targeted economic development is badly needed. We also have entrepreneurs who could accelerate their business development and expansion activity with targeted assistance from the state.

I propose that we create a Minnesota Enterprise Fund Corporation to carry out this activity in a public/private partnership. The vehicle should be a not-for-profit corporation controlled and directed by a board of public-spirited and broadly experienced citizens.

The fund should have the authority to make equity investments, to make loans, to guarantee loans, to purchase packages of small business loans, or to initiate interest buy-down programs. The work of the fund will be targeted to small businesses located in high need regions and to industry sectors where Minnesota has underutilized resources or capabilities.

I will recommend an appropriation of \$30 million for the biennium to be combined with revenue bond funds, to finance the work of the Minnesota Enterprise Fund.

The third investment initiative will be for weatherization. Our climate and the cost of energy argues for fuel efficient construction of buildings. Weatherization will be a sound investment and it will simultaneously create useful jobs.

A part of the program will be aimed at low income people, through direct grants and interest write-downs. For public buildings we expect to finance the program through a bonding program.

I will recommend an appropriation of \$30 million for this weatherization program and other energy initiatives which I will detail later.

These investment initiatives use government as the catalyst to create jobs. For the most part, jobs will be created in the private sector where continuing employment is probable. As we stimulate economic activity and become more energy efficient, we will also gain from longer term economic effects.

* * * *

Adding it all up, the budget will grow 10½% in 1984 and decline modestly in 1985. The average annual rate for the beinnium is 5%. The reason for this pattern is that many items of expenditure cannot be changed for 1984--the homestead credit is an example. Beyond that, it takes the better part of a year before some expenditure changes really take effect.

Taken together, I believe these percentage changes reflect the determination of this administration to create a budget that works, that meets demanding priorities, and that will achieve stability.

I fully recognize that this budget contains a large number of recommendations for change. We cannot put together a workable budget without some wrenching change. I ask for your patience and good counsel in working together on these proposals.

I welcome better ideas. I have noted some areas where we have yet to fully work out solutions. For these problems we need creative ideas and solutions--and I am not particular about their source.

I will consider alternatives to the specifics that I have outlined in this message, but I want the basic framework of the budget to remain intact:

- We must be realistic about where we are and the task ahead of us.
- We must return stability to the budget.
- You will find me determined about stated priorities.
- We must target our resources and creatively redesign both revenues and the services we provide.
- And, we must pursue investment initiatives to accelerate economic development and create jobs.

Together--let's make government work again!

C. OVERVIEW OF PROPOSED 1983-85 BUDGET

The budgetary crises of the past three years have seriously eroded public confidence in the State's ability to manage its financial affairs and honor its commitments to individuals, school districts, and other units of government. This erosion of confidence extends beyond our borders as evidenced by the reduction of the State's national credit rating.

The fundamental goal of the 1983-85 budget is to restore confidence in our ability to make State government work again. To that end, the budget is based on a strategy which seeks five major objectives.

OBJECTIVES OF
1983-85 BUDGET STRATEGY

- REALISM
- STABILITY
- CLEAR PRIORITIES
- TARGETING AND REDESIGN OF EXPENDITURES AND SERVICES
- INVESTMENT INITIATIVES

While the above objectives determined the broader strategy of the budget, specific measures considered were also evaluated in terms of four priorities.

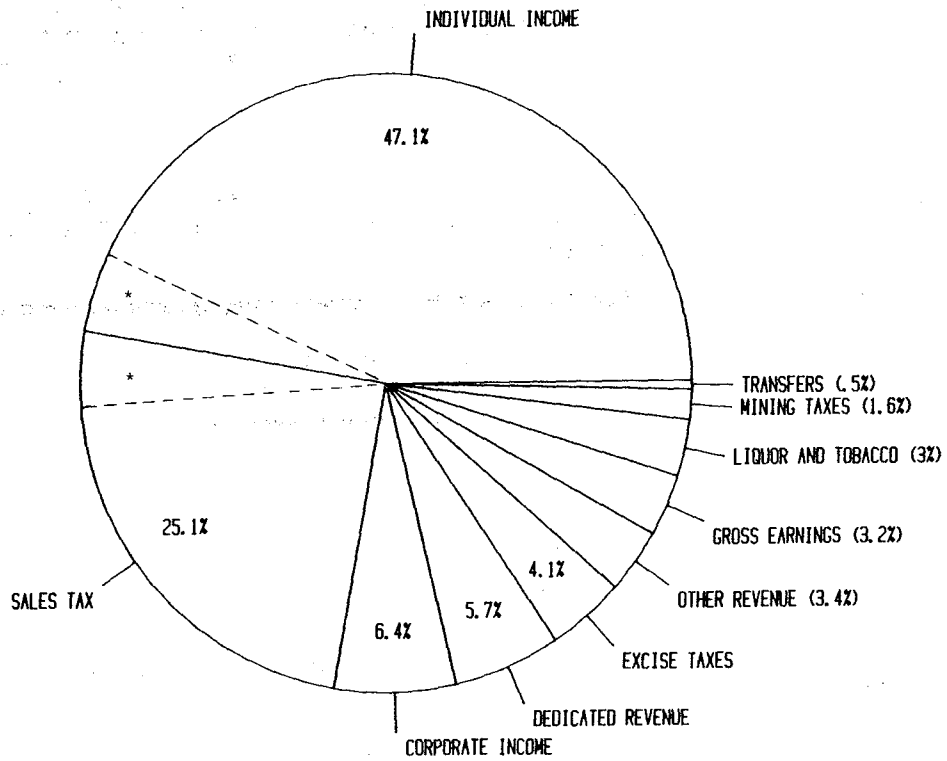
BUDGET PRIORITIES

- PROTECT THE NEEDY
- SUSTAIN OUR INVESTMENT IN QUALITY EDUCATION
- CREATE A PUBLIC/PRIVATE PARTNERSHIP TO ACCELERATE ECONOMIC DEVELOPMENT AND JOBS
- RESTORE OUR PHYSICAL PLANT AND INFRASTRUCTURE

The budget proposed for 1983-85 reflects these priorities.

GENERAL FUND RESOURCES

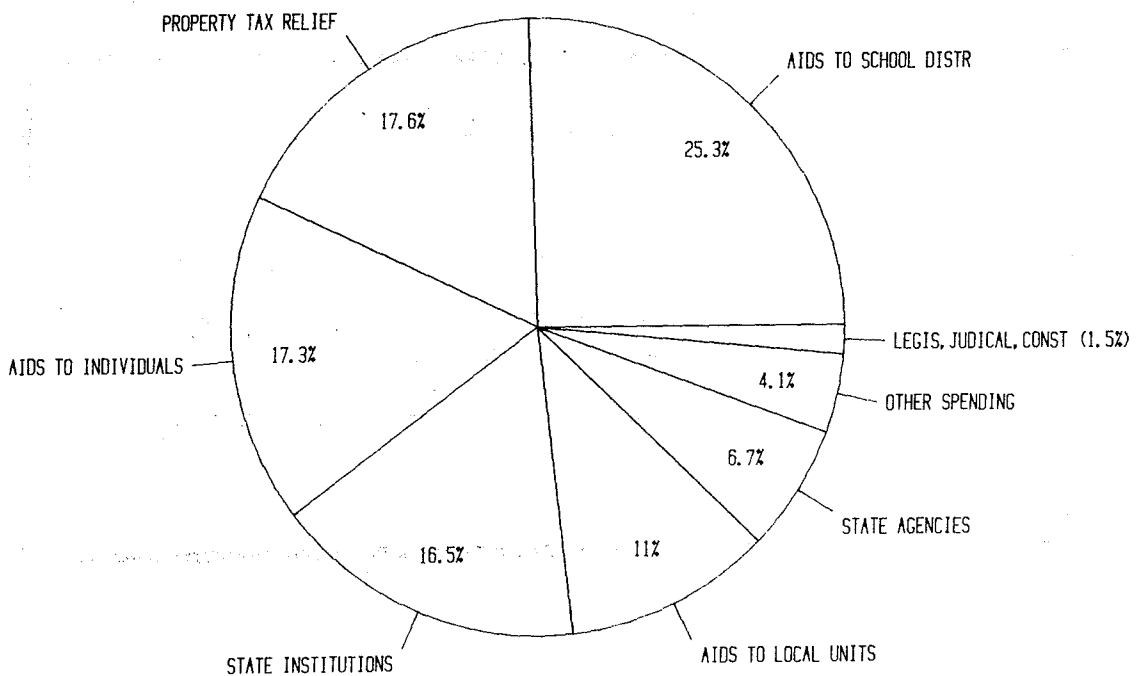
1983 - 1985 RECOMMENDED



*EXTENSION OF TEMPORARY TAXES

GENERAL FUND SPENDING

1983 - 1985 RECOMMENDED



The priorities of the 1983-85 budget are brought into sharper focus through examination of the growth proposed for major categories of expenditure.

Proposed 1983-85 Expenditures (\$ in Millions)				
Purpose	Adjusted* F.Y. 1983	Proposed F.Y. 1984	Proposed F.Y. 1985	% Increase F.Y. 1983-85
Property Tax Relief	787.4	846.8	803.4	2.0
Aid to Individuals	598.2	824.4	798.7	33.5
Aid to School Districts	1,086.9	1,187.7	1,187.4	9.2
Aid to Local Units	484.0	532.3	494.4	2.1
State Institutions	790.1	757.6	785.0	(.6)
Direct Services, Operations	321.5	377.5	390.6	21.5**
Other Spending	196.2	167.1	220.4	12.3
Subtotal	4,264.3	4,693.4	4,679.9	
Less: Est. Cancellations	(35.6)	(20.0)	(40.0)	
TOTAL SPENDING	4,228.7	4,673.4	4,639.9	9.7

* Adjusted for shifts/comparability. See pages 7-8.

** Governor's investment budget initiatives totalling \$49 million are included within state agencies' budget. Without these items the percentage increase would be 6.3%.

D. THE CURRENT SITUATION

1. MINNESOTA'S BUDGET STRUCTURE

Minnesota, like most states, budgets its revenues and expenditures through separate "funds."

- General Fund revenues include income and sales taxes as well as other receipts available for general purpose use such as school aids, property tax relief, and state operations.
- Dedicated Fund revenues such as gasoline tax receipts and fees from hunting and fishing licenses must, by law, be spent for purposes related to the source of the revenue.
- Federal Fund revenues are usually awarded by the federal government for specific projects or programs.

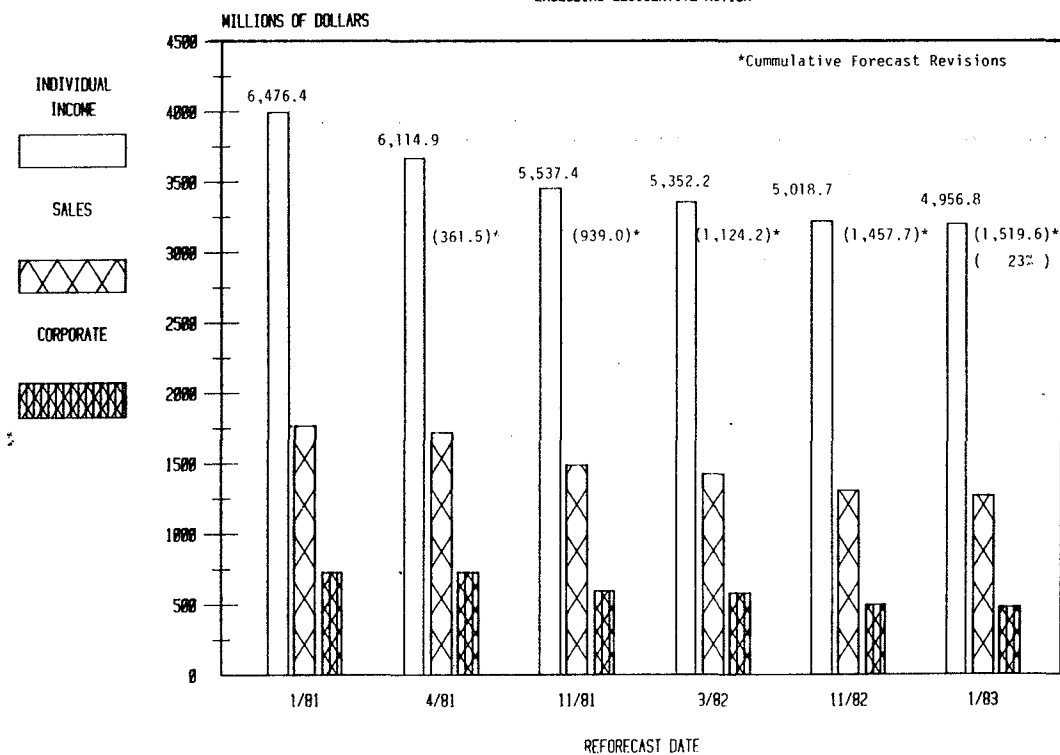
The General Fund finances the broad range of aids and direct services which affect the average citizen. It also represents more than three-fourths of total state expenditures. Thus, while the Governor has proposed budgets for all state funds, this booklet focuses on the primary--General Fund--budget.

2. THE BUDGET CRISES OF THE LAST TWO YEARS

The budget strategy outlined earlier stresses the objectives of realism and stability. These objectives stem from the experience of the last two years. The revenue forecasts used to support the current biennium's budget have repeatedly required downward revision as the economy has failed to perform as expected.

F. Y. 82-83 REVISED FORECASTS

EXCLUDING LEGISLATIVE ACTION



The revenue forecasting problems illustrated above precipitated a series of budget crises because the state had no reserves to offset reduced receipts and no predetermined basis for adjusting expenditures.

The budget crises which resulted were "resolved" as outlined below.

Current Biennium - Budget Crises						
Date of Crises	Net Problem	"SOLUTIONS"				Reserve
		Tax Increases	Spending Shifts	Budget Cuts	Other Actions	
Initial*	\$(1,390)	\$ 677	\$254	\$278	\$ 89	\$(92)
11-05-82	(768)	318	144	304	129	127
01-19-82	(103)	69	103	55	4	128
11-18-83	(312)	108	100	144	-0-	40
12-13-83	(9)	-HIRING, PURCHASING FREEZE-			9	-0-
TOTALS		\$1,172	\$601	\$781	\$231	
TOTAL BUDGET BALANCING ACTIONS					<u>\$2.8 BILLION</u>	
*Approval of the initial budget in June, 1982 dealt with an estimated \$1.4 billion gap between agency requests and estimated resources.						

3. SPENDING SHIFTS

As indicated above, a part of the "solution" in each crisis was a "shifting" of expenditures. A "shift" is a change in payment dates which results in a one-time reduction of expenditures during a specific budget year. In all subsequent years, however, spending returns to normal levels, thus creating a need for revenue growth just to finance current levels of service and expenditures.

The best way to illustrate this phenomenon is through the following analogy involving a homeowner who "shifts" a mortgage payment.

How a Spending "Shift" Works

OLD BASIS		SHIFT YEAR		ALL FOLLOWING YEARS	
Date Due	Amount	Date Due	Amount	Date Due	Amount
Jan 30	\$ 1,000	Jan 30	\$ 1,000	Jan 3	\$ 1,000
Feb 28	1,000	Feb 28	1,000	Feb 3	1,000
Mar 30	1,000	Mar 30	1,000	Mar 3	1,000
Apr 30	1,000	Apr 30	1,000	Apr 3	1,000
May 30	1,000	May 30	1,000	May 3	1,000
June 30	1,000	Jun 30	1,000	Jun 3	1,000
Jul 30	1,000	Jul 30	1,000	Jul 3	1,000
Aug 30	1,000	Aug 30	1,000	Aug 3	1,000
Sep 30	1,000	Sep 30	1,000	Sep 3	1,000
Oct 30	1,000	Oct 30	1,000	Oct 3	1,000
Nov 30	1,000	Nov 30	1,000	Nov 3	1,000
Dec 30	1,000	JAN 3*	-0-	Dec 3	1,000
ANNUAL	<u>\$12,000</u>		<u>\$11,000</u>		<u>\$12,000</u>

*December 30th payment "shifted" to next year - January 3rd.

Note that the change in the "shift" year is a one-time reduction; spending returns to normal levels in future years.

The problem with shifts can be illustrated through the same analogy: assume the "shift" was made because the homeowner suffered a loss of income of \$1,000 in the shift year. Note that his/her income must grow by \$1,000 in the next year or the crises returns. Alternately, the first \$1,000 in income growth is already committed and not available for any other increases in the homeowner's budget.

The current value of the combined "shifts" enacted during the last two years are outlined below. Note that the \$508.7 million value for F.Y. 1983 must be added to actual expenditures to determine the real level of expenditures continuing into future years.

<u>Combined Shifts Enacted in 1983-85 Biennium</u>			
	<u>F.Y. 1981</u>	<u>F.Y. 1982</u>	<u>F.Y. 1983</u>
Schools			
Budget Reduction-Reappropriation \$	242.0	\$ (242.0)	\$ -0-
Increased Settlement Payment (85%-15%)			60.0
Rescheduling Homestead, Misc. Aids (85%-15%)			39.9
Other Formula Changes			10.0
Early Recognition of Property Taxes			234.0
Payment Date Changes			
Local Government Aids		67.4	-0-
DNR-Payment in Lieu of Taxes		4.4	-0-
Renters Credit		-0-	100.0
Senior Citizens-Disabled Credits			64.8
TOTAL EXPENDITURE ITEMS	\$ 242.0	\$ (170.2)	\$ 508.7
(EXPENDITURE BASE UNDERSTATED)			

If Minnesota had reported its budget situation in real terms, it would have disclosed an unbalanced budget for each of the last three years.

4. OTHER SIGNIFICANT CONCERNS

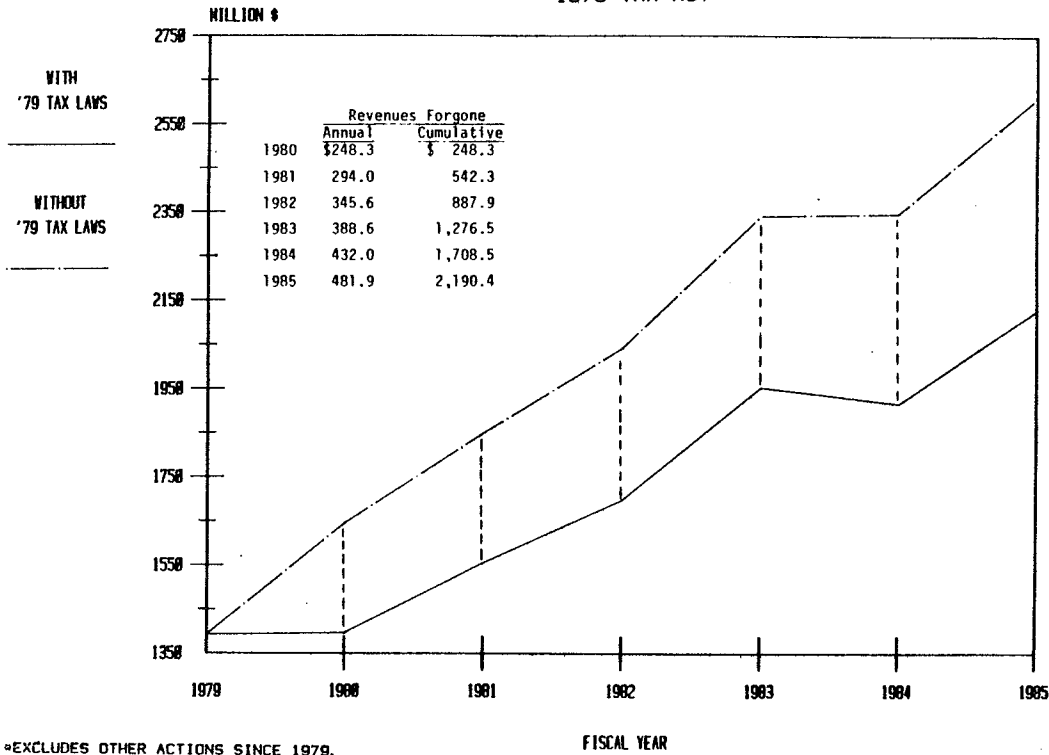
In addition to the problems caused by expenditure "shifts", the state is faced with two major concerns arising from past actions:

- The 1979 tax act has a continuing major impact on state revenues and expenditures; and
- The loss of the state's AAA/MIG1 credit ratings has significant implications for long and short term borrowing costs.

The two tables which follow illustrate the cumulative revenue and tax relief consequences of the 1979 tax act.

