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STATE OF MINNESOTA Proposed 1985-87 Budget

Rudy Perpich
Governor

January 28, 1985

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STATE OF MINNESOTA

OFFICE OF THE GOVERNOR

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RUDY PERPICH
GOVERNOR

January 28, 1985

To the Citizens of Minnesota:

This booklet provides an overview of the state budget for the 1985-87 biennium that I am recommending to the 1985 Legislature today.

The purpose of the booklet is two-fold:

- To inform you about the fiscal conditions of the state and how your government uses your tax monies.
- To report to you the goals and objectives that I would like to achieve in the next two years as well as priorities and strategies that shape my budget decisions.

I hope this booklet will serve its purpose of expanding your knowledge and understanding of your state government and the direction it is taking for the future.

Sincerely,

A large, stylized handwritten signature of Rudy Perpich in black ink.

Rudy Perpich, Governor
State of Minnesota

BUDGET MESSAGE

GOVERNOR RUDY PERPICH

JANUARY 28, 1985

TO MEMBERS OF THE 1985 MINNESOTA LEGISLATURE:

Two years ago, I said that our overriding objective must be to create jobs and a vital, expanding economy. We have made dramatic progress, but this objective must remain our number one priority.

The state's economy remains the engine for improving the welfare of all Minnesotans. A severe recession brings home this fact with a vengeance. But even after 26 months of recovery, we have major geographic and industrial sectors that are not receiving the benefits of employment or a decent income. The programs and services of state government must be trimmed and focused to spur vigorous state economic growth for all Minnesotans. But these programs also must continue to be available for those in need. Minnesota state government can and should be lean, without being mean.

The strategy of this budget is to sustain and accelerate progress toward our primary objective of jobs and economic development. The strategy has five basic parts:

- (I) Slow the spending rate by rethinking and redesigning the delivery of public programs and services.
- (II) Cut and reform the personal income tax.
- (III) Sustain budget stability.
- (IV) Reinforce the long-standing priority of education.
- (V) Maintain our commitment to those most in need.

I. Slow Spending

We are fortunate to be in the expansion phase of an economic cycle. Our best estimate remains that this cycle will sustain economic growth through the 1985-87 biennium. To sustain that growth state government should attempt to reduce its share of the state economic pie.

Over the past 10 years, state expenditures as a percent of gross state product (the value of all goods and services created in Minnesota) have been in the range of 7.4% to just under 8%. This fiscal year state expenditures will comprise 7.2% of state gross product. Our budget recommendations will lower the state share to 7.0% by F.Y. 1987. State government is taking a lesser share of the state's economy and will continue to do so if we slow the growth rate of spending.

Our budget deliberations began with the firm conviction that resources for spending are limited. I came to the inescapable conclusion that if we intend to manage the budget, rather than having it manage us, we cannot rely on the usual budget review and cutting process. Large pieces of the budget have a life of their own and cannot be controlled unless we rethink the means by which we deliver public services and then creatively redesign programs for greater efficiency and effectiveness.

Simply deciding to do with less doesn't work. Impoverishing the public sector doesn't make it automatically work better. What generally happens is that we invigorate interest groups to restore cuts in the next budget round.

Spending smarter requires new ways of approaching old needs and problems, and then redesigning the public response in the delivery of services. There are a number of these redesign proposals in this budget. I welcome your ideas and improvements as I do those from outside government who share our objective.

You will find several recurring themes in most of our proposals.

- Decentralizing responsibility for delivery of public services.
- Providing competition among the providers of public services.
- Allowing for choice by the customers of public programs.

We also need to achieve spending restraint in order to be able to provide lasting tax reductions. Our capability to make future tax cuts is directly related to how creative and successful we are in controlling costs through redesign.

Achieving this kind of spending restraint is not easy. Our estimate of spending for F.Y. 1985-87 under current law and current services with no new initiatives would rise by about 6.2% per year. That is too much. Accordingly, I am recommending that we cut the forecasted spending increase to 5.8% per year, and fund all new spending initiatives or program expansion through reallocation. This is the smallest increase in the state budget in the last 20 years.

We will have the fiscal room to cut personal income taxes by about 12% this biennium and increase our budget reserve to \$500 million if we control the spending rate.

II. Cut and Reform the Income Tax

Cutting and reforming our personal income tax is one of the most important things we can do to stimulate the economy. There is widespread agreement that we need to cut the income tax, but we will miss a historic opportunity if we fail to reform and simplify our income tax system as well.

The comparative data are well known. We rank among the top handful of states in the proportion of personal income we tax. Beyond that, our tax structure is so sharply progressive that the maximum tax rate is reached at middle incomes. We discriminate against families--one earner families with

incomes between \$15,000 and \$50,000 pay more income taxes than in any state in the union.

The complexity of our income tax is a scandal. The Minnesota Tax Study Commission found our system the most complex of all states. The virtues we sought in the accumulation of this complexity have long been lost to the irritation we create among tax filers.

I propose that we cut the income tax by \$604 million--or about 12% in the biennium. The cut should be retroactive to January 1, 1985. Withholding rates can be reduced within a few weeks following passage of the tax bill. Minnesota taxpayers deserve prompt action by the Legislature as well as a full calendar year at the lower rates.

Reform and simplification mean conformance with the federal tax. The influence on incentives and equities by the federal tax codes is so pervasive that no state can hope to modify it. I urge that we accept the basic recommendation of the Minnesota Tax Study Commission on the personal income tax, which results in a simple one-page form requiring perhaps 15 minutes to complete.

Conforming to the federal tax means that some advantages enjoyed by some groups of taxpayers will be lost. This is the inevitable result of any reform. The result of this proposal, however, is fair. Those bearing the greatest relative burden receive the largest benefit. But the average tax paid by all taxpayers in each income category will be cut, and everyone benefits from simplification.

One feature of this proposal is already stirring controversy--that being federal deductibility. Federal deductibility simply means that you can deduct taxes paid to the federal government on your state income tax. The effect of federal deductibility is a sharply progressive tax at lower incomes but turning regressive at higher incomes. The average effective tax paid now peaks at 7% for incomes between \$70,000 and \$80,000. It then declines to 5.5% for incomes over \$200,000. This proposal will take out that "hump" and give us a truly progressive tax.

Eliminating federal deductibility and cutting the tax will allow us to reduce the top rate from 16% to less than 10%. This will drop Minnesota from 5th to 11th on total state and local per capita tax collections. And our one earner families who have ranked number one for many years will drop to 18th at \$15,000 and 8th at \$50,000.

Property Taxes. There is widespread confusion about which level of government is responsible for property taxes. The state provides a variety of aids and property tax relief mechanisms, but local officials determine the levy. The Minnesota Tax Study Commission concluded that our programs of property tax relief are not only confusing but are an incentive for incremental local taxing and spending. Each incremental increase requires state relief on an entitlement basis.

I remain supportive of property tax relief. The complex system of state aids, credits and refunds will add up to \$2.4 billion in my budget recommendation. This is \$205 million over this biennium, or a 9.3% increase.

But, I propose that we clean up the confusion and eliminate the incentive plan. This can be accomplished by taking over the required local levy of 23.5 mills for the foundation aid to local school districts. The cost of this takeover will be offset by the redesign of existing aids.

The homestead credit, agricultural credit, supplemental taconite homestead credit, wetlands credit, native prairie credit, and powerline credit will be restructured into two new credits--homestead and agricultural. These two credits will become property classification mechanisms using a mill rate differential. The result will be that the taxpayer will continue to see the homestead or agricultural credit on the tax statement, and the amount of the credit will not be changed from what it otherwise would have been.

This Accountability Property Tax Program will not significantly alter current property taxes either geographically, between classes or within classes of property. What the accountability proposal does do is require that 100% of any local property tax increase be paid for locally. The accountability proposal clearly separates state and local responsibilities and makes clear the state's responsibility to schools and aid to local government, but not for the local property tax levy.

There is an important side effect of the accountability proposal. Because of the differences between annual property tax years and fiscal years, the education aid amount is always appropriated one budget year ahead of all other appropriations. This timing effect removes education aids from the competition for scarce resources that all other appropriations must endure. The accountability proposal will allow education aids to be dealt with concurrently with other expenditure items in the same budget session.

Property Classification. The Minnesota Tax Study Commission has pointed out that we have between 28 and 70 classes of property--depending on how you count them. By any measure the number is too large and too confusing.

I propose to simplify and consolidate property classes into nine classes. The purpose of this proposal is simplification. The result is not intended to significantly shift property tax burdens.

Circuit Breaker. The circuit breaker provides property tax relief when there is a disproportionate relationship between income and property taxes. The Minnesota Tax Study Commission concluded that the present system is complex and also capricious in the distribution of the benefits of the system.

I propose that we reform and simplify the circuit breaker. These reforms will more equitably distribute property tax relief and eliminate six pages of instructions and taxes. Very low income senior citizens and disabled people will receive increased assistance, but aids will be decreased for others. The proposed reforms will reduce state expenditures by \$19 million.

Returning Local Taxes. The state is involved in the collection of some taxes which can be better returned to local units of government.

The state first collects and then distributes taconite production taxes. I propose that the four counties involved collect and distribute these taxes. This will remove \$132 million from state revenue and expenditures.

The state currently collects and keeps deed and mortgage registry taxes. I propose that we leave those taxes (\$29 million per year) with the counties and recapture the lost revenues by reducing human services aids to the counties by a like amount. By returning the tax to the counties, they then have the option in the future to increase these taxes and retain the revenue locally.

III. Sustaining Budget Stability

Two years ago we said that budget stability was the "bottom line" of the 1983-85 budget. Our economy needs a predictable state government. We know the pattern of crisis management with sudden cuts in aids and increases in taxes. We have no intention of repeating that unhappy history.

We have made some very solid progress. The rate of spending is slowing. We have a budget reserve of \$375 million, a school aid increase reserve of \$50 million and a fund balance of \$142 million. This provides the fiscal setting for being able to propose a major tax cut that is enduring. We also are prepared for the economic uncertainty that continues to cloud the future.

We know that there is significant error in economic forecasting. The bag of tools used by economists does not provide high odds for accurate forecasts. The annual error over the last seven years has been 7.9%. It doesn't help to try to find a smarter economist--the error is inherent in the forecasting tools.

Because of the risks in forecasting, we must have a strong policy response and a clear strategy. First, we must slow spending increase rates. Second, we must create an adequate reserve. We are slowing that spending rate in this budget. And I believe the \$500 million reserve required to eliminate short-term borrowing is the proper size to manage the results of potential errors in the forecast.

We must not forget our experience after the 1979 session. We let optimism influence our judgments about our economic future. And our tax cutting was tied to spending an accumulated surplus. We did not have a strategy for sustaining those tax cuts.

A major event took place 13 days ago. On January 15, we stopped short-term borrowing. Remember that we borrowed \$850 million in 1983. Stopping short-term borrowing is a key step in restoring the financial health of the state.

Stopping short-term borrowing is required if we are serious about regaining our AAA bond rating. I am serious about getting our AAA back and I believe you are as well. Our progress thus far was recently rewarded with an increase in our bond rating from AA to AA+ by Standard and Poor's.

Stopping short-term borrowing eliminates short-term interest expense from the budget. The interest expense of this short-term borrowing over the past

five years has been \$145 million. My proposed budget contains no appropriation for short-term interest. This is one state expenditure we should simply eliminate.

We need a reserve of \$500 million unless we want to borrow again to cover the imbalance in timing of receipts and disbursements. This is a legacy of the shifts we had to resort to in the 1981-83 special sessions. By shifting obligations forward and receipts back we create major differences in timing of expenditures and collections. In the first five months of each fiscal year, we collect about 35% of our annual revenues but disburse about 47% of our annual expenditures. Without a \$500 million reserve, the state must borrow to cover these intra-year cash timing differences. It is useful to remember that the total shifts between F.Y. 1983 and F.Y. 1984 also were about \$500 million.

The reserve should be increased to \$500 million. We have the money in the bank. Just don't spend it.

IV. Reinforcing the Long-Term Priority of Education

Minnesota has a long history of giving a very high priority to the commitment of resources for education. That priority must be reinforced and the ante raised.

More than ever our human resource is our ultimate resource. As a state, our comparative economic advantage is our people and their capabilities. Any strategy for economic development and job creation should build on this strength. Many states are talking about rebuilding their educational systems. We in Minnesota are talking about making a good system excellent.

Access to Excellence. This K-12 education budget proposal implements my "Access to Excellence" plan, which emphasizes accountability and the highest quality education for all our students.

The constitution specifically says that the state is responsible for providing a uniform system of education. Furthering that commitment, the budget recommends increased and equalized resources for K-12 education. Total state and local resources for the average state student will increase 17% for school years 1986 and 1987. The majority of these resources will continue to be provided through the foundation aid program in an equalized way. The mix between state funds and local property tax levies will change, however.

I propose that the state assume responsibility for the local 23.5 foundation property tax mill levy in 1987 at a cost of \$717 million. The citizens of the state will then better understand that the state's responsibility is financing education. In fact, state support will increase from 63 percent of total school operating costs to 84 percent.

The state also has a responsibility beyond providing adequate and equitable school financing. It must assure citizens that their educational dollars are being spent wisely. I propose that \$8 million be given to the State Department of Education to coordinate a locally based effort to develop "learner outcomes," to develop a statewide testing program, to demonstrate improved teaching techniques, and innovative programs. Learner outcomes are the standards of knowledge and capability that students should meet at various

levels of their education. Statewide testing would measure learner outcomes at three grade levels to inform students, parents, teachers and administrators about student progress. The department could establish model programs within local schools to demonstrate how teaching techniques could be revised and how technology could be utilized, to further learning outcomes. Over \$6 million will additionally be available for technology demonstration sites and innovative education centers.

With increasing state support for education, there has been a tendency nationwide for states to narrow the scope of local control and expand state regulations. Our state cannot and should not bear the entire burden of education. The local district must be preserved and strengthened. The responsibility for determining curriculum and programs for educating students must reside locally. School administrators and local school boards in Minnesota must be empowered to make decisions without restrictive state mandates.

I want only one mandate: statewide testing. I have asked the Department of Education to review current mandates and evaluate their importance and effectiveness. The budget consolidates more than 10 different categorical aids with other programs to provide local school districts more funding flexibility.

Teachers also are crucial to this education proposal. Teachers must be allowed to teach and to use their wisdom and creativity to the fullest. I propose that \$14 million be made available to local districts for local initiatives in staff and program development.

Parents also must accept greater responsibility for the education of their children. I propose--beginning in the 1986-87 school year--that students in the 11th and 12th grades be allowed to choose the public educational program that best meets their needs and interests. The state will pay the recipient school that student's basic foundation aid.

Research shows that when families are permitted to select the public school of their choice, parents become more satisfied with the educational system; student attitudes improve; teacher morale goes up, and community support for public schools increases. Minnesota statutes now allow students to attend public schools of their choice on a limited basis. These should be expanded. The budget also provides for the start-up of the Minnesota Arts School for the 1987-88 school year and study of a special math-science program in an existing school, both of which provide further choice for Minnesota students.

The "Access to Excellence" plan will clarify the role of the state, strengthen local control, increase the productivity of our students and allow parents and students to make decisions about the quality of education. It is a plan that allows young people to reach their full potential and to enjoy the brightest future possible.

Beyond the "Access to Excellence" plan, I am proposing to combine the community education and adult education programs into an adult and continuing education program. The new program will emphasize reducing illiteracy and

improving the opportunities for basic adult learning. I also am proposing that we maintain our commitment to libraries.

Post-Secondary. In the 1983 legislative session, you passed a comprehensive innovative program for the funding, governance and access to our post-secondary systems. That package included:

- Decentralizing responsibility to system boards.
- Average cost funding of instructional expense.
- Setting tuition as a percent of instructional cost.
- Dramatically increasing student aids targeted to those with the greatest need.
- Mandating the preparation of long-range system plans and sharing those plans with the Legislature.

We made significant progress these past two years. I propose that we accelerate the process of improving the quality of our post-secondary systems as well as their responsiveness to the education needs of our citizens of all ages.

Raising the quality of education is easier to talk about than to do. The state has only indirect tools to accomplish such an objective, but they are, nonetheless, powerful. Our primary obligation is to provide adequate resources. Quality education is not cheap. The largest discretionary increases in this proposed budget are for post-secondary education.

Using such resources effectively is the responsibility of each system board and each head. We must expect and demand high standards of performance from each system in relation to their distinct missions.

The missions of our systems, unfortunately, tend to overlap. I believe we will spend more wisely and get better results if we sharpen those mission statements and create exclusive roles for each system. That should be the task of each board. They deserve a reasonable, but short, period of time to define themselves and incorporate that focused mission as an integral part of their long-range plans.

I have talked previously about making Minnesota the Brainpower State. In order to deserve that designation, we must assure the access of all of our citizens to educational opportunity. I am recommending major improvements to our program for student aid. We must continue our commitment to meeting the standard of fully funding "50% of need." Our definition of the student budget must be updated for inflated living costs. We also must extend the program to students who attend our institutions part time, due to work or family obligations. This program will be a strong assist to providing access to lifelong learning and to those who missed such an opportunity in their younger years.

Our private institutions of higher education are a strong component of Minnesota higher education. These institutions grant 30% of the baccalaureate

degrees in the state. I propose we remove the student aid cap established in the 1983 session. I also am proposing a pool of \$3 million for equipment grants for both instructional and research purposes. Grants from this pool would be made on a competitive basis to applicants from both public and private institutions.

Our campuses and faculty can and should become more active partners with the private sector in business development. Financing, marketing, and new product development are areas where expertise is often sought by small and expanding businesses. In order to better serve this collaboration, I am recommending a Partnership Centers Program. A pool of \$2.6 million for competitive grants will be administered by the HECB in cooperation with the Department of Economic Development. The purpose of each center is to encourage new enterprise development and provide a range of business assistance services.

The University of Minnesota enjoys a unique position in this state and deserves an equally distinct priority in our budget considerations. It is the flagship of our post-secondary system. There is widespread agreement that the University should raise its sights from being a good but uneven university to becoming a "world class" institution. I believe this objective can happen only if we (1) select the most capable president in the nation during the current search process; (2) sharply focus the mission of the institution and have a clear strategy for achieving "world class" status; and (3) appropriate adequate resources to implement such a plan. I also would like to cooperatively explore with the Legislature some ways for improving the method by which we select members of the Board of Regents.

V. Maintain our Commitment to Those Most in Need

Tax cuts and determined efforts to control state spending should not obscure our commitment to those most in need. There are good reasons why Minnesota has created programs to help our aged, disabled, mentally ill, mentally retarded and the poor. Those reasons haven't gone away and the economic recovery has not eliminated the need. A vigorous economy does not automatically create a social support system.

Keeping the commitment to meet social needs obliges us to rethink and redesign delivery systems. Rapidly rising costs and publicity about program abuse is an open invitation to slash appropriations by those who do not believe in this role for government. We keep faith with both the people who need these social support systems as well as the taxpayers who fund them when we insist on the best ways to efficiently and effectively deliver the service. Spending smarter is the only way to sustain our commitment.

Chemical Dependency Treatment-Changing Incentives. The treatment of Minnesotans who suffer from chemical dependency remains an area of concern for me. The state must support programs which assist individuals and families with this debilitating problem, especially now with additional stress. However, these programs also should be appropriate, efficiently operated, and accessible in or near the home community.

All too often, clients have been referred to programs based on the funding sources available rather than on the clients' needs. I propose

eliminating these program biases in chemical dependency funding and introducing competition and county case management control.

The consolidated Chemical Dependency Treatment Fund would bring together all state chemical dependency treatment funds, now totalling approximately \$29 million per year. Money expended for chemical dependency treatment through Medical Assistance, General Assistance Medical Care, General Assistance, the State Hospitals and a variety of grant programs would be merged and allocated directly to counties and reservations on the basis of population and economic factors. The amount of funds would be capped, and counties/reservations would be given control over the source of treatment for all chemically dependent clients. Uniform, statewide placement criteria combined with limited funds will give counties and reservations the incentive to assure most appropriate and economical treatment.

All providers of chemical dependency treatment will compete on the basis of proven treatment effectiveness, cost and location for the placement of C.D. clients by counties and reservations. Consolidated Treatment Funds also could be used by counties to develop treatment alternatives which are more appropriate or accessible for their clients than current services.

State hospital C.D. treatment funds are included in this proposal. State hospital C.D. units would no longer receive direct allocations from the state, but would compete with other C.D. treatment sources on the same factors. State hospitals would earn their C.D. revenue by providing competitive programs which counties and reservations would choose over other programs.

Minnesota must maintain its national prominence in the treatment of chemical dependency, but must do so with incentives that encourage cost-conscious service delivery. It is my hope that this broad-ranging change in allocation of state chemical dependency funds will increase local control while ensuring that clients in need receive the most effective and appropriate treatment.

Jobs--Not Just Welfare. In this biennium, we responded to the cyclical problem of employment with the Minnesota Emergency Employment Development (MEED). This program for assisting the hard-to-employ was dramatically successful. That legislation sunsets this year. Even though Minnesota's economy has been improving, many individuals remain out of the workforce. The problems of chronic unemployment have been well documented. At any time during the next biennium, about 20,000 individuals who are employable will have exhausted all other resources and turned to public assistance for support. I propose focusing on these employable individuals and making a concerted effort to assist them in returning to the workforce.

My jobs strategy emphasizes the creation of private and non-profit sector jobs for the employable segment of the public assistance population, linked to training and support services, such as child care, to enable individuals to seek and retain employment. We will use grant diversions as the wage subsidy to encourage employers to offer these people job opportunities. For those employables for whom a private sector job is not available, a public sector part-time job will be provided.

The jobs strategy is based on improved coordination among existing employment and training programs so that existing federal, state and local resources reinforce each other. I also am proposing additional state support in the areas of child care, education grants and scholarships, employment search efforts for public assistance clients, and job creation activities carried out by local employment and social service agencies.

I believe that this proposal will aim our employment efforts most effectively at those individuals who remain in need of assistance even during improved economic times.

Aging--Options to Institutionalization. The growing number of elderly in Minnesota and the cost of providing services to them were areas of major concern in the development of the budget. We are committed to providing appropriate care for our elderly. Minnesota's elderly are increasing at a rate far higher than the remainder of the population. Between 1980 and 2000, Minnesota's under 65 population will grow by 11%, while those aged 65 to 84 will grow by 19% and those over age 85 will grow by 72%. These increasing numbers of frail elderly will need more services than currently exist.

In addition, Minnesota has relied far more heavily on nursing home care as a source of services for the elderly than have other states. We institutionalize 9% of our elderly in nursing homes as compared to 5% nationally. This heavy reliance on nursing care, which came about for many reasons, has severely limited the choices available for our elderly who wish to stay in the community even though they need some help to do so.

The Legislature in 1983 enacted a moratorium on the certification of new nursing home beds for Medical Assistance reimbursement. The moratorium was a very important step in shifting the focus of services for the elderly away from institutional care. I support the continuation of that moratorium. Funds that would have been spent on nursing home care now are available for services in the community for our elderly.

To meet the needs of increasing numbers of elderly, we need to provide the options for a continuum of care which gives elderly individuals a choice of services and a choice of where they will live when they receive those services. Recommendations in the areas of income support, housing and community services all are aimed at providing needed support to allow the elderly who can do so to remain in the community with the help of family, friends and, lastly, government programs. The budget also emphasizes the crucial role of counties as the focal point for the delivery of service to the elderly and includes fiscal incentives so that counties benefit from keeping the elderly in their communities rather than relying on nursing homes as their primary source of care.

Health Care - Competition Rather than Regulation. The publicly funded health care programs, Medical Assistance and General Assistance Medical Care, remain one of the largest items in the budget. Combined state expenditures for the biennium are estimated at \$1.2 billion, based on current law.

During the 1980-1981 biennium, expenditures increased by 39% and during the 1982-83 biennium by 34%. Actions taken by the Legislature in 1983 to control nursing home expenditures successfully brought the increase down to a

projected 20% during the current biennium and 15% for the 1986-87 biennium. My proposals in the aging strategy are designed to continue this limitation on growth of nursing home expenditures while also providing needed community services for the elderly.

In addition to controlling the growth of institutional care, other changes can be made in the health care programs which recognize the competitive health care climate in Minnesota and which emphasize the purchasing power of the state in this marketplace. Experiments in both Medical Assistance (MA) and General Assistance Medical Care (GAMC) have shown the cost containment potential of health care funding mechanisms which are based on competition and prepayment. Properly designed, such projects can control cost increases while also providing quality, accessible health care to clients.

I am proposing a greatly expanded state emphasis on prepayment and competitive financing mechanisms for all individuals in these programs who can be covered. Prepaid plans are available in much of the state, and a variety of choices are available in the metro area. Where prepaid plans are not available, I am proposing the development of alternative funding arrangements with providers such as contracts or block grants.

The budget also proposes controls on rate increases and a gradual phasing out of rateable reductions in the GAMC Program. I feel that controls must remain in place on rate increases in the fee-for-service sector while we aggressively implement alternative financing methods. We will continue to ensure that clients' access to needed health care services is maintained.

These recommendations should slow the rate of growth in the health care programs by 6%.

Agriculture--A F.Y. 1985 Issue. The plight of rural Minnesota is serious. Farmers are asking for help and they deserve to be heard. In sorting out what the state can and should do, we must be clear about which level of government is responsible for what. The federal government is the dominant player in all agricultural policy. Beyond that, the federal government has assumed broad responsibilities for farm financing. Now that national farm policy is "broke" it is not feasible for any state to try and "fix it." Only Washington and our elected president, representatives and senators can make long-term repairs.

The state can help out. We can respond faster than Washington. I have proposed a program of interest "buy downs" to provide operating funds this spring. I also am prepared to work cooperatively with the Legislature to design alternative programs that provide immediate help.

VI. State Departments

Economic Development-Reallocation of Resources. A major initiative of this administration has been the creation of a program of assistance to firms seeking to start or expand their operations in Minnesota. The results of this effort are persuasive. We can encourage and influence business location and expansion decisions when we have the tools to work with.

We now have the program that allows us to respond competitively with other states to economic development opportunities. Some competing states have more staff or more resources. Nonetheless, we have programs designed to meet a variety of business needs and a quality working staff determined to get a good result for our dollars.

My budget proposal for this important activity will request some reallocations. I want increased resources for tourism, but we will accommodate such requests with reductions elsewhere in the department's budget. Overall, my spending proposal for this budget will be below that of the current biennium.

I am proposing a tax change that could make us more competitive. The creation of Economic Opportunity Zones, which would provide tax credits on a site specific basis, will add an important tool to assist new and expanding businesses choosing to do so in Minnesota.

State Operations. I am firmly committed to streamlining state government wherever possible. State agencies, excluding institutions, are provided no growth in their budget. We can provide effective state services with fewer employees. My budget calls for a reduction of 470 state positions.

Providing services more efficiently requires that we have the necessary management tools. My budget includes several requests that recognize the need to make a substantial improvement in our information systems. The computer systems in both the Departments of Revenue and Human Services were developed in the 1960's and are antiquated. These systems need to be updated to improve their reliability, efficiency and responsiveness.

We must continue to protect the major investment in our state buildings. Normal repair and maintenance cannot be deferred without diminishing the value of these assets. My budget includes \$15.0 million in agencies' budgets to recognize our ongoing commitment to the preservation of these resources.