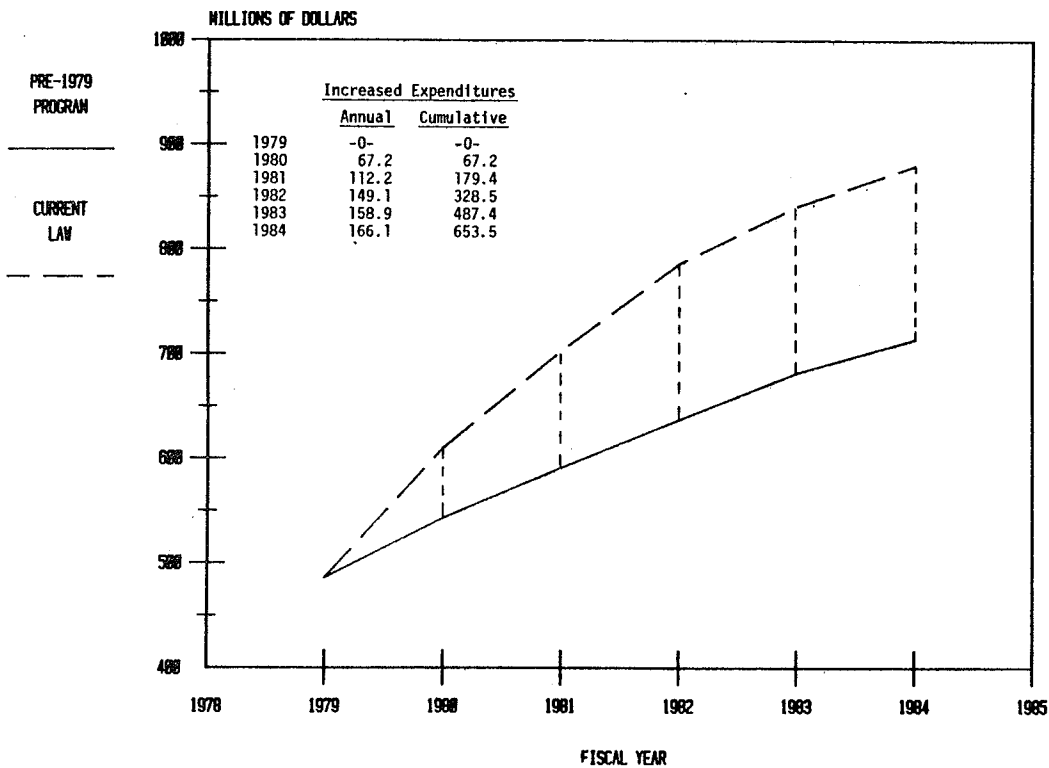
INCOME TAX REDUCTION

1979 TAX ACT



PROPERTY TAX RELIEF INCREASES

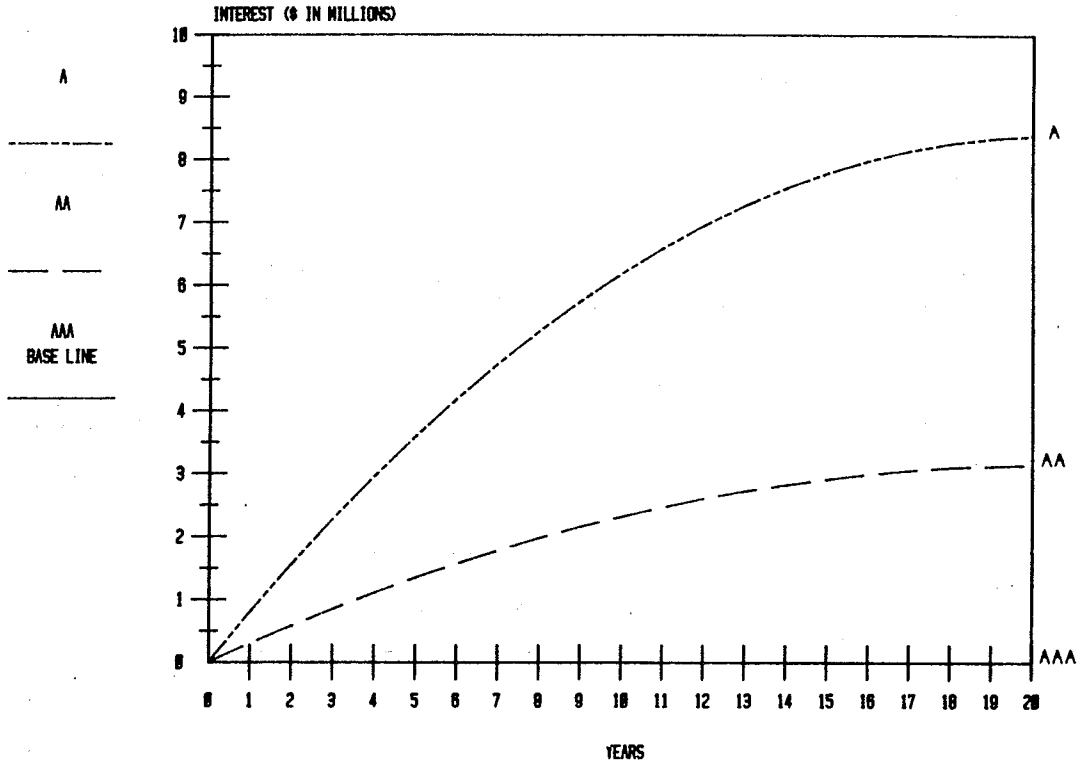
1979 TAX ACT



The total cost implications of a reduced credit rating over the life of a \$100 million twenty-year General Obligation bond issue is displayed below.

INCREMENTAL INTEREST COST COMPARISON

ON \$100 MILLION OF BONDS



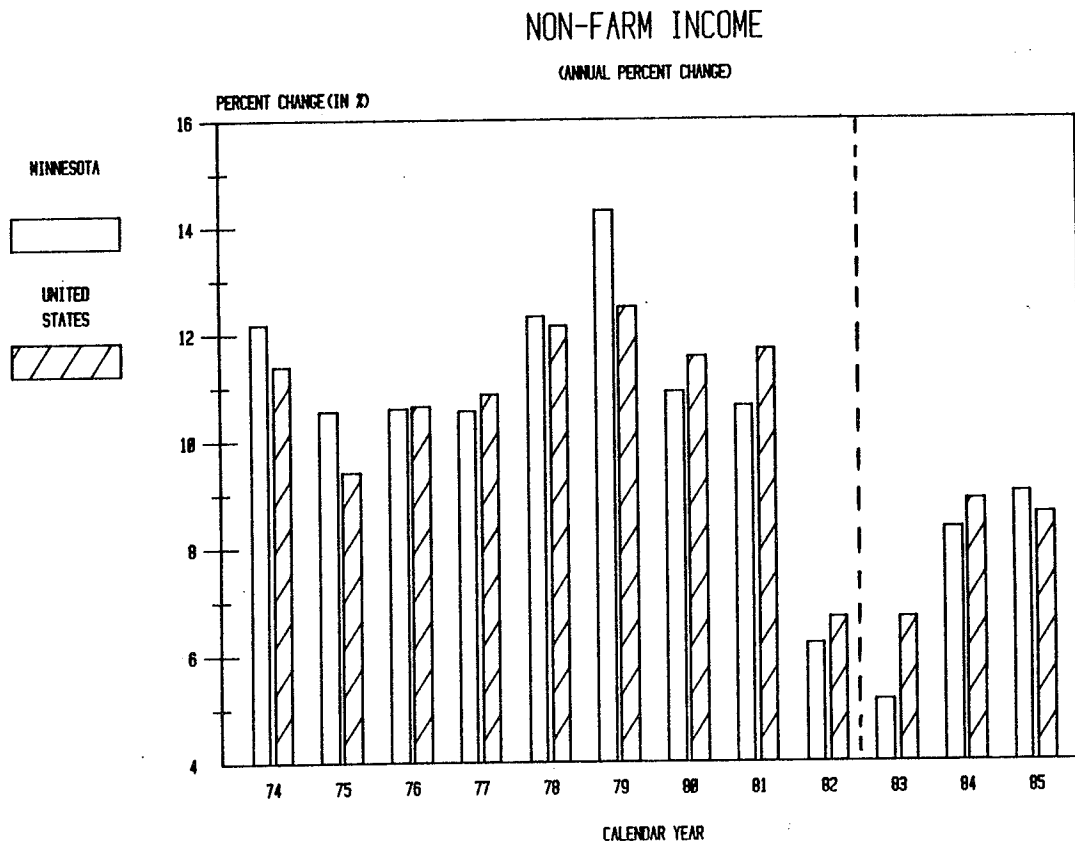
E. REVENUES

1. FORECASTING PROBLEMS

In preparing revenue forecasts which extend some 30 months into the future (to June, 1985), several concerns must be recognized.

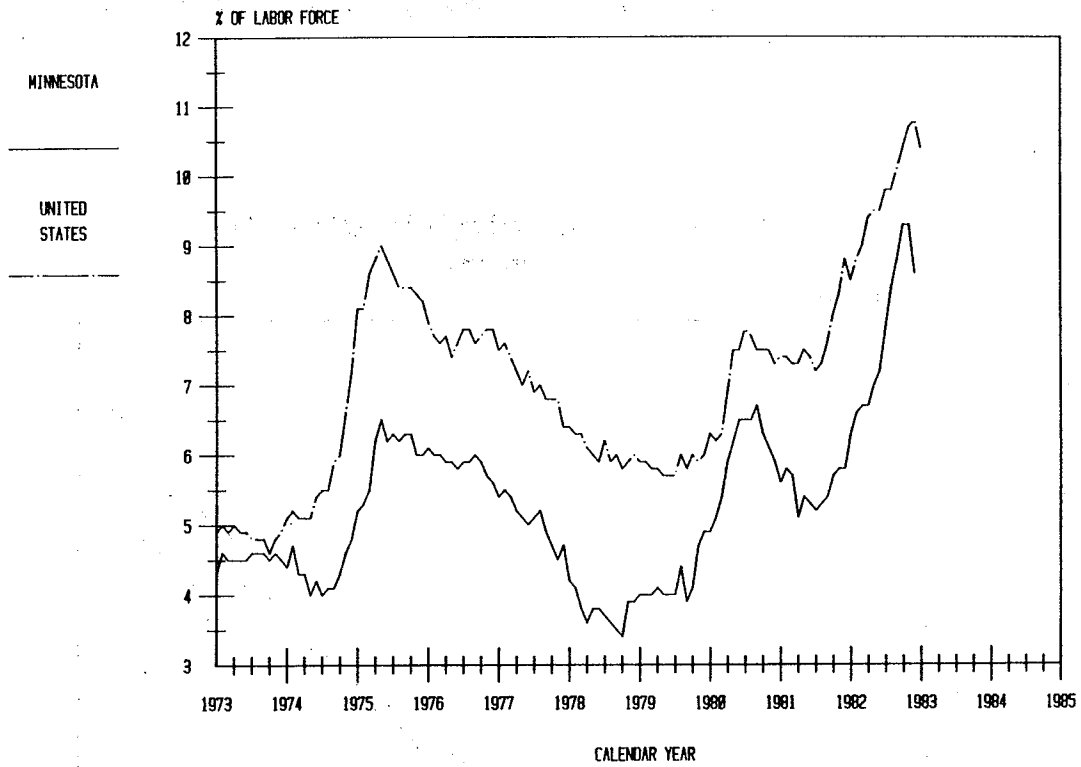
- The extent to which Minnesota's economic prospects are tied to the national economy.
- The unusual sensitivity of Minnesota's tax structure to economic conditions.
- The inherent problems associated with making a "point" (single number) forecast that far into the future.

Minnesota's economy is becoming more and more dependent on national developments as illustrated by the following two charts:



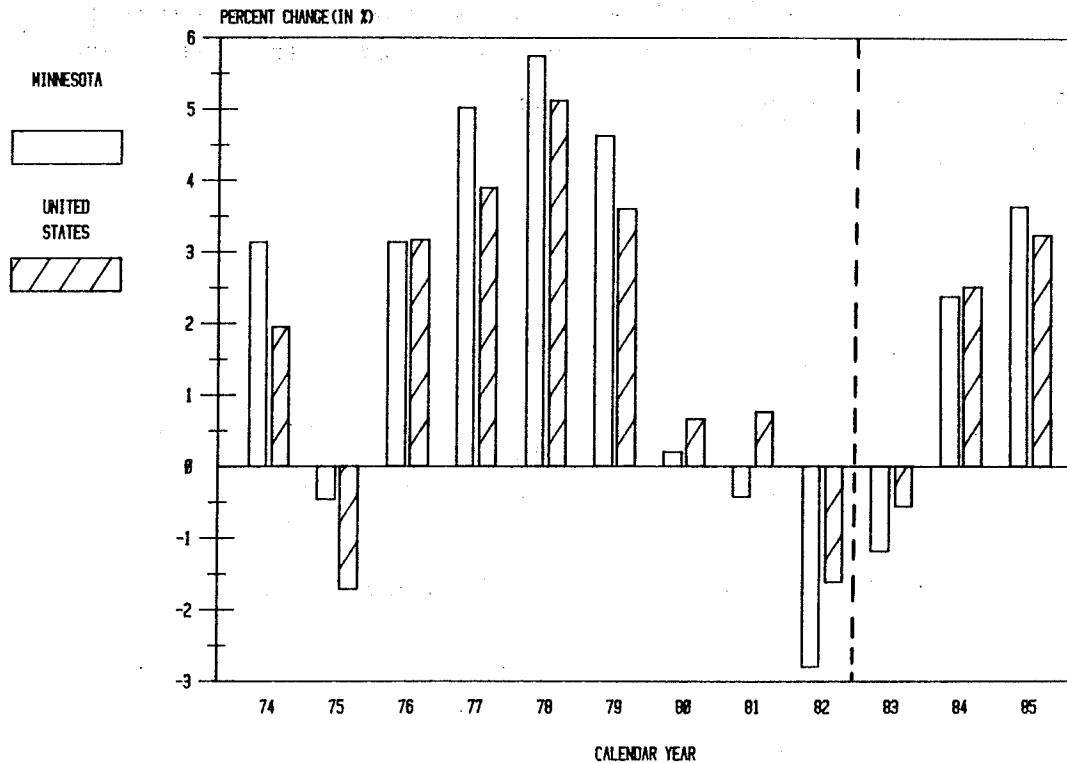
UNEMPLOYMENT RATE

(SEASONALLY ADJUSTED)



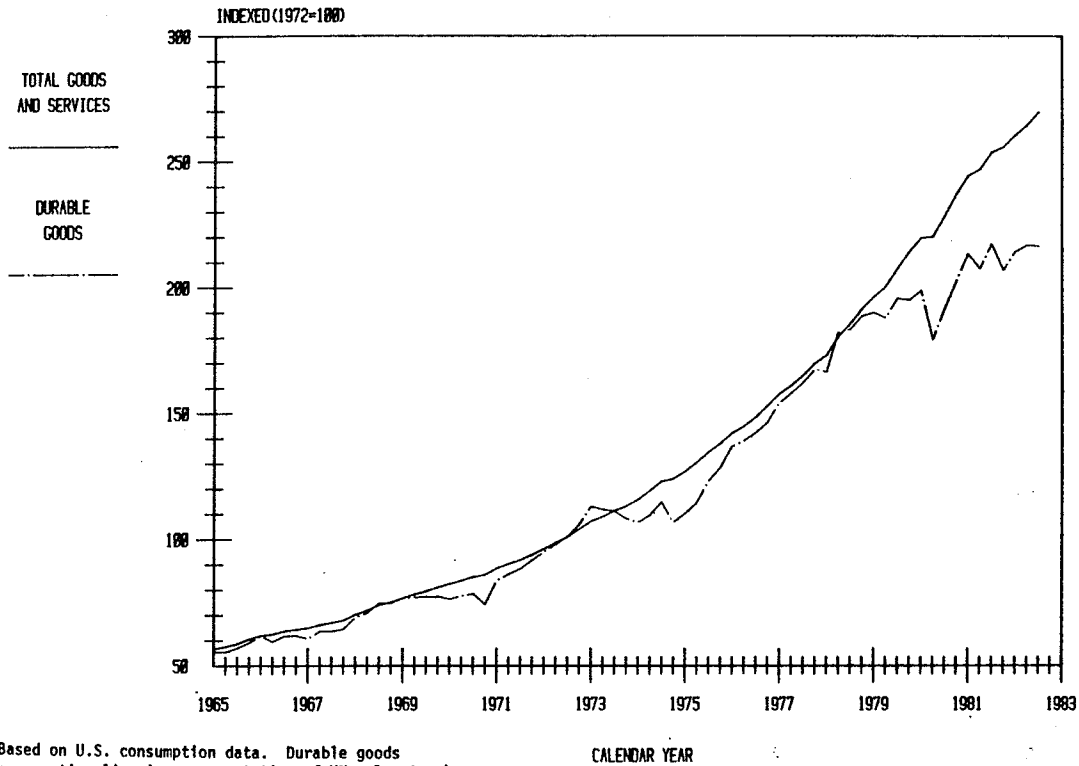
NON-FARM EMPLOYMENT

(ANNUAL PERCENT CHANGE)



Minnesota's tax structure is unusually sensitive to economic developments. The following table shows the sensitivity of the sales tax.

SENSITIVITY OF MINNESOTA SALES TAX*
(CONSUMPTION)



*Based on U.S. consumption data. Durable goods consumption line is representative of MN sales tax base.

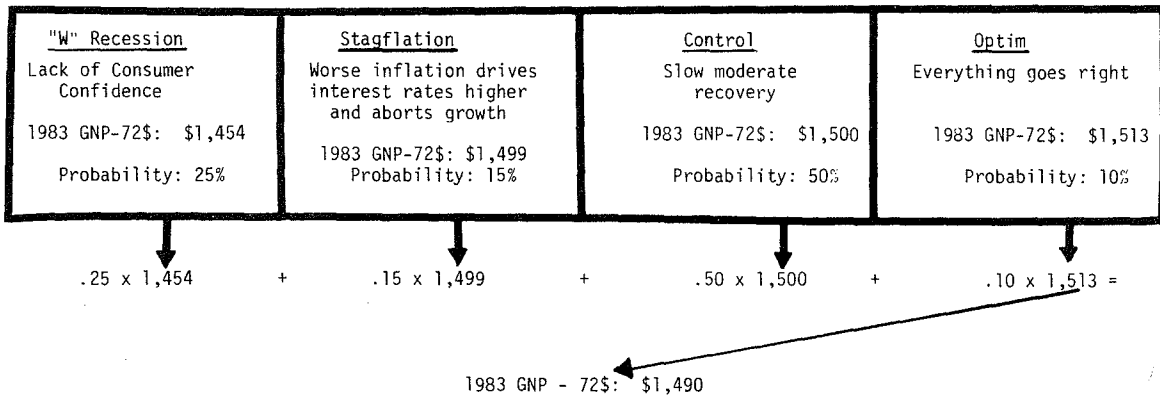
2. EXPECTED VALUE FORECASTING

To provide the most realistic forecast possible, the revenue estimate for the 1983-85 budget is based on a new procedure referred to as the expected value of four different forecast scenarios.

A concise explanation of the new "Expected Value" forecasting method is as follows:

EXPECTED VALUE FORECASTING

Four Economic Scenarios From Data Resources, Inc.

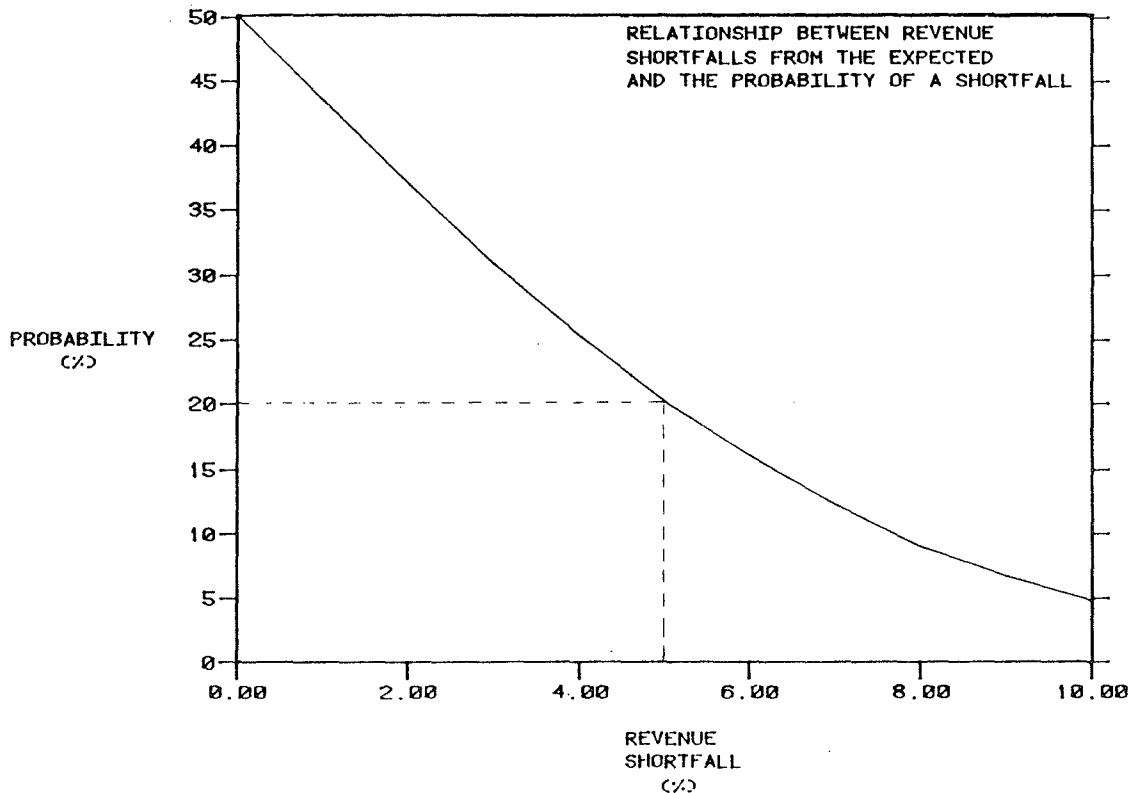


(The Expected Value Forecast takes into account all forecasts and their assigned probabilities. In this case, the Expected Value or weighted average forecast is \$1,490 billion or \$10 billion below the D.R.I. Control forecast of \$1,500 billion.)

There is substantial risk in any forecast as is illustrated by the chart below. For example, the odds of a revenue shortfall in excess of 5% is a probability of 17%.

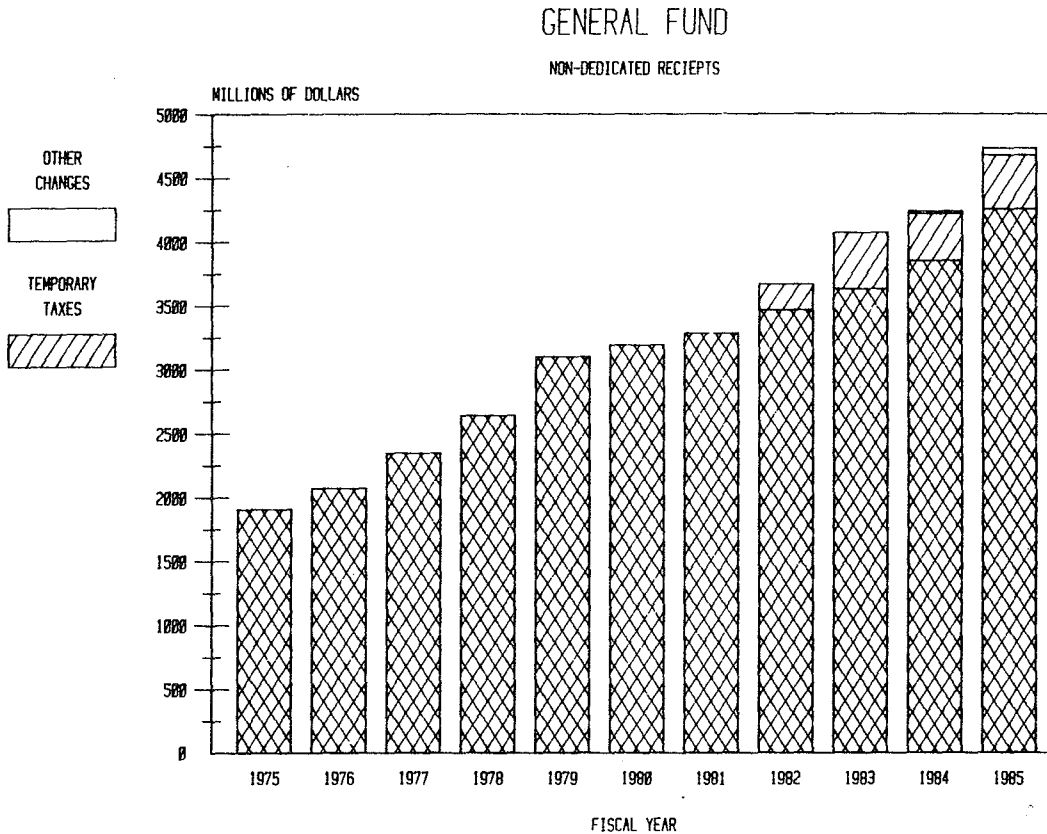
Source: Bob Litterman and Tom Supel*

* Litterman and Supel are in the Research Department of the Federal Reserve Bank of Minneapolis, but their views do not necessarily represent the views of the Bank or the Federal Reserve System.