* * * * *

Over the past two years, we have jointly benefited from the cooperative working relationship between the executive and legislative branches. It is my clear objective that this partnership continue and be strengthened. I will continue to join with you in considering alternative solutions to meet the needs of Minnesota.

You should, however, understand the firmness of my resolve to make job creation and economic development the overriding goal of my administration. The central strategy of this budget is designed to advance both the short and long run progress toward this goal.

We must--

- Slow the spending rate by rethinking and redesigning the delivery of public services.
- Cut and reform the personal income tax.
- Sustain budget stability.
- Reinforce the longstanding priority of education.
- Maintain our commitment to those in need.

Together we can make Minnesota work even better!

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C. OVERVIEW OF PROPOSED 1985-87 BUDGET

The goal of the 1985-87 proposed budget is to secure recent improvements in our financial position in order to provide a sound foundation for continued growth in jobs and economic development.

BUDGET OBJECTIVE

JOBS AND ECONOMIC DEVELOPMENT

The programs and services of state government must be trimmed and carefully focused to spur vigorous state economic growth. The budget has five priorities to attain this objective:

1985-87 BUDGET PRIORITIES

- Slow the Rate of Increase in Spending Through Rethinking and Redesigning State Programs
- Cut and Reform the State Income Tax
- Sustain Budget Stability
- Reinforce the Long-standing Priority of Education
- Maintain Our Commitment to Those in Need

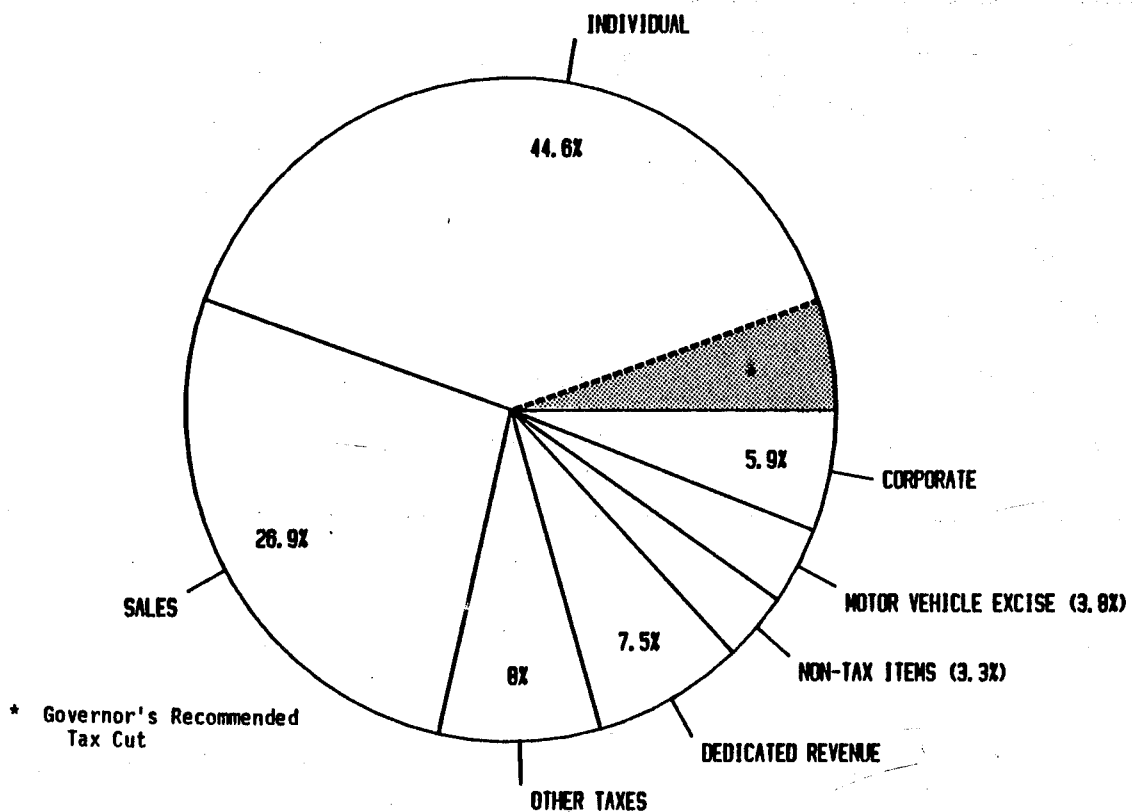
1. THE GENERAL FUND BUDGET

WHERE THE MONEY COMES FROM (\$ In Millions)

TAXES	\$10,231
NON-TAX REVENUES	1,269
<u>BALANCE FROM 1984-85</u>	<u>570</u>
TOTAL RESOURCES	\$12,070

GENERAL FUND REVENUES

1985-87 FORECAST



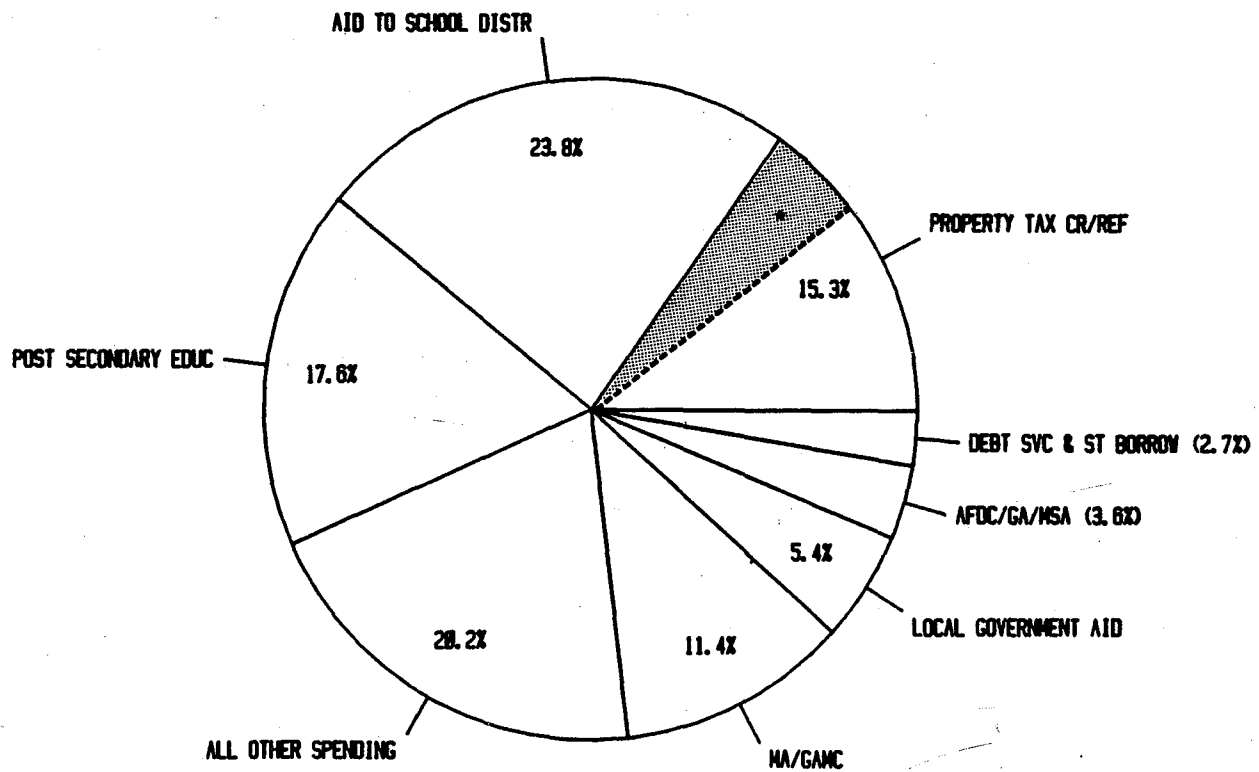
1. THE GENERAL FUND BUDGET: (Contd.)

WHERE THE MONEY WILL GO
(\$ In Millions)

<u>RESOURCES</u>	<u>\$ 12,070</u>
- INCOME TAX REDUCTION	(604)
- OTHER REVENUE CHANGES	(69)
- BUDGET RESERVE	(500)
<u>EXPENDITURES</u>	<u>\$(10,895)</u>
BALANCE	\$ 2

GENERAL FUND SPENDING

1985-87 RECOMMENDATIONS



* Proposed School/Property Tax Reorganization

1. THE GENERAL FUND BUDGET: (Contd.)

Minnesota, like most other 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 state General Fund finances the broad range of state aids and direct services which affect the average citizen. It also represents more than three-fourths of all state revenues and expenditures. This booklet focuses on the General Fund budget. Section G includes a summary of total operating funds including dedicated and federal funds.

2. GENERAL FUND PRIORITIES

The priorities of the Governor's recommended budget are clear.

- Education grows at 19.2%
- Everything else grows at 7.3%

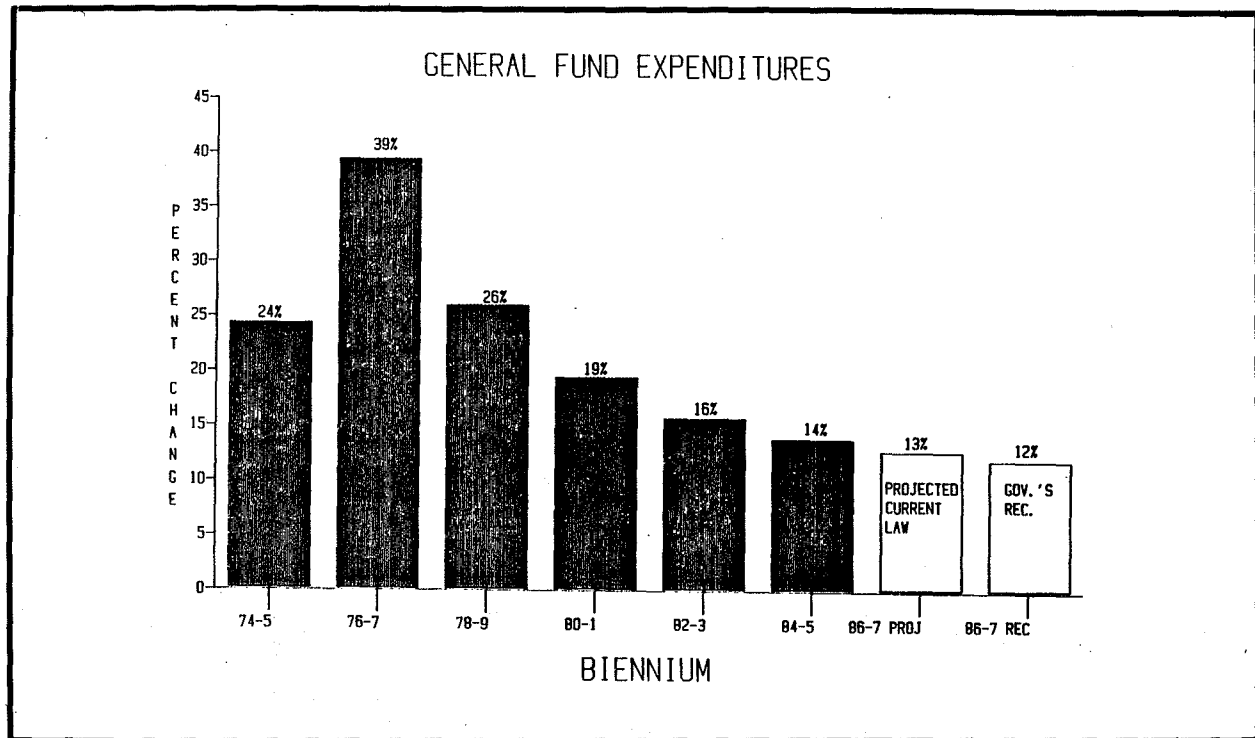
GENERAL FUND BUDGET* 1985-1987 RECOMMENDATIONS

EDUCATION	19.2%	INCREASE
ALL OTHER	7.3%	INCREASE
<hr/>		
TOTAL SPENDING	12.0%	INCREASE
	(5.8%	ANNUAL RATE)

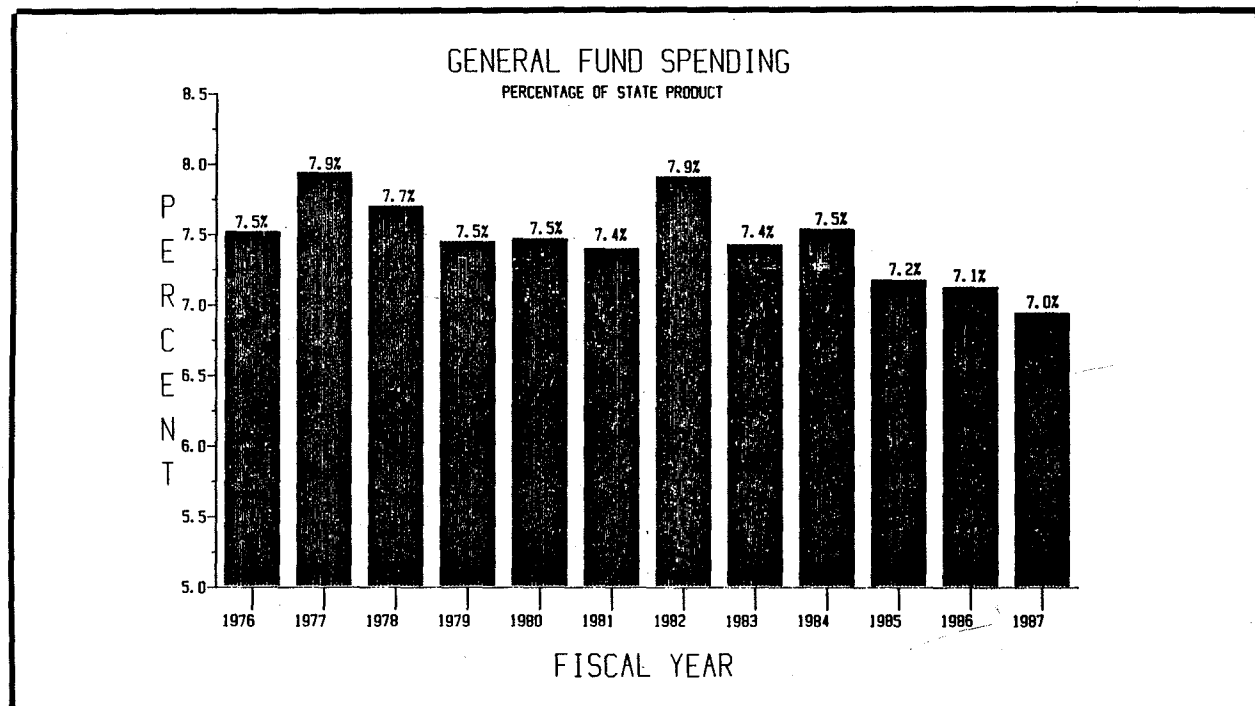
* GENERAL FUND INCREASE BIENNIUM TO BIENNIUM

The growth of expenditures reflects:

- 5.8% compound annual rate
- 12% biennium over biennium rate
- A cut of \$79 million from projected current law

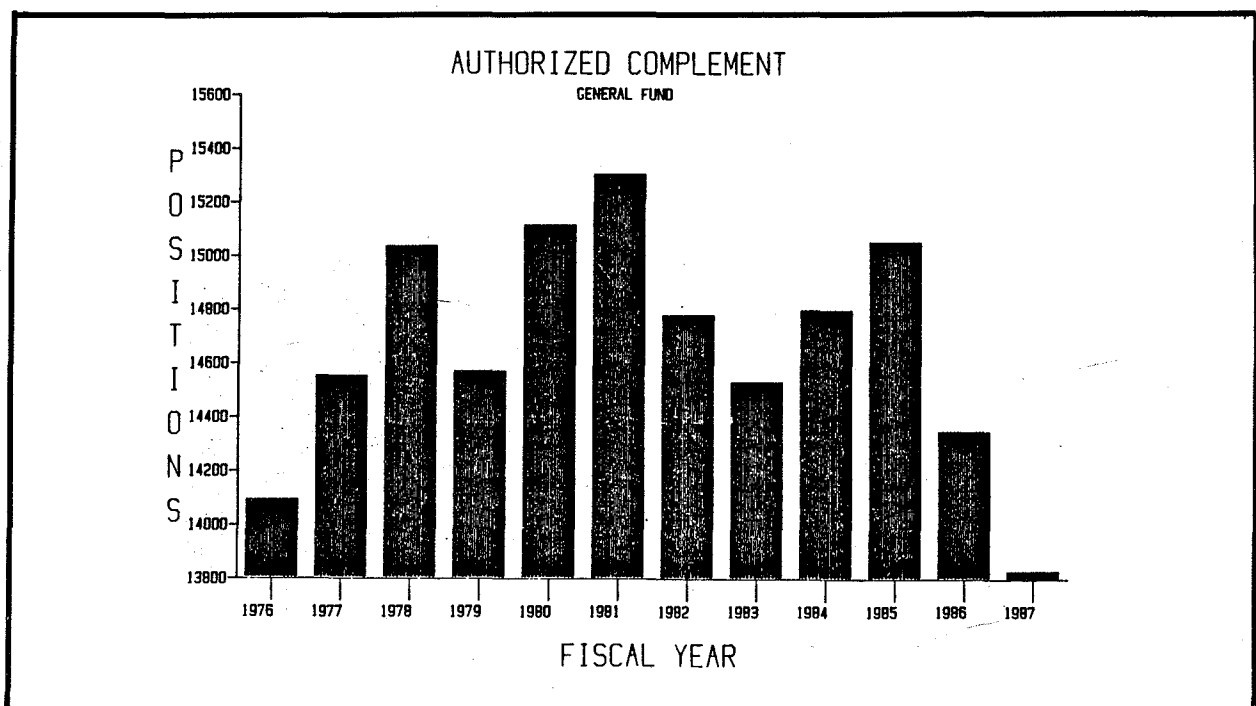
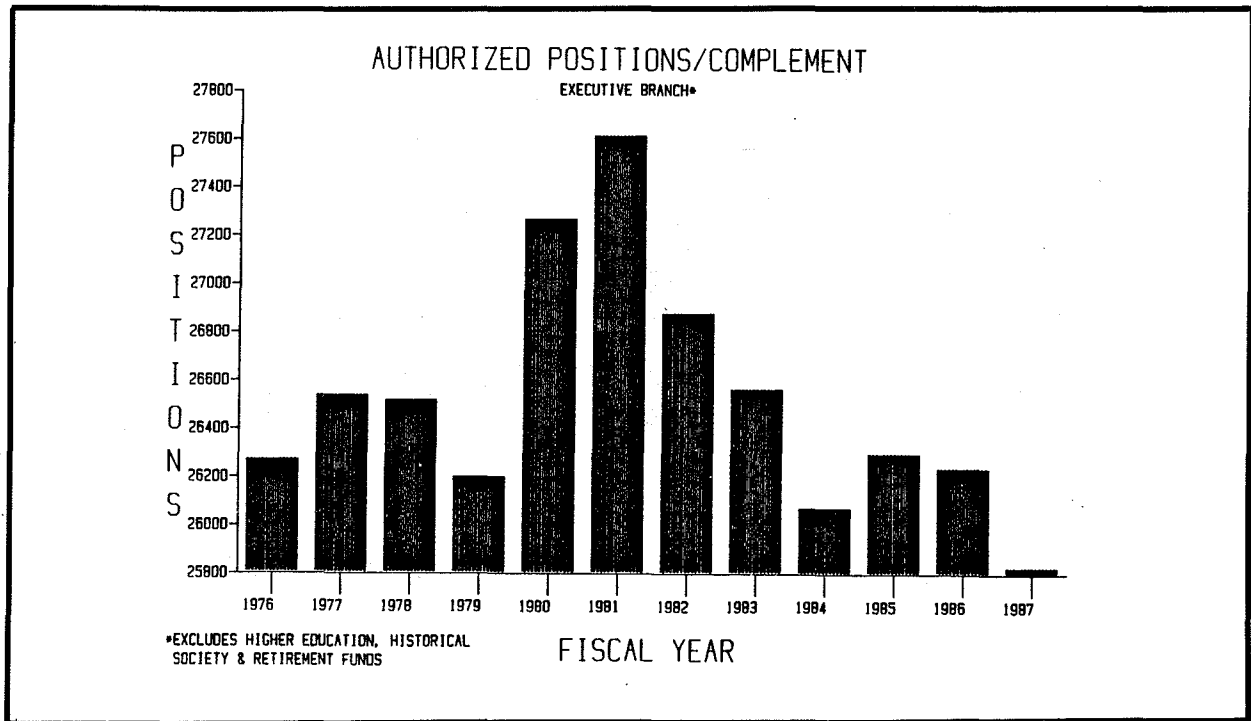


State government is taking a lesser share of the state's economy-and will continue to do so with the Governor's budget.



State positions have been reduced:

- Net reduction of 470 executive branch authorized positions between 1985 and 1987.
- Fiscal 1987 positions will be lower than 10 years ago.
- A net decline of 1,200 General Fund positions.



D. 1985-87 REVENUES

1. 1985-87 ECONOMIC FORECAST

While the Minnesota economy has experienced growth above the national average following the recession, growth is expected to moderate during the 1985-87 period.

SUMMARY OF FORECAST

MODERATE GROWTH WITH SUBSTANTIAL RISKS

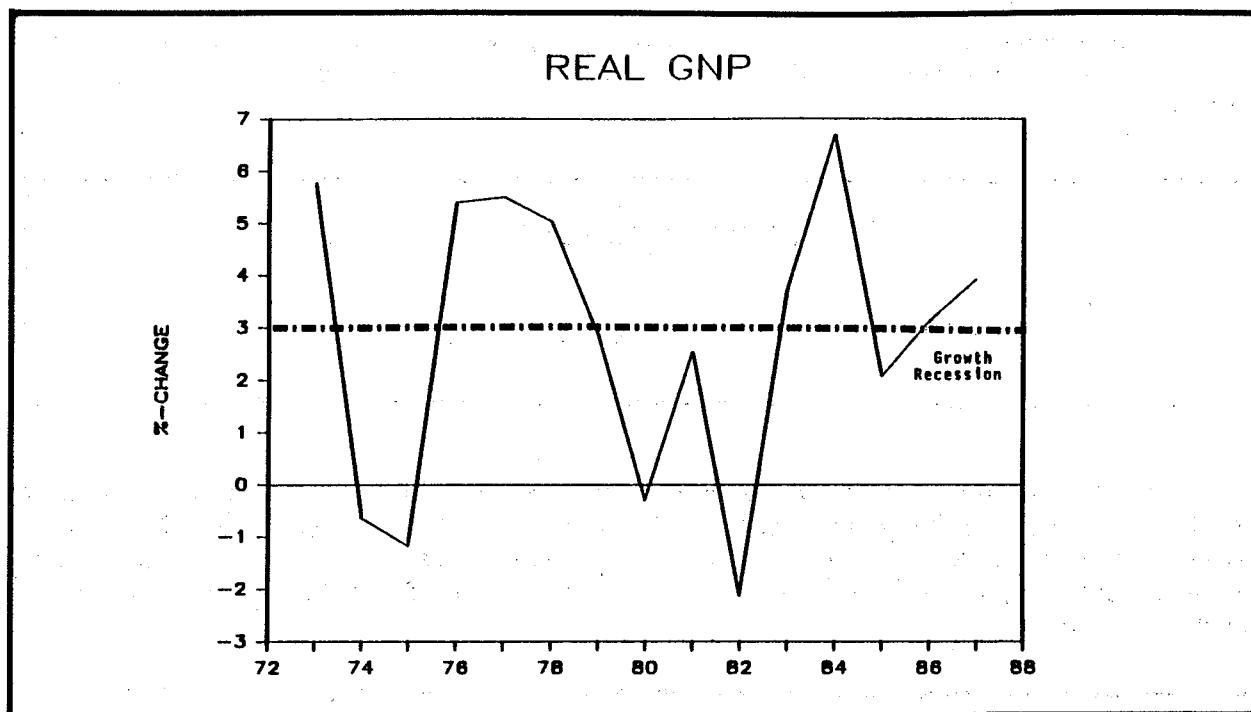
Minnesota's economic future is closely tied to future national economic events. The most likely national outlook is for continued moderate growth marked by high risks caused by imports eroding domestic markets, weak export markets, and a growing federal deficit threatening an upturn in interest rates.

KEY ECONOMIC ASSUMPTIONS

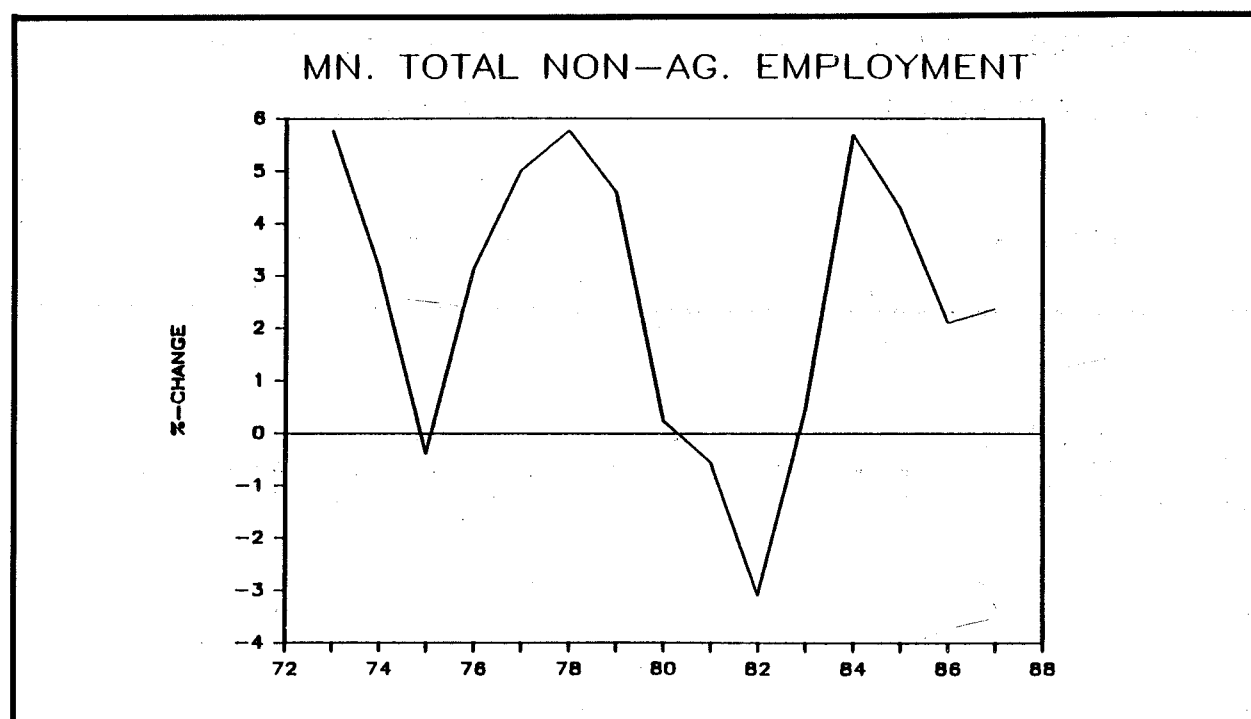
- | | | |
|-------------------------------|---|---------------------------|
| ● GNP | - | 3.0% AVERAGE GROWTH |
| ● NON-AGRICULTURAL EMPLOYMENT | - | 160,000 MORE JOBS BY 1987 |
| ● INFLATION ESTIMATES | - | 4.0% IN 1986 |
| | | 4.5% IN 1987 |
| ● INTEREST RATES | - | MODERATE DECLINE |

Over the 1985-87 period, U.S. real GNP is forecast to grow at a 3% annual rate, close to its long-term trend. In this environment, Minnesota should gain 160,000 jobs by 1987.