3. ESTIMATED 1983-85 REVENUES

Using the January forecast, the revenues anticipated from existing taxes, extensions of temporary taxes, and proposed tax simplification for the 1983-85 biennium are as outlined below:



As seen above, when the temporary taxes scheduled to expire at the end of the current biennium are excluded, the projected growth rate for on-going taxes is quite modest.

4. MINNESOTA'S TAX BURDEN

The growth pattern indicated above leads to the question of the relative tax burden such growth has placed on Minnesota citizens. The two charts which follow provide alternative ways of examining that issue.

<u>MINNESOTA TAX BURDEN</u>				
<u>State and Local Collection</u>				
<u>Year</u>	<u>Per Capita</u>	<u>Rank</u>	<u>Per \$1,000 Pers. Inc.</u>	<u>Rank</u>
1976	\$ 822.68	8	\$ 44.22	22
1977	906.10	9	43.94	22
1978	1,001.38	9	42.55	22
1979	1,096.29	8	39.84	22
1980	1,124.73	9	36.72	22
1981	1,169.63	11	33.53	25

Source: Department of Commerce, Bureau of Census
State and Local Government Finances, 1980-81

<u>MINNESOTA'S TAX RANK - 1981</u>	
<u>Per Capita</u>	
INDIVIDUAL INCOME	7TH
CORPORATE INCOME	6TH
SALES	36TH
PROPERTY	22ND
TOTAL	11TH

Source: Department of Commerce, Bureau of Censes,
State and Local Government Finances, 1980-81

5. GOVERNOR'S TAX RECOMMENDATIONS

To finance the 1983-85 budget proposals and also create a prudent appropriated reserve, the Governor has recommended the tax program outlined below.

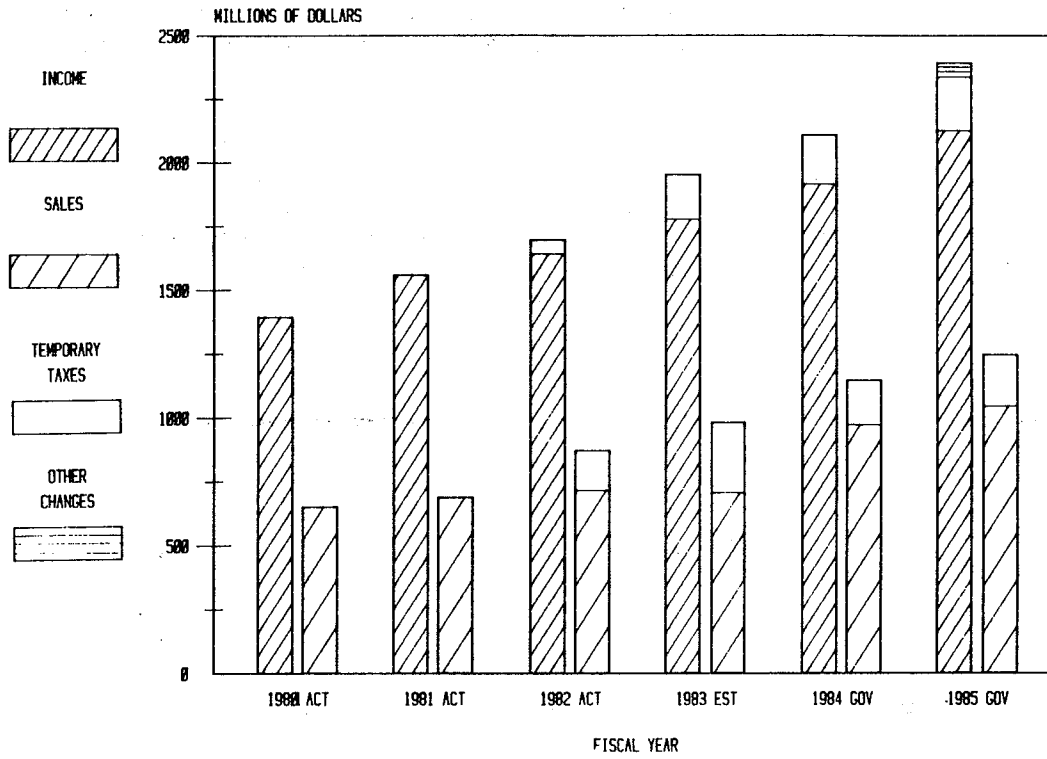
<u>GOVERNOR'S TAX RECOMMENDATIONS</u>	
1983-85 Non-Dedicated Revenues (millions)	
Permanent Tax Base	\$8,035*
Continuation of Temporary Taxes	771
Tax Simplification/Conformity	54
Tax Increases	41
<u>Other Revenue Changes</u>	<u>66</u>
Total Non-Dedicated Revenue	\$8,967

* Reflects reduction of \$256 million in hospital receipts occurring as a result of Governor's incentive funding proposal for state hospitals.

With the above recommendations, the total revenues estimated for 1983-85 show the following growth over 1981-83 levels.

MAJOR TAX RECOMMENDATIONS

INCOME AND SALES TAXES



6. RISK SHARING

As previously indicated, there is a significant possibility of revenue shortfalls in any revenue forecast which looks almost 30 months into the future.

To reduce the possible consequences of that risk and to provide local jurisdictions assistance in planning their budgets, the Governor has recommended a "risk sharing" policy which when combined with his recommended appropriated reserve of \$250 million--is designed to manage a revenue shortfall of up to five percent.

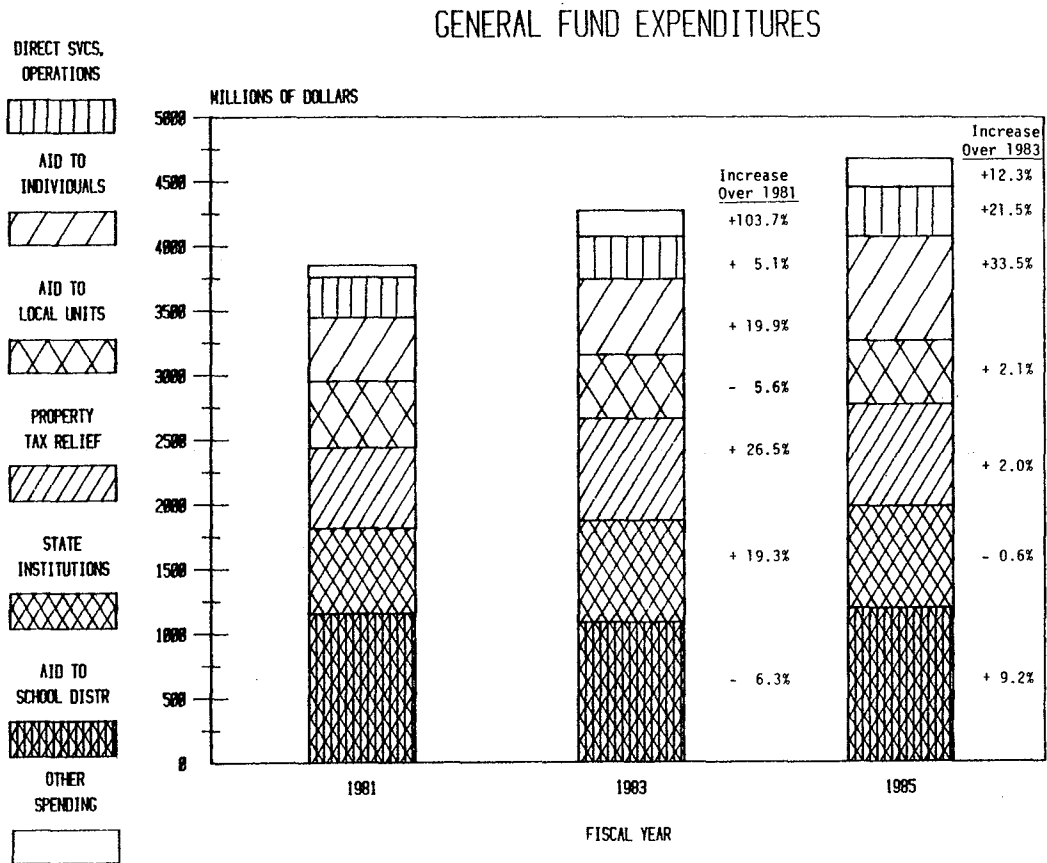
<u>RISK SHARING</u>	
State Budget	
<u>Shared Risk</u>	<u>Exempt</u>
60% of Biennial Budget	40% of Biennial Budget
Cities Counties Schools Higher Education Other Special Districts Other Government & Non-Government Organizations Homestead Credit Payments	Aids to Individuals State Agencies Entitlement Programs Sum-sufficient Appropriations

<u>Revenue Loss</u>	
1% No Impact Covered by 1st \$100 Million of Appropriated Reserve	No Impact Covered by 1st \$100 Million of Appropriated Reserve
4% Appropriated Payments Reduced 4%	No Impact Covered by 2nd \$150 million of Appropriated Reserve
Beyond Appropriated Payments Reduced or Legislative Action	Unallotment by Commissioner of Finance or Legislative Action

F. EXPENDITURES

1. PURPOSE OF STATE EXPENDITURES

More than two-thirds of the tax revenues collected by the state are returned to individuals, schools, and local units of government as aids, grants, or credits.



The largest growth in state expenditures has occurred in aids and credits; and the Governor's budget recommendations for 1983-85 continue that trend.

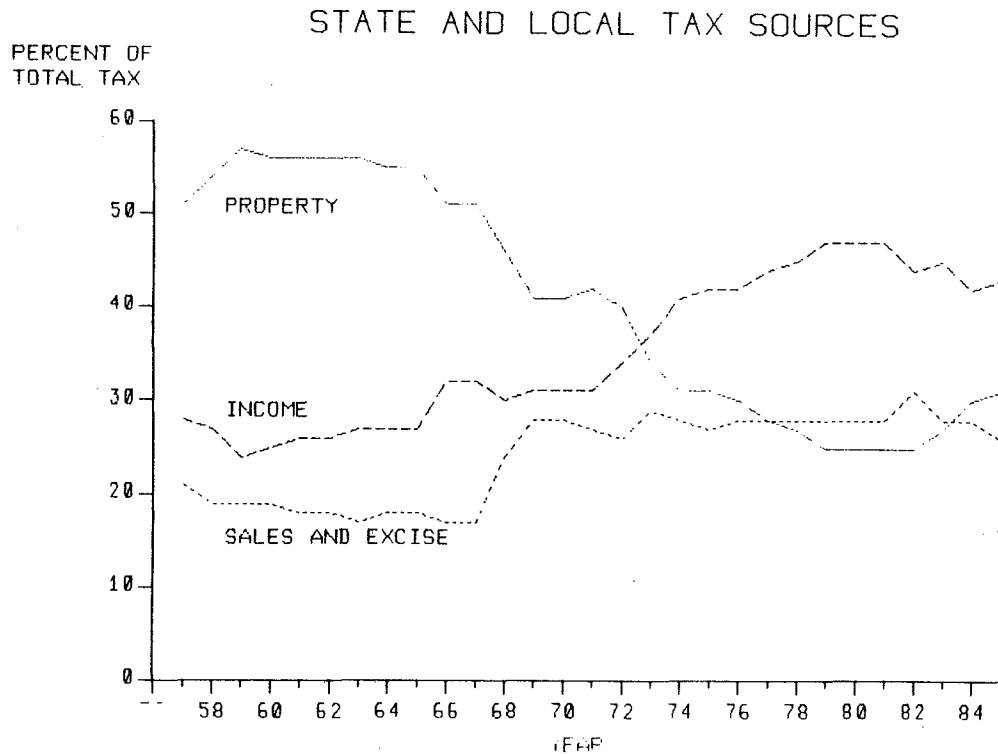
GROWTH IN EXPENDITURES BY CATEGORY

<u>PURPOSE</u>	<u>1981-83*</u> <u>Biennium</u>	<u>1983-85</u> <u>Recommended</u>	<u>Increase</u>	<u>%</u>
Property Tax Relief	1,501.8	1,650.2	148.4	9.9%
Aid to Individuals	1,165.6	1,623.1	457.5	39.3
Aid to School Districts	2,416.5	2,375.1	(41.4)	(1.7)
Aid to Local Units	1,036.6	1,026.7	(9.9)	(1.0)
State Institutions	1,526.2	1,542.6*	16.4	1.1*
Direct Services, Operations	618.5	768.1	149.6	24.2
Other Expenditures	337.3	387.5	50.2	14.9
Less: Estimated Cancellations	(35.6)	(60.0)	(24.4)	N/A
 TOTAL EXPENDITURES	 8,566.9	 9,313.3	 746.4	 8.7

* Does not include \$256 million of state hospital expenditures now appearing as special revenue fund under the Governor's incentive financing proposal.

2. PROPERTY TAX RELIEF

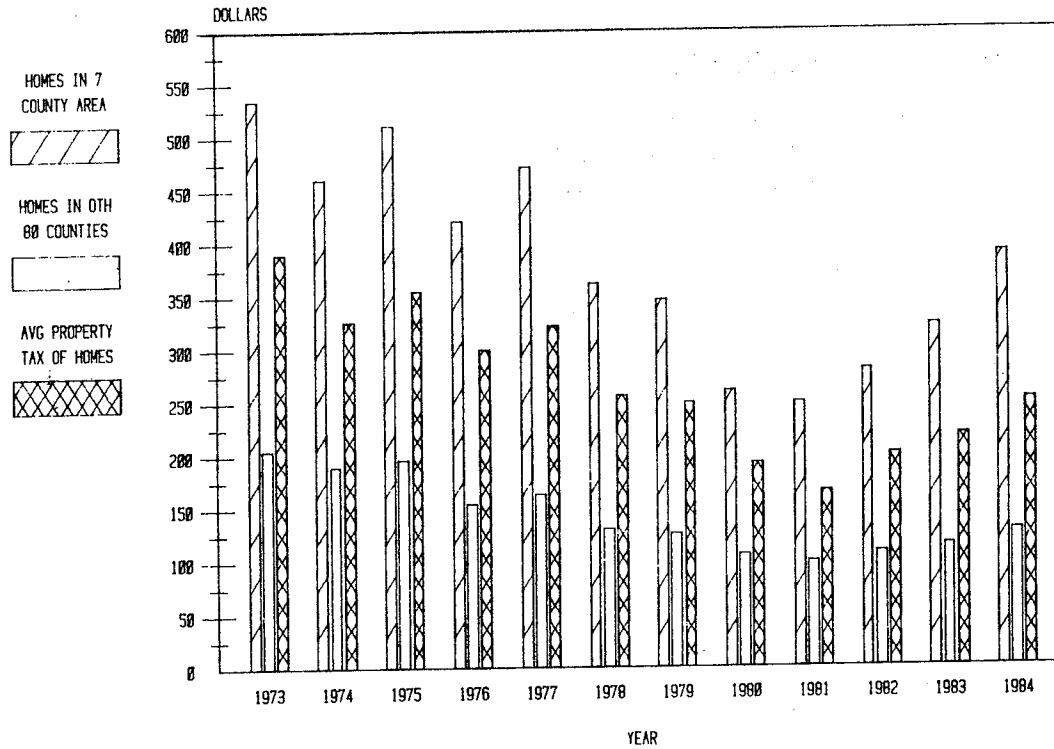
Over the last 25 years, the relative share of the total cost of all levels of government service financed from property taxes has declined substantially.



Before 1967, Minnesota ranked 6th in property taxes, 7th in income tax, and had no sales tax. Since 1967, the state has assumed a degree of responsibility for the net property tax burden faced by Minnesota homeowners. It has sought to reduce and equalize that burden through a variety of aids and credits. The property tax relief programs have succeeded in keeping the increase in net taxes payable by homeowners below the rate of increase of the Consumer Price Index. In real dollars, property taxes were actually lower in 1982 than in 1965.

AVERAGE PROPERTY TAXES

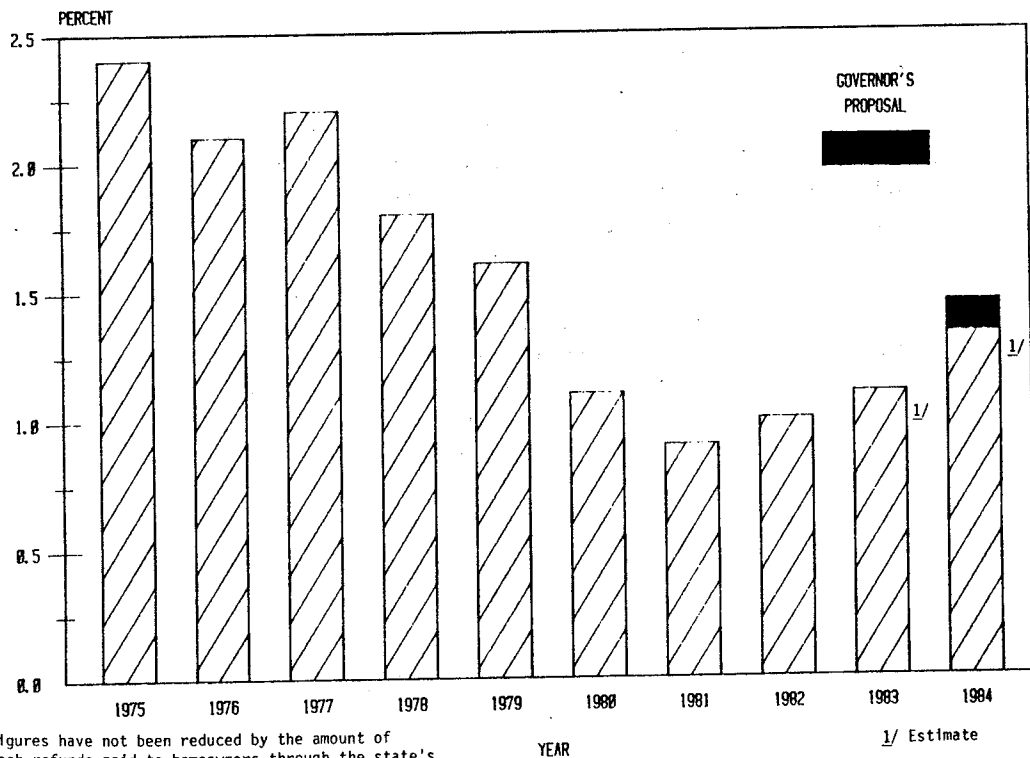
EXPRESSED IN CONSTANT 1972 DOLLARS



In addition to restricting the growth of net property taxes, the state's aid and credit programs have kept taxes at a favorable level of estimated market value.

HOMEOWNERS PROPERTY TAXES

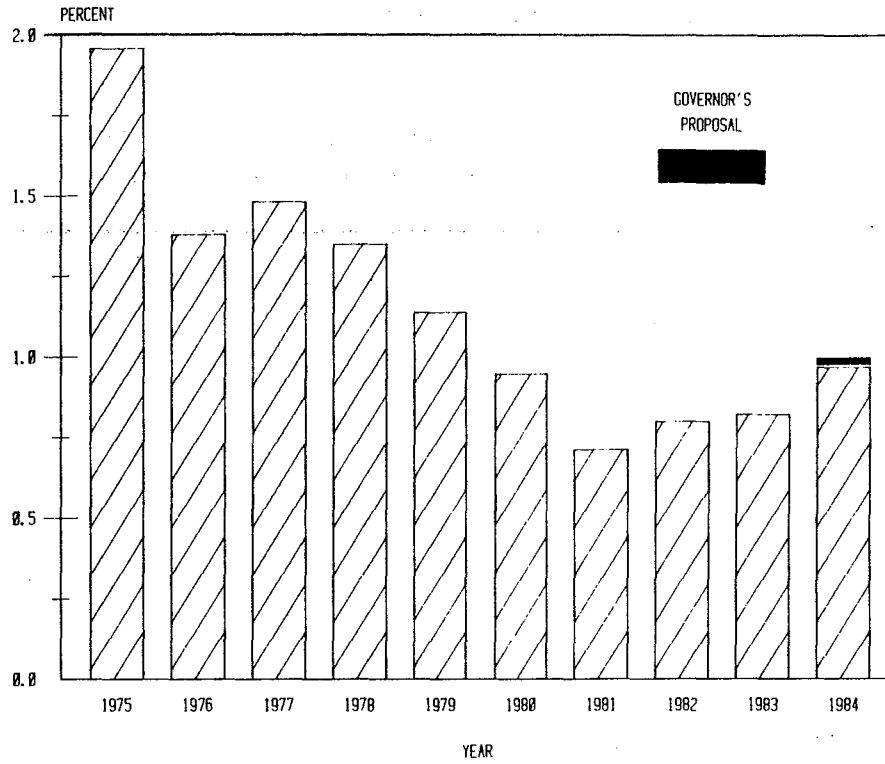
AS A PERCENT OF MARKET VALUE *



*Figures have not been reduced by the amount of cash refunds paid to homeowners through the state's Property Tax Refund Program.

FARM OWNERS PROPERTY TAXES

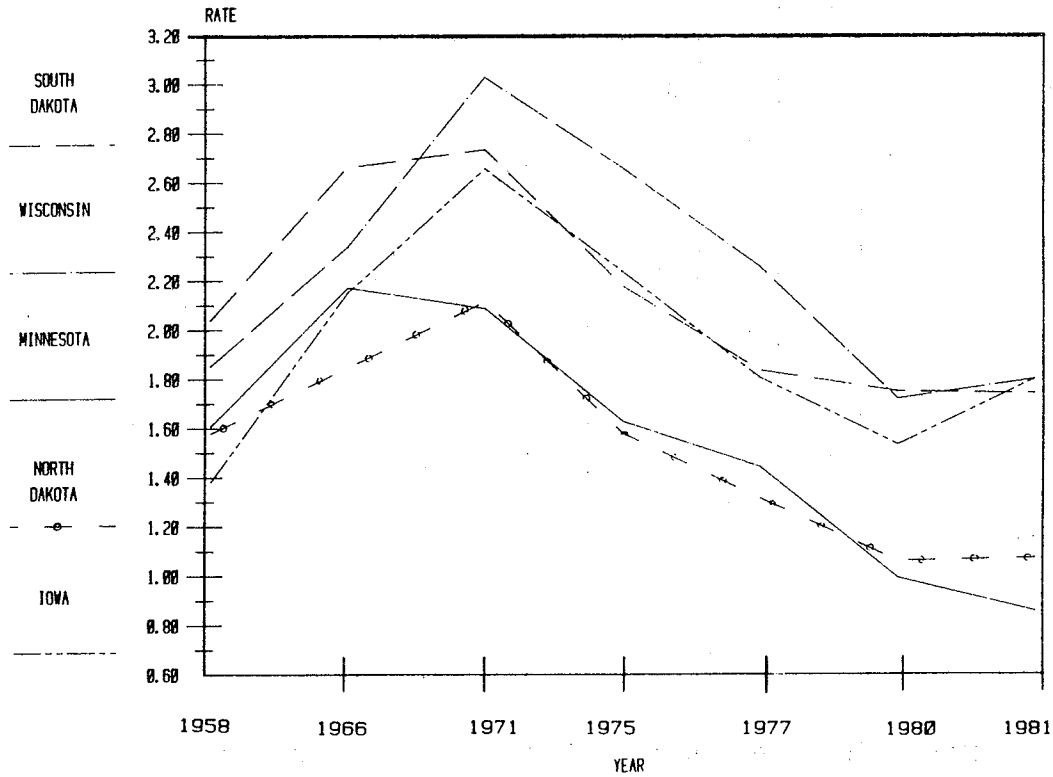
AS A PERCENT OF MARKET VALUE *



Note that neither of the preceding charts show the additional impact of the state's Property Tax Refund program.

Minnesota's performance relative to other midwestern/great lakes states is significant.

AVERAGE EFFECTIVE PROPERTY TAX RATES
TAX AS A PERCENT OF MARKET VALUE



Minnesota's success in controlling property taxes has, however, placed a major burden on the State's budget--a burden which cannot be easily sustained with the existing mix of state taxes through fluctuating economic conditions. The Governor's budget recommendations begin to address this problem and seek to redesign Minnesota's property tax relief programs to target state efforts on behalf of those least able to afford significantly increased property taxes.

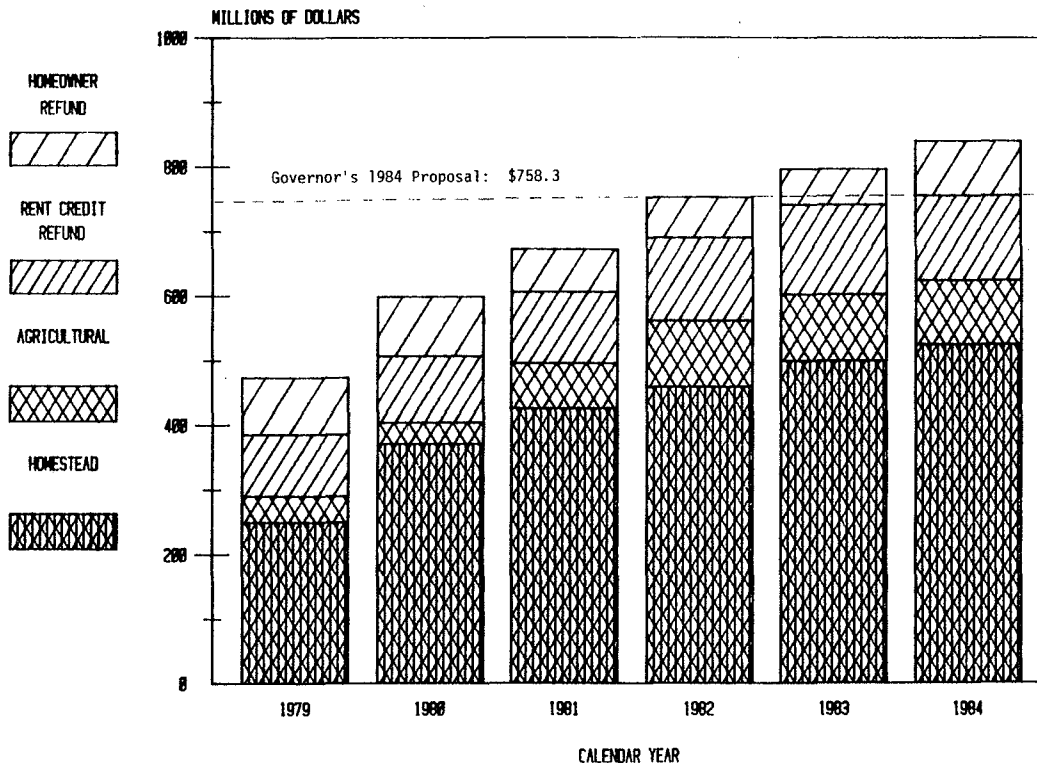
SUMMARY OF GOVERNOR'S PROPOSALS ON PROPERTY TAX RELIEF

- First \$100 of Homeowner's Property Tax to be excluded from the Homestead Credit.
- Present 58% Homestead Credit ratio to be lowered to 50%.
- Maximum Homestead Credit of \$650 to be phased out by \$50 per \$5,000 of Market Value over \$150,000 homestead, over \$500,000 for farm homesteads.
- 10 Mill Agricultural Credit on non-commercial seasonal recreational property is reduced to 8 Mills and a new maximum of \$4,000 is imposed.
- Wetlands and Native Prairie Credits are eliminated.
- Assessment ratio for the first \$50,000 of commercial industrial property is reduced to 34%.
- Increase Property Tax Refund Program for under 65 year olds by combining with Senior Citizen/Disabled Table.
- Institute 95% coinsurance in first part of property tax refund system.
- Phase-out refund for people with incomes between \$30,000 - \$40,000, no refund for incomes over \$40,000.
- Base the renter's credit on 20% of rent.

The combined impact of the Governor's recommendations is summarized in the chart below.

PROPERTY TAX RELIEF

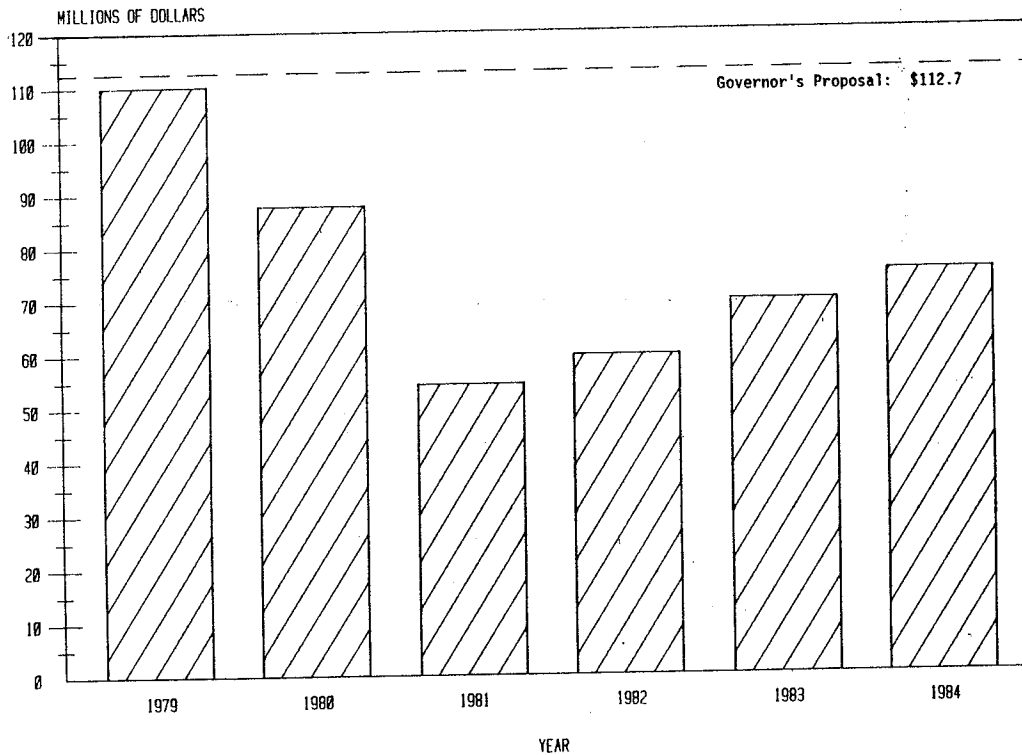
MAJOR DIRECT AID TYPES



A particularly significant element in the Governor's program is increased reliance on the means-based property tax refund ("circuit-breaker") program. Under the Governor's proposals the refunds will increase from \$59.5 million in calendar year 1982 to \$112.7 million in 1984; an increase of 89.4%.

GOVERNOR'S PROPOSED PROPERTY TAX REFUNDS

COMPARED WITH ACTUAL/SCHEDULED REFUNDS



With the changes recommended by the Governor, the property tax burden of typical value homesteads owned by average income families will be modified in 1984 as follows:

IMPACT OF PROGRAM ON TYPICAL HOMESTEADS

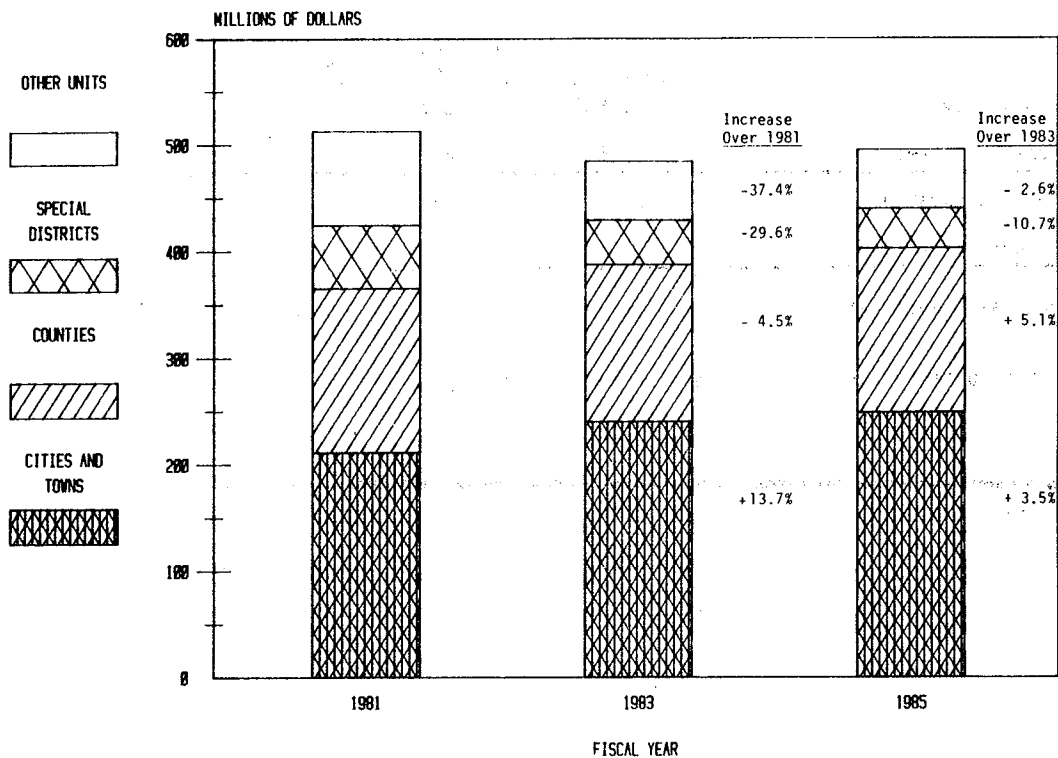
	<u>Metropolitan Counties</u>		<u>Other 80 Counties</u>	
	Home Valued at \$70,000; Homeowner Under Age 65; Family Income of \$30,000		Home Valued at \$45,000; Homeowner Under Age 65; Family Income of \$22,000	
	<u>Current Basis</u>	<u>Proposed Basis</u>	<u>Current Basis</u>	<u>Proposed Basis</u>
Gross Levy	\$1,687	\$1,687	\$908	\$908
Homestead Credit	650	650	527	404
Net Tax Payable	\$1,037	\$1,037	\$381	\$504
Property Tax Refund	80	49	30	107
Net Tax Liability*	\$ 957	\$ 988	\$351	\$397

* Deductable for state and federal income tax purposes for taxpayers who itemize.

3. AIDS TO LOCAL UNITS

A significant portion of the state's budget represents aids paid to counties, cities, towns, and special districts.

AIDS TO LOCAL UNITS



The single largest component within this area is the general purpose Local Government Aid program; a program with a complex history and current application. The Governor's budget proposes substantial redesign of this program to better target state expenditures.

GOVERNOR'S LOCAL GOVERNMENT AID
AND
LEVY LIMIT PROPOSALS

Calendar 1983

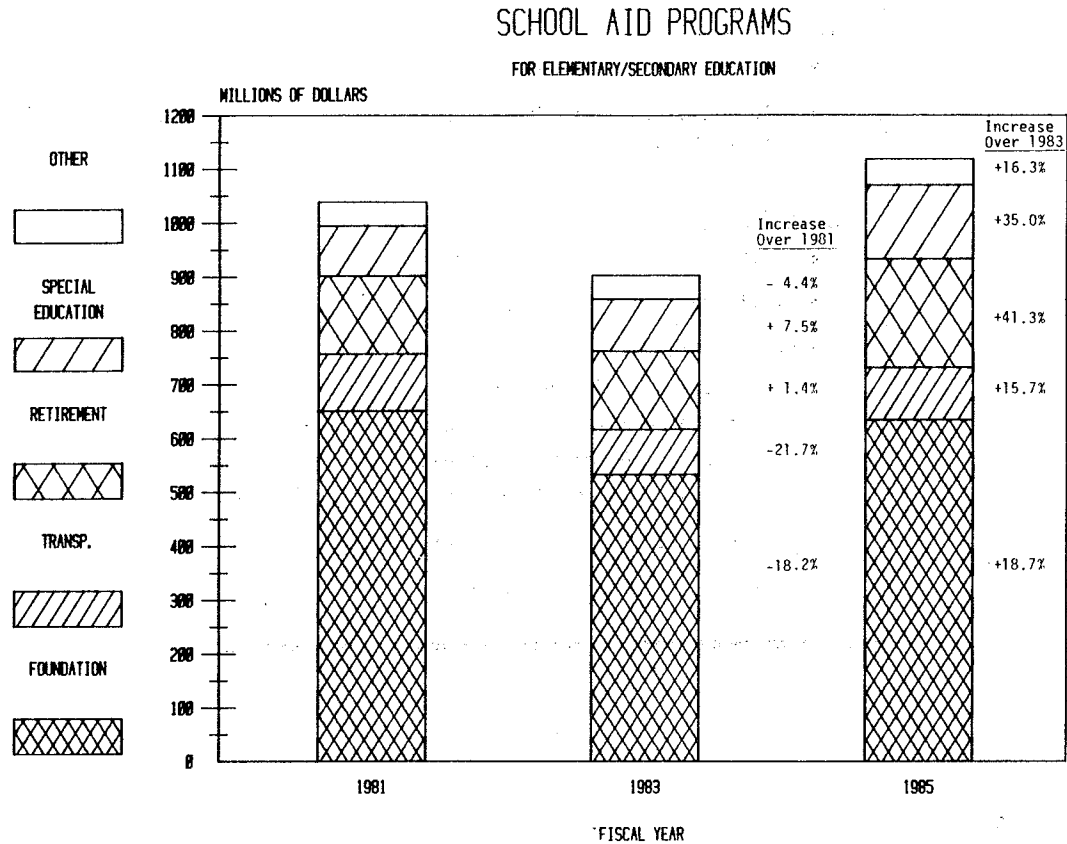
- Reduce certified amounts of aid by December 10, 1982 cuts.
- Allow special levies for aid cuts, if any, as a result of risk sharing.

Calendar 1984

- Eliminate aid to counties and towns.
- Eliminate levy limits for counties and towns.
- Revise Local Government Aid Formula.
 - Remove Grandfathers and Minimums
 - Reduce equalized mill deduction to 8 Mills.
 - Establish 6% maximum increase.
 - Include Attached Machinery Aid in Local Revenue Base.
- Eliminate Attached Machinery Aid payments.
- Index levy limits for cities.

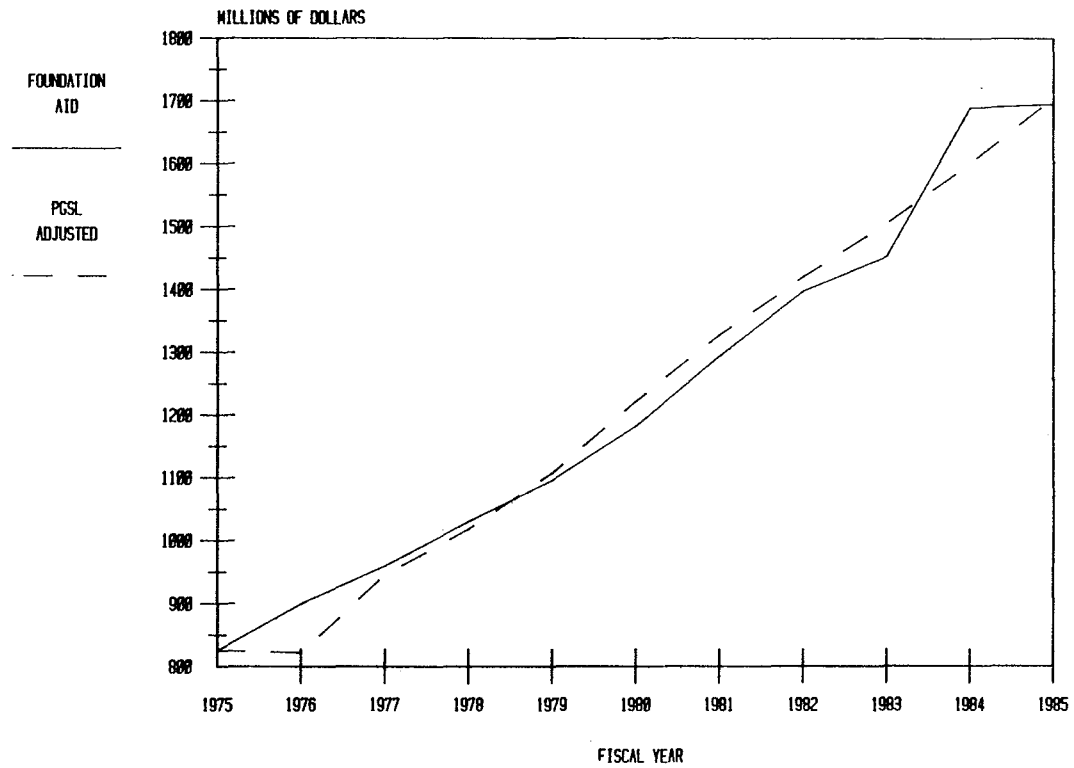
4. SCHOOL AIDS

Support for K-12 education remains the single largest item in the state's budget and is a high priority in the Governor's proposals for 1983-85.



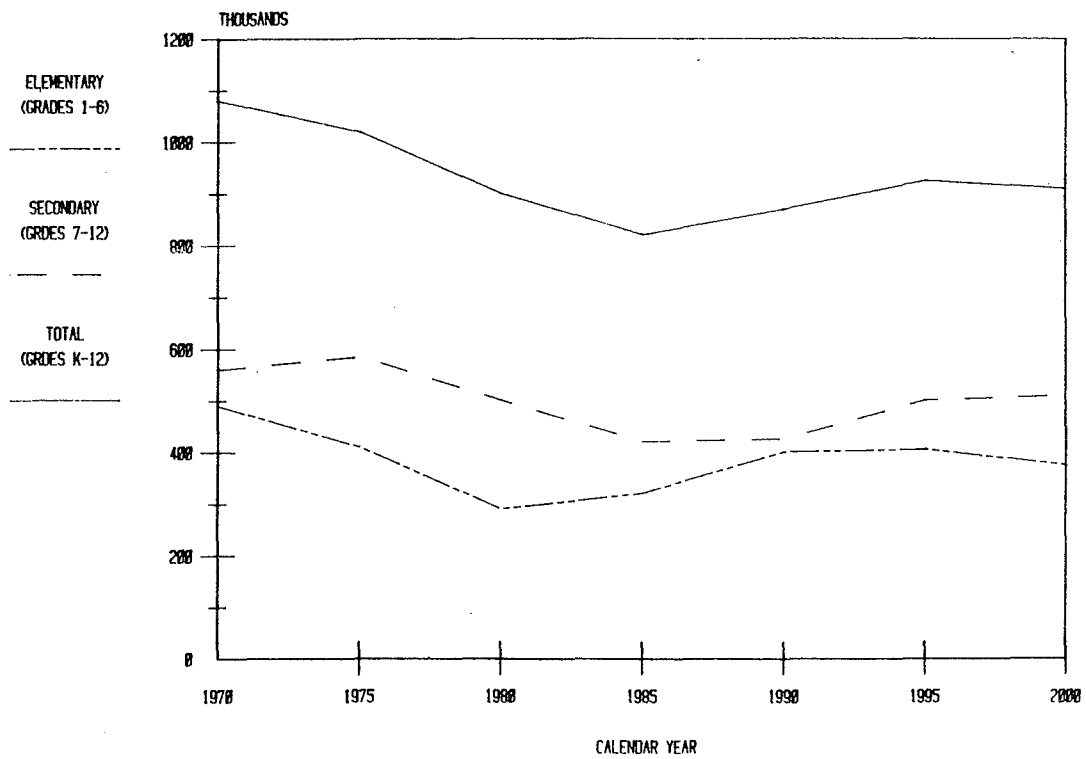
The state has sustained a major, continuing investment program in quality education. A good measure of this effort is a comparison of the per-pupil unit Foundation Aid level with changes in inflation.

FOUNDATION AID VS. INFLATION



A major factor for future funding of school aids is the changing student population.