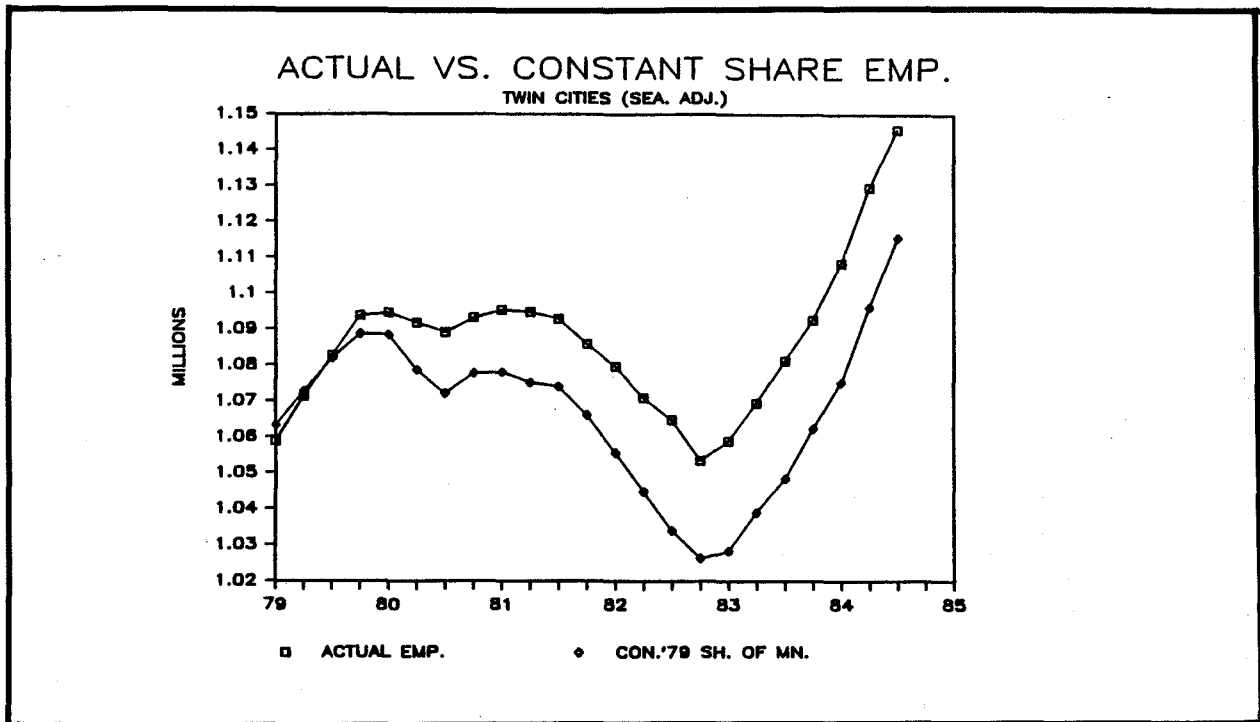
The most likely forecast of the U.S. economy shows a slowing down of GNP growth in 1985 and an increase in the rate of growth for 1986 and 1987 -- resulting in an average rate of about 3%.



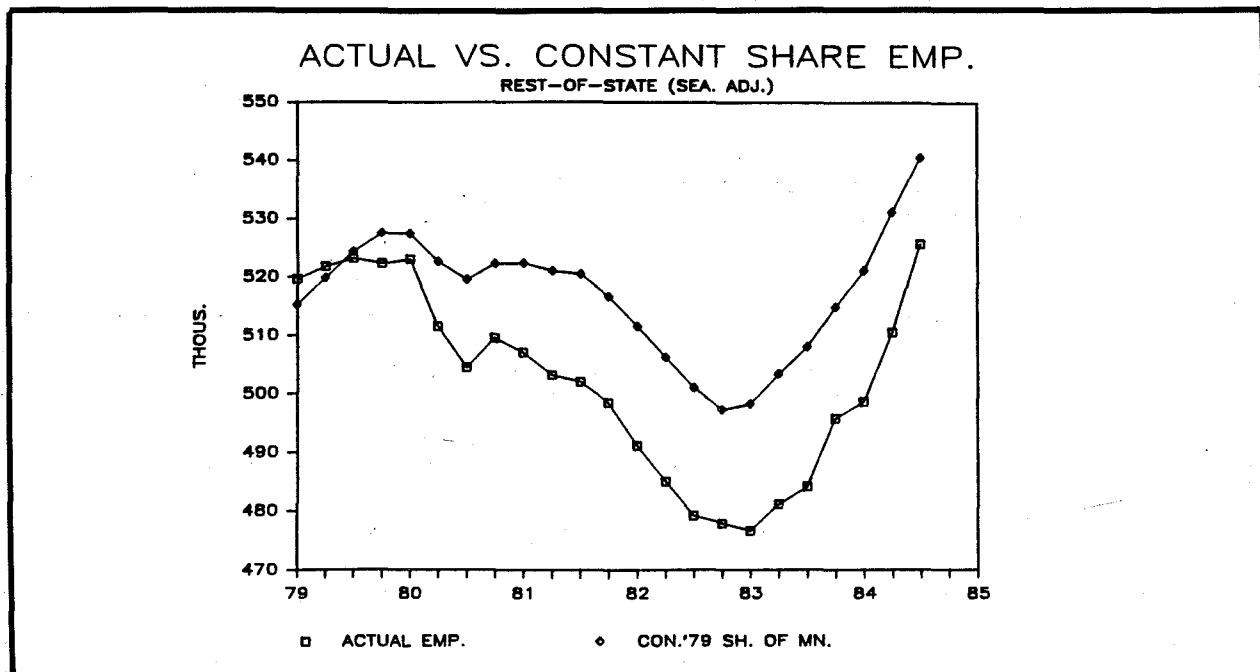
Minnesota non-agricultural employment is forecast to grow faster than the U.S. through 1986. By 1987 Minnesota will have 160,000 more jobs than in 1984, but growth will have slowed to the U.S. rate.



Twin Cities employment has surpassed its pre-recession peak and has grown faster than employment statewide.

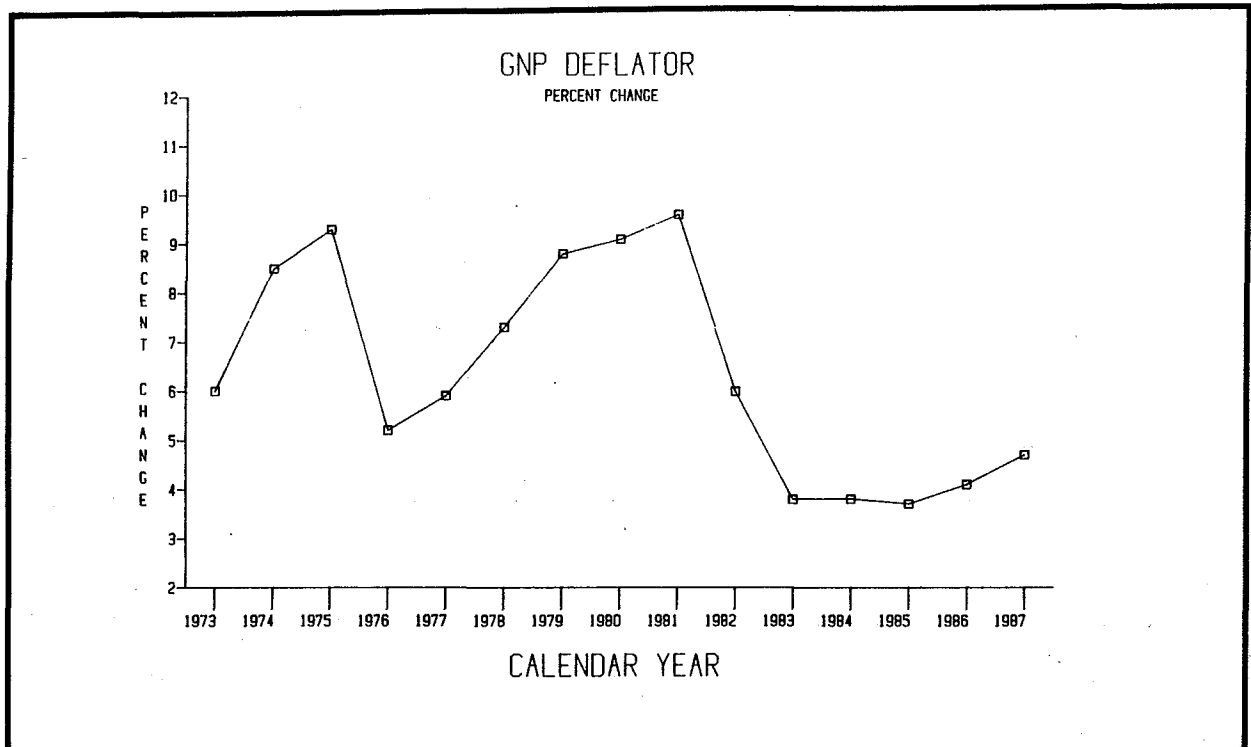


Non-metropolitan employment (excluding the Twin Cities, Rochester, Duluth, St. Cloud areas, and mining) has barely reached its pre-recession peak and has grown more slowly than the state as a whole.



Recession and recovery has impacted other areas of the state in different ways. The Duluth area has shown almost no employment growth during the recovery. Rochester and St. Cloud have fared better through the recession and now have growing employment.

Inflation is forecast at just under 4.0% in 1985 and at 4.0 to 5.0% in 1986 and 1987.



Substantial risks are present which could adversely affect the national economy, and subsequently erode state economic conditions and state revenues.

RISKS WHICH COULD AFFECT FORECAST

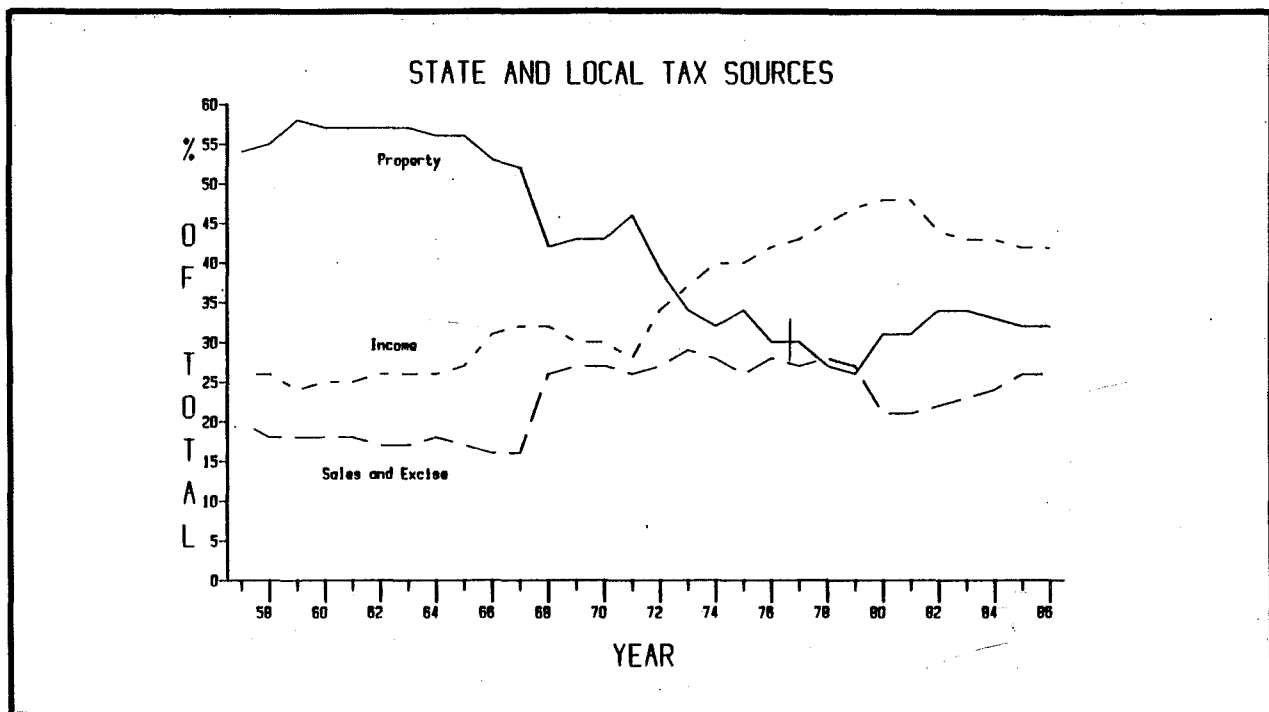
- HIGH LEVEL OF IMPORTS ERODES DOMESTIC MANUFACTURING MARKETS
- LARGE FEDERAL DEFICIT THREATENS INTEREST RATES
- PRESSURE ON BUSINESS PROFITS REDUCES CAPITAL SPENDING
- FEDERAL RESERVE ACTIONS TO BOLSTER ECONOMIC ACTIVITY DOES NOT SUCCEED

2. 1985-87 REVENUE FORECAST

General Fund revenues for 1985-87 are summarized below based on the December, 1984 forecast prepared by the Department of Finance.

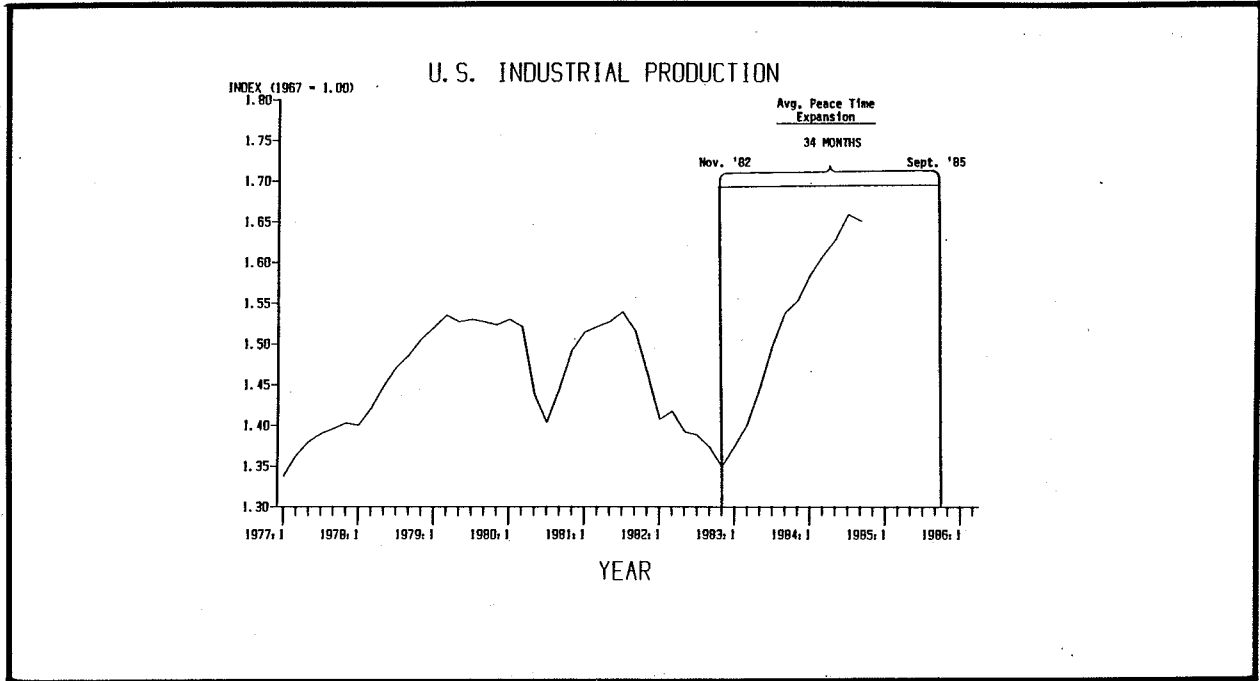
NON-DEDICATED GENERAL FUND REVENUES					
(\$ in millions)					
	F.Y. 1985	F.Y. 1986	PERCENT CHANGE	F.Y. 1987	PERCENT CHANGE
INCOME TAX	2,271.5	2,470.6	8.77%	2,649.3	7.23%
CORPORATE INCOME TAX	352.5	325.8	-7.57%	352.7	8.26%
SALES TAX	1,385.3	1,486.3	7.29%	1,601.2	7.73%
MOTOR VEHICLE EXCISE	199.5	207.0	3.76%	223.7	8.07%
OTHER TAXES	413.4	447.3	8.20%	467.5	4.52%
NON-TAX REVENUE	207.6	186.2	-10.31%	184.2	-1.07%
TOTAL NET NON-DEDICATED	4,829.8	5,123.2	6.07%	5,478.6	6.94%

Reliance on property taxes has been declining in the last decade. State tax sources have assumed a greater share of both state and local spending.

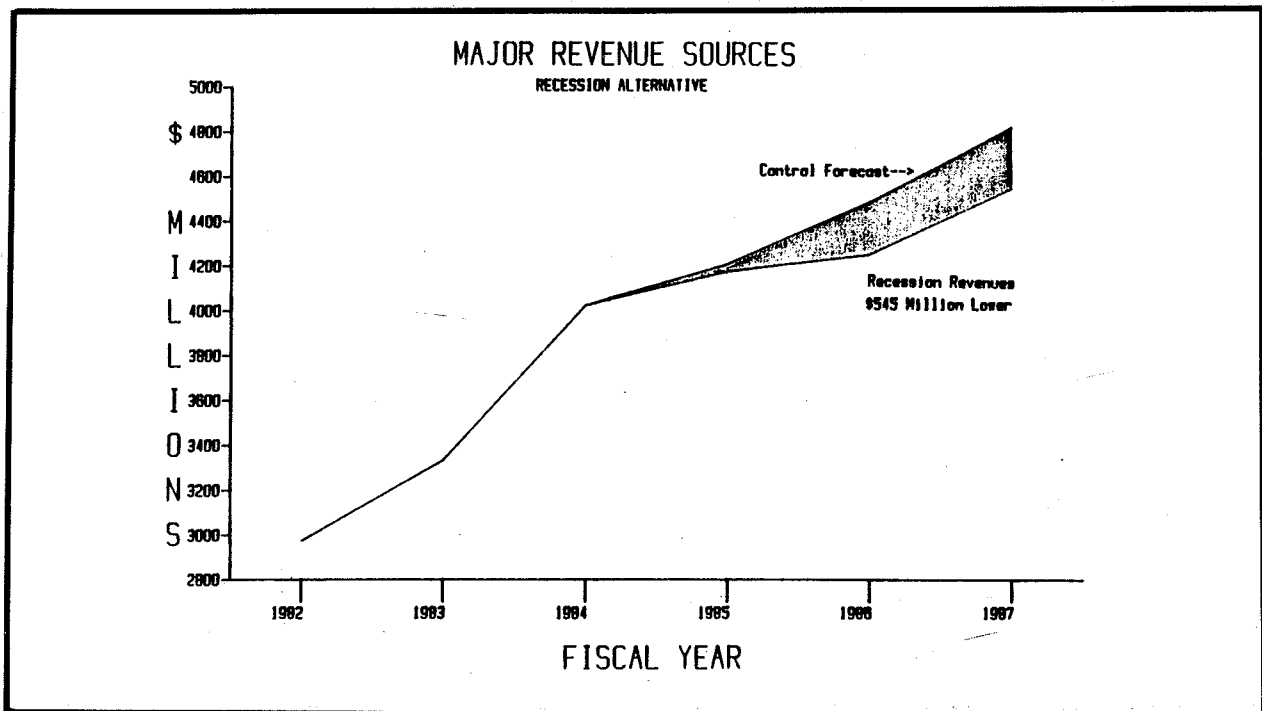


3. FORECAST SENSITIVITY - ECONOMIC UNCERTAINTIES

In a cyclical economy, the question becomes not if a downturn will come -- but when? The average peacetime expansion lasts only 34 months.



An alternative forecast exploring the downside risk of the current forecast was developed by the Department of Finance and Data Resources Inc. An early, deep recession would have a major impact on state revenues.



4. THE BUDGET RESERVE

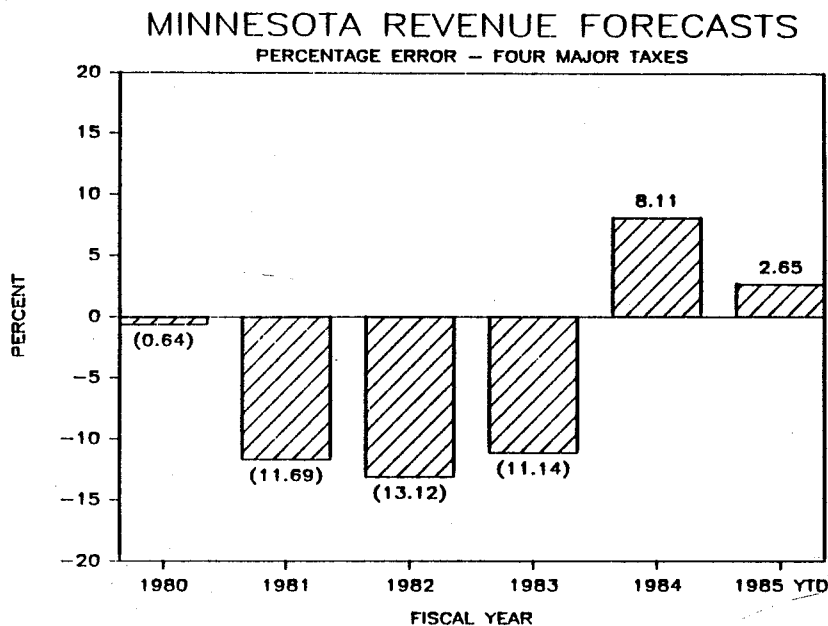
- o The Governor's recommendation increases the budget reserve from \$375 to \$500 million.
- The recommended reserve is 4.5% of the biennial budget.

RATIONALE FOR A \$500 MILLION RESERVE

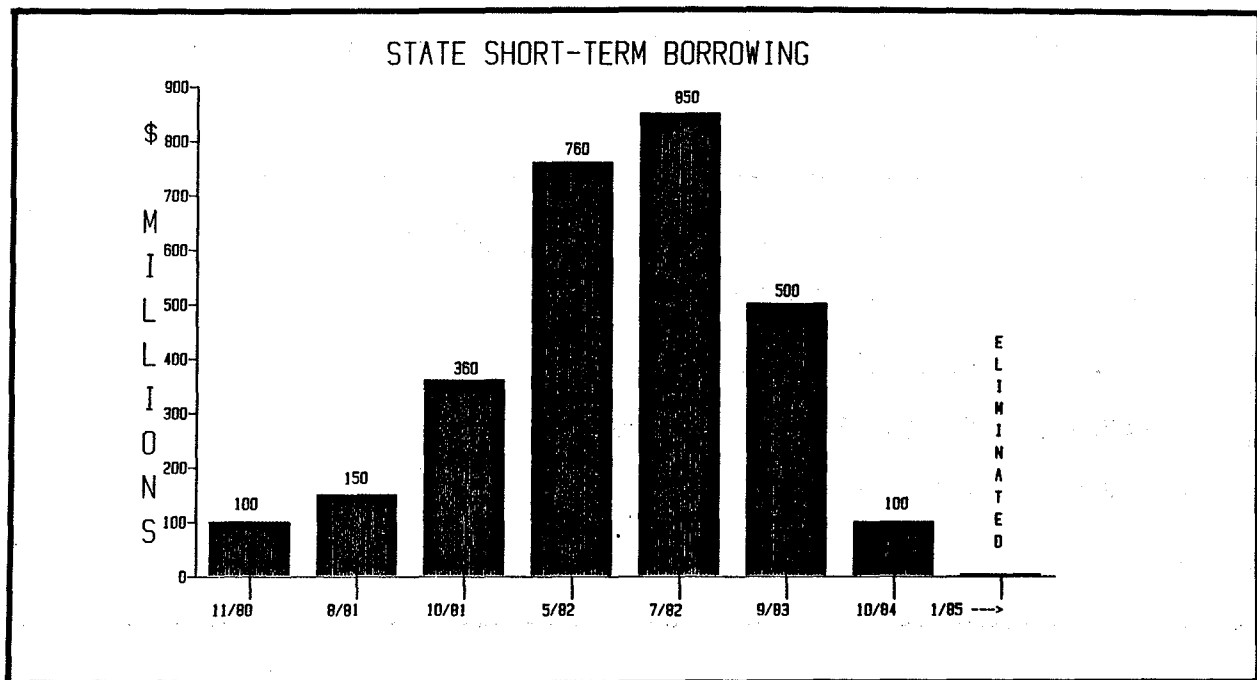
- HISTORICAL FORECASTING ERROR
- FINANCIAL RESERVES ARE IN HAND
- AVOID RESUMPTION OF SHORT TERM BORROWING
- IMPROVED CREDIT RATING
- BUDGET STABILITY

The range of error in forecasting is sobering.

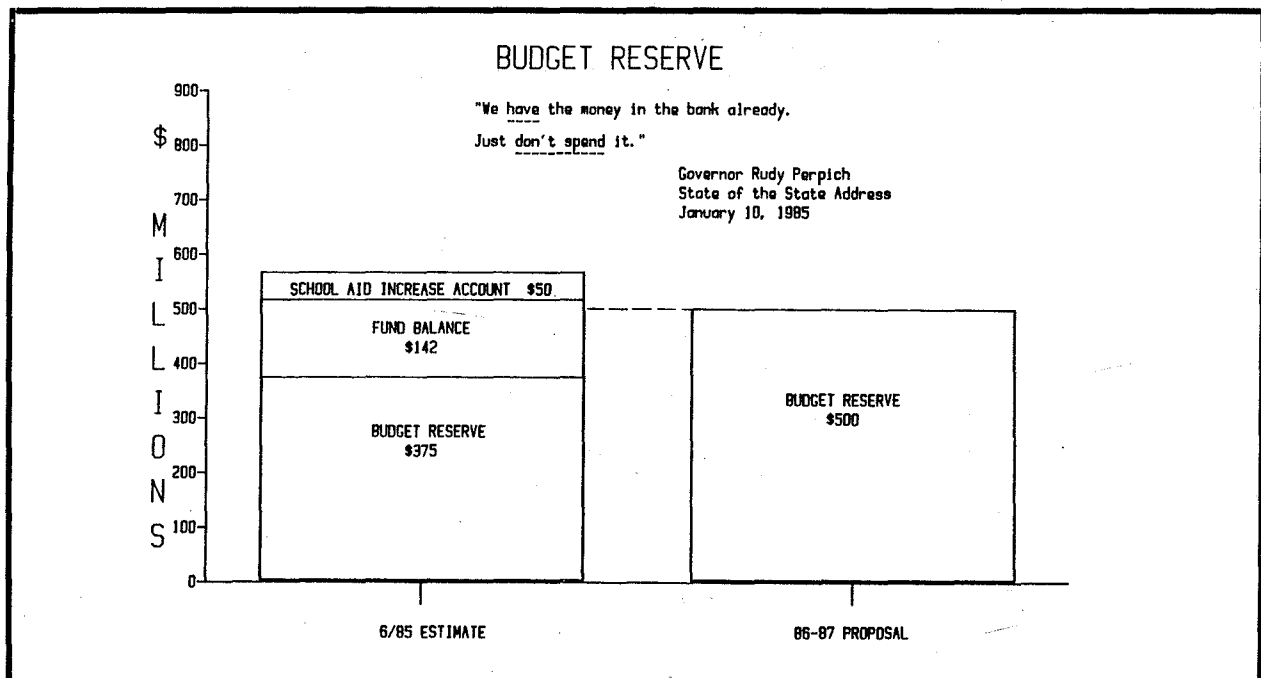
- The average annual percentage error for four major taxes is 7.9% over the past 5 years.
- The average annual dollar error is \$267 million.
- Error is inherent in the tools of forecasting.