SCHOOL AGE POPULATION



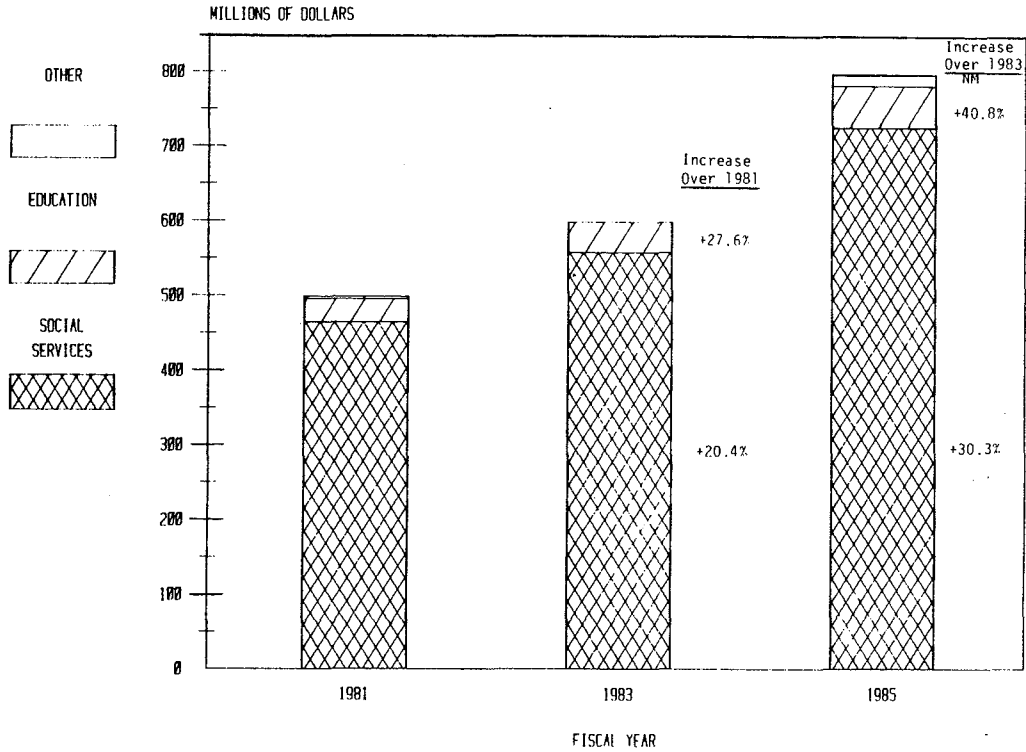
The Governor's budget includes a number of proposals to re-target state assistance.

<u>Summary of Governor's Major School Aid Proposals</u>		
(000's)	<u>Impact</u> F.Y. 1984	<u>Impact</u> F.Y. 1985
● Increase Basic Foundation Formula Allowance to \$1,475 per Pupil	\$ 94,838	\$ 110,495
● Decrease Basic Maintenance Foundation Levy from 24 to 23 Equalized Mills	9,000	30,000
● Simplify Current Replacement, Discretionary and Grandfather Components of Foundation Program	-0-	-0-
● Implement a Revenue Equity Adjustment for High Valuation School Districts	-0-	(9,700)
● Demonstration and Training Grants for More Effective Use of Educational Technology	3,776	2,894
● Incentives for More Inter-District Cooperation in Math, Science, and Foreign Language Programs	-0-	1,000

5. AIDS TO INDIVIDUALS

The fastest growing major component of the state's budget is the array of programs providing aid to individual citizens.

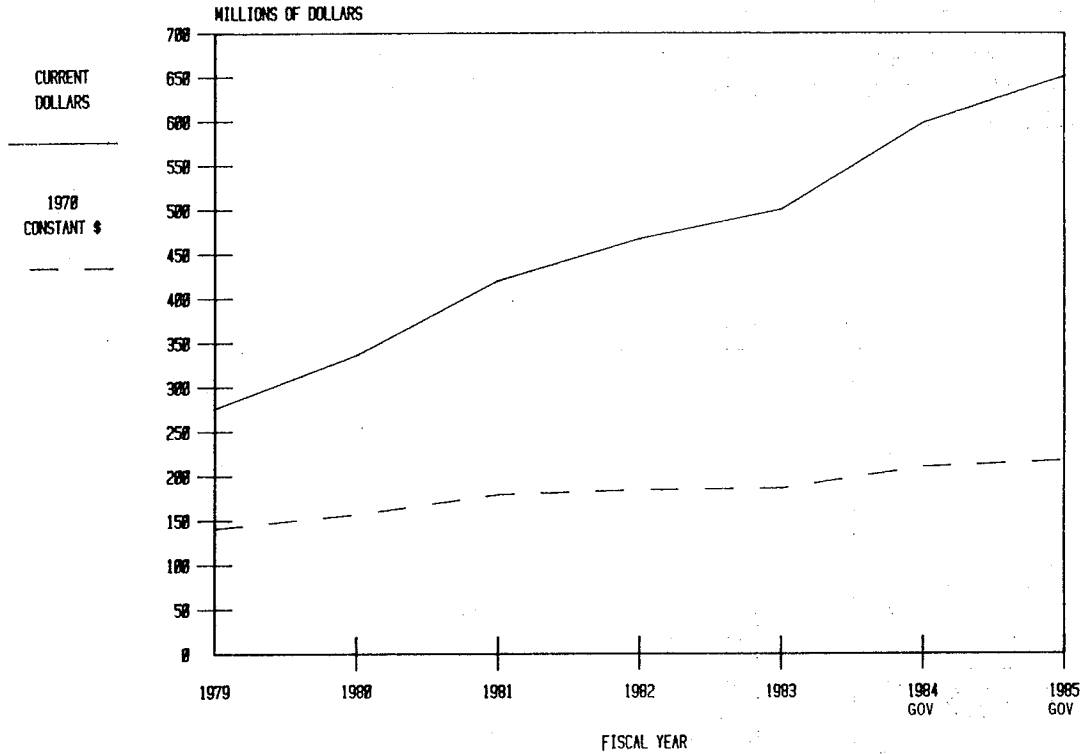
AID TO INDIVIDUALS



The aid programs with the most dramatic cost increase history are the so-called "Income Maintenance" programs: Medical Assistance, General Assistance, AFDC, General Assistance-Medical Care, Minnesota Supplemental Assistance, and Catastrophic Health.

INCOME MAINTENANCE COSTS

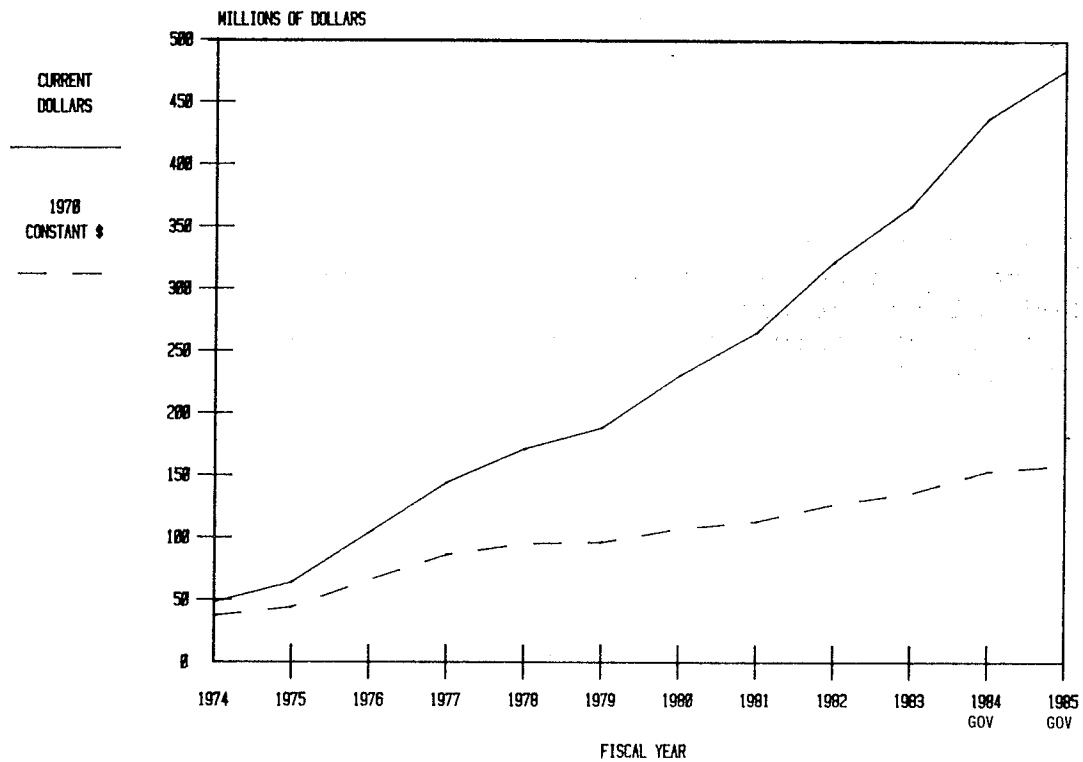
STATE DOLLARS ONLY



The largest component of these six "income Maintenance" programs is Medical Assistance.

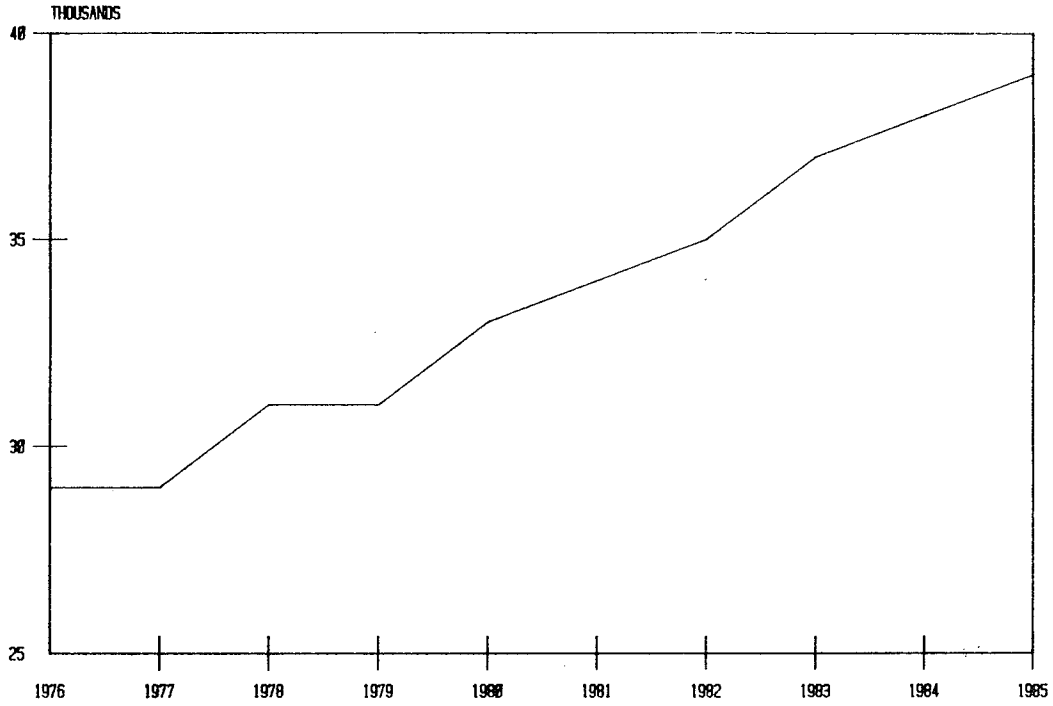
MEDICAL ASSISTANCE COSTS

STATE DOLLARS ONLY



The cost increases in Medical Assistance are a result of two factors: an increasing population of elderly citizens relying on state-paid care, and increasing long-term care (LTC) costs per patient.

STATE LONG-TERM CARE POPULATION*

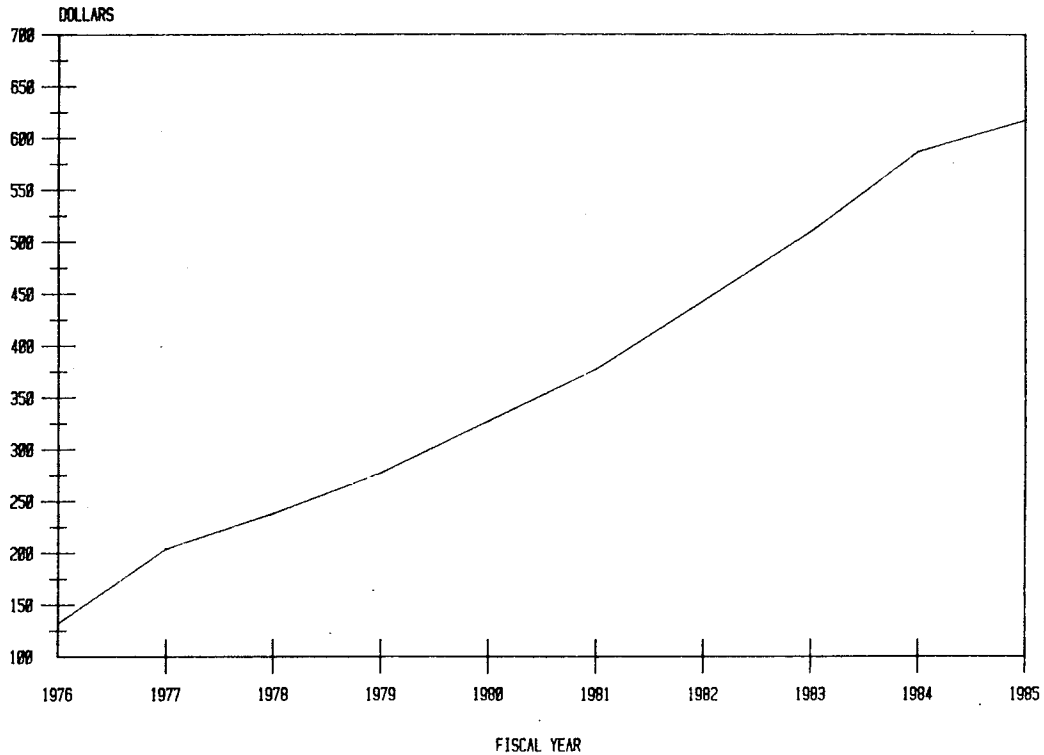


*INCLUDES MENTALLY RETARDED

FISCAL YEAR

MONTHLY AVERAGE COST PER LTC RECIPIENT

STATE PAID



The above factors combine with certain other characteristics of the Minnesota situation.

- Medical Assistance Facts
- 75% of the Medical Assistance Budget is for long-term care.
 - Minnesota has 96 Nursing Home beds per 1,000 elderly. The national average is 59.
 - 9% of Minnesota's elderly are in Nursing Homes compared to 5% nationally.
 - Medical assistance reimbursement constitutes 65% of the Nursing Home industries total revenues.
 - Medical assistance reimbursement constitutes 99% of total revenues from community based residential homes for mentally retarded.
 - Average per diem charges for Minnesota homes are higher than any of our upper Midwest neighboring states.

NUMBER AND PROPORTION OF SKILLED NURSING AND INTERMEDIATE CARE FACILITY BEDS FOR SELECTED STATES, 1980

STATE	No. SNF BEDS	Total No. of SNF & ICF Beds	No. of SNF Beds Per 1,000 Pop. Age 65+	No. of SNF and ICF Beds Per 1,000 Pop. Age 65+
WASHINGTON	24,627	48,517	57.1	112.5
MINNESOTA	21,940	45,546	45.7	94.9
WISCONSIN	24,871	48,223	44.1	85.5
OHIO	38,452	100,729	32.9	86.1
ILLINOIS	27,607	107,814	21.9	85.5
IOWA	731	30,945	1.9	79.9
MICHIGAN	23,113	62,444	25.3	68.4
MASSACHUSETTS	15,566	39,713	21.4	54.7
CALIFORNIA	105,637	131,440	43.7	54.4
PENNSYLVANIA	52,833	67,501	34.5	44.1
NEW YORK	68,085	93,893	31.5	43.5

- Data Source: Statistics Division, Health Care Financing Administration, Department of Health and Human Services, Baltimore, Maryland.
- ICF-MR facilities and beds are not included in this data.

The Governor's budget recommendations seek to contain cost increases rather than to reduce services or eligibility.

Summary of Governor's Proposals - Aid to Individuals

Medical Assistance:

- Nursing Home reimbursement formula based on a "rental base" concept rather than a "equity base" concept.
- Hospital payment system based on prospective rates for in-patient hospital care.
- Inflationary caps of 8% for both Nursing Home and hospital yearly rate increases.
- Increased use of Health Maintenance Organizations in those areas served by HMOs.
- Increased funding for pre-admission screening and alternative care grants.

Mental Health and Social Services:

- Continuation of deinstitutionatization initiatives for mentally retarded and mentally ill.
- Restoration of funds for the Senior Nutrition Program.
- Increased funding to subsidized adoptions.
- Provision of inflationary increases for Victim Service Programs, AFDC recipients and Community Social Service Programs.

In addition to immediate cost containment measures of limited impact, the Governor also intends to prepare a more comprehensive proposal for action by the 1984 session of the Legislature. The broad outlines of the policy he intends to propose are as follows:

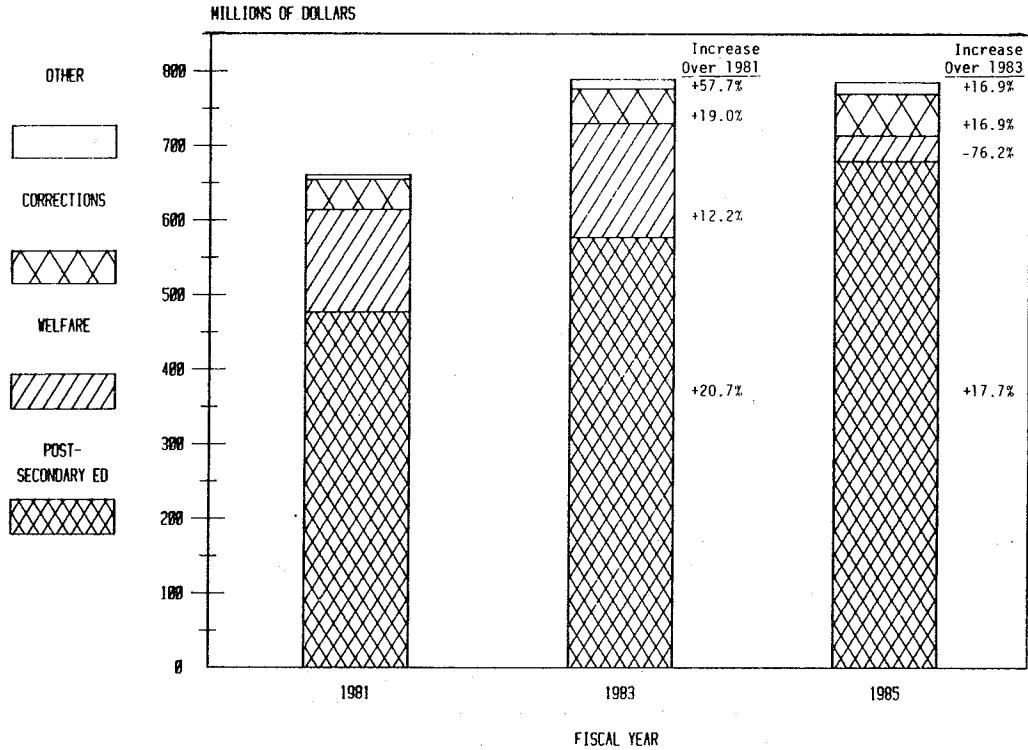
Policy Outline for 1984 Proposals
for
Cost Containment Measures

- Provide a continuum of care in the home and community as well as institutions.
- Establish financial incentives for individuals to use the least costly options consistent with their needs.
- Introduce competition rather than regulation in rate setting.
- Prepay for care on a capitation basis.
- Provide a risk management fund so that high cost institutions can adjust to competitive rates.
- Use existing pilot projects.

6. STATE INSTITUTIONS

The state supports public institutions for educational, correctional and public welfare purposes.

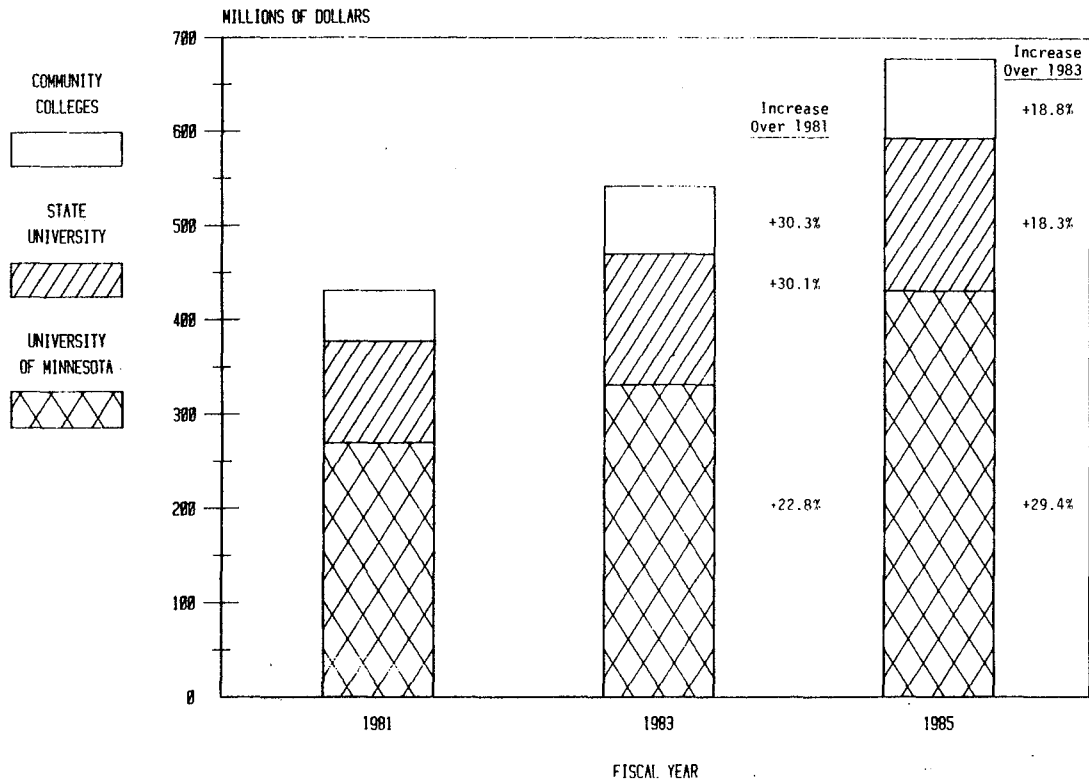
STATE INSTITUTIONS



Note that a major portion of the growth of post secondary education expenditures between 1983 and 1985 is financed with increased tuition revenues rather than tax dollars. If increased tuition revenues are excluded from the above chart, the growth rate between 1983 and 1985 is reduced to 9.2% rather than the 17.7% displayed.

The largest--and fastest growing--state investment in institutions is in post secondary education.

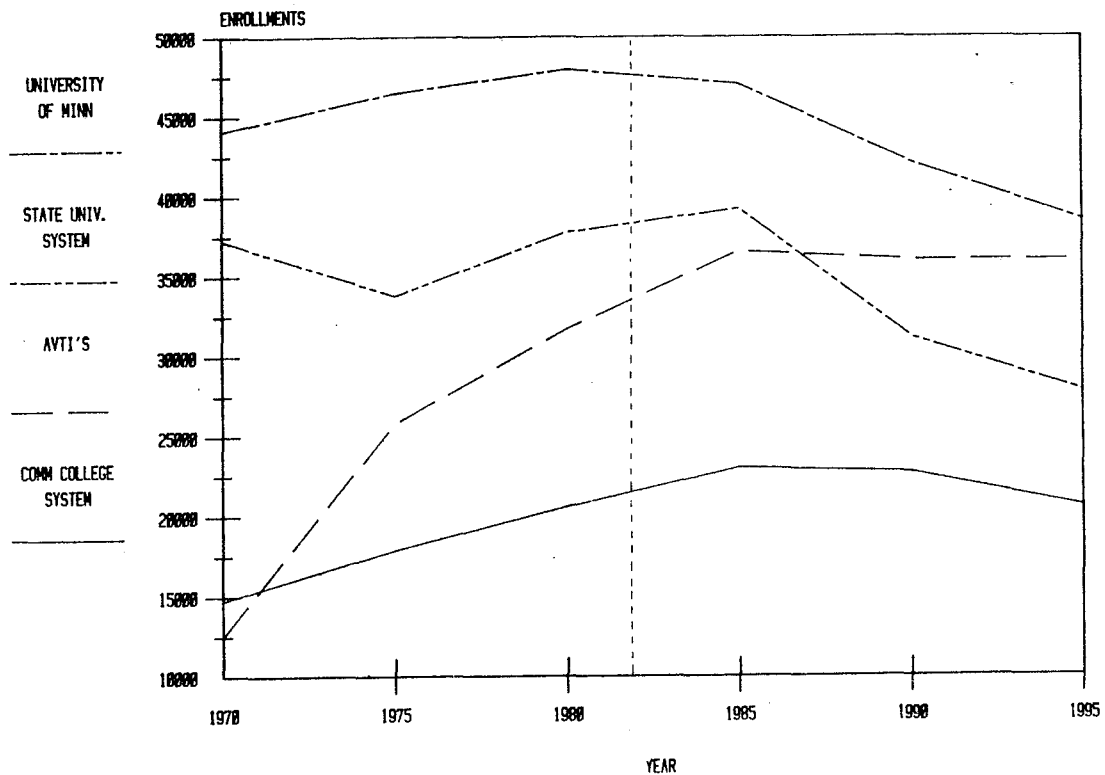
POST-SECONDARY INSTITUTIONS



The future requirements of post secondary education, however, must consider enrollments expected through 1995.

POST-SECONDARY ENROLLMENTS

ACTUAL/PROJECTED



A second major consideration for the future is the cost of attending the various public institutions.

<u>1982-83 TUITION RATES - PUBLIC SYSTEMS</u>		
	<u>Annual Tuition</u>	<u>Percent of Instructional Cost</u>
UNIVERSITY OF MINNESOTA	\$ 1,448	32%
STATE UNIVERSITIES	848	26%
COMMUNITY COLLEGES	851	30%
AVTIs	543	15%

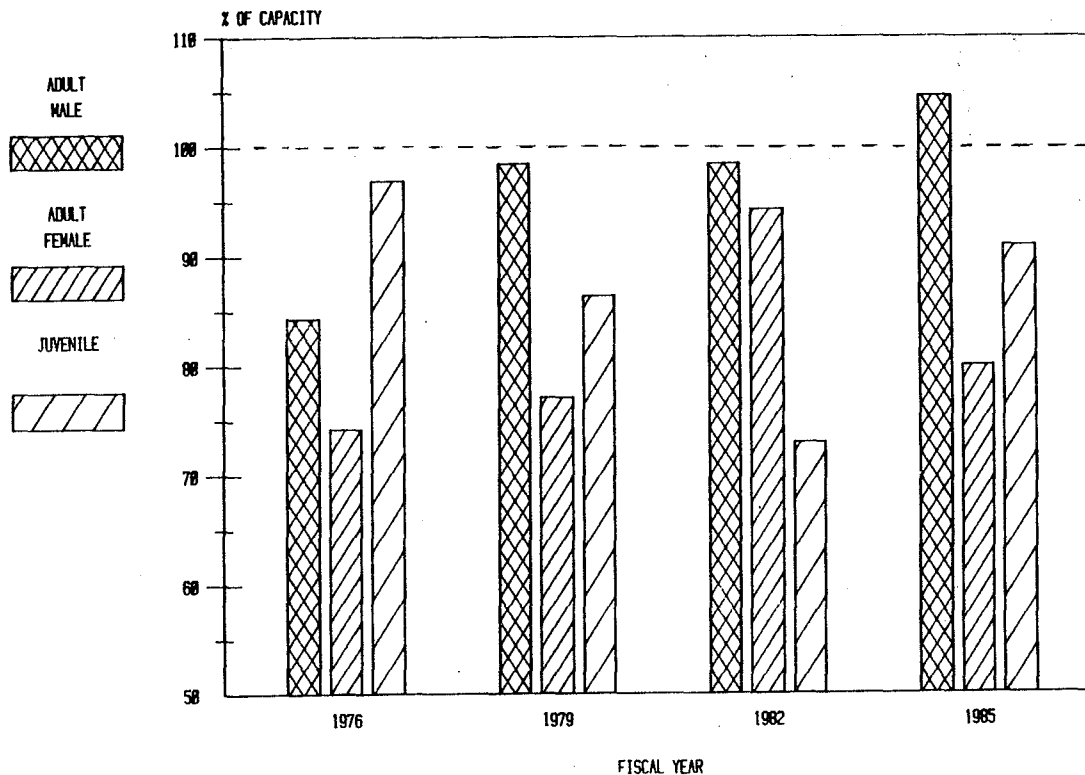
The Governor's budget recommendations address two major concerns illustrated in this section: The long term funding implications of declining enrollments and the diverse tuition relationships developed over the last decade.

Summary of Governor's Recommendations
for
Post-Secondary Education

- Average cost funding to determine instructional expenditures.
- Tuition based on instructional cost to determine tuition revenues.
- Financial aids based on need and 50% sharing of expenses.
- Strengthen post-secondary governing boards.
- Tuition reciprocity based on Minnesota students paying Minnesota tuition levels to receiving institutions.

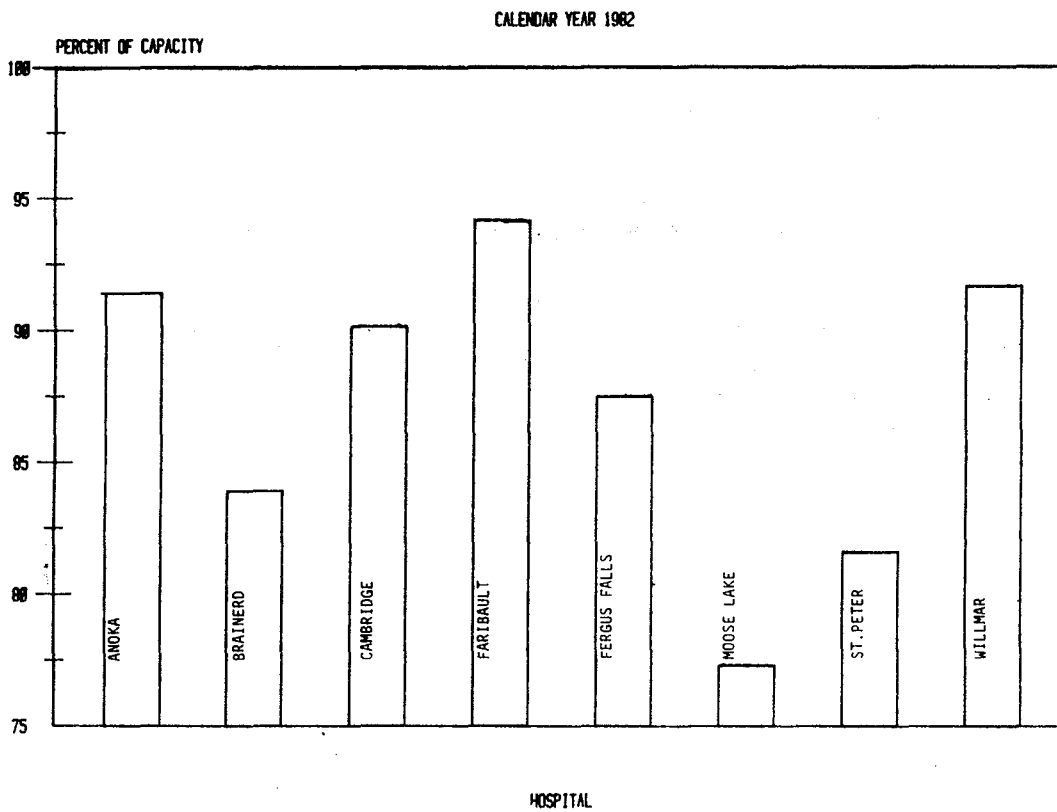
In addition to post-secondary education, the Governor's budget recommends policy changes to improve utilization and cost management of state educational facilities and hospitals. Those policies are based on current space utilization patterns.

SPACE UTILIZATION - CORRECTIONS



The Governor's budget contemplates closure of the Shakopee facility for adult females and use of Sauk Center as the Women's prison for the state. This change will redistribute efficiently both adult women and juvenile populations and preclude the need to build a new women's prison. The Governor's budget also proposes use of available adult male space for a cost-reimbursement program with Wisconsin.

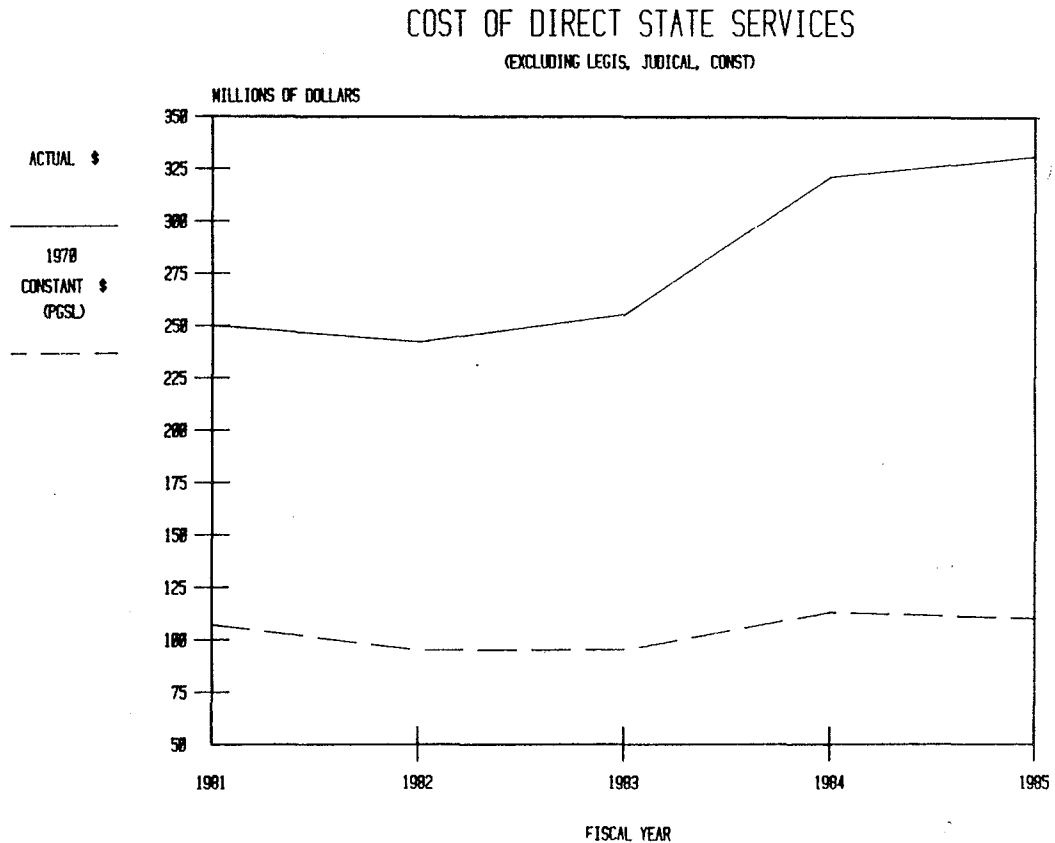
STATE HOSPITALS - SPACE UTILIZATION



To encourage cost-conscious management of the hospitals, the Governor's budget proposes that they be operated on a revolving fund basis and required to maintain efficiencies of scale in their various programs and services.

7. STATE SERVICES

The cost of those services provided directly by state agencies constitutes less than 7.5% of the total budget. Moreover, the growth of that cost has been relatively modest.

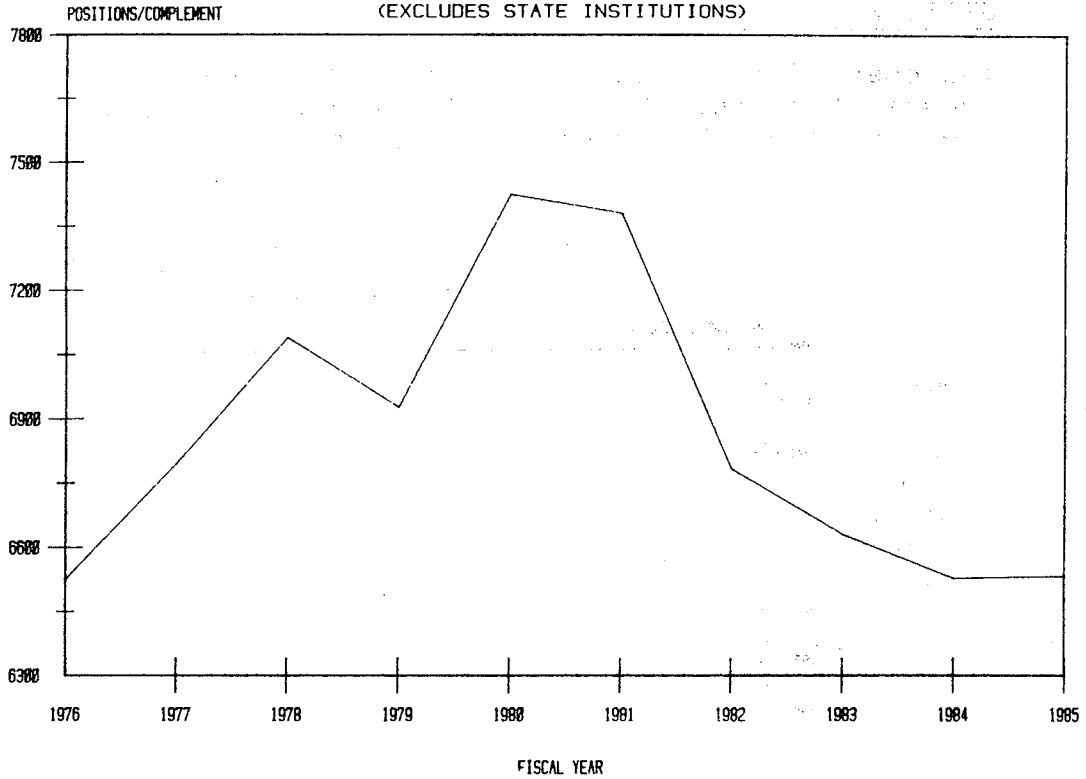


A significant factor in the cost of direct state services is the size of the State's workforce. The revenue shortfalls--and resulting budget reductions--of recent years have served to reduce the size of the workforce. The 1983-85 budget maintains the reduced level and does not permit renewed growth.

GENERAL FUND STATE POSITIONS

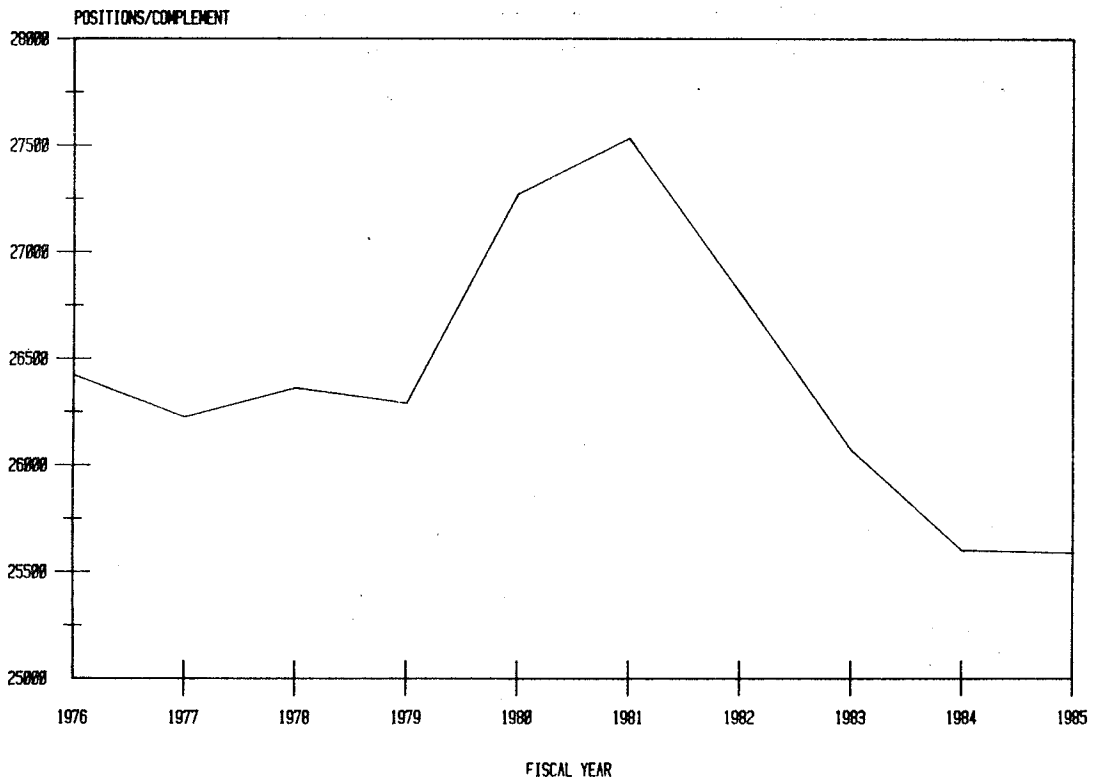
DIRECT STATE SERVICES

(EXCLUDES STATE INSTITUTIONS)



AUTHORIZED POSITIONS/COMPLEMENT

INCLUDES STATE INSTITUTIONS, EXCLUDES HIGHER EDUCATION

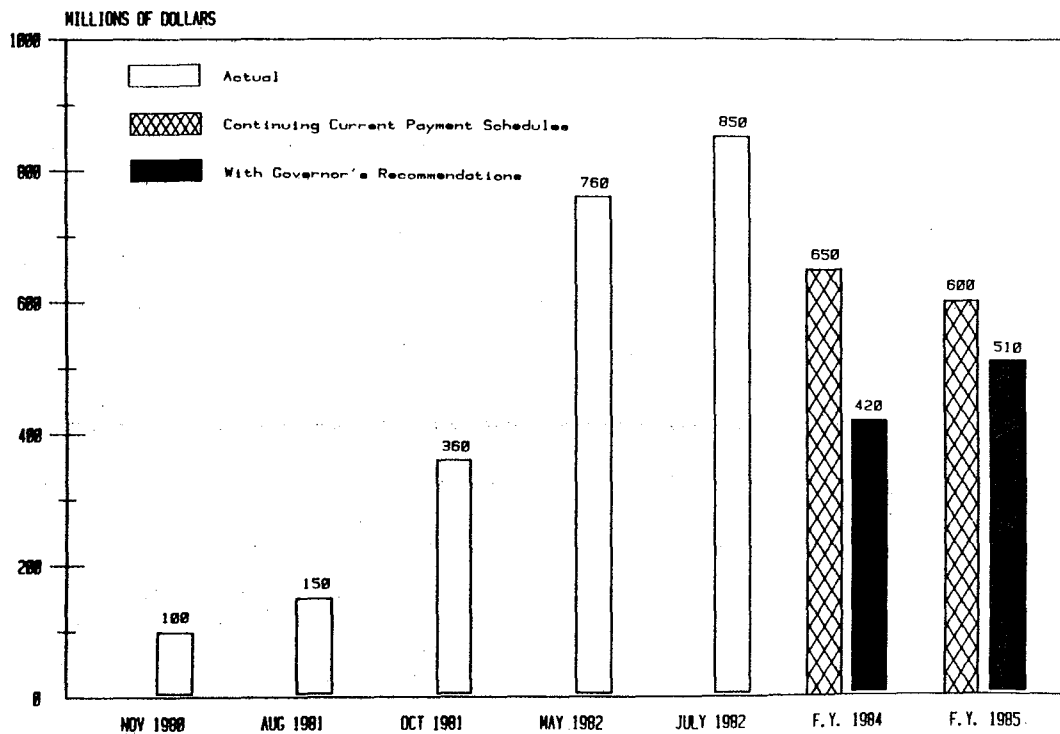


G. CASH FLOW

In recent years the state has developed an increasing imbalance between the timing of its income and expenditures. The resulting cash flow problems were increased by some of the budget-balancing measures enacted during the 1981-83 biennium.

During the current fiscal year (ending June 30, 1983) the state has had to resort to \$850 million in short term borrowing to meet its monthly cash needs.