State short term borrowing has been reduced from a peak of \$850 million in fiscal 1983 to zero.



The resources necessary to fund a \$500 million budget reserve are available in the forecast fund balance for the current biennium.



5. TAX AND REVENUE RECOMMENDATIONS

The Governor's proposed budget provides significant tax relief and tax reform.

Minnesota's competitive advantage in seeking and attracting new business to the state will be improved as the stigma of a "high tax" business climate is reduced.

INCOME TAX REDUCTION

- REDUCES INCOME TAXES BY \$604 MILLION (11.8%)
- CUTS TAXES FOR MOST TAXPAYERS IN ALL INCOME BRACKETS
- LOWERS MINNESOTA'S RELATIVE RANKING FOR TOTAL STATE AND LOCAL PER CAPITA TAX COLLECTIONS FROM 5TH TO 11TH
- PROVIDES REDUCTIONS RETROACTIVE TO JANUARY, 1985
- REDUCES THE TOP TAX RATE OF 16%, THE HIGHEST IN THE NATION, TO 9.9%

The Governor's proposal would greatly simplify the income tax system.

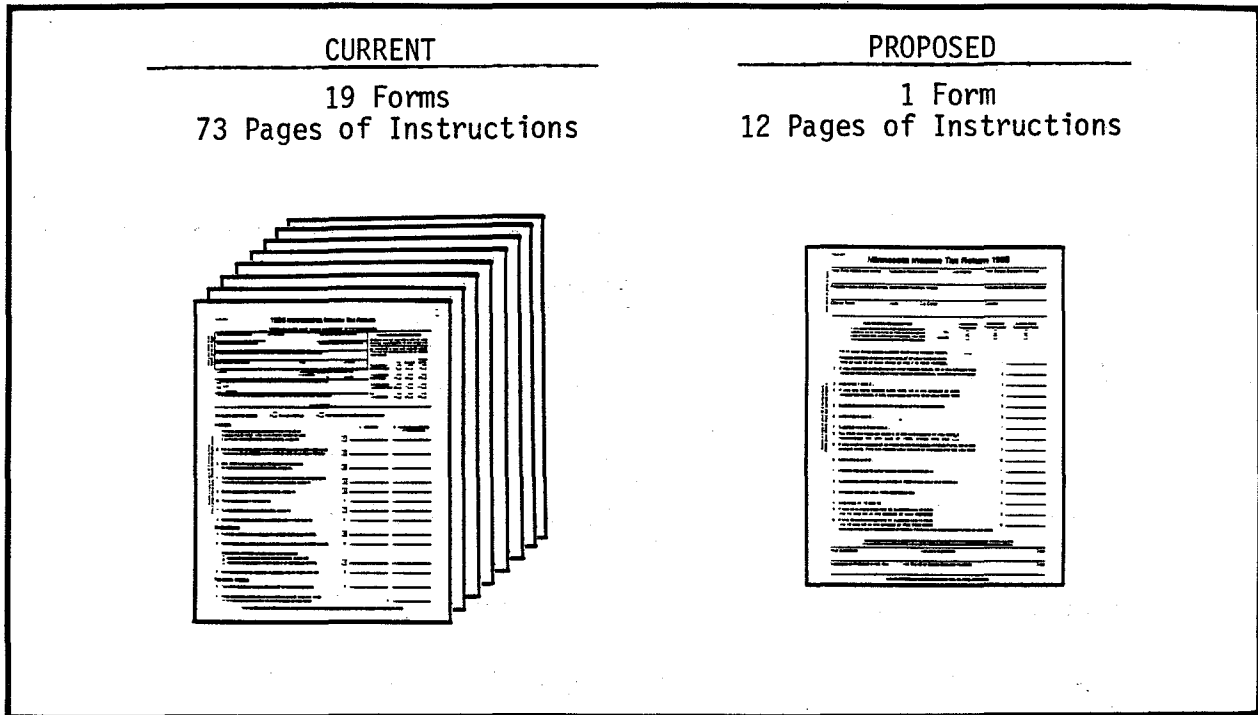
TAX SIMPLIFICATION

- A NEW ONE PAGE FORM WILL REPLACE NINETEEN PAGES OF EXISTING FORMS
- NEAR TOTAL CONFORMANCE WITH FEDERAL TAX DEFINITIONS WILL GREATLY SIMPLIFY TAXPAYER CALCULATIONS

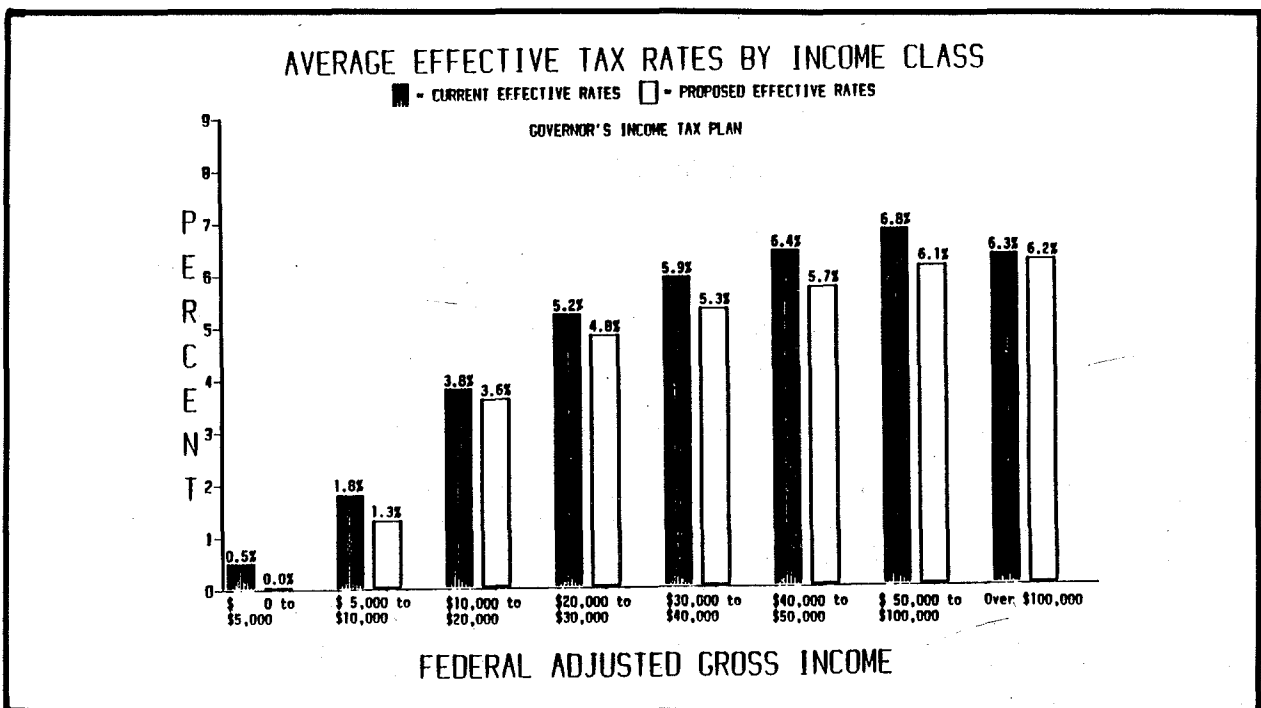
Minnesota has achieved the distinction of having the most complex state tax law by accruing slowly over the years, scores of special provisions which deviate from federal definitions.

In order to achieve simplicity, the Governor's tax proposal eliminates nearly all deviations from federal tax definitions and adopts federal taxable income as the tax base.

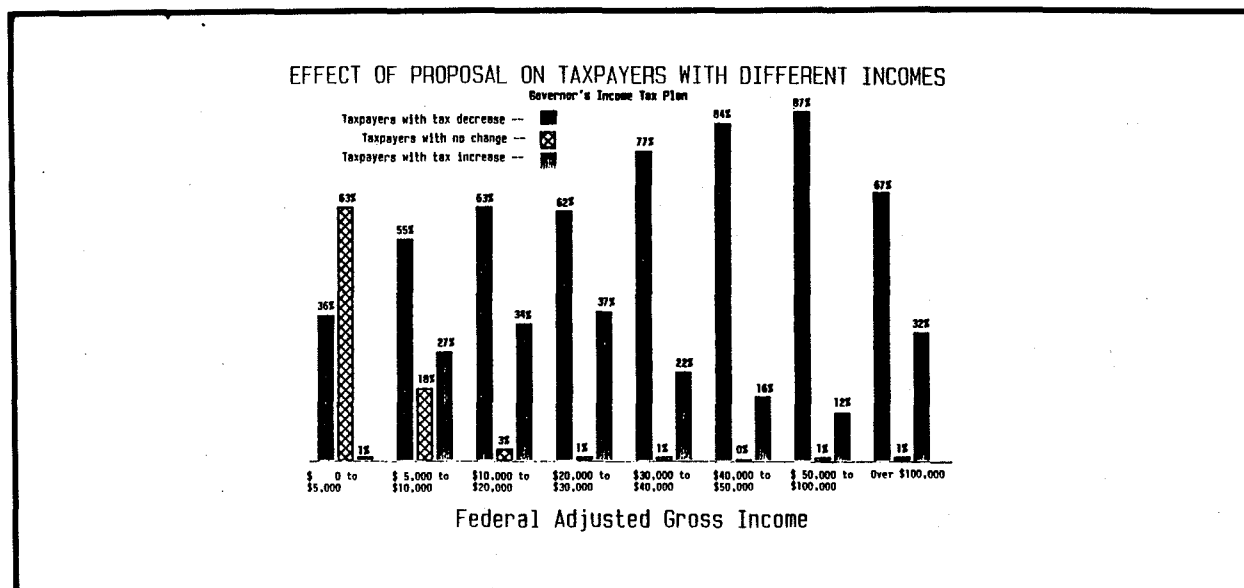
The Governor's income tax simplification proposal will permit use of a one page form. Calculations will be few and the average taxpayer should be able to complete the form in fifteen minutes or less.



The Governor's proposal eliminates the deductability of federal taxes on the state form. The current effect of federal deductability causes a sharply progressive tax at lower incomes, but turns regressive at higher incomes. This proposal would remove that "hump".



Virtually all income brackets will receive reductions. Reductions are largest for one earner families in the middle income brackets, followed by two earner families, and least for middle and high income single taxpayers.



In terms of comparative ranking with other states, Minnesota's per capita income tax ranking would drop from 2nd to about 6th. The total state and local per capita tax collections ranking would fall from 5th highest in the nation to about 11th.

For a typical family, the dollar savings would be significant, and the comparative rankings more favorable.

MINNESOTA'S INCOME TAX RANKED AGAINST OTHER STATES
Married Couple, One Wage, Two Dependents

Income	CURRENT LAW		PERPICH PLAN*	
	Amount	Rank	Amount	Rank
\$ 7,500	\$ 0	34th	\$ 0	34th
10,000	8	34th	4	34th
12,500	383	5th	148	27th
15,000	745	1st	354	18th
17,500	751	1st	399	16th
20,000	957	1st	675	6th
25,000	1,366	1st	983	7th
35,000	2,188	1st	1,575	6th
50,000	3,332	1st	2,541	8th
75,000	5,076	4th	4,144	8th
100,000	6,750	6th	5,803	10th

OTHER TAX/REVENUE RECOMMENDATIONS

- REDUCES MINNESOTA'S ESTATE TAX TO THE LOWEST IN THE NATION BY CONFORMITY TO THE FEDERAL "PICKUP" TAX
- PROVIDES \$5 MILLION IN TAX CREDITS FOR THE CREATION OF ECONOMIC DEVELOPMENT OPPORTUNITY ZONES
- INCREASES THE USE OF FEES TO COVER APPROPRIATE COSTS OF STATE AGENCIES WHICH PROVIDE SERVICES TO SPECIFIC USERS

The impact of the Governor's proposed tax relief and other tax and revenue changes is summarized in the table below.

<u>GOVERNOR'S RECOMMENDATION</u> <u>Tax and Other Revenues</u>		<u>IMPACT 1986-87</u> <u>(\$ Millions)</u>
TAXES		
--Income Tax Reduction	(\$604.0)
--Economic Opportunity Zones	(5.0)
--Estate Tax Changes	(.3)
NON-TAX REVENUES		
--Fee Proposals	+	13.8)
--Accounting Changes	(32.7)
DEDICATED RECEIPTS & TRNSF	(24.2)
<hr/>		
TOTAL - ALL REVENUE SOURCES	(\$672.7)

The Governor's property tax reorganization proposal also includes recommendations which would result in Deed and Mortgage Registration taxes and Taconite Production taxes flowing directly to local units of government. The resulting reduction in state revenues would be directly offset by corresponding decreases in AFDC payments and mining apportionment payments to counties. For comparability, revenue figures throughout this summary have not included these adjustments.

E. EXPENDITURE RECOMMENDATIONS FOR 1986-87

1. SUMMARY BY MAJOR PROGRAMS

Almost 80% of the state's General Fund expenditures occur as part of seven major programs. Nearly two-thirds of the tax revenues collected by the state are returned to individuals, schools and local units of government in the form of aids, grants, or credits.

The following chart displays state spending by major program for the current biennium, the estimated cost of current laws, and the Governor's recommended budget.

GENERAL FUND SPENDING BY MAJOR PROGRAMS (in millions)							
	1984-85 Estimated Current Biennium		1986-87 Projected Current Law		1986-87 Governor's Recommendations		
	\$ Amount	% of Total	\$ Amount	% Increase	\$ Amount	% Increase	% of Total
AID TO SCHOOL DISTRICTS	2,894 *	21%	2,611	25%	2,683	24%	24%
POST SECONDARY EDUCATION	1,785	17%	1,824	7%	1,925	13%	18%
PROPERTY TAX CREDITS & REFUNDS	1,658	17%	1,710	4%	1,672	1%	15%
HEALTH CARE (MA/GAMC)	1,066	11%	1,313	23%	1,258	17%	11%
LOCAL GOVERNMENT AID	544	6%	591	9%	589	8%	5%
INCOME SUPPORT (AFDC/GA/MSA)	315	3%	393	25%	395	26%	4%
DEBT SERVICE & ST BORROWING	275	3%	318	16%	293	6%	3%
SUBTOTAL - MAJOR PROGRAMS	7,648 *	78%	8,768	15%	8,728	14%	80%
ALL OTHER SPENDING	2,117	22%	2,252	6%	2,285 *	4%	20%
<u>TOTAL SPENDING</u>	<u>9,765 *</u>	<u>100%</u>	<u>11,020</u>	<u>13%</u>	<u>10,933 *</u>	<u>12%</u>	<u>100%</u>

NOTE: 1984-85 Estimate and 1986-87 Recommended adjusted for shifts/proposed accounting changes to calculate percent changes(*).

The Governor's budget provides the largest increases for education and those programs addressing care of individuals most in need.

The Governor's recommendations show nearly a one percent biennial reduction from current law expenditure projections - accomplished through redesign of state programs and services, and a reordering of spending priorities.

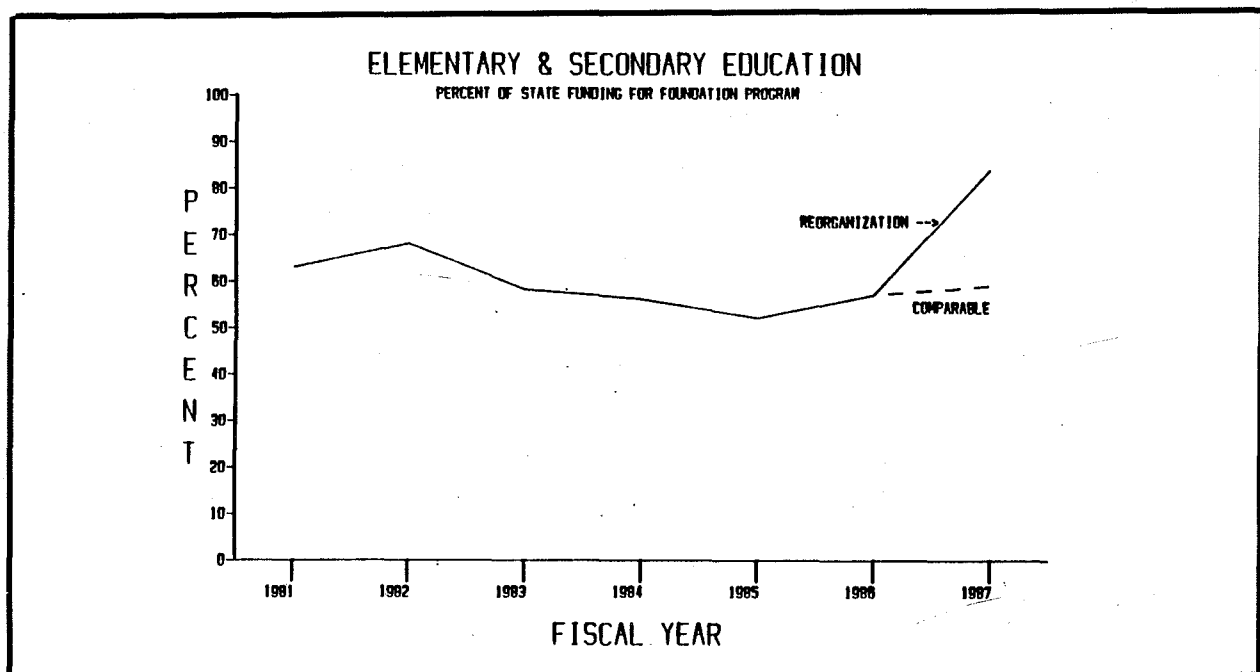
The recommended budget is a 12% increase over comparable figures for the current biennium. This represents about a 5.8% per year increase.

2. ELEMENTARY AND SECONDARY EDUCATION

Funding for elementary and secondary education remains the single largest item in the state budget and is the largest budget increase in the Governor's proposals for the 1985-87 biennium.

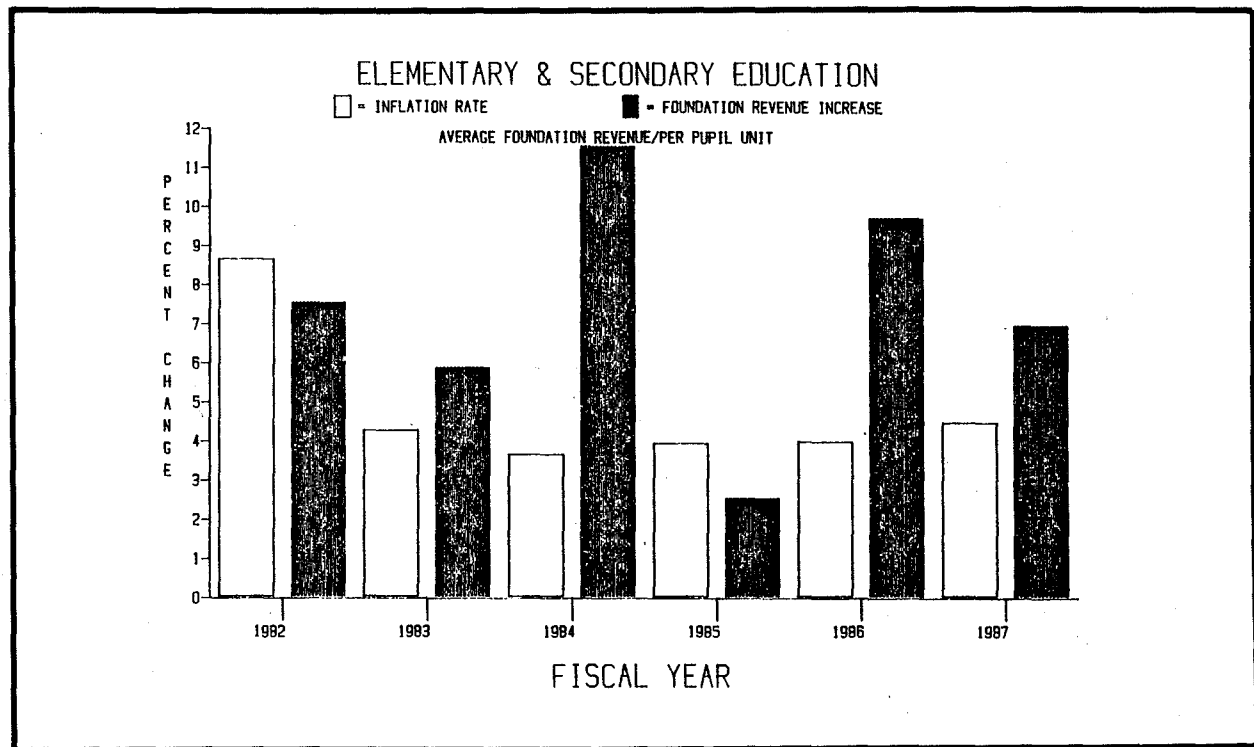
Description	1983-1985 Biennium (\$ million)	Comparable 1985-1987 Biennium (\$ million)	Biennial Change	Reorganized 1985-1987 Biennium (\$ million)	Biennial Change
Foundation Aid	1,073.6	1,482.9	38.1%	2,111.0	96.6%
Categorical Aids	1,020.5	1,120.6	9.8%	1,057.2	3.6%
	2,094.1	2,603.5	24.3%	3,168.2	51.3%
Share of State Budget (General Fund)	21.4%	23.8%		29.0%	

The percentage of the state budget allocated for elementary-secondary education will increase from 21.4% in the current biennium to 29% next biennium, as a result of the Governor's proposal by which the state would assume the costs of the current 23.5 mill levy for the basic foundation program. (The Property Tax Proposal is detailed on pages 57-62). The state share of the foundation program will increase to 84% in F.Y. 1987.

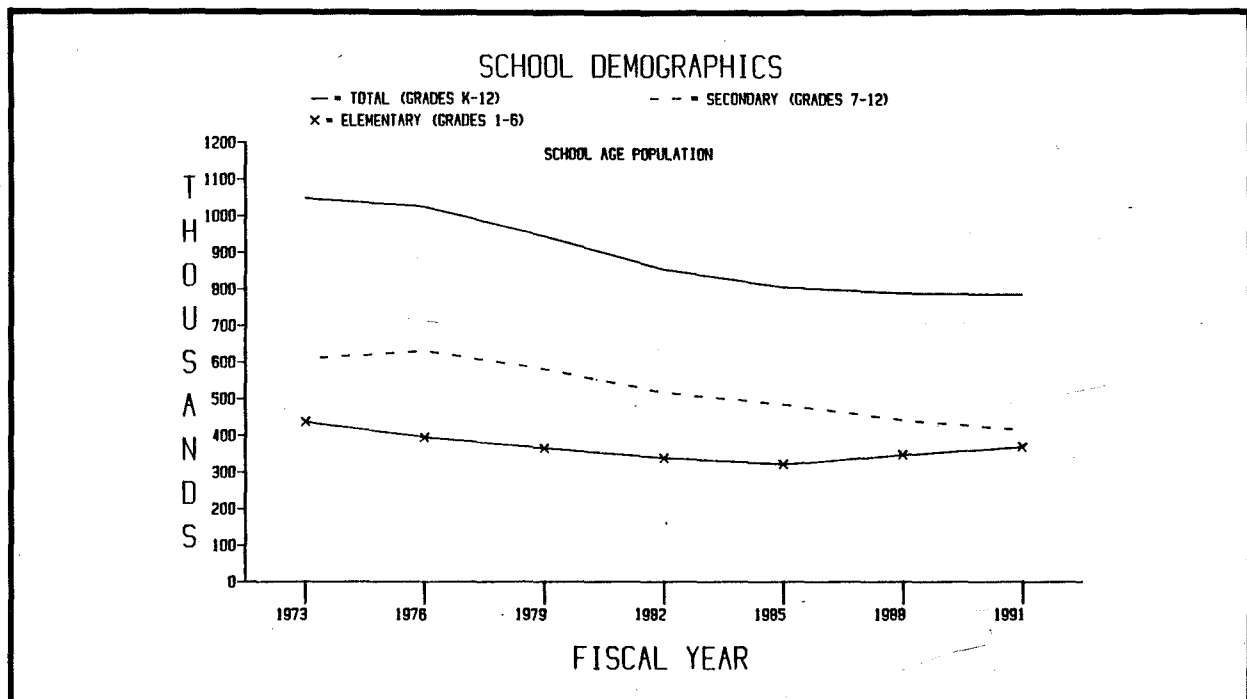


2. ELEMENTARY AND SECONDARY EDUCATION: (Contd.)

The Governor is recommending a 17% increase in the total state and local resources available to school districts in F.Y. 1987 over F.Y. 1985. Since 1981, elementary and secondary education has received average per pupil unit foundation revenue increases 20% greater than inflation.



School aid population is expected to drop slightly in the 1985-87 Biennium.



2. ELEMENTARY AND SECONDARY EDUCATION: (Contd.)

Governor's Recommendation

Elementary and Secondary Education

- Implements Governor's "Access to Excellence" proposal.
- Sets foundation aid allowance of \$1,585 for F.Y. 1986 and \$1,655 for F.Y. 1987. Increases tier revenue allowances for inflation.
- Has the state assume the 23.5 mill school levy.
- Provides \$15 million for consolidating all training and experience related aid in the cost differential tier.
- Provides \$8 million to the Department of Education for a locally based effort to identify learner outcomes and develop statewide tests to assess those outcomes.
- Provides \$9 million to establish a Minnesota School for the Arts and an affiliated Arts Resources Center.
- Increases funding for local staff development and curriculum planning by \$8.5 million.
- Provides \$4 million to establish a competitive grant program for five to eight innovative education centers.
- Creates a consolidated Adult Basic and Continuing Education Program.
- Provides for expanded "choice" for 11th and 12th graders in the 1986 school year.
- Maintains state funding for libraries.