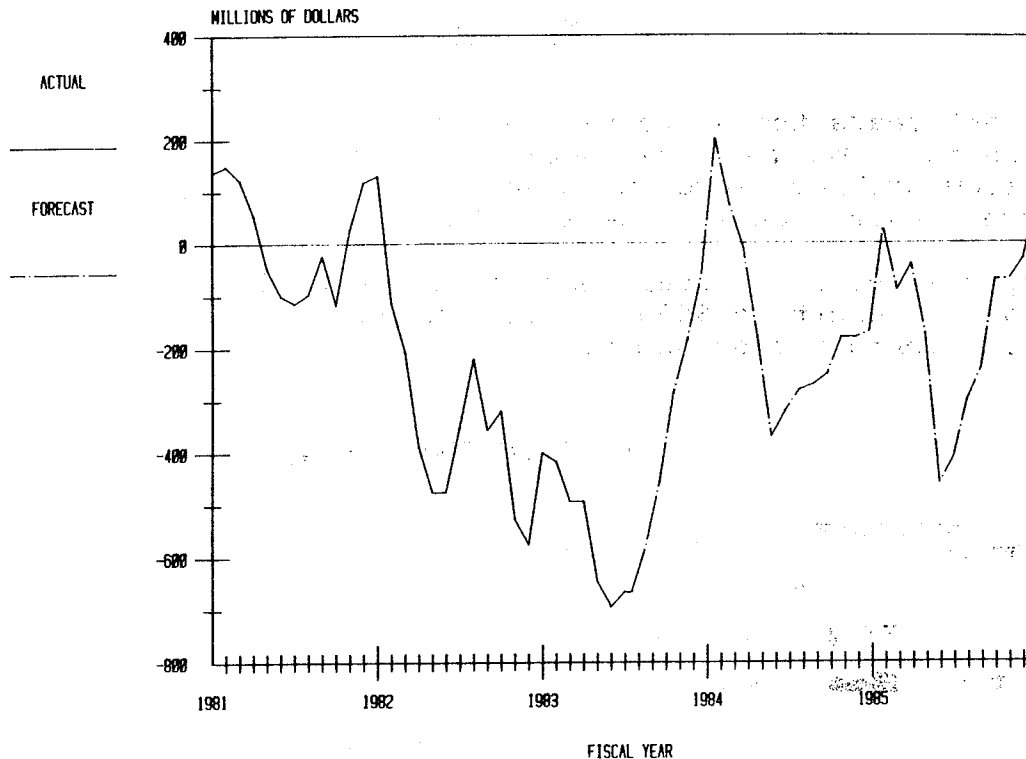
STATE SHORT-TERM BORROWING



The continuing deterioration of the state's cash flow in recent years can be illustrated by charting the monthly cash low points. The graph below includes the projected improvements associated with the Governor's budget recommendations for 1983-85.

MONTHLY CASH LOW POINTS

WITHOUT SHORT-TERM BORROWING



The substantial improvement in the cash flow situation projected for the 1983-85 biennium results from a combination of recommendations.

Governor's Recommendations to Improve Cash Flow

- Begin quarterly property tax payments in 1984 with payments due on February 28, May 30, August 30, and November 30.
- Transmit property tax collections to cities, counties, towns, and schools earlier (50% within 7 days of collection; 100% within 14 days of collection).
- Recognize all of February and May property tax collections to schools as revenue in the fiscal year of receipt (to conform with Generally Accepted Accounting Principles).
- Attribute all property tax credits to schools in the September and December distributions of property taxes.
- Pay state aids to schools in a manner that more closely recognizes their receipt of non-state cash and their average expenditure patterns.
- In F.Y. 1985, begin paying schools 100% of their aid entitlement in the year it is earned, rather than the current 85% payment and 15% final adjustment. This would provide school districts with \$180 million additional cash flow in F.Y. 1985, and would eliminate the need for the cash flow loan fund.

H. FOUR YEAR BUDGET OUTLOOK

The information outlined in the previous section indicates that we cannot correct our cash flow problems in a single biennium. Moreover, some of the specific budget measures recommended by the Governor have compounding impact in the 1986-87 biennium. To evaluate future impact of revenue and spending measures proposed for 1983-85, we should extend those policies thru 1987. Using relatively conservative assumptions about future economic growth, a favorable outlook emerges.

<u>FOUR YEAR BUDGET OUTLOOK</u>			
(In Millions)			
	<u>1981-83</u>	<u>1983-85</u>	<u>1985-87</u>
Balance Forward	(2)	9	255
<u>New Resources</u>	<u>8,240</u>	<u>9,559</u>	<u>11,034*</u>
	8,238	9,568	11,289
Property Tax Relief	1,217	1,650	1,754
Aids to Individuals	1,166	1,623	1,874
Aids to Local Units of Government	3,400	3,402	3,667
Public Institutions	1,526	1,543	1,712
Direct Services and Operations	618	768	797
Other Current Spending	302	327	470
<u>Estimated New Spending</u>	<u> </u>	<u> </u>	<u>300</u>
Total Expenditures & Transfers	8,229	9,313	10,574
Unreserved Fund Balance	9	255	715
<u>Budget Reserve</u>	<u> </u>	<u>250</u>	<u>500</u>
Budgetary Balance	<u>9</u>	<u>5</u>	<u>215</u>

*Assumes elimination of 10% surtax effective 1985.

Note that the above chart is a simple extension and does not constitute a "forecast" of the 1986-87 biennium.

I. GOVERNOR'S INVESTMENT INITIATIVES

In addition to his recommendations for continuing and redirecting existing state programs and services the Governor is also recommending immediate action on three major initiatives to provide jobs and improve the long term economic outlook for Minnesota.

GOVERNOR'S INITIATIVES

- \$75 million Jobs Program
- \$30 million* Energy Conservation and Alternative Energy Development Programs
- \$30 million Economic Development Program

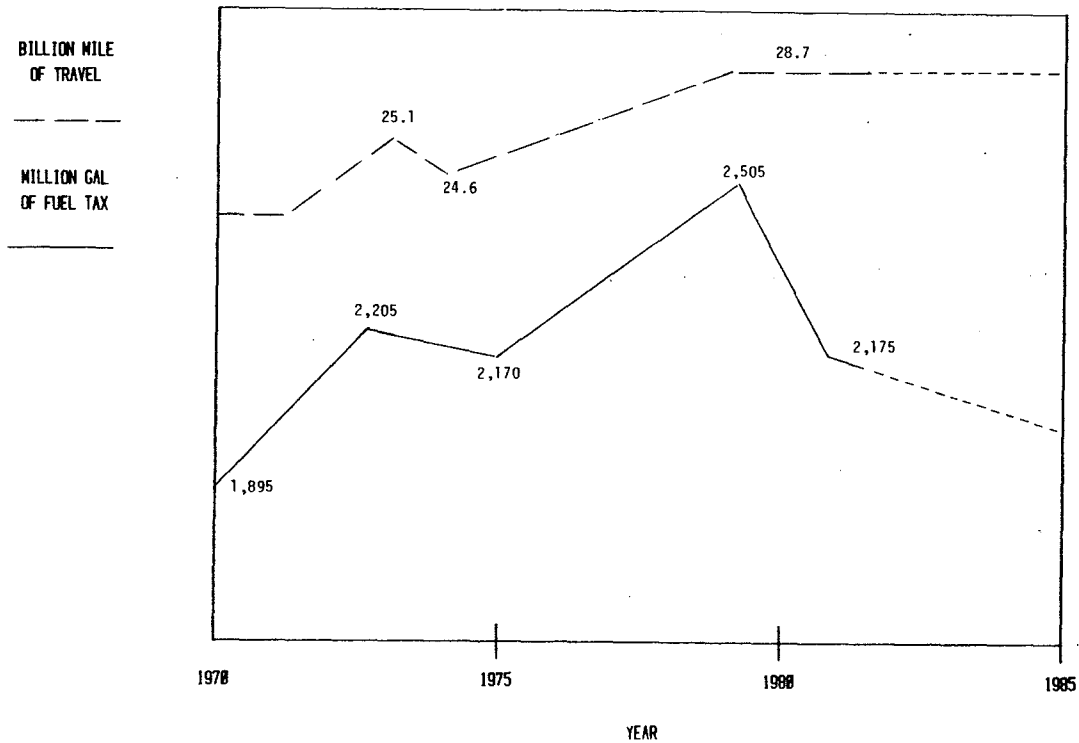
*Plus Revenue Bonding

J. HIGHWAY INFRASTRUCTURE CONCERNS

While the primary subject of this booklet is the state's General Fund budget, a brief section on the major problems confronting the state's highway program is appropriate.

The only source of state funding for road construction, reconstruction, and repair is the gasoline tax. Despite the fact that total miles travelled by Minnesota drivers hit a historical peak level of 28.7 billion miles in 1981 and is expected to stay at that level into the 1980's, gas tax revenues have declined and are projected to continue downward.

HIGHWAY DEMAND - FUEL TAXES



These developments have forced a decrease in reconstruction and major improvements in order to leave sufficient funds for maintenance and preservation. Today, 60% of funding for construction is devoted to preservation compared to 20% in 1970. This trend is a problem with a highway system where 42% of our roads are over 35 years old and 40% are rated in fair or poor condition.

The Governor supports an increase in highway user taxes to begin a reversal of the above situation in the 1983-85 biennium.

K. FUND STATEMENT SUMMARIES

The following section provides additional detail on the historical and recommended levels of revenues and spending for the state General Fund.

The Fund Balance Analysis details individual revenue sources, individual agency actual spending and recommended appropriations, as well as, other major items of state spending.

"Where It Goes" provides detail on state spending by major expenditure categories.

GENERAL FUND
FUND BALANCE ANALYSIS

ACTUAL AND ESTIMATED RESOURCES	ACTUAL F.Y.1981	ACTUAL F.Y.1982	2/15/3 EST F.Y.1983	GOV REC F.Y.1984	GOV REC F.Y.1985
BALANCE FORWARD	120,910.0	(1,910.0)	(598,090.9)	9,064.9	(150,400.2)
PRIOR YEAR ADJUSTMENTS	6,615.4	12,488.0	5,200.0	3,200.0	3,200.0
ACCRUALS PER GAAP	(31,147.3)	0	0	0	0
ADJUSTED BALANCE FORWARD	96,378.1	10,578.0	(592,890.9)	12,264.9	(147,200.2)
NON-DEDICATED REVENUE					
NON-DEDICATED REVENUE	3,694,269.7	4,051,526.6	4,448,401.5	4,181,603.8	4,593,767.8
REVENUE REFUNDS	403,066.0	377,202.3	372,603.3	365,697.9	374,527.9
NEW LEGISLATION--REVENUES	0	0	0	414,367.0	517,462.0
NET NON-DEDICATED	3,291,203.7	3,674,324.3	4,075,798.2	4,230,272.9	4,736,701.9
DEDICATED REVENUE	181,921.7	197,254.2	221,624.4	257,176.7	284,122.5
TRANSFERS FM OTHER FUNDS	43,988.0	28,468.6	24,563.7	23,331.1	21,386.8
TOTAL RESOURCES AVAILABLE	3,613,491.5	3,910,625.1	3,729,095.4	4,523,045.6	4,895,011.0
 ACTUAL AND ESTIMATED EXPENDITURES					
NEW LEGISLATION	0	0	0	105,000.0	30,000.0
EDUCATION AIDS	769,121.0	1,379,993.7	707,743.6	978,675.1	967,095.0
EDUCATION	396,716.2	452,598.0	477,022.0	528,931.2	537,599.0
HEALTH, WELFARE, CORRECTION	758,087.7	816,508.0	784,789.3	881,479.7	940,498.3
TRANSPORTATION/SEMI-STATE	63,483.9	55,330.1	62,673.4	64,671.5	65,036.3
STATE DEPARTMENTS	233,152.0	217,571.4	239,490.5	297,052.7	327,699.0
UNALLOTTED/BALANCE FORWRD	2,087.4	1,404.3	0	0	0
DEFICIENCIES	0	0	69,439.8	2,329.2	2,733.9
TOTAL DIRECT EXPENDITURES	2,222,648.2	2,923,405.5	2,341,158.6	2,858,139.4	2,870,661.5
AIDS, CREDITS, RETIRE.	1,078,531.0	1,220,730.6	1,056,371.2	1,434,931.2	1,361,787.2
DEDICATED REVENUE EXP.	181,921.7	197,254.2	221,624.4	257,176.7	284,011.6
CANCELLATION ADJ.	0	0	(26,500.0)	(20,000.0)	(40,000.0)
BUDGET REDUCTION	0	0	(9,058.3)	0	0
TOTAL EXPENDITURES	3,483,100.9	4,341,390.3	3,583,595.9	4,530,247.3	4,476,460.3
TRANSFERS TO OTHER FUNDS	132,300.6	167,325.7	136,434.6	143,198.5	163,426.6
TOTAL EXPENDITURES AND TRANSFER	3,615,401.5	4,508,716.0	3,720,030.5	4,673,445.8	4,639,886.9
UNRESERVED FUND BALANCE	(1,910.0)	(598,090.9)	9,064.9	(150,400.2)	255,124.1
RESERVE/APPR. CARRIED FW	20,376.0	54,490.8	9,064.9	251,935.4	250,000.0
UNRESTRICTED BUDGETARY BALANCE	(22,286.0)	(652,581.7)	.0	(402,335.6)	5,124.1

PRIOR YEAR ADJUSTMENTS

	ACTUAL F.Y.1981	ACTUAL F.Y.1982	2/15/3 EST F.Y.1983	GOV REC F.Y.1984	GOV REC F.Y.1985
CANCELL. OF PRIOR YEAR ENCUMB. INCOME	5,728.2	11,547.0	8,000.0	8,000.0	8,000.0
CARRY FORWARD OF PRIOR YEAR EN OTHER	887.2	192.0	200.0	200.0	200.0
	0	0	(3,000.0)	(5,000.0)	(5,000.0)
	0	749.0	0	0	0
TOTAL PRIOR YEAR ADJUSTMENTS	6,615.4	12,488.0	5,200.0	3,200.0	3,200.0

ACCRUALS PER GAAP

ACCRUALS AT FY1980 YEAR END	(31,147.3)	0	0	0	0
TOTAL ACCRUALS PER GAAP	(31,147.3)	0	0	0	0

NON-DEDICATED REVENUE

INDIVIDUAL INCOME	1,887,904.1	1,991,788.4	2,249,600.0	2,223,800.0	2,455,700.0
CORPORATION INCOME	350,260.6	359,133.6	322,800.0	326,200.0	382,200.0
SALES TAX - GENERAL	689,646.8	879,070.3	986,400.0	975,900.0	1,052,500.0
BANK EXCISE	37,746.5	37,024.4	40,300.0	40,500.0	43,900.0
INHERITANCE, ESTATE & GIFT	29,647.3	25,049.1	20,846.0	14,101.0	12,798.0
LIQUOR, WINE & BEER	55,805.6	55,469.5	54,568.9	55,501.8	55,918.8
CIGARETTE & TOBACCO PRODUCTS	88,637.1	88,958.7	85,903.8	84,998.7	85,578.2
IRON ORE OCCUPATION	536.3	1,444.4	725.0	550.0	550.0
TACONITE OCCUPATION	12,894.8	12,112.1	0	0	0
TACONITE PRODUCTION	87,178.5	99,018.3	79,335.0	65,221.0	76,237.0
ROYALTY TAXES	4,862.0	6,034.9	3,337.3	4,000.0	4,500.0
DEED AND MORTGAGE REGISTRATION	16,664.7	17,981.4	15,600.0	19,200.0	24,000.0
INSUR. GROSS FARM & FIRE MARS	63,658.5	75,081.5	65,166.0	66,667.7	68,788.2
TELEPHONE GROSS EARNINGS	59,683.8	67,993.5	106,872.4	78,220.0	86,452.0
RAILROAD GROSS EARNINGS	12,395.1	237.7	0	0	0
OTHER GROSS EARNINGS	5,530.0	5,527.7	4,246.4	4,040.1	4,695.9
MOTOR VEHICLE EXCISE	87,226.8	103,887.6	109,900.0	91,900.0	102,400.0
MOTOR VEHICLE RECYCLE	868.5	331.3	0	0	0
CARE & HOSPITAL DEPT. EARNINGS	93,516.3	112,643.7	127,305.0	3,546.0	4,021.2
DEPARTMENTAL EARNINGS	45,232.4	43,774.4	46,000.0	48,300.0	50,700.0
INVESTMENT INCOME	28,723.6	23,184.5	48,000.0	23,000.0	24,500.0
INCOME TAX RECIPROCITY	9,385.9	10,318.1	11,742.8	11,879.0	12,592.0
OTHER NON-DEDICATED REVENUE	21,269.8	28,803.7	34,300.0	36,100.0	37,200.0
ADMIN RENT RECEIPTS	4,994.7	6,657.8	7,421.7	7,978.5	8,536.5
LOCAL PENSION RECEIPTS	0	0	28,031.2	0	0
TOTAL NON-DEDICATED REVENUE	3,694,269.7	4,051,526.6	4,448,401.5	4,181,603.8	4,593,767.8

REVENUE REFUNDS

	ACTUAL F.Y.1981	ACTUAL F.Y.1982	2/15/83 EST F.Y.1983	GOV REC F.Y.1984	GOV REC F.Y.1985
REGULAR INCOME TAX REFUNDS	332,777.0	295,171.0	297,300.0	308,700.0	328,100.0
CORPORATE INCOME TAX REFUNDS	55,848.5	63,684.5	59,600.0	44,400.0	35,500.0
SALES TAX REFUNDS	3,163.4	3,239.0	2,965.8	2,934.9	3,189.9
OTHER REFUNDS	11,277.1	15,107.8	12,737.5	9,663.0	7,738.0
TOTAL REVENUE REFUNDS	403,066.0	377,202.3	372,603.3	365,697.9	374,527.9

LEGISLATION--REVENUES

INCOME-EXTEND SURCHRG (10)	0	0	0	192,000.0	210,000.0
INCOME-CONFORM ITEM. DEDUC	0	0	0	44,300.0	41,000.0
INCOME - ELIM. CREDITS	0	0	0	2,000.0	2,000.0
INCOME-ACCRUAL FED DEDUC	0	0	0	(45,000.0)	15,000.0
INCOME-PROP TAX OFFSET	0	0	0	0	(5,000.0)
SALES-EXTEND MAGAZINES	0	0	0	1,100.0	1,200.0
SALES - EXTEND 6 PCT	0	0	0	169,000.0	200,000.0
CORP - INVEST. ITEMS	0	0	0	(4,600.0)	(8,600.0)
MTR VEH-RATE/TRANSFER	0	0	0	55,100.0	61,400.0
DEPARTMENT EARNINGS	0	0	0	(403.0)	(408.0)
OTHER NON DEDICATED	0	0	0	1,020.0	1,020.0
INVESTMENT INCOME	0	0	0	(150.0)	(150.0)
TOTAL NEW LEGISLATION--REVENUES	0	0	0	414,367.0	517,462.0

DEDICATED REVENUE

STATE UNIVERSITY BOARD	30,968.1	35,081.2	40,464.9	52,584.0	61,653.1
STATE COMMUNITY COLLEGE SYSTEM	19,010.1	20,631.6	22,649.2	28,421.1	31,278.5
UNIVERSITY OF MINNESOTA	96,310.7	101,423.2	111,690.3	120,876.4	131,011.8
WELFARE-MEDICAID	31,928.2	39,137.3	44,620.0	53,095.2	57,979.1
ALL OTHER	3,704.6	960.9	2,200.0	2,200.0	2,200.0
TOTAL DEDICATED REVENUE	181,921.7	197,254.2	221,624.4	257,176.7	284,122.5

TRANSFERS FM OTHER FUNDS

	ACTUAL F.Y.1981	ACTUAL F.Y.1982	2/15/3 EST F.Y.1983	GOV REC F.Y.1984	GOV REC F.Y.1985
REVENUE SHARING	11,388.5	0	0	0	0
PUBLIC WELFARE	13,342.4	14,065.1	15,704.9	15,345.6	15,805.4
LCMR FEDERAL REIMBURSEMENT	4,611.1	159.8	3,295.3	325.0	325.0
INDIRECT COSTS	4,561.9	4,700.4	0	0	0
GAS TAX REIMBURSEMENT	1,727.2	859.1	964.1	1,057.7	1,072.6
OTHER SPECIAL REVENUE FUNDS	4,119.8	2,809.7	1,275.0	1,345.0	1,400.0
ALL OTHER TRANSFERS	3,521.1	3,802.0	878.0	350.0	350.0
REPAY OF REVOLVING FUND LOANS	716.0	2,072.5	2,446.4	1,933.8	2,433.8
N.E. ECONOMIC PRD. FUND	0	0	0	2,974.0	0
TOTAL TRANSFERS FM OTHER FUNDS	43,988.0	28,468.6	24,563.7	23,331.1	21,386.8

NEW LEGISLATION

INVESTMENT BUDGET	0	0	0	105,000.0	30,000.0
TOTAL NEW LEGISLATION	0	0	0	105,000.0	30,000.0

EDUCATION AIDS

FOUNDATION AID	458,622.7	749,967.3	409,347.7	595,320.0	563,602.0
TRANSPORTATION AID	99,343.7	122,423.1	75,810.8	84,558.8	95,596.0
SPECIAL EDUC AID	86,451.4	109,228.4	81,634.7	126,747.0	135,558.0
ADULT EDUCATION AID	4,277.3	4,626.5	3,590.7	1,864.0	1,453.0
VOCATIONAL EDUCATION	102,875.5	135,761.5	115,738.4	136,964.0	136,838.0
MISCELLANEDUS	12,347.7	17,163.1	15,453.8	21,231.3	21,987.0
TEACHER MOBILITY	1,799.5	3,067.3	2,711.4	3,200.0	1,625.0
MAX EFFORT SCHOOL LOAN FUND	0	0	0	2,719.0	3,672.0
NON PUBLIC SCHOOL AID	3,403.2	5,257.2	3,456.1	6,071.0	6,764.0
CH 1 SCHOOL AID RESTORATION	0	232,499.3	0	0	0
TOTAL EDUCATION AIDS	769,121.0	1,379,993.7	707,743.6	978,675.1	967,095.0

EDUCATION

EDUCATION, DEPARTMENT OF	23,051.3	23,448.1	23,506.8	23,197.8	18,695.5
HIGHER ED COORDINATING BD	42,774.2	41,649.0	49,132.9	61,644.6	66,052.8
STATE UNIVERSITY BOARD	76,403.2	91,895.1	97,791.5	105,031.7	101,943.5
COMMUNITY COLLEGES BOARD	35,232.7	44,447.2	46,048.6	50,185.0	51,388.8
UNIVERSITY OF MINNESOTA	217,845.7	249,634.9	259,244.9	288,719.3	299,355.0
MAYO MEDICAL SCHOOL	1,409.1	1,523.7	1,297.3	152.8	163.4
TOTAL EDUCATION	396,716.2	452,598.0	477,022.0	528,931.2	537,599.0