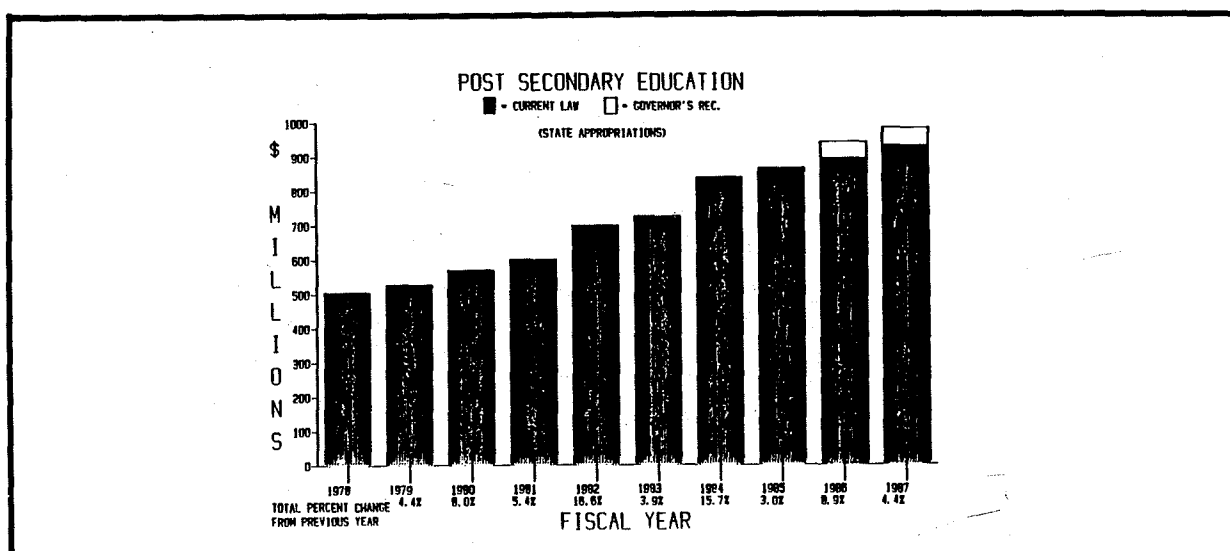
3. POST SECONDARY EDUCATION

The Governor's proposals for post-secondary education appropriations are the largest discretionary increase of any major category of the budget.

Description	1983-1985 Biennium (\$ million)	1985-1987 Biennium (\$ million)	Biennial Change
University of Minnesota	597.2	725.7	21.5%
State Universities	212.1	240.7	13.5%
Community Colleges	105.7	125.0	18.2%
Vocational-Technical	225.9	263.5	16.7%
Other	2.5	3.2	26.8%
Higher Education Coordinating Board	120.6	138.9	15.2%
State Appropriations	1,264.1	1,497.1	18.4%
Dedicated Receipts	429.3	424.0	-1.2%
Capital Repairs Catch Up	11.4	4.0	
Total Funding	1,704.8	1,925.1	12.9%
Share of State Budget (General Fund)	17.5%	17.6%	

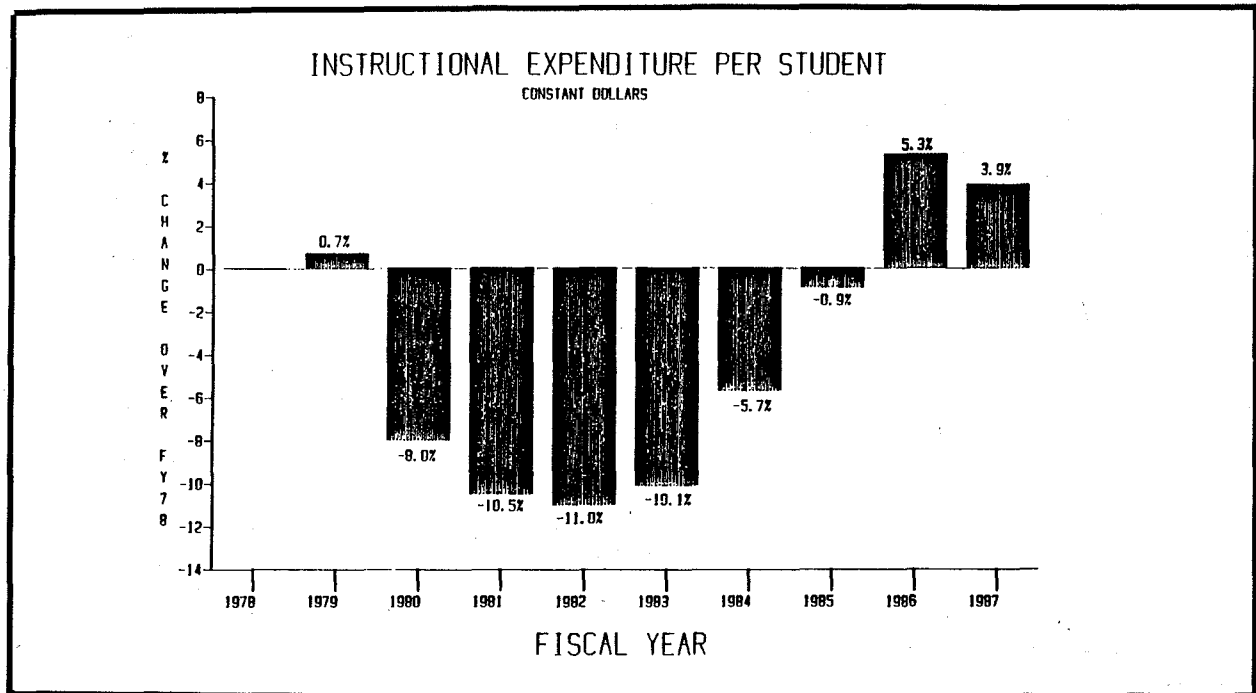
The 18.4% increase in state appropriations shown above somewhat understates the improvement in post-secondary funding because important off-budget revenues are not included in 1985-87 biennial state appropriations.

The following graphs illustrate the substantial improvement in funding for post-secondary education.

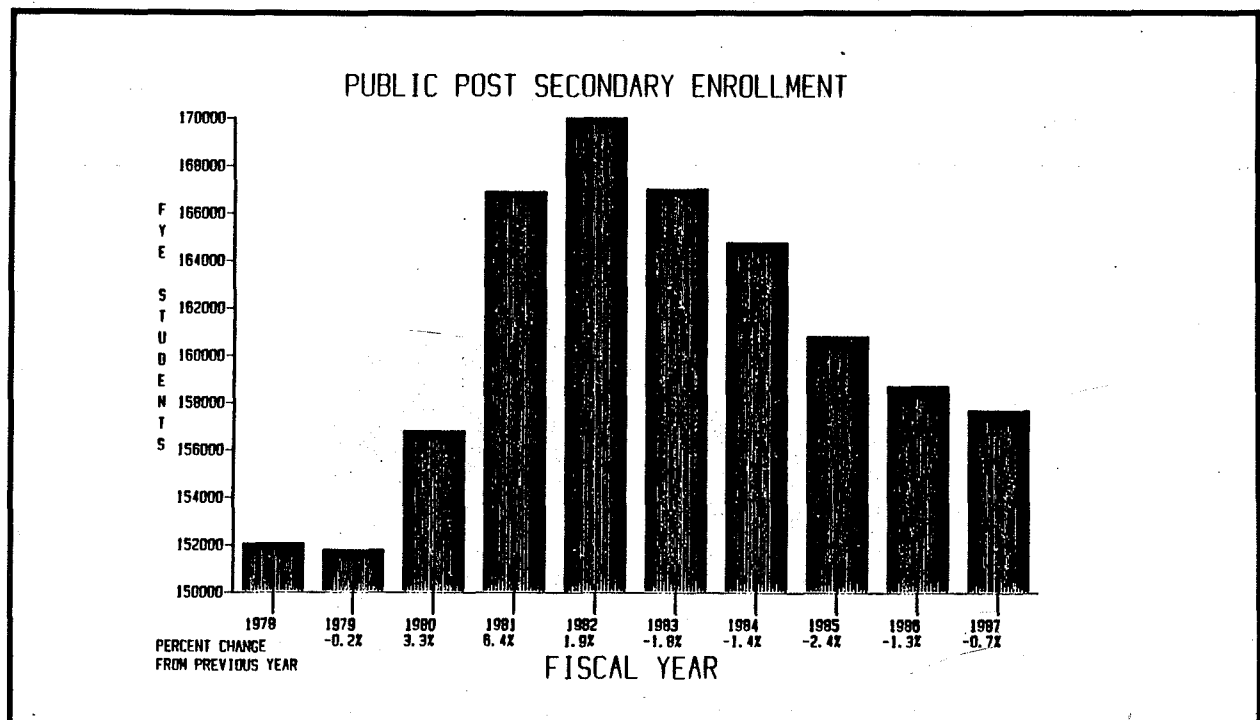


3. POST SECONDARY EDUCATION: (Contd.)

The continuation of the "Average Cost Funding" policy with augmented base funding has more than restored the erosion in real instructional spending per student that occurred in the early 1980s during the "bulge" policy.

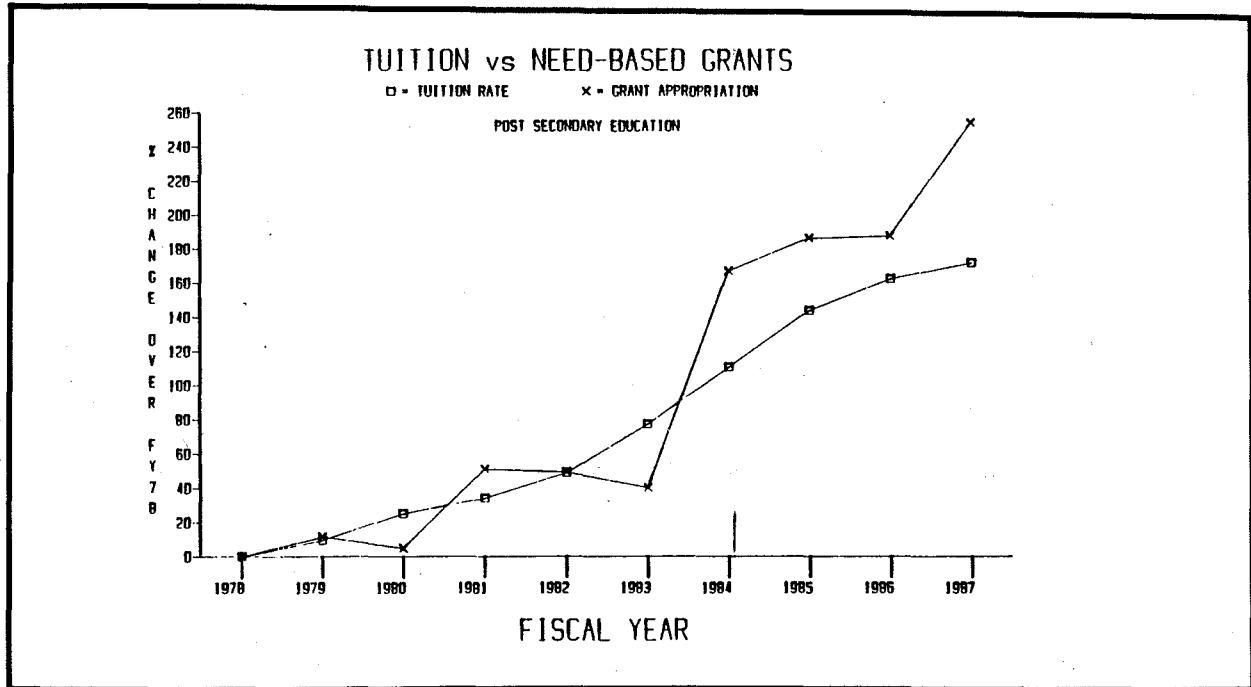


Enrollment peaked in F.Y. 1982 and continues to decline. This drop, combined with real spending increases, provides the conditions for improvement in instructional quality.



3. POST SECONDARY EDUCATION: (Contd.)

Sharp tuition increases have been more than offset for the neediest students, preserving access to programs of choice for all students regardless of financial need.



Governor's Recommendation Post Secondary Education

- Continues "average cost funding" of instructional expense.
- Equalizes tuition revenues at 33% of instructional cost for the three collegiate systems while stabilizing tuition rates.
- Continues the technology initiatives begun in 1983-84 by providing \$7 million for three technology-intensive competitive grant programs coordinated by the Higher Education Coordinating Board.
- Provides \$8.8 million to remove the cap on grants to private college students and \$8.4 million to extend eligibility for grants to part-time students.
- Gives the University of Minnesota an opportunity to endow 50 to 70 professorial chairs by freeing up the Permanent University Fund.
- Provides a \$12 million increase in discretionary research funding at the University and an incentive to increase non-state resources by giving the University control over federal indirect cost recoveries.
- Increases support for the Super Computer Institute to \$12 million annually.
- Expands the resource allocation authority of the Board of Regents by combining thirty-one state "special" appropriations into four.

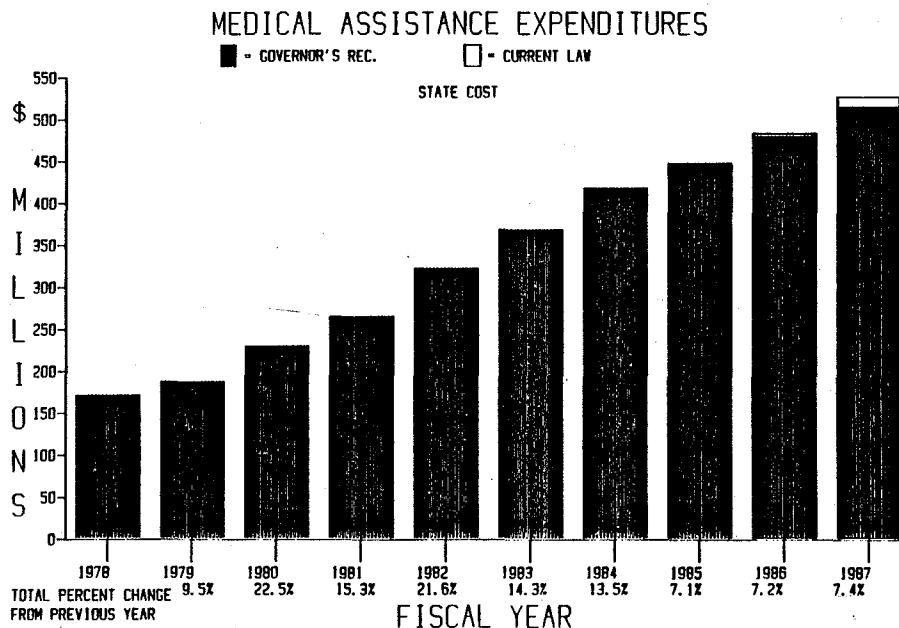
4. HUMAN SERVICES PROGRAMS

A. Health Care Programs

Description	1983-1985 Biennium (\$ million)	1985-1987 Biennium (\$ million)	Biennial Change
Medical Assistance (MA)	866.2	995.6	14.9%
General Assistance Medical Care (GAMC)	95.2	130.2	36.8%
County Share	104.3	123.9	18.9%
	1,065.6	1,249.7	17.3%
Share of State Budget (General Fund)	10.9%	11.4%	

Medical Assistance (MA) is the major federal-state program used to cover medical expenses for the needy aged, blind, disabled persons and dependent families.

MA has been one of the fastest growing programs in the state budget. This growth is due primarily to the increasing elderly population in Minnesota and inflation in medical costs. The Governor's cost containment initiatives save \$15 million over current law.



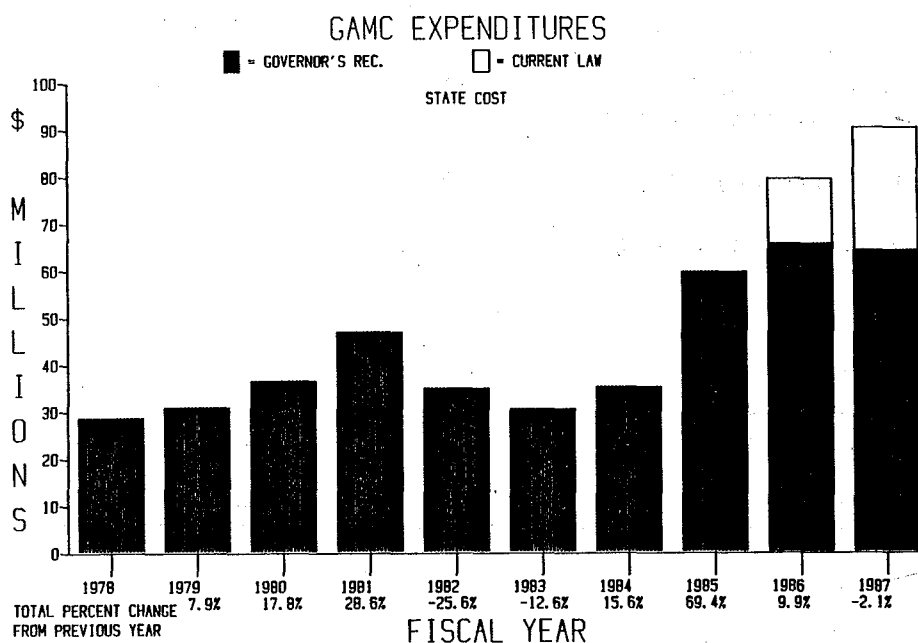
4. HUMAN SERVICES: (Contd.)

Governor's Recommendation Medical Assistance

- Expands prepayment plans to cover all AFDC and Medicare crossover populations where a choice of prepaid plans is available.
- Expands competitive bidding contracts to cover additional services.
- Continues provider reimbursement at the current level and limits hospital rate increases to 5% per year.

General Assistance Medical Care (GAMC) is a state program that provides assistance to needy persons who are not eligible for other health care programs.

GAMC costs are increasing due to caseload increases in the General Assistance program and phase-out of rateable reduction policy.



4. HUMAN SERVICES: (Contd.)

Governor's Recommendation General Assistance - Medical Care

- Develops prepayment contracts on a competitive basis for all GAMC recipients in areas where prepaid coverage is available; in other areas, expands the number of block grant and contract projects in which the service providers and/or counties receive a fixed amount to provide health care to GAMC recipients.
- Phases out rateable reduction over the biennium.
- Continues provider reimbursement at the current level and limits hospital rate increases to 5% per year.
- Saves \$35 million due to these proposals over current law.

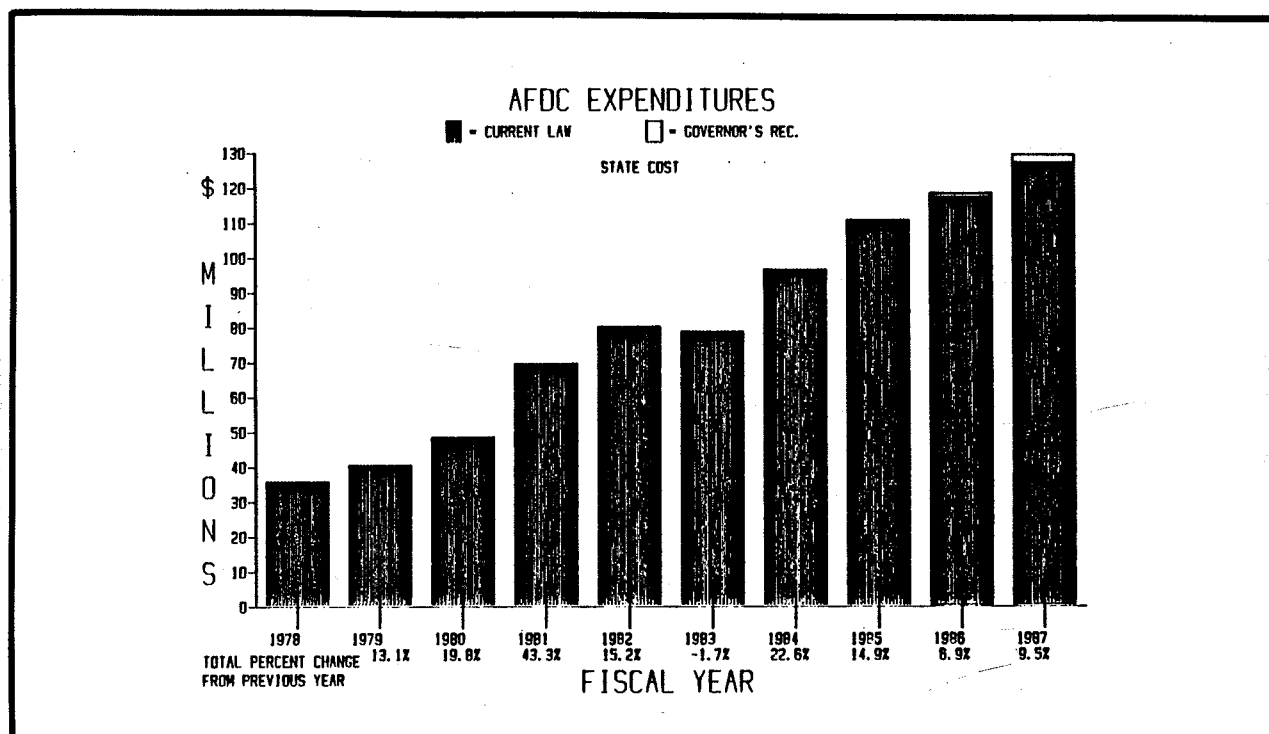
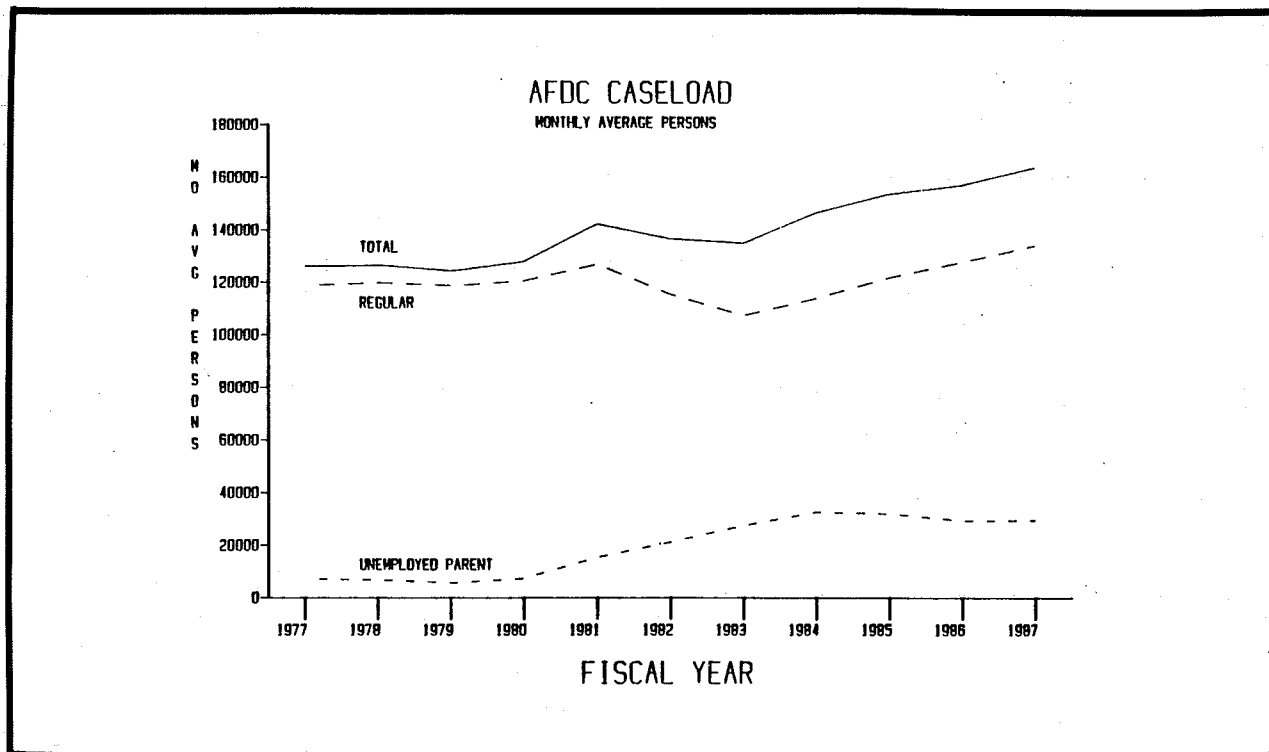
B. Income Support Programs

Description	1983-1985 Biennium (\$ million)	1985-1987 Biennium (\$ million)	Biennial Change
Aid To Families with Dependent Children (AFDC)	207.4	248.2	19.7%
General Assistance (GA)	82.6	106.1	28.5%
MN Supplemental Aid (MSA)	24.6	40.7	65.2%
	-----	-----	-----
	314.6	395.0	25.6%
Share of State Budget (General Fund)	3.2%	3.6%	

4. HUMAN SERVICES: (Contd.)

Aid to Families with Dependent Children (AFDC) is a federal-state program that provides cash assistance to families in need.

AFDC program continues to grow due primarily to the steady growth of single parent recipients.



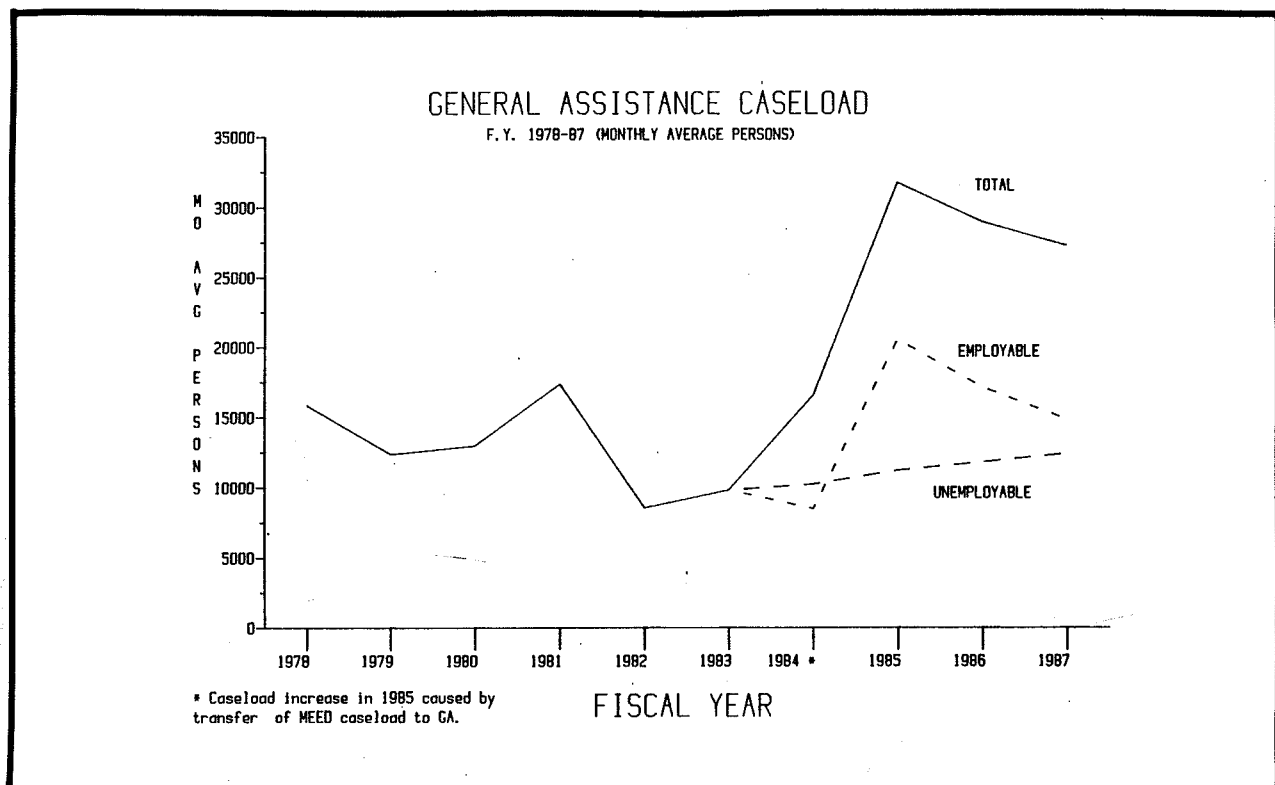
4. HUMAN SERVICES: (Contd.)

Governor's Recommendation Aid to Families with Dependent Children

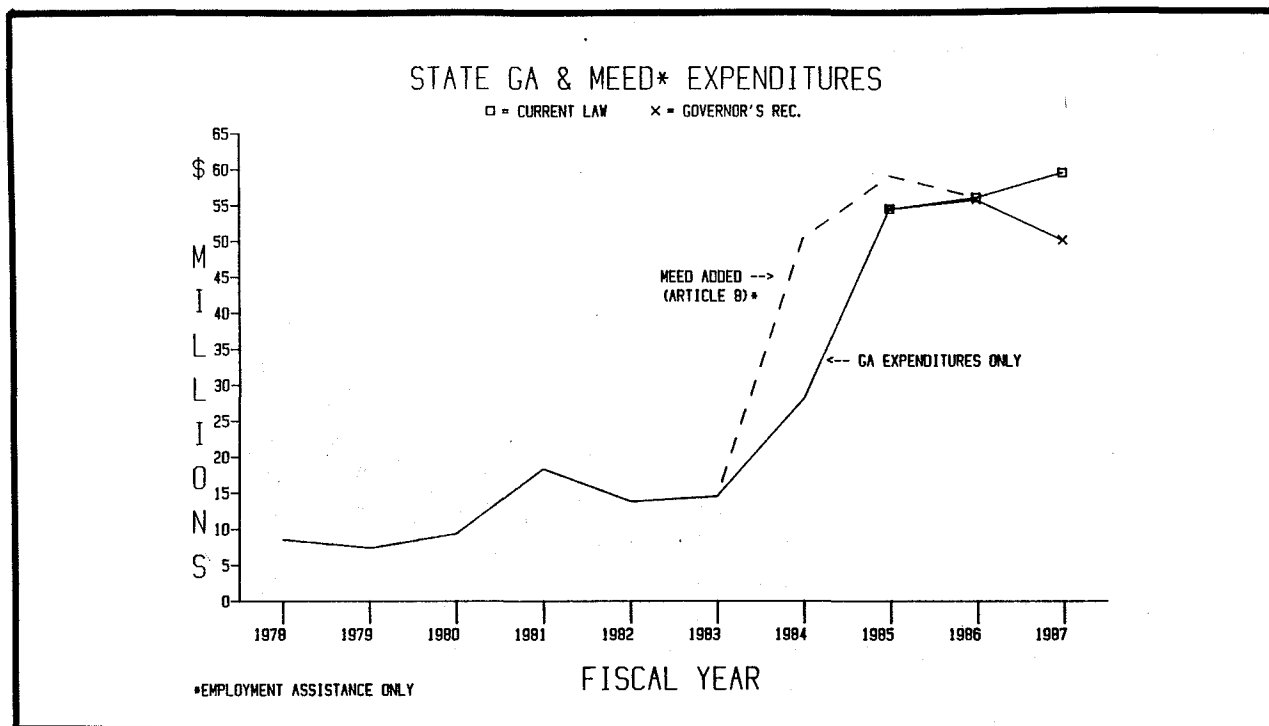
- Increases benefit levels by the inflation rate.
- Integrates employable persons into the jobs program through use of grant diversion, training programs, and child care.

General Assistance (GA) is a state program that provides cash assistance to needy persons who do not qualify for AFDC, MSA or federal Supplemental Security Income (SSI).

General Assistance caseloads and expenditures rose dramatically during the current biennium when employable persons were included in the program and the newly created job program (MEED) attracted new clientele who were eventually folded into the GA program.



4. HUMAN SERVICES: (Contd.)



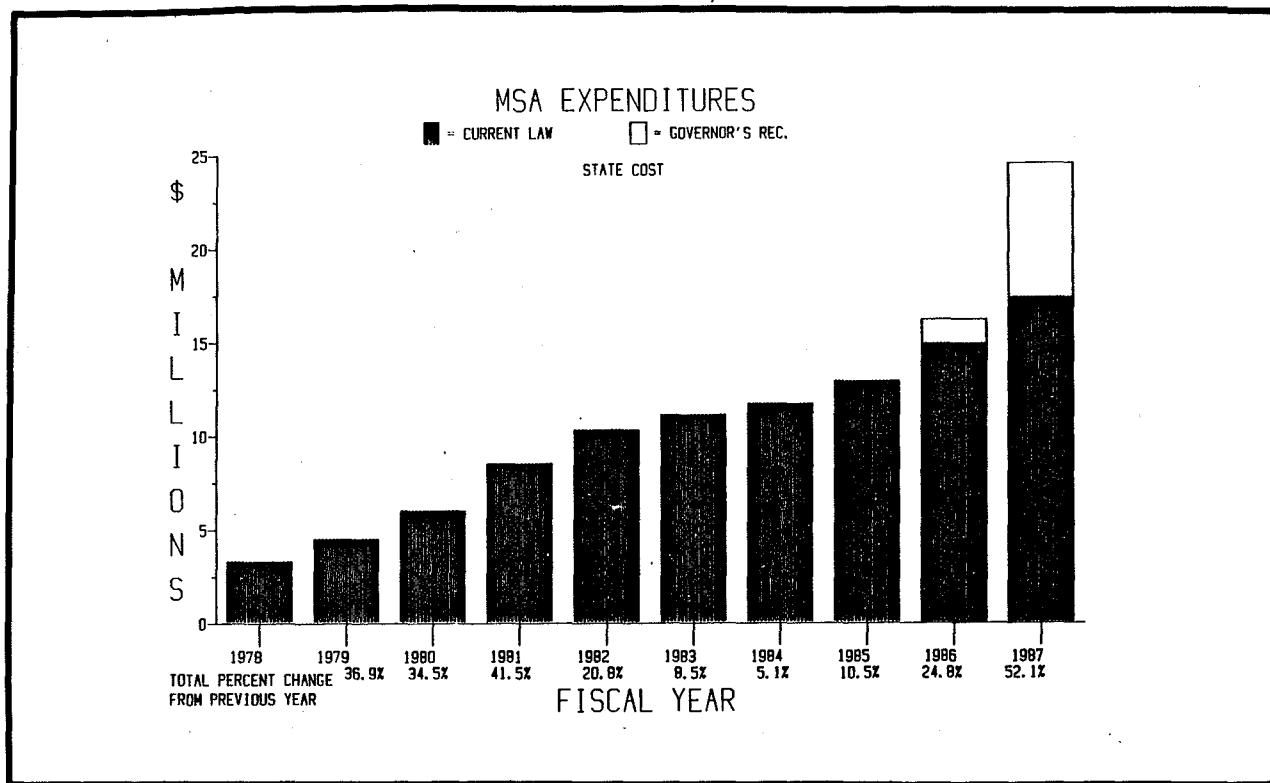
Governor's Recommendation General Assistance

- Increases benefit rates by inflation rate.
- Allows GA families to receive same benefit level as AFDC families.
- Integrates employable GA recipients into job strategy (detailed on page 47).

Minnesota Supplemental Aid (MSA) is a state program that provides cash assistance to needy aged, blind, and disabled persons.

The MSA expenditure is increasing due to greater emphasis on providing care for the elderly and disabled within the community.

4. HUMAN SERVICES: (Contd.)



* Governor's Recommendation
Minnesota Supplemental Assistance

- Implements the Aging Strategy by establishing minimum monthly payment standard of \$385 and changes MSA resource standards to be the same as the federal SSI program. (Aging Strategy detailed on page 48).
- Limits reimbursement to \$500 per month for facility negotiated rates.
- Provides additional funding for increased caseload due to the transfer of residents from state hospitals to the community.

4. HUMAN SERVICES: (Contd.)

C. Jobs Strategy

Description		1985-1987 Biennium (\$ million)
-----		-----
		All Funds
I.	Income Maintenance - Jobs	1.3
	A. Grant Diversion	18.6
	B. Jobs Savings	(17.3)
II.	Job Training Partnership Act	71.1
III.	Part-time Eligibility for Post Secondary Grants	8.4
IV.	Support Services	18.2
	A. Day Care	11.8
	B. AFDC -Special Needs	3.4
	C. Extended Medical Coverage	3.0
V.	Administration	6.7
	A. Dept of Economic Security	2.7
	B. County Social Services	4.0

		105.7

The jobs strategy relies on better coordination of income support programs with existing job programs.

Governor's Recommendation Jobs Strategy

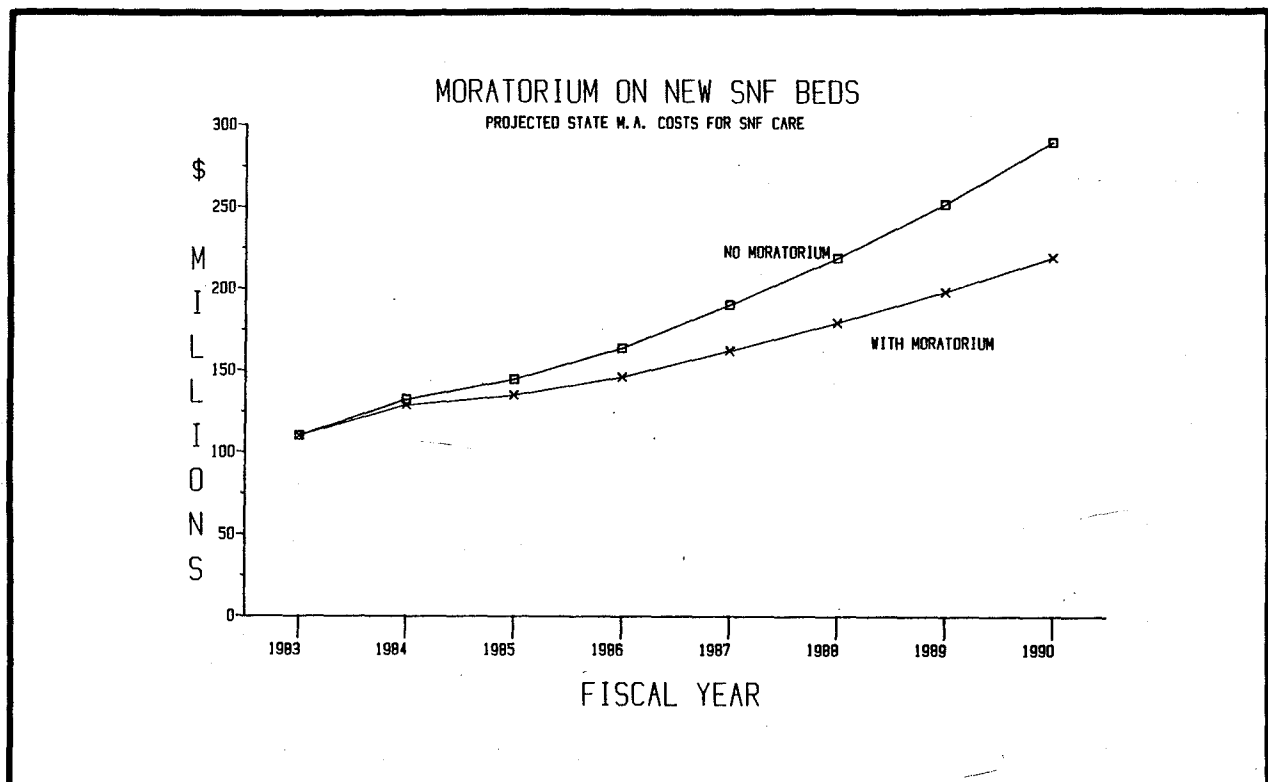
- Provides wage subsidies by diverting AFDC and GA grants.
- Targets 40% of federal Job Training Partnership Act (JTPA) for wage subsidies and training for GA and AFDC recipients.
- Provides additional funds for support services such as child care, training, and transportation.
- Provides access to part-time students to post-secondary grants.
- Requires GA recipients who are employable to participate in Jobs Program as a condition of eligibility.
- Provides administrative costs to Department of Economic Security and county social services departments to administer Jobs Program.

4. HUMAN SERVICES: (Contd.)

D. Strategy On Aging

Description	1985-1987 Biennium (\$ million)
Income Support (MSA)	8.5
Housing	1.7
Community Services	20.0
	30.2

The Strategy on Aging provides a continuum of services to assist the increasing number of elderly to remain living in the community instead of in a nursing home. The state has saved significant money through the nursing home moratorium. A portion of these savings are used to fund other state community services for the elderly.



4. HUMAN SERVICES: (Contd.)

Governor's Recommendation
Aging Strategy

- Restructures the MSA Program to provide elderly with sufficient income to remain within the community.
- Provides \$1.7 million to develop housing demonstration projects in the areas of accessibility, shared housing, and home equity conversion.
- Designates the county social service agency as the lead agency for aging services.
- Restructures the alternative care program so that counties have more flexibility in delivering community services for the elderly.

5. DEBT SERVICE AND SHORT TERM BORROWING

Description	1983-1985 Biennium (\$ million)	1985-1987 Biennium (\$ million)	Biennial Change
Debt Service	246.9	292.9	18.6%
Short Term Borrowing	28.5	0.0	-100.0%
	275.4	292.9	6.4%
Share of State Budget (General Fund)	2.8%	2.7%	

The Governor's budget includes approximately \$300 million for the cost of existing debt. Of this amount, \$245 million is required to make payments on previously authorized and existing debt. Much of the remaining funding will be required for debt service costs on existing authorizations which have not yet been sold. Recommendations for new capital project authorizations will be included in the Capital Improvement Budget in March, 1985.

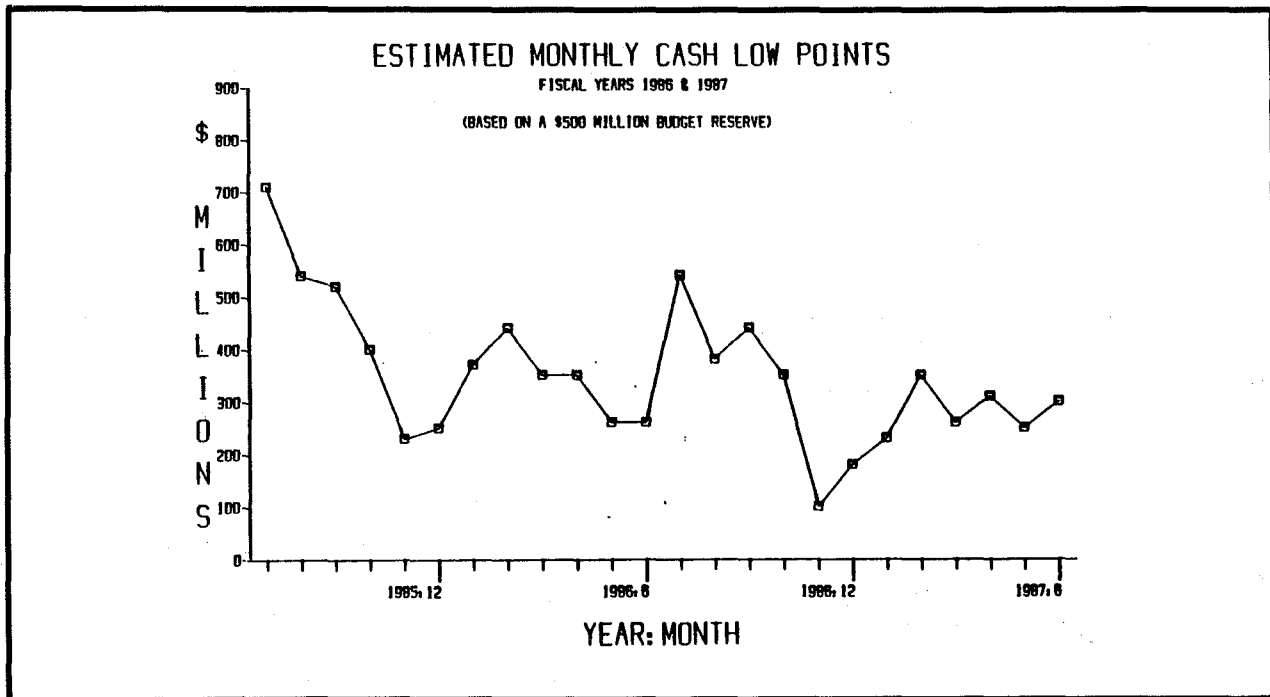
Short term borrowing was terminated in January, 1985. No funds are required for short term borrowing costs in the Governor's budget.

Governor's Recommendation Debt Service and Short Term Borrowing:

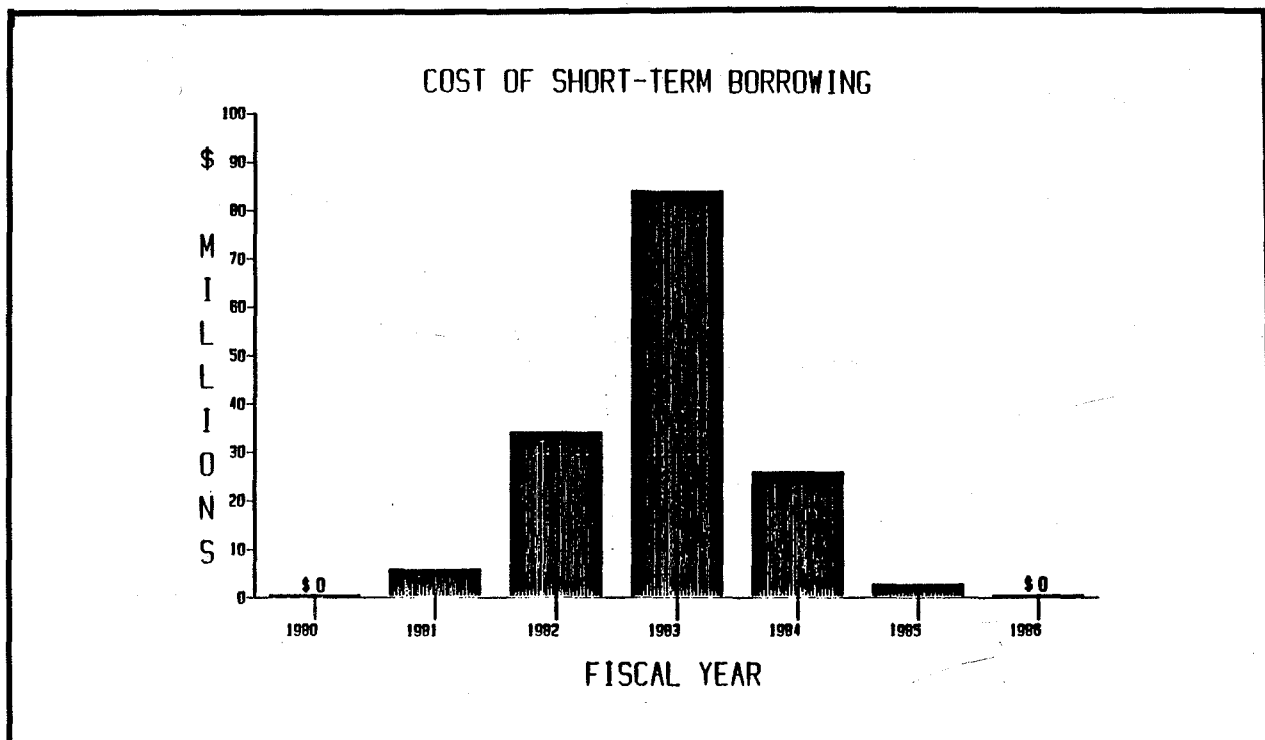
- Continues the policy of limiting long term debt service to a maximum of 3% of non-dedicated general fund revenues.
- Reduces long term debt service costs under the 3% policy by \$25 million from current law projections by tax and other non-dedicated revenue changes.
- Increases the budget reserve to \$500 million to avoid future short term borrowing.
- Eliminates the costs associated with short term borrowing.

5. DEBT SERVICE AND SHORT TERM BORROWING (Contd.)

The Governor is recommending increasing the Budget Reserve from \$375 million to \$500 million. A reserve of \$500 million finances intra-year cash requirements resulting from imbalances in timing of receipts and disbursements.



With the improved cash flow available with a \$500 million reserve, the state has no need for the continued appropriation of funds for short term debt service costs.



6. MAJOR LOCAL ASSISTANCE PROGRAMS

The Governor's recommendation for local assistance stresses the principles of local accountability and recognizes the need for continuing state support.

Program	1983-1985 Biennium (\$ million)	1985-1987 Biennium (\$ million)	Biennial Change
Community Corrections Act Trust Fund	25.2 2.4	25.2	.0%
Community Health Services	21.0	23.8	13.2%
Community Social Services	105.6	106.1	0.5%
Public Transit Assistance Transit Assistance Fund	44.8	19.8 [26.7]	3.8%
Aid to Police & Fire	46.3	53.2	14.9%
Taconite Payments and Transfers	106.4	112.1	5.4%
Other	109.5	157.7	44.1%
	461.2	498.0	8.0%
Share of State Budget (General Fund)	4.7%	4.6%	

Governor's Recommendation Local Assistance

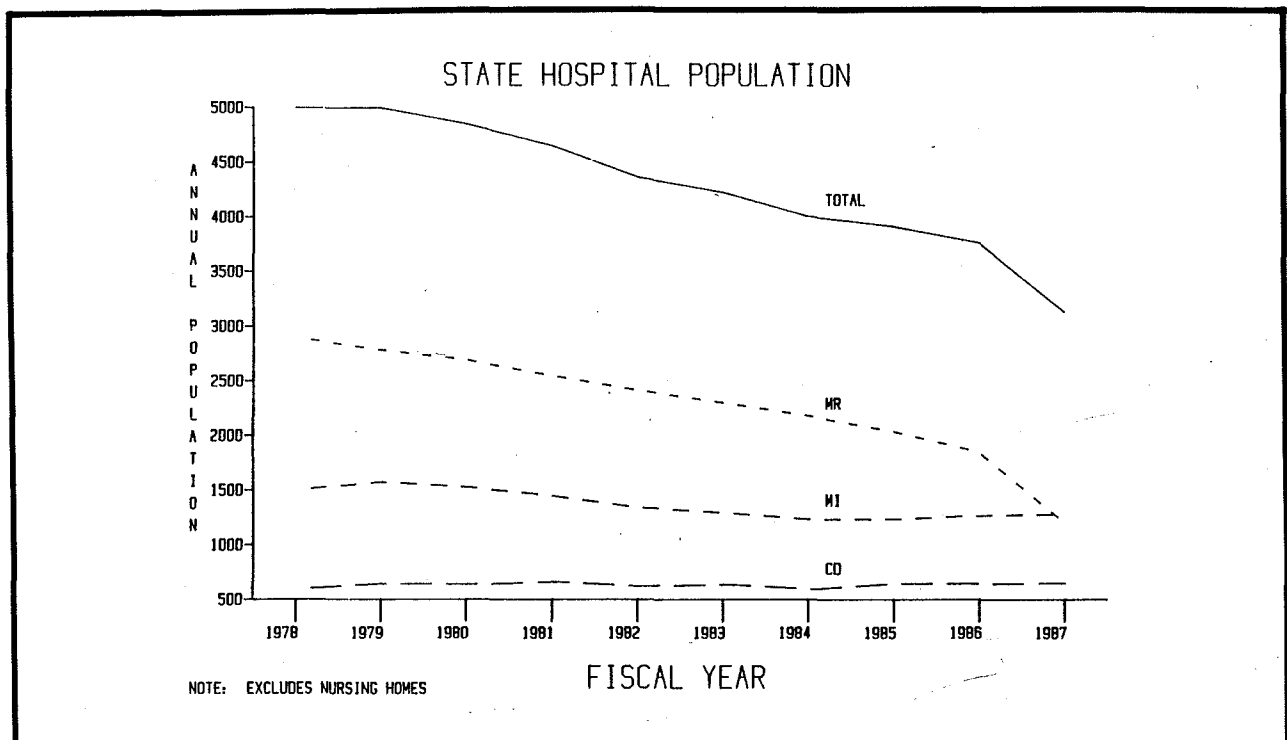
- Maintains the 1983-1985 level of spending for Community Corrections Services.
- Increases Community Health Services toward full funding in incremental stages: 93% of full funding in F.Y. 1986; 97% in F.Y. 1987.
- Folds certain categorical grant programs (Adult Mentally-Ill Residential and Chronic Mentally-Ill) into the Community Social Services grant to strengthen the purpose of this block grant.
- Funds the Public Transit Assistance Program by an additional \$26.7 million from the Transit Assistance Fund which is funded by a transfer from the Motor Vehicle Excise Tax.

7. STATE INSTITUTIONS

The Governor's budget proposals for state institutions reflect the changes in staffing needs due to changes in institutional populations.

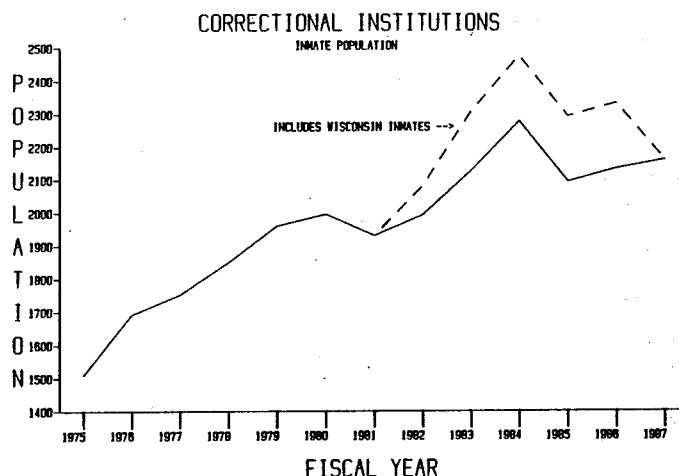
Institution	1983-1985 Biennium (\$ million)	1985-1987 Biennium (\$ million)	Biennial Change
State Hospitals and Nursing Homes	349.9	350.9	
Correctional Institutions	115.9	124.7	
Veterans Homes	18.3	20.8	
Schools for Deaf and Blind	11.9	7.5	
Salary Adjustments		33.4	
Capital Catch Up	7.1	4.0	
	503.1	541.3	7.6%
Share of State Budget (General Fund)	5.2%	5.0%	

State hospital population is expected to continue to decline in the next two years.



7. STATE INSTITUTIONS: (Contd.)

Inmate population is expected to increase slightly in the next two years.