HEALTH, WELFARE, CORRECTION

	ACTUAL F.Y.1981	ACTUAL F.Y.1982	2/15/3 EST F.Y.1983	GOV REC F.Y.1984	GOV REC F.Y.1985
PUBLIC WELFARE, DEPT OF	642,472.2	699,304.9	670,033.9	749,896.4	804,905.5
ECONOMIC SECURITY, DEPT OF	28,587.1	27,629.8	14,720.6	24,906.6	28,340.4
CORRECTIONS, DEPT OF	60,008.9	63,256.0	73,149.9	78,324.1	79,584.5
SENTENCING GUIDELINES COMSN	202.3	205.1	149.0	0	0
OMBUDSMAN FOR CORRECTIONS	234.0	236.4	265.3	270.0	272.1
HEALTH, DEPARTMENT OF	24,986.2	24,044.8	23,671.9	25,194.3	25,181.3
BD OF CHIROPRACTIC EXAMINER	59.9	65.5	56.3	87.9	89.4
BOARD OF DENTISTRY	203.3	243.2	241.7	256.7	263.5
BOARD OF MEDICAL EXAMINERS	288.0	346.5	376.1	421.3	414.3
BOARD OF NURSING	601.8	619.0	750.6	766.4	783.1
BD OF EXAM OF NURS HM ADMIN	76.4	106.1	103.6	105.5	107.4
BOARD OF OPTOMETRY	35.7	32.6	44.3	48.3	49.6
BOARD OF PHARMACY	227.9	279.8	306.3	326.7	326.2
BOARD OF PODIATRY EXAMINERS	3.2	5.2	5.6	5.8	6.0
BOARD OF PSYCHOLOGY	74.6	92.2	100.9	104.0	107.2
BD OF VETERINARY MEDICINE	26.2	40.9	63.3	65.7	67.8
CONTINGENT FOR STATE INSTIT	0	0	750.0	700.0	0
TOTAL HEALTH, WELFARE, CORRECTION	758,087.7	816,508.0	784,789.3	881,479.7	940,498.3

TRANSPORTATION/SEMI-STATE

⁷⁹⁺⁸⁰ T 70 St. Dept	TRANSPORTATION, DEPT OF	28,018.5	19,287.5	22,876.7	22,564.0	22,617.4
	METRO CNCL - LIGHT RAIL	150.0	0	0	0	0
	PUBLIC SAFETY, DEPT OF	12,879.0	14,115.2	16,401.1	16,980.1	17,078.6
	COMMERCE, DEPARTMENT OF	6,211.8	6,999.4	7,210.8	7,492.3	7,558.2
	BOARD OF ABSTRACTORS	2.1	2.6	3.9	3.9	3.9
	BOARD OF ACCOUNTANCY	181.8	180.3	212.5	220.7	227.2
	BOARD OF ARCHITECTURE/ENG	237.5	236.3	245.1	263.8	269.7
	BOARD OF BARBERS EXAMINERS	87.0	89.5	105.2	107.6	109.1
	BOARD OF BOXING	22.0	24.1	25.3	26.0	26.6
	BOARD OF ELECTRICITY	1,463.1	613.5	684.9	686.7	696.5
	BOARD OF PEACE OFFICER TRNG	268.7	290.4	1,351.7	1,360.0	1,364.1
	BOARD OF WATCHMAKERS EXAM	5.2	4.6	5.6	6.0	6.1
	PUBLIC UTILITIES COMMISSION	1,093.7	1,046.4	1,222.7	1,317.6	1,330.6
	PUBLIC SERVICE, DEPT OF	2,617.6	2,782.4	3,323.4	3,306.9	3,354.7
	ETHICAL PRACTICES	139.8	153.4	170.3	173.8	175.3
	MINNESOTA MUNICIPAL BOARD	151.4	153.0	177.5	194.3	205.7
	MN/WISC BOUNDARY AREA COMM	48.7	51.4	56.3	65.9	67.8
	UNIFORM LAWS COMMISSION	13.1	11.6	10.7	12.9	12.8
	VOYAGEURS NAT'L PARK ADV CM	50.5	54.4	55.0	0	0
	SO. MINN RIVER BASIN BOARD	38.7	43.7	47.7	52.9	53.4
	HISTORICAL SOCIETY	6,645.9	6,658.6	6,610.4	7,391.6	7,419.9
	ARTS BOARD	2,757.4	2,039.6	1,546.1	2,054.0	2,104.2
	HUMANE SOCIETY	55.0	43.8	0	47.1	0
	COUNTY ATTORNEYS COUNCIL	67.4	118.7	0	0	0
	HORTICULTURAL SOCIETY	64.6	62.9	67.9	67.9	67.9
	ACADEMY OF SCIENCE	15.8	23.3	17.5	20.4	20.5
	SCIENCE MUSEUM OF MINNESOTA	162.6	200.0	200.0	210.0	221.0
	DISABLED AMERICAN VETERANS	17.5	18.5	20.1	20.1	20.1
	VETERANS OF FOREIGN WARS	17.5	25.0	25.0	25.0	25.0
TOTAL TRANSPORTATION/SEMI-STATE	63,483.9	55,330.1	62,673.4	64,671.5	65,036.3	

STATE DEPARTMENTS

	ACTUAL F.Y.1981	ACTUAL F.Y.1982	2/15/3 EST F.Y.1983	GOV REC F.Y.1984	GOV REC F.Y.1985
LEGISLATURE	23,299.1	23,046.8	28,013.5	28,168.4	29,644.6
SUPREME COURT	4,442.8	4,192.5	5,140.8	7,019.4	7,640.8
DISTRICT COURTS	11,759.7	11,745.8	12,740.6	12,793.7	12,860.5
JUDICIAL STANDARDS, CMSN ON	96.0	83.8	153.5	122.5	125.2
PUBLIC DEFENDER	751.4	851.4	897.6	968.4	978.7
BOARD OF PUBLIC DEFENSE	0	341.0	343.4	439.0	461.2
TAX COURT OF APPEALS	268.5	281.3	307.4	317.6	320.9
CONTINGENT ACCOUNTS	0	0	5,133.9	6,000.0	6,000.0
GOVERNOR'S OFFICE	1,382.7	1,346.4	1,414.8	1,500.1	1,503.3
LT. GOVERNOR	218.5	224.0	237.8	248.7	251.2
SECRETARY OF STATE	1,196.7	1,079.3	1,338.3	1,230.0	1,612.9
STATE AUDITOR	246.5	269.1	295.8	309.1	311.9
STATE TREASURER	885.9	901.9	1,048.1	1,105.3	1,092.8
ATTORNEY GENERAL	9,550.1	10,161.8	11,305.6	12,791.6	13,416.2
EXECUTIVE COUNCIL	0	0	0	1,000.0	1,000.0
INVESTMENT BOARD	1,106.6	1,213.3	1,271.1	0	0
ADMINISTRATIVE HEARINGS	0	1,368.6	1,304.4	1,388.2	1,402.6
ADMINISTRATION DEPT OF	15,775.9	16,578.7	18,131.7	19,889.4	20,758.2
CAPITOL AREA ARCH & PLNG BD	90.2	80.0	89.6	91.8	93.4
FINANCE, DEPT OF	5,053.4	5,179.2	5,998.0	6,609.8	6,809.2
EMPLOYEE RELATIONS, DEPT OF	3,015.3	3,059.8	3,306.5	3,446.7	3,479.3
REVENUE, DEPT OF	24,904.6	28,191.0	31,287.3	33,172.8	33,611.1
AGRICULTURE, DEPT OF	24,772.2	11,020.5	11,472.0	13,624.8	13,762.7
BOARD OF ANIMAL HEALTH	1,106.4	1,245.6	1,158.9	1,384.3	1,363.2
NATURAL RESOURCES, DEPT OF	40,494.9	41,011.3	41,536.5	50,563.8	51,149.7
ZOOLOGICAL GARDEN	5,164.3	5,024.0	5,179.2	5,529.5	5,624.0
WATER RESOURCES BOARD	112.5	110.9	95.8	111.9	113.3
POLLUTION CONTROL AGENCY	5,965.8	5,722.6	6,083.5	6,537.7	6,709.3
ENVIRONMENTAL QUALITY BOARD	1,580.1	1,239.3	1,278.1	1,250.5	1,279.1
WASTE MANAGEMENT BOARD	515.8	1,138.1	1,214.8	1,773.0	1,123.8
ENERGY, PLANNING AND DEVELOPMNT	14,167.4	9,088.7	8,624.2	17,239.0	18,000.7
NATURAL RES ACCEL (LCMR)	14,573.9	10,331.0	9,355.0	9,631.4	9,095.2
LABOR AND INDUSTRY, DEPT OF	5,992.0	5,084.4	5,722.4	6,080.6	6,143.3
W.C. COURT OF APPEALS	0	368.8	379.4	383.6	385.8
MEDIATION SERVICES	932.5	1,007.7	1,004.9	1,146.8	1,122.5
PUBLIC EMPLOYEE RELATIONS BD	41.4	41.7	49.0	51.7	52.0
MILITARY AFFAIRS, DEPT OF	4,211.6	4,497.2	4,504.6	4,796.1	4,883.4
VETERAN AFFAIRS, DEPT OF	7,287.8	8,266.8	9,754.3	10,427.7	10,633.5
INDIAN AFFAIRS	192.6	181.9	199.4	0	0
COUNCIL ON BLACK MINNESOTANS	35.7	70.1	95.8	0	0
CNCL FOR THE HANDICAPPED	273.9	295.3	327.9	0	0
HUMAN RIGHTS, DEPT OF	965.5	1,099.8	1,176.4	1,313.4	1,290.9
CNCL FOR SPANISH SPKG PEOPLE	83.4	93.4	102.6	144.4	142.6
TORT CLAIMS	633.7	385.9	414.1	450.0	450.0
SAL. SUPP. W/O HIGH. ED.	0	0	0	26,000.0	51,000.0
FINANCE NON-OPERATING	4.7	50.7	2.0	0	0
TOTAL STATE DEPARTMENTS	233,152.0	217,571.4	239,490.5	297,052.7	327,699.0

UNALLOTTED/BALANCE FORWRD

	ACTUAL F.Y.1981	ACTUAL F.Y.1982	2/15/83 EST F.Y.1983	GOV REC F.Y.1984	GOV REC F.Y.1985
EXPEND. UNDER CLOSING	2,087.4	1,404.3	0	0	0
TOTAL UNALLOTTED/BALANCE FORWRD	2,087.4	1,404.3	0	0	0

DEFICIENCIES

NATURAL RESOURCES	0	0	1,859.0	0	0
LABOR & INDUSTRY	0	0	2,178.7	2,329.2	2,733.9
WELFARE	0	0	65,400.0	0	0
TAX STUDY COMSN	0	0	2.1	0	0
TOTAL DEFICIENCIES	0	0	69,439.8	2,329.2	2,733.9

AIDS AND CREDITS

PROPERTY TAX REFUND	51,529.9	28,791.3	40,540.0	37,000.0	62,000.0
RENTERS CREDIT	83,000.0	89,688.0	2,887.0	100,000.0	78,900.0
SN. CITIZENS AND DIS. CREDIT	59,200.0	58,506.0	3,958.0	64,800.0	71,390.0
AGRICULTURAL CREDIT	38,843.2	78,248.0	63,702.0	93,948.8	89,225.1
AID TO LOCAL GOVERNMENT	231,004.9	202,889.5	235,077.0	265,073.3	228,260.4
ATTACHED MACHINERY AID	11,490.6	11,238.5	10,168.9	11,162.2	305.0
HOMESTEAD CREDIT	362,530.3	436,800.0	349,385.8	509,909.7	466,200.0
SUPPL HMSTD PROP TAX RELIEF	210.8	778.5	1,036.7	1,061.1	1,111.1
INHERITANCE APPORTIONMENT	39.7	0	0	0	0
AID TO POLICE AND FIRE	19,860.5	21,521.2	23,026.6	24,448.6	26,230.3
REDUCED ASSMT CREDIT-II-3CC	0	10,000.0	10,375.1	15,315.4	16,910.0
WETLANDS CREDIT & REIMBURSEMENT	0	3,123.5	3,155.6	4,079.2	307.5
NATIVE PRAIRIE CREDIT & REIMB	0	100.0	85.0	155.2	12.8
PAYMENT IN LIEU TAXES-DNR	5,200.0	0	4,350.0	4,700.0	4,700.0
DISASTER CREDIT	0	0	0	0	462.7
AGRICULTURAL PRESERVATION CRED	0	0	0	462.7	500.2
TOTAL AIDS AND CREDITS	862,909.9	941,684.5	747,747.7	1,132,116.2	1,046,515.1

OTHER OPEN AND STANDING

SHORT TERM BORROW COSTS	5,680.3	33,954.2	81,379.4	25,000.0	25,000.0
EOC-POWER PLANT SITING	168.7	0	0	0	0
LEECH LAKE WHITE EARTH	0	283.3	420.0	442.9	450.7
R. WEBER COMPENSATION	1.2	1.2	1.2	1.2	1.2
TOTAL OTHER OPEN AND STANDING	5,850.2	34,238.7	81,800.6	25,444.1	25,451.9

RETIREMENTS

	ACTUAL F.Y.1981	ACTUAL F.Y.1982	2/15/3 EST F.Y.1983	GOV REC F.Y.1984	GOV REC F.Y.1985
LEGISLATORS RETIREMENT	1,626.7	768.6	1,755.0	1,347.0	2,172.5
JUDGES RETIREMENT	910.0	437.5	2,197.5	2,265.3	2,174.5
CONSTITUTIONAL OFFICERS RET.	86.5	86.4	86.4	98.0	105.8
STATE EMP-SUPP BENEFITS	61.2	54.3	55.0	46.0	41.0
PUBLIC EMPLOYEES RETIREMENT	46.9	42.5	35.0	28.0	21.0
MPLS PENSION REIMBURSEMENT	4,718.4	3,889.0	5,214.7	6,000.0	7,000.0
LOCAL POLICE/FIRE AMORTIZATION	1,634.0	6,536.1	6,536.8	6,536.8	6,536.8
TEACHERS/STATE AND COMM. COLL.	1,352.5	0	0	0	0
TEACHERS RETIREMENT ASSOCIATION	77,244.2	76,535.4	55,268.0	87,509.7	92,138.7
TEACHERS/CITIES 1ST CLASS	17,068.7	17,834.3	14,448.2	18,138.4	19,023.5
TEACHERS SOCIAL SECURITY	46,694.8	66,194.5	73,682.2	82,996.0	90,677.0
CH 298 PRE-1973 RETIRE ADJUSTM	0	5,724.8	5,514.7	5,250.0	5,500.0
OTHER RETIREMENT REDUCTIONS	0	0	(12,373.0)	0	0
APPROP-PENSION FUND REIMB	0	0	8,480.0	0	0
TOTAL RETIREMENTS	151,443.9	178,103.4	160,899.9	210,215.2	225,390.8

MINING APPT.-DIRECT PAY.

PROPERTY TAX RELIEF	17,278.2	18,818.1	18,125.0	19,950.0	16,960.6
MUNICIPAL AID FUND	6,810.9	6,776.0	6,695.0	6,622.0	6,588.0
COUNTY ROADS AND BRIDGES	2,784.7	3,056.9	3,016.8	2,981.0	2,999.0
SCHOOL DISTRICTS	16,028.0	21,508.0	21,743.0	21,414.0	21,631.0
CITY AND TOWNS	1,343.1	1,382.0	1,360.8	1,346.0	1,339.0
COUNTY	10,810.6	11,891.9	11,712.6	11,574.1	11,643.8
RAILROAD (1977 BASE)	3,160.8	3,160.9	3,160.9	3,160.9	3,160.9
IRON RANGE MUNIC AND SCH ASSN	110.7	110.2	108.9	107.7	107.1
TOTAL MINING APPT.-DIRECT PAY.	58,327.0	66,704.0	65,923.0	67,155.7	64,429.4

DEDICATED REVENUE EXP.

STATE UNIVERSITY BOARD	30,968.1	35,081.2	40,464.9	52,584.0	61,542.2
STATE COMMUNITY COLLEGE SYSTEM	19,010.1	20,631.6	22,649.2	28,421.1	31,278.5
UNIVERSITY OF MINNESOTA	96,310.7	101,423.2	111,690.3	120,876.4	131,011.8
WELFARE-MEDICAID	31,928.2	39,157.3	44,620.0	53,095.2	57,979.1
ALL OTHER	3,704.6	960.9	2,200.0	2,200.0	2,200.0
TOTAL DEDICATED REVENUE EXP.	181,921.7	197,254.2	221,624.4	257,176.7	284,011.6

CANCELLATION ADJ.

	ACTUAL F.Y.1981	ACTUAL F.Y.1982	2/15/83 EST F.Y.1983	GOV REC F.Y.1984	GOV REC F.Y.1985
CANCELLATION ESTIMATES	0	0	(32,900.0)	(20,000.0)	(40,000.0)
CNCL ANTIC IN ESTIMATES	0	0	10,900.0	0	0
VOLUNTARY UNPAID LEAVE	0	0	(4,500.0)	0	0
TOTAL CANCELLATION ADJ.	0	0	(26,500.0)	(20,000.0)	(40,000.0)

BUDGET REDUCTION

W10500 FREEZE HIRE/PROCURE	0	0	(9,058.3)	0	0
TOTAL BUDGET REDUCTION	0	0	(9,058.3)	0	0

TRANSFERS TO OTHER FUNDS

74

DEBT SERVICE	90,581.2	107,141.9	114,829.9	116,101.7	144,399.4
CAMPAIGN FINANCING (OPEN)	1,016.9	0	1,576.9	0	1,877.6
NON-GAME WILDLIFE FUND	650.0	495.8	575.0	650.0	700.0
TACONITE ENV. PRO. FUND	15,663.5	18,900.0	10,189.4	4,262.2	9,353.2
IRRRB REGULAR	2,022.9	2,265.3	2,141.9	2,115.2	2,134.2
IRRRB - OCC. TAX 1977 BASE	1,252.5	1,252.5	1,252.5	1,252.5	1,252.5
N.E. ECON. PROT. FUND	9,358.2	8,846.6	1,925.4	0	466.0
IRRRB FNV.	485.1	518.0	381.7	316.5	353.0
TRUNK HIGHWAY FUND	1,209.2	1,281.3	958.6	0	0
TRUNK HIGHWAY-PUBLIC SAFETY	222.4	321.4	272.3	385.4	391.7
LOANS TO REVOLVING FUND	1,940.8	4,397.3	2,331.0	2,915.0	2,499.0
HOUSING FINANCE	1,640.0	19,087.3	0	15,000.0	0
INVESTMENT BD - REVOLV	0	0	0	600.0	0
TRUNK HIGHWAY-OTHER	259.8	0	0	0	0
OTHER APPROPRIATIONS	5,998.1	2,818.3	0	0	0
TOTAL TRANSFERS TO OTHER FUNDS	132,300.6	167,325.7	136,434.6	143,198.5	163,426.6

RESERVE/APPR. CARRIED FW

APPROPRIATED RESERVE	0	0	0	250,000.0	250,000.0
BALANCE FORWARD	14,908.3	45,391.5	0	0	0
MINING APPOR.-TAC.PROD.	5,467.7	9,099.3	9,064.9	1,935.4	0
TOTAL RESERVE/APPR. CARRIED FW	20,376.0	54,490.8	9,064.9	251,935.4	250,000.0

GENERAL FUND

"WHERE IT GOES"

(IN THOUSANDS)

	Actual	Actual	Estimated	Governor's Recommendation	
	F.Y. 1981	F.Y. 1982	F.Y. 1983	F.Y. 1984	F.Y. 1985
PROPERTY TAX RELIEF					
General	418,862.5	547,307.0	445,304.1	645,005.2	591,129.6
Income Specific	193,729.9	176,985.3	47,385.0	201,800.0	212,290.0
TOTAL PROPERTY TAX RELIEF	<u>612,592.4</u>	<u>724,292.3</u>	<u>492,689.1</u>	<u>846,805.2</u>	<u>803,419.6</u>
AIDS TO INDIVIDUALS					
Education	31,439.0	29,960.4	40,100.9	50,799.2	56,455.0
Social Services	463,387.4	518,024.1	557,852.1	743,132.1	726,756.6
Other	4,016.4	19,384.9	281.3	30,456.3	15,456.3
TOTAL AIDS TO INDIVIDUALS	<u>498,842.8</u>	<u>567,369.4</u>	<u>598,234.3</u>	<u>824,387.6</u>	<u>798,667.9</u>
AIDS TO LOCAL UNITS					
Cities and Towns	238,588.0	210,841.8	239,676.0	265,811.5	248,342.8
Counties	154,521.3	151,454.6	147,625.7	174,659.9	155,203.5
School Districts	927,137.5	1,562,038.1	872,881.5	1,187,684.8	1,187,368.3
Local Pension Funds	7,159.7	12,130.3	21,677.9	7,959.0	9,404.0
Special Districts	59,490.8	55,810.5	41,854.6	35,095.5	37,395.1
Other Government Organizations	7,427.5	9,382.2	4,530.1	16,535.7	7,052.7
Non Government Organizations	45,317.2	41,087.1	28,678.8	32,299.7	37,009.0
TOTAL AIDS TO LOCAL UNITS	<u>1,439,642.0</u>	<u>2,042,744.6</u>	<u>1,356,924.6</u>	<u>1,720,046.1</u>	<u>1,681,775.4</u>
PUBLIC INSTITUTIONS					
Higher Education	477,301.6	542,931.3	576,275.0	648,255.1	678,490.3
Welfare	137,310.7	141,005.5	154,026.9	40,600.5	36,653.9
Corrections	39,324.4	40,997.6	46,800.0	53,721.3	54,709.8
Other	8,216.3	11,256.7	12,956.5	15,020.1	15,149.7
TOTAL PUBLIC INSTITUTIONS	<u>662,153.0</u>	<u>736,191.1</u>	<u>790,058.4</u>	<u>757,597.0</u>	<u>785,003.7</u>

GENERAL FUND
 "WHERE IT GOES"
 (IN THOUSANDS)

<u>Continued</u>	<u>Actual</u> F.Y. 1981	<u>Actual</u> F.Y. 1982	<u>Estimated</u> F.Y. 1983	<u>Governor's Recommendation</u>	
				F.Y. 1984	F.Y. 1985
DIRECT SERVICES AND OPERATIONS					
Legislature, Judicial, Constitutional	55,922.4	55,186.6	66,383.4	69,976.9	73,710.2
State Agencies	249,987.4	241,835.9	255,089.7	307,531.3	316,910.7
TOTAL DIRECT SERVICES AND OPERATIONS	<u>305,909.8</u>	<u>297,022.5</u>	<u>321,473.1</u>	<u>377,508.2</u>	<u>390,620.9</u>
OTHER					
Debt Service	90,581.2	107,141.9	114,829.9	116,101.7	144,399.4
Short-Term Borrowing	5,680.3	33,954.2	81,379.4	25,000.0	25,000.0
All Other				26,000.0	51,000.0
TOTAL OTHER	<u>96,261.5</u>	<u>141,096.1</u>	<u>196,209.3</u>	<u>167,101.7</u>	<u>220,339.4</u>
TOTAL	3,615,401.5	4,508,716.0	3,755,588.8	4,693,445.8	4,679,886.9
Less Cancellations	-	-	35,558.3	20,000.0	40,000.0
TOTAL	3,615,401.5	4,508,716.0	3,720,030.5	4,673,445.8	4,639,886.9