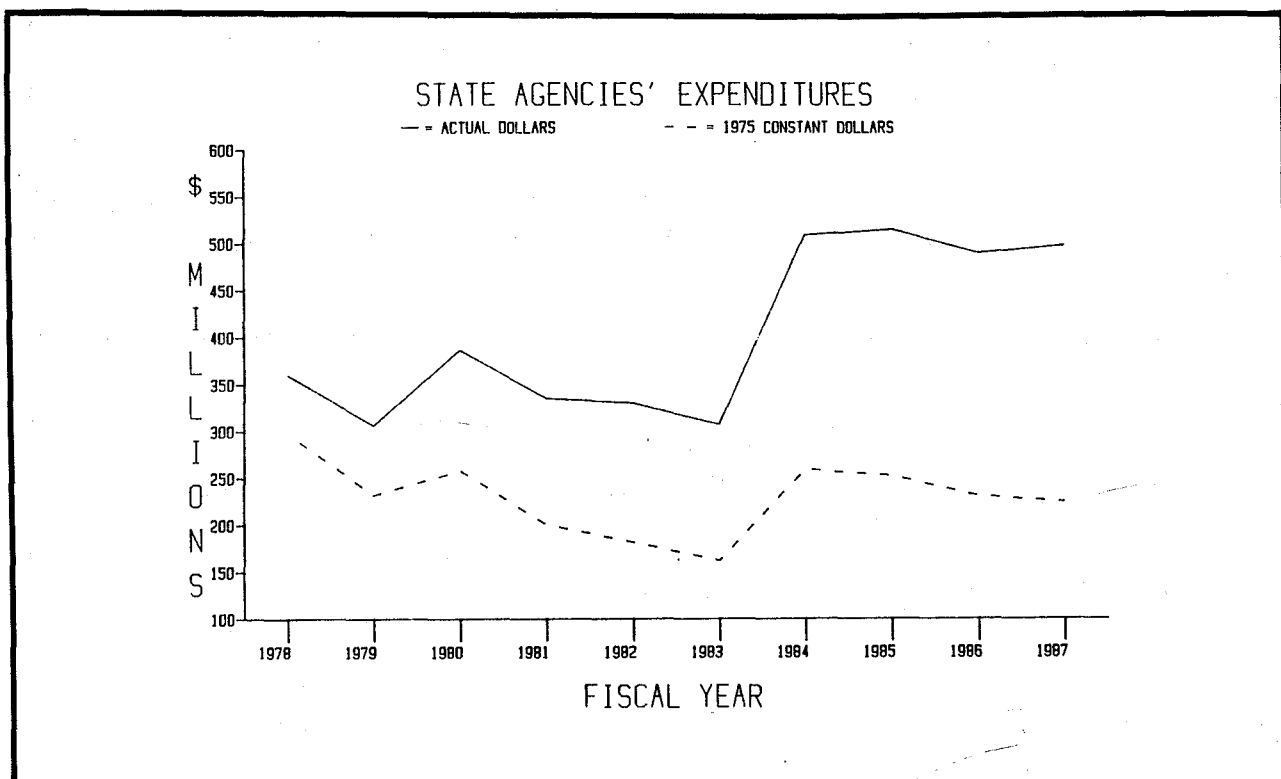
Governor's Recommendation State Institutions:

- Reduces staff in mentally-retarded units by 694 positions through attrition and adds 175 staff positions to mentally-ill units in state hospitals due to decreased numbers of mentally-retarded patients and the need for more staffing in mentally-ill units.
- Creates a special unit at St. Peter State Hospital to treat hearing impaired residents.
- Establishes a consolidated chemical dependency treatment fund to be allocated to counties and Indian reservations; allows competitive selection of program and providers based on effectiveness, cost and location.
- Recognizes a projected slight increase in inmate population but a declining juvenile population in Minnesota for the next biennium -- reflecting changes in staffing needs including the staffing for the new women's prison in Shakopee.
- Phases out the schools for the blind and the deaf by F.Y. 1987 considering: a) students can be served better by appropriate programs near their family and community; and b) costs per student are rising and enrollment declining. The cost per student has risen to \$33,456 in F.Y. 1985, a 38% increase over F.Y. 1983. The State Planning Agency is evaluating availability and cost of alternative programs. No final action will be taken until acceptable alternatives are found.

8. STATE OPERATIONS AND DIRECT SERVICES

	1983-1985 Biennium (\$ million)	1985-1987 Biennium (\$ million)	Biennial Change
Legislative, Judicial, Constitutional Offices	149.3	178.8	19.8%
State Operations and Direct Services	1,023.6	1,028.1	0.4%
	1,172.9	1,206.9	2.9%
Share of State Budget (General Fund)	12.0%	11.0%	

The cost of services provided directly by state agencies constitutes about 10% of the total General Fund budget. The Governor's Budget provides almost no increase (.4%) for agencies operations. Increases in some programs have been funded through reallocation and reduction of other programs. Proposed spending, adjusted for inflation, is below that of fiscal 1978.



8. STATE OPERATIONS AND DIRECT SERVICES: (Contd.)

Recommendations for individual state agencies are included in documents provided to the Legislature. Major items are highlighted below:

Governor's Recommendation State Operations/Direct Services

- o Limits the growth in state agencies' spending to less than .2% per year compared to the current biennium.
- o Sets aside funding for full implementation of comparable worth begun in 1983-85.
- o Reserves over \$9 million as "farm crisis" funding.
- Accelerates the clean-up of hazardous wastes using the state's superfund.
- Provides additional funding for Natural Resources projects including flood damage reduction, public access, river use and boat and water safety.
- o Provides full funding of the 911 Emergency phone service through user fees and Special Revenue Funding.
- o Provides an increase in funding to the Minnesota Historical Society and State Arts Board to preserve the state's cultural heritage and make arts more accessible to the public.

The Governor's budget continues his strong commitment to economic development programs which will enhance Minnesota's ability to attract and retain new industries and jobs.

Governor's Economic Development Strategy:

- Increases tourism funding by \$2 million to enhance marketing and advertising efforts.
- Maintains the level of funding provided in 1983-85 for economic development efforts designed to stimulate business development and investment in Minnesota.
- Creates economic opportunity zones by providing tax credits to new and expanding businesses in depressed areas.

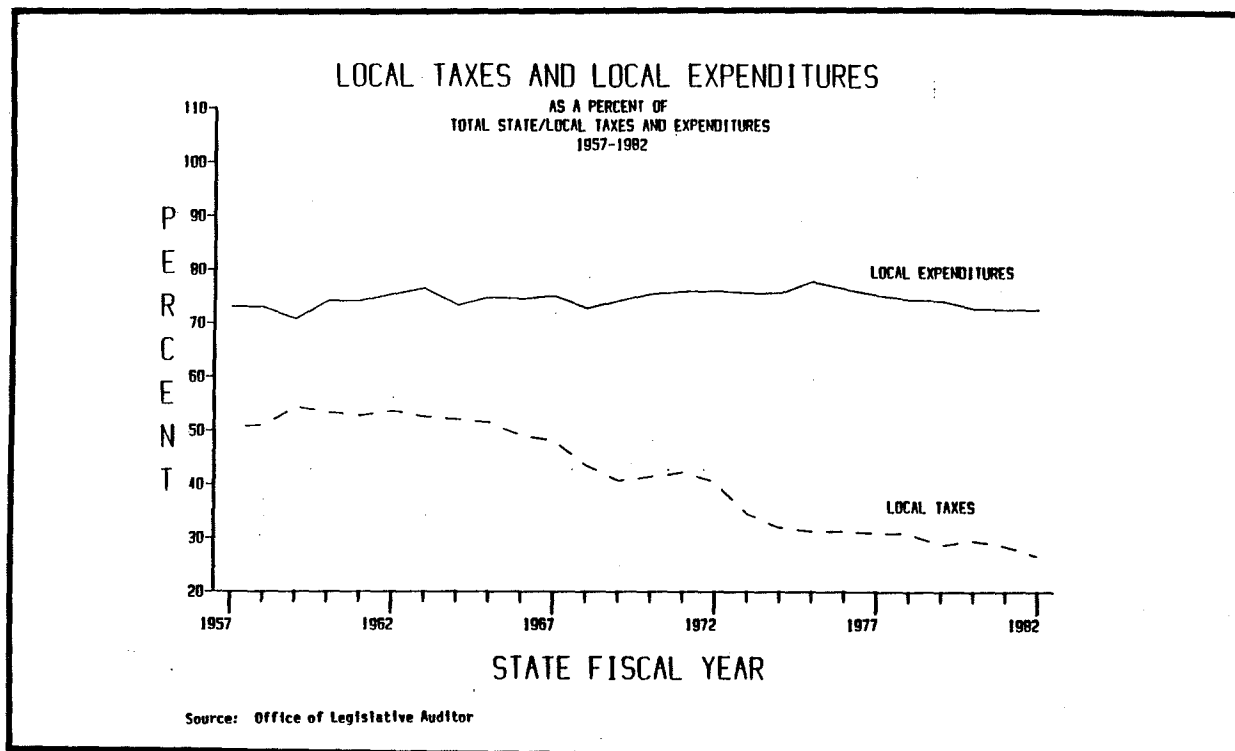
9. PROPERTY TAX RELIEF AND REORGANIZATION

DESCRIPTION	1983-85 Biennium	Comparable 1985-87 Biennium	Percent Change	Reorganized 1985-87 Biennium	Percent Change
School Aid Property Tax Relief		139.6		737.3	
Property Tax Credits	1,260.5	1,310.8	4.0%	713.1	-43.4%
Local Government Aid	544.2	589.4	8.3%	589.4	8.3%
Attached Machinery Aid	15.3	6.4	-58.0%	6.4	-58.0%
Property Tax Refund Targeting	367.8 6.0	348.6 4.0	-5.2%	348.6 4.0	-5.2%
	2,193.8	2,398.8	9.3%	2,398.8	9.3%

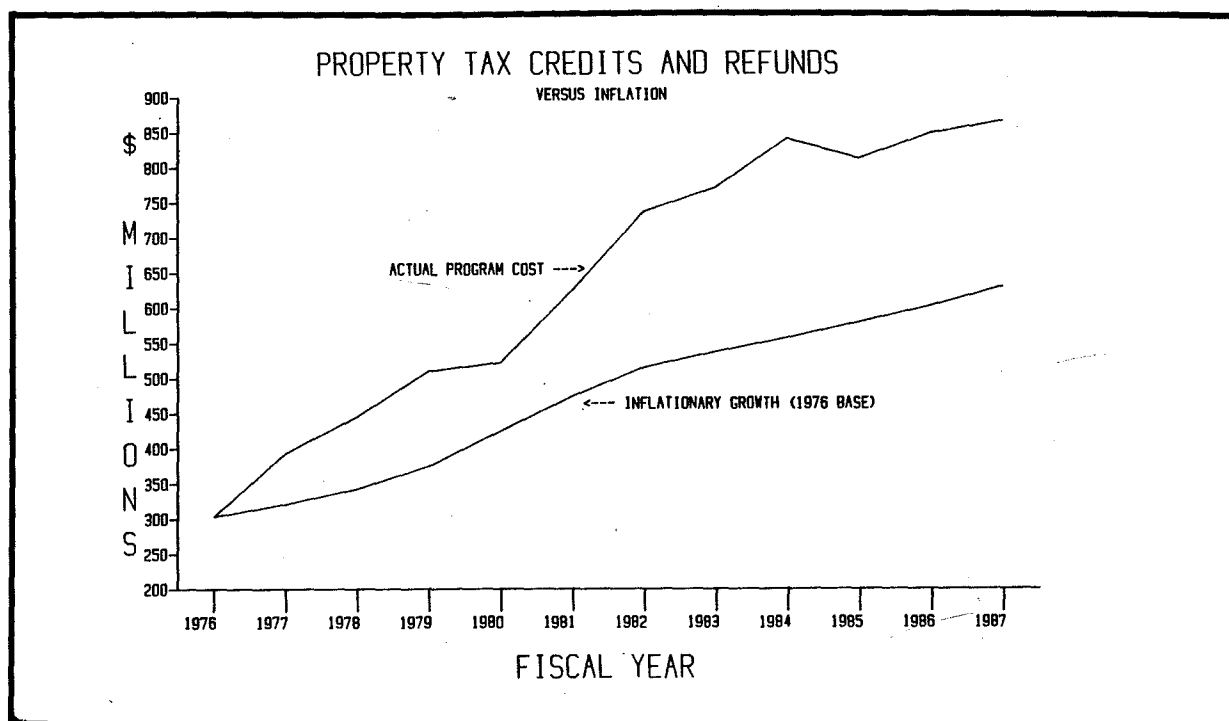
The Governor's Recommendation for Property Tax Relief:

- Increases state investment in property tax relief by \$205 million, 9.3% increase.
- The largest increase is in school aids due to a decline in property values, particularly in rural school districts. This is the first decline since the 1960s. Due to the decline, the required local levy will be reduced by \$104.3 million and state aid will rise by \$104.3 million. In addition, the required local property levy has been reduced from 24 mills to 23.5 mills, further reducing local taxes by 35.3 million and increasing state aid by \$35.3 million.
- Homestead credit is increased in accordance with current formula by only 5.4% because the majority of homes in the Metropolitan Area are at the \$650 maximum and will receive no additional relief.
- Agricultural credit will increase by 9.9% due to major increases in the program adopted in 1984. The increase is less than expected due to the fall of land values and school taxes in rural areas. The current formula for the agricultural credit automatically reduces state tax relief when levies decline.
- Local Government Aid for cities and towns will rise by \$45.3 million. Increases for any city will be limited to 6% in F.Y. 1986, 4.5% in 1987.
- Property Tax Refunds (Circuit Breaker program) will fall slightly due to rising incomes and a proposed reform in the benefit structure.

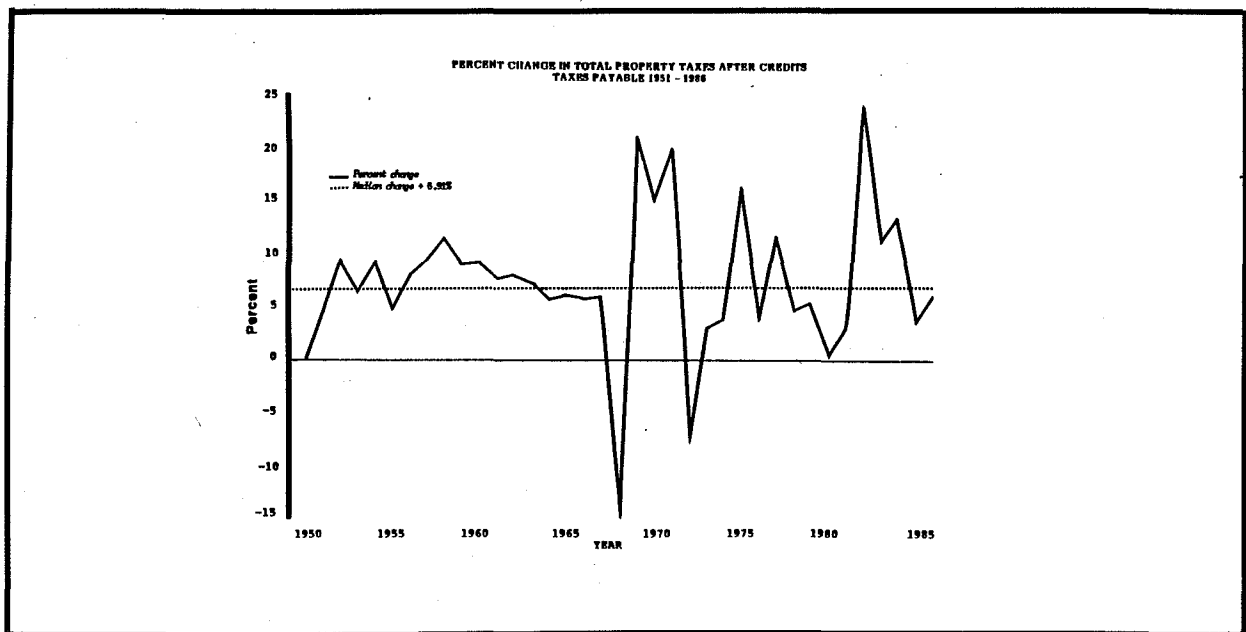
The current state and local fiscal system places the state in a difficult position. In recent years, local governments spent between 70% and 75% of all public funds in the state, but local taxes raised only 25% to 30% of public taxes. This large gap between who spends money and who raises it means that those who spend have few pressures to hold down spending.



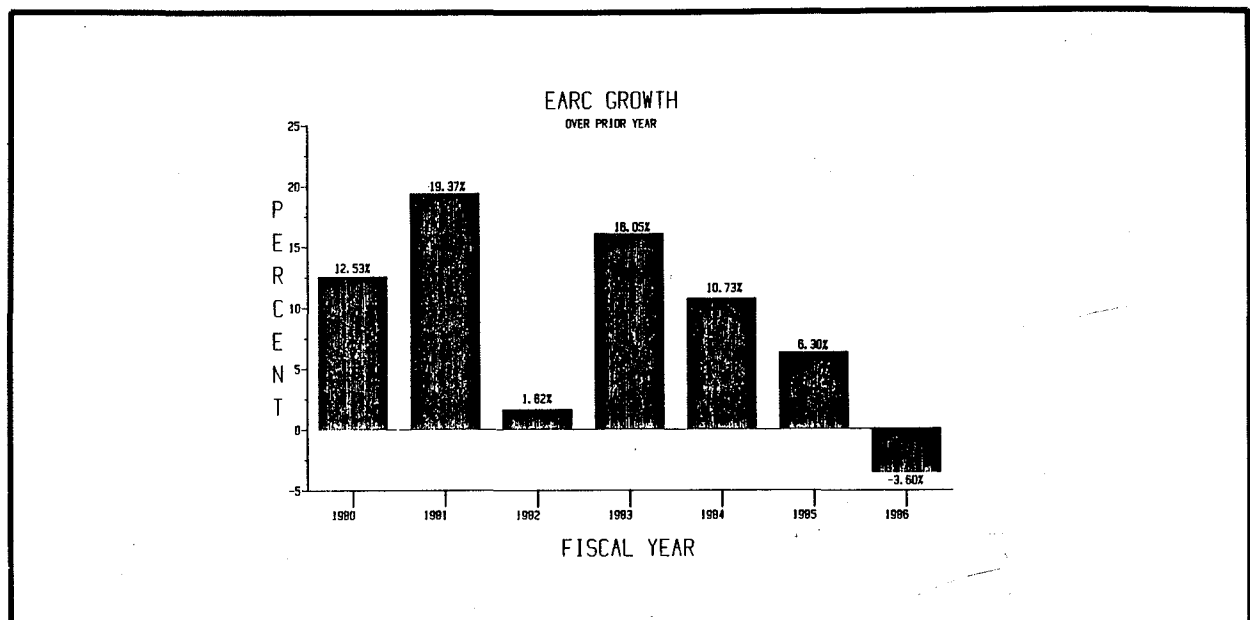
Further, the Minnesota Tax Study Commission indicated that several state programs designed to reduce local property taxes unintentionally encourage property tax increases.



The current Minnesota property tax system has not been stable. The combination of local spending increases, rapid changes in taxable values, and frequent state intervention in property tax relief has produced a marked "zig-zag" pattern in property taxes on homes and farms.



One of the sources of year-to-year instability has been the school aid formula. This formula sets a fixed mill rate for basic school taxes, a provision which would appear to be a source of stability. However, the basic millage (currently, at 23.5 mills) is a source of instability because it is applied to a highly volatile tax base (equalized property values or EARC values). As shown in the following table, EARC values are variable and have caused major year-to-year swings in local taxes.



The property tax reorganization plan redirects the bulk of state property tax relief funds into the school aid formula and eliminates the tendency of the current homestead credit and agricultural credit to stimulate tax increases by making these credits neutral toward local tax changes. The value of these two credits to homeowners and farmers is retained. As a matter of design, the reorganization plan does not significantly shift tax burdens between geographic areas or between classes of property. The plan spends the same amount of funds as current programs.

The plan does not in the short run significantly change net property taxes. What it does do is:

- increase local accountability for property tax changes,
- change the mechanism by which state funds reach local areas and local taxpayers so that the state's primary responsibility is confined to basic educational costs,
- eliminates incentives for property tax increases,
- eliminates several sources of instability of property taxes.

PROPERTY TAX REORGANIZATION PLAN
How It Works

	State Budget (\$ million)	Local Property Tax (\$ million)
	-----	-----
STEP 1.		
State assumption of 23.5 mill property levy. Full funding of foundation formula.	+ 717	
Local school districts reduce property taxes by 23.5 mills.		- 717
STEP 2.		
State transfers cost of property tax credits to local jurisdictions.	- 654	
State reduces share of school categorical aids.	- 63	
STEP 3.		
Local school districts increase levies to offset reductions in school categorical aids.		+ 63
STEP 4.		
New property tax credits are financed within the local taxing jurisdiction through increased levies.		+ 654
	-----	-----
NET CHANGE	-0-	-0-

GOVERNOR'S OTHER TAX PROPOSAL:

- Consolidates existing classes of property into a simplified nine class system. Depending on how you count them, Minnesota currently has 20 to 70 classes of property.
- Transfers the collections and distribution of taconite production taxes from the state budget and place them with the four counties to which most of the revenue is distributed. (The taconite production tax is essentially a local tax because it is paid in lieu of local property taxes.) This will reduce total state general fund revenues and expenditures by \$132.1 million.
- Transfers the revenue from deed and mortgage taxes from the state budget (approximately \$58.6 million in the biennium) by leaving the taxes with counties and recaptures the lost state revenue by reducing welfare aids to counties by the same amount. In addition, counties, which already administer and collect these taxes, will have the option to increase the tax, with all of the increase being retained locally and no recapture from state aids.
- Gives nonmetro cities the option to enact local sales taxes. Two nonmetropolitan cities (Duluth and Rochester) have enacted local sales taxes under special laws.
- Reforms the property tax refund (Circuit Breaker) program. The Minnesota Tax Study Commission indicated that the present benefit schedule contains a "tax free zone" where the state will reimburse 100% of local property tax changes. It is proposed to eliminate this feature. Further, it is proposed that applicants qualify for benefits only if they pay at least 1% of income in taxes and that the benefit schedule for senior citizens and disabled persons be simplified. The simplification also will increase benefits for very low income senior citizens and disabled persons. The cost of the program will decline by \$19.2 million from the last biennium, a 5.2% reduction.

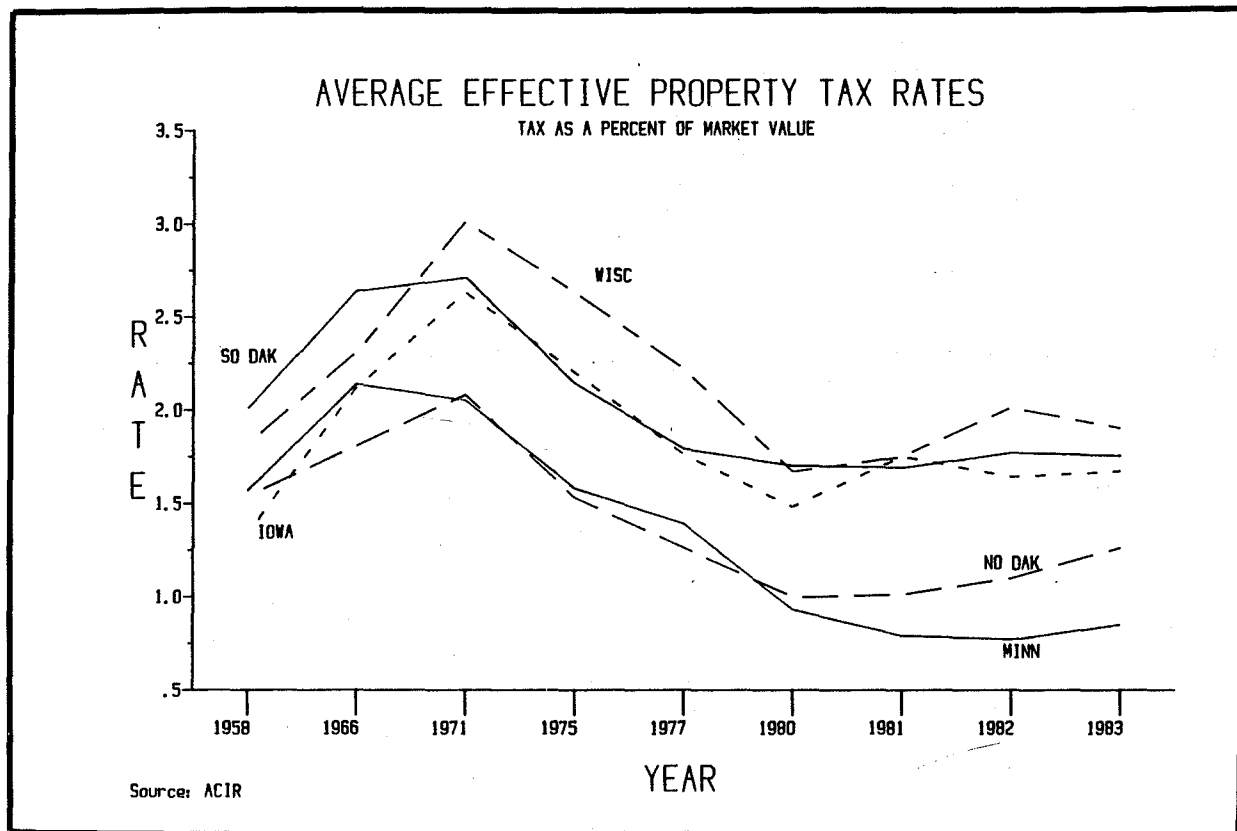
After several years of "double digit" increases, local property taxes are moderating. Taxes on farms will decline this year and next year.

Net Percentage Property Tax Change by Property Type*
Taxes Payable 1985-1986

	<u>1985</u>	<u>1986</u>
Farms	-7.5%	-3.8%
Residential	+6.6%	+7.8%
Apartments	+3.6%	+5.7%
Commercial	+5.4%	+8.2%
Industrial	<u>+5.0%</u>	<u>+7.9%</u>
TOTAL	+3.1%	+6.0%

*Does not include tax reductions due to property tax refunds, includes increased taxes from new taxable property.

Minnesota's property taxes on homes and farms will remain below the national average and below those of neighboring states.



F. FOUR YEAR BUDGET OUTLOOK

The following table shows planning estimates for the Governor's 1985-87 recommended budget extended through 1989. The projection for the 1987-89 Biennium reflects relatively optimistic economic assumptions. In this favorable economic scenario, no recession is assumed through 1989. Given the risks involved in economic forecasting and the close relationship between the budget and economic factors such as inflation and unemployment, significant variances are possible. The planning projection assumes that a \$500 million budget reserve is in place during the entire period from 1985 through 1989.

1985-1989 OUTLOOK			
	1983-1985 Biennium	1985-1987 Biennium Gov's Rec's	1987-1989 Biennium Projected
Balance Forward	72	570	502
Current Resources	10,331	10,637	12,496
	10,402	11,207	12,997
Elementary & Secondary Education	2,161	3,168	4,374
Post Secondary Education	1,705	1,944	2,113
Property Tax Refunds and Credits	1,650	1,057	472
Health Care (MA and GARC)	1,066	1,250	1,435
Income Support (AFDC, GA, MSA)	315	336	379
Local Government Aid	544	589	648
Debt Service and Short Term Borrowing	275	293	347
All Other	2,117	2,067	2,423
	9,832 *	10,705 *	12,193
Unreserved Balance	570	502	805
Budget Reserve	375	500	500
Appropriations Forward	53		
Unrestricted Fund Balance	142	2	305

* These figures represent actual expenditures including Governor's proposals for income tax reduction, property tax and school aid reorganization, and other reorganization plans.

G. OTHER STATE OPERATING FUNDS

1. SUMMARY

The following table displays all operating funds including the General Fund. Total estimated expenditures for all operating funds is \$16.4 billion for the upcoming biennium, as compared to \$14.9 billion in the current biennium, a 9.7% biennial increase.

The Federal Fund estimate is based on a projection from the federal fiscal year 1985 at "current services" level, without considering the President's proposals to the 1985 Congress and the congressional decisions which will follow.

The Trunk Highway Fund, supported mostly from motor vehicle registration fees and motor fuel taxes, is the third largest operating fund after the General Fund and Federal Fund. The trunk highway expenditure for the coming biennium is estimated at \$1.261 billion, less than a 1% increase over the current biennium.

The Debt Service Fund, the fourth largest fund in the state, accounts for the payment of long-term obligation principal and interest.

CONSOLIDATED FUND STATEMENT (Dollars in Thousands)

	F.Y. 1985	F.Y. 1986	F.Y. 1987	BIENNIAL F.Y. 1986-87
<u>ACTUAL AND ESTIMATED USES</u>				
Expenditures				
General Fund	4,847,905.6	5,067,338.8	5,184,270.3	10,251,609.1
Special Revenue Funds				
Federal Fund	1,476,272.8	1,564,501.0	1,644,921.6	3,209,422.6
Trunk Highway Fund	634,864.5	627,171.4	633,445.8	1,260,617.2
All Other Special Revenue Funds	237,788.7	252,615.2	253,721.1	506,336.3
Expendable Trust Funds				
County-State Aid Highway	174,700.0	182,500.0	189,300.0	371,800.0
All Other Expendable Trust Funds	186,179.4	169,178.7	175,168.7	344,347.4
Debt Service	164,659.5	199,776.3	209,672.1	409,448.4
Total Expenditures	7,722,370.5	8,063,081.4	8,290,499.6	16,353,581.0
Transfers to Other Funds	828,193.0	827,564.8	864,178.8	1,691,743.6
Total Uses	8,550,563.5	8,890,646.2	9,154,678.4	18,045,324.6

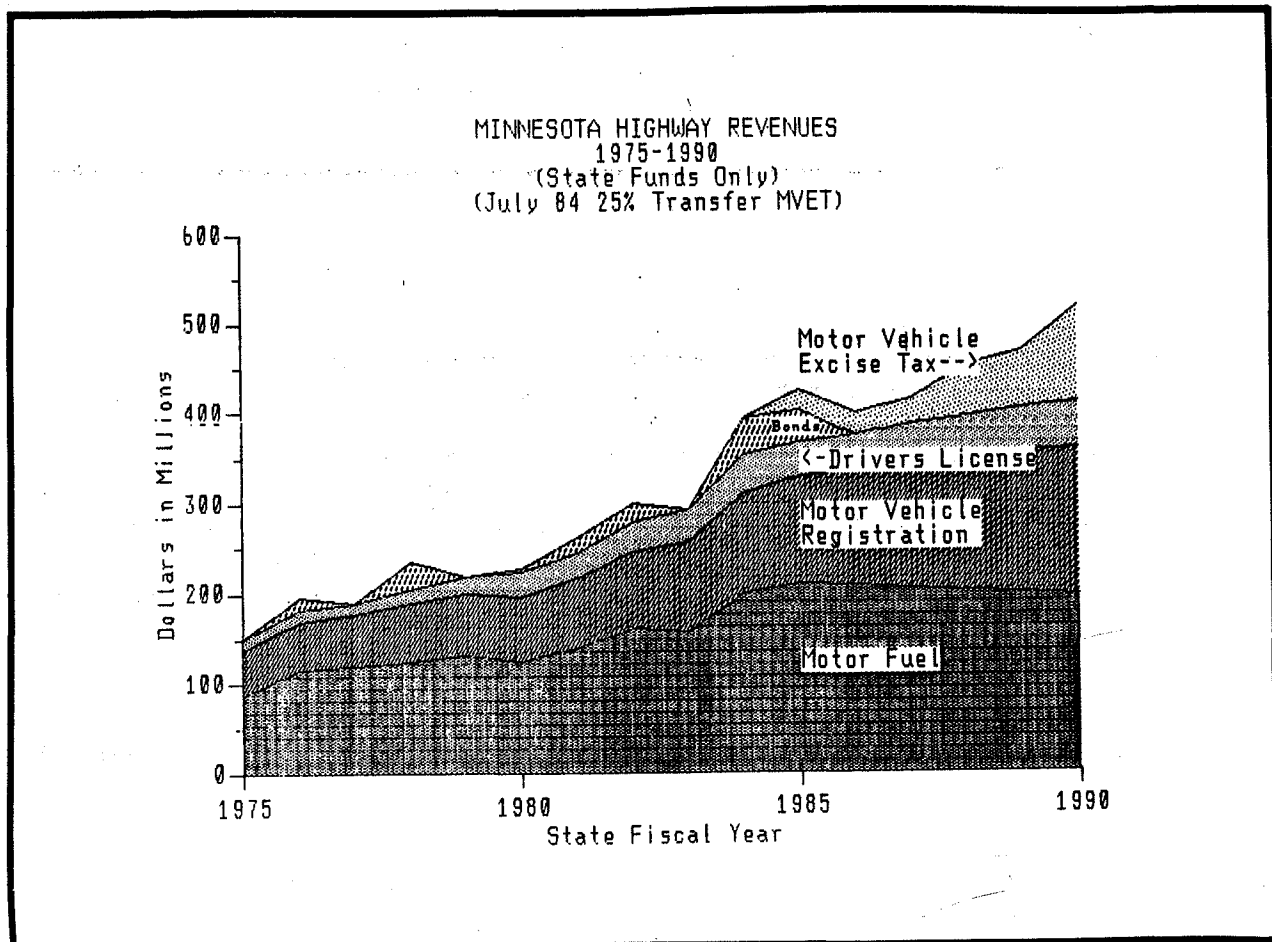
2. TRANSPORTATION FUNDING

The major mode of transportation for both personal and commercial purposes continues to be the highway system. Substantial resources are spent for highways by every level of government to assure the safe, efficient, and effective movement of people, goods and services.

The primary state revenue sources for the highway system are motor fuel and motor vehicle registration taxes. Beginning in fiscal year 1985, a phased transfer of the current motor vehicle excise tax from the state General Fund will also be dedicated to transportation, with 75% of the transferred amount used for highway purposes.

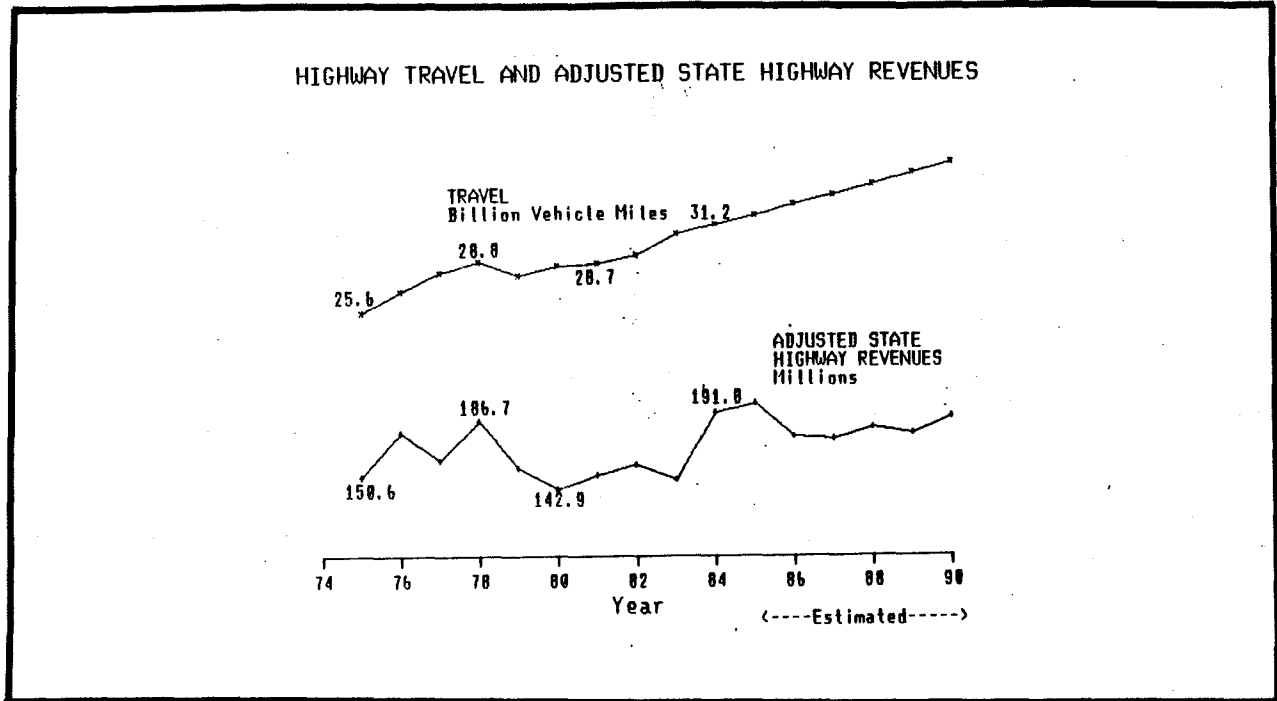
In accordance with the Minnesota Constitution, these dedicated revenues are distributed approximately 62% to the state to develop and maintain the state and interstate systems, 29% to the counties for county and township systems, and 9% to major municipalities.

Historically, the most important revenue source has been the flat rate fuel tax. However, both state and national policies to reduce our fuel consumption have substantially restricted this revenue source while utilization of the system has continued to grow. Meanwhile, vehicle registration taxes and other revenues continue to grow.



2. TRANSPORTATION FUNDING: (Contd.)

When adjusted for inflation, these revenues demonstrate the following relationship between purchasing power and transportation demand as measured by vehicle miles traveled.



State and local funds are supplemented by federal funds which are almost exclusively earmarked for construction purposes.

The long-range outlook for federal highway construction funds appears favorable. Minnesota receives about 2% of all highway user fees distributed by the federal government. Federal aid for construction is expected to be \$216 million each year in 1986 and 1987. Interstate highway completion funds are earmarked and require specific congressional action each year. This may cause a significant slowdown in interstate highway construction in the 1985-87 biennium.

In addition to highway programs, the state also subsidizes the public transit operations through General Fund and a portion of the Motor Vehicle Excise Tax transfer.

2. TRANSPORTATION FUNDING: (Contd.)

Governor's Recommendation Highway and Transit Funding

- Continues the phased transfer of Motor Vehicle Excise Tax receipts from the General Fund.
- Provides a \$17.5 million increase in funding and 231 additional positions to support expanded construction programs.
- Provides increases in funding and positions for maintenance, traffic control and other highway service needs.
- Supports development of a light rail transit system in the metro area and continues funding for planning and design.
- Provides inflationary increases for metropolitan and non-metropolitan mass transit systems.

3. GAME AND FISH FUNDING:

The Governor continues to place a high priority on the continued development and preservation of Minnesota's natural resources for the citizens of the state. These activities are funded through both General Fund and Game and Fish Fund appropriations.

Governor's Recommendation Game and Fish Fund

- Supports an increase in selected categories of fishing and hunting licenses and stamps, to compensate increasing program costs.
- Increase funding for public access.
- Provides for an expansion of the Federal Fish Restoration Program.
- Provides \$3 million per year increase for intensification of the Fish Management Program.

H. GENERAL FUND STATEMENT

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.

The fiscal data, both historical and proposed, is unadjusted -- and reflects actual anticipated revenues and spending for all proposals in the Governor's Tax, Property Tax, and School Aids reorganization recommendations.

GENERAL FUND - FUND BALANCE ANALYSIS

(NOTE: WITH TAX/SCHOOL REFORMS)

	ACTUAL F.Y. 1983	ACTUAL F.Y. 1984	12-84 EST F.Y. 1985	GOVERNOR'S REC F.Y. 1986	GOVERNOR'S REC F.Y. 1987	BIENNIAL REC F.Y. 1986-87
ACTUAL AND ESTIMATED RESOURCES						
(A) BALANCE FORWARD	(598,090.9)	71,713.5	374,519.9	569,887.1	380,184.5	569,887.1
(B) PRIOR YEAR ADJUSTMENTS	10,664.2	15,665.2	11,500.0	14,000.0	11,000.0	25,000.0
ADJUSTED BALANCE FORWARD	(587,426.7)	87,378.7	386,019.9	583,887.1	391,184.5	594,887.1
NON-DEDICATED REVENUE:						
(C) NON-DEDICATED REVENUE	4,544,393.5	5,048,649.6	5,265,104.7	5,473,925.4	5,823,341.3	11,297,266.7
(T) REVENUE REFUNDS	419,643.3	411,858.8	435,325.8	445,220.5	440,950.0	886,170.5
(N) NEW LEGISLATION--REVENUES	0.0	0.0	0.0	(363,270.8)	(279,246.0)	(648,516.8)
NET NON-DEDICATED REVENUE	4,124,750.2	4,636,790.8	4,829,778.9	4,659,434.1	5,103,145.3	9,762,579.4
(D) DEDICATED REVENUE	234,011.4	401,996.6	418,012.3	416,909.2	421,541.8	838,451.0
(E) TRANSFERS FROM OTHER FUNDS	28,050.5	10,748.5	6,106.6	5,477.5	5,451.3	10,928.8
TOTAL RESOURCES AVAILABLE	3,799,385.4	5,136,914.6	5,639,917.7	5,665,707.9	5,921,322.9	11,206,846.3
ACTUAL AND ESTIMATED EXPENDITURES						
(F) NEW LEGISLATION	0.0	0.0	0.0	9,300.0	0.0	9,300.0
(G) EDUCATION AIDS	750,502.1	1,018,088.4	1,124,537.9	1,262,869.9	1,905,323.3	3,168,193.2
(H) EDUCATION	561,137.0	638,241.0	670,815.1	772,694.3	785,651.9	1,558,346.2
(I) HEALTH, WELFARE, CORRECTIONS	841,648.2	943,013.7	1,043,347.8	1,046,499.4	1,084,333.6	2,130,833.0
(J) TRANSPORTATION/SEMI-STATE	68,693.7	81,529.1	89,935.1	76,354.8	77,425.4	153,780.2
(K) STATE DEPARTMENTS	215,756.0	249,905.7	316,022.7	324,261.9	348,026.1	672,288.0
(M) UNALLOTTED/BALANCE FORWARD	(1,908.7)	1,943.3	3,349.6	0.0	0.0	0.0
(O) DEFICIENCIES	0.0	0.0	16,736.8	0.0	0.0	0.0
TOTAL DIRECT EXPENDITURES	2,435,828.3	2,932,721.2	3,264,745.0	3,491,980.3	4,200,760.3	7,692,740.6
(P-S) AIDS, CREDITS, RETIREMENTS	917,589.9	1,225,287.3	1,185,148.3	1,173,449.3	586,968.2	1,760,417.5
(U) DEDICATED REVENUE EXPENDITURES	230,539.7	401,874.5	418,012.3	416,909.2	421,541.8	838,451.0
(V) CANCELLATION ADJUSTMENT	0.0	0.0	(20,000.0)	(15,000.0)	(25,000.0)	(40,000.0)
(W) BUDGET REDUCTION	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL EXPENDITURES	3,583,957.9	4,559,883.0	4,847,905.6	5,067,338.8	5,184,270.3	10,251,609.1
(X) TRANSFERS TO OTHER FUNDS	143,714.0	202,511.7	222,125.0	218,184.6	234,994.8	453,179.4
TOTAL EXPEND. AND TRANSFERS	3,727,671.9	4,762,394.7	5,070,030.6	5,285,523.4	5,419,265.1	10,704,788.5
UNRESERVED FUND BALANCE	71,713.5	374,519.9	569,887.1	380,184.5	502,057.8	502,057.8
(Y) RESERVE/APPROP. CARRIED FWD	25,958.1	372,316.3	427,508.1	500,000.0	500,000.0	500,000.0
UNRESTRICTED BUDGETARY BALANCE	45,755.4	2,203.6	142,379.0	(119,815.5)	2,057.8	2,057.8

GENERAL FUND - FUND BALANCE ANALYSIS

(NOTE: WITH TAX/SCHOOL REFORMS)

	ACTUAL F.Y. 1983	ACTUAL F.Y. 1984	12-84 EST F.Y. 1985	GOVERNOR'S REC F.Y. 1986	GOVERNOR'S REC F.Y. 1987	BIENNIAL REC F.Y. 1986-87
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(B) PRIOR YEAR ADJUSTMENTS						
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CANCEL OF PRIOR YEAR ENCUMBRANCES	10,625.3	16,644.1	15,000.0	15,000.0	15,000.0	30,000.0
INCOME	(13.7)	841.8	1,500.0	1,000.0	1,000.0	2,000.0
CARRY FORWARD OF PRIOR YEAR ENC.	NA	NA	(5,000.0)	(2,000.0)	(5,000.0)	(7,000.0)
OTHER	52.6	(1,820.7)	0.0	0.0	0.0	0.0
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TOTAL PRIOR YEAR ADJUSTMENTS	10,664.2	15,665.2	11,500.0	14,000.0	11,000.0	25,000.0
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(C) NON-DEDICATED REVENUE						
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INDIVIDUAL INCOME TAX	2,307,572.3	2,642,929.2	2,628,500.0	2,805,800.0	2,972,100.0	5,777,900.0
CORPORATE INCOME TAX	292,598.5	338,569.3	406,500.0	408,000.0	441,000.0	849,000.0
SALES TAX - GENERAL	1,012,135.4	1,259,447.5	1,397,800.0	1,502,600.0	1,619,400.0	3,122,000.0
MOTOR VEHICLE EXCISE	123,902.5	179,189.8	199,519.0	207,000.0	223,700.0	430,700.0
BANK EXCISE	34,744.5	35,589.9	35,300.0	41,400.0	44,800.0	85,200.0
INHERITANCE, ESTATE & GIFT	18,861.0	18,583.6	19,650.0	17,450.0	15,450.0	32,900.0
LIQUOR, WINE & BEER	53,335.6	53,908.8	54,946.9	53,761.4	54,166.1	107,927.5
CIGARETTE & TOBACCO PRODUCTS	85,391.5	84,723.1	85,204.3	84,672.1	84,531.3	169,203.4
IRON ORE OCCUPATION	695.5	554.6	650.0	650.0	650.0	1,300.0
TACONITE OCCUPATION	0.0	2,386.3	700.0	5,000.0	6,500.0	11,500.0
TACONITE PRODUCTION	80,303.2	67,341.0	63,599.0	349.7	350.5	700.2
ROYALTY TAXES	3,694.9	3,802.7	4,343.4	4,000.0	4,000.0	8,000.0
DEED AND MORTGAGE REGISTRATION	19,580.9	26,446.2	26,800.0	0.0	0.0	0.0
INSURANCE GROSS EARN & FIRE MARSH	68,103.2	71,276.9	76,930.0	81,470.0	87,029.0	168,499.0
TELEPHONE & TELEGRAPH GROSS EARN	110,823.5	71,089.5	39,476.1	46,623.6	49,887.2	96,510.8
RAILROAD GROSS EARNINGS	1,187.9	0.0	0.0	0.0	0.0	0.0
OTHER GROSS EARNINGS	1,402.5	336.6	42.4	1,041.4	1,042.0	2,083.4
LEGALIZED GAMBLING TAXES	0.0	0.0	1,347.2	11,944.0	16,944.0	28,888.0
CARE & HOSPITAL DEPT EARNINGS	136,508.2	3,787.5	4,345.1	4,606.0	4,882.0	9,488.0
DEPARTMENTAL EARNINGS	45,720.6	47,773.1	54,000.0	53,500.0	54,500.0	108,000.0
INVESTMENT INCOME	51,538.4	62,493.8	70,700.0	52,900.0	47,100.0	100,000.0
INCOME TAX RECIPROCITY	11,742.8	14,325.0	16,153.0	16,000.0	17,600.0	33,600.0
OTHER NON-DEDICATED REVENUE	39,603.1	40,667.5	53,782.2	48,500.0	49,500.0	98,000.0
ADMIN RENT RECEIPTS	7,325.1	8,193.0	8,328.1	9,262.2	9,859.2	19,121.4
DPW-FEDERAL REIMBURSEMENT	11,716.4	15,234.7	16,488.0	17,395.0	18,350.0	35,745.0
LOCAL PENSION RECEIPTS	25,906.0	NA	NA	NA	NA	NA
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TOTAL NON-DEDICATED REVENUE	4,544,393.5	5,048,649.6	5,265,104.7	5,473,925.4	5,823,341.3	11,297,266.7
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GENERAL FUND - FUND BALANCE ANALYSIS

(NOTE: WITH TAX/SCHOOL REFORMS)

	ACTUAL F.Y. 1983	ACTUAL F.Y. 1984	12-84 EST F.Y. 1985	GOVERNOR'S REC F.Y. 1986	GOVERNOR'S REC F.Y. 1987	BIENNIAL REC F.Y. 1986-87
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(T) REVENUE REFUNDS						
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REGULAR INCOME TAX REFUNDS	322,216.2	326,578.2	357,000.0	335,200.0	322,800.0	658,000.0
CORPORATE INCOME TAX REFUNDS	63,693.8	63,033.6	54,000.0	82,200.0	88,300.0	170,500.0
SALES TAX REFUNDS	18,631.0	6,951.5	12,527.3	16,301.3	18,198.8	34,500.1
OTHER REFUNDS	15,102.3	15,295.5	11,798.5	11,519.2	11,651.2	23,170.4
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TOTAL REVENUE REFUNDS	419,643.3	411,858.8	435,325.8	445,220.5	440,950.0	886,170.5
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(N) NEW LEGISLATION - REVENUES						
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PROPOSED TAX CUT	.	.	.	(347,800.0)	(256,600.0)	(604,400.0)
INDIVIDUAL INCOME	.	.	.	(1,250.0)	(1,250.0)	(2,500.0)
CORPORATE INCOME	.	.	.	(1,250.0)	(1,250.0)	(2,500.0)
ESTATE TAXES	.	.	.	0.0	(250.0)	(250.0)
DEPARTMENTAL EARNINGS	.	.	.	3,694.7	3,918.9	7,613.6
OTHER NON-DEDICATED	.	.	.	(13,403.3)	(13,955.7)	(27,359.0)
ADMIN RENT RECEIPTS	.	.	.	(9,262.2)	(9,859.2)	(19,121.4)
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TOTAL NEW LEGISLATION - REVENUES	0.0	0.0	0.0	(369,270.8)	(279,246.0)	(648,516.8)
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GENERAL FUND - FUND BALANCE ANALYSIS

(NOTE: WITH TAX/SCHOOL REFORMS)

	ACTUAL F.Y. 1983	ACTUAL F.Y. 1984	12-84 EST F.Y. 1985	GOVERNOR'S REC F.Y. 1986	GOVERNOR'S REC F.Y. 1987	BIENNIAL REC F.Y. 1986-87
(D) DEDICATED REVENUE						
STATE UNIVERSITY BOARD	41,405.1	52,329.7	58,063.8	54,642.5	56,813.9	111,456.4
STATE COMMUNITY COLLEGE SYS	24,081.2	29,064.8	29,645.8	31,703.2	31,617.9	63,321.1
EDUC VO-TECH BOARD	0.0	30.0	NA	NA	NA	NA
UNIVERSITY OF MINNESOTA	122,545.5	130,413.2	129,708.2	123,968.3	125,220.1	249,188.4
HUMAN SVCS-COUNTY REIMBURSEMNT	44,036.1	47,857.0	56,398.0	60,113.8	63,826.5	123,940.3
HUMAN SVCS-MA ACCT HOSP RCPTS	0.0	137,581.0	139,196.5	141,481.4	138,763.4	280,244.8
ALL OTHER	1,943.5	4,720.9	5,000.0	5,000.0	5,300.0	10,300.0
TOTAL DEDICATED REVENUE	234,011.4	401,996.6	418,012.3	416,909.2	421,541.8	838,451.0
(E) TRANSFERS FROM OTHER FUNDS						
LCMR FEDERAL REIMBURSEMENT	2,556.5	1,191.6	1,525.0	466.5	1,101.3	1,567.8
GAS TAX REIMBURSEMENT	877.2	1,057.7	1,072.6	461.0	0.0	461.0
OTHER SPECIAL REVENUE FUNDS	1,623.1	3,804.9	1,759.0	2,900.0	2,700.0	5,600.0
ALL OTHER TRANSFERS	926.5	96.5	300.0	150.0	150.0	300.0
REPAY OF REVOLVING FUND LOANS	1,973.9	1,947.3	1,450.0	1,500.0	1,500.0	3,000.0
HF1308 REDUCTIONS (TRANSFER IN)	20,093.3	0.0	0.0	0.0	0.0	0.0
W/D FM NE ECO. PRO. FUND	0.0	2,650.5	0.0	0.0	0.0	0.0
TOTAL TRANSFERS FM OTHER FUNDS	28,050.5	10,748.5	6,106.6	5,477.5	5,451.3	10,928.8
(F) NEW LEGISLATION - EXPENDITURES						
AGRIC. POLICY				9,300.0	0.0	9,300.0
TOTAL NEW LEGISLATION - EXPENDITURES	0.0	0.0	0.0	9,300.0	0.0	9,300.0

GENERAL FUND - FUND BALANCE ANALYSIS

(NOTE: WITH TAX/SCHOOL REFORMS)

	ACTUAL F.Y. 1983	ACTUAL F.Y. 1984	12-84 EST F.Y. 1985	GOVERNOR'S REC F.Y. 1986	GOVERNOR'S REC F.Y. 1987	BIENNIAL REC F.Y. 1986-87
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(G) EDUCATION AIDS						
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FOUNDATION/TRANSPORTATION AID	490,498.0	655,741.3	720,072.4	803,798.6	1,501,448.3	2,305,246.9
CAPITAL EXPEND./TEACHERS RETIREMENT	138,673.2	179,061.5	210,210.9	225,835.1	143,647.3	369,482.4
STAFF & PROGRAM DEVELOPMENT	0.0	255.4	285.0	2,434.2	11,482.0	13,916.2
INCR. STUDENT ACCESS TO PROGRAMS	0.0	0.0	1,060.2	1,530.9	1,517.1	3,048.0
DEV LEARNER OUTCOMES/TESTS/MODEL	0.0	1,026.2	3,453.5	4,000.0	4,000.0	8,000.0
MANAGEMENT ASSISTANCE	0.0	0.0	25.0	176.0	177.2	353.2
COMMUNITY & ADULT EDUCATION	3,774.9	5,170.0	4,430.6	3,815.3	4,243.0	8,058.3
SECONDARY VOC/HANDICAPPED	16,640.8	23,246.1	22,726.2	23,835.5	23,902.2	47,737.7
SPECIAL EDUCATION	78,109.1	122,827.1	128,670.5	139,944.5	151,798.5	291,743.0
EARLY CHILDHOOD/FAMILY EDUCATION	1,182.4	1,026.8	116.4	6,708.8	9,448.9	16,157.7
ARTS SCHOOL/EXTENSION/PLANNING	0.0	73.6	243.0	4,500.0	4,500.0	9,000.0
AMERICAN INDIAN LANGUAGE/CULTURE	537.2	691.3	703.0	805.2	788.6	1,593.8
PRE-SCHOOL HEALTH SCREENING	561.5	726.9	777.9	121.0	0.0	121.0
GIFTED/TALENTED	380.2	625.0	647.1	680.1	711.7	1,391.8
LIBRARIES	3,315.0	4,566.0	4,802.0	5,004.8	5,238.2	10,243.0
TRAFFIC/BUS SAFETY	0.0	0.0	5.0	0.0	0.0	0.0
MATH/SCIENCE	0.0	0.0	0.0	2,200.0	2,050.0	4,250.0
OTHER	16,829.8	23,051.2	26,309.2	37,479.9	40,370.3	77,850.2
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TOTAL EDUCATION AIDS	750,502.1	1,018,088.4	1,124,537.9	1,262,869.9	1,905,323.3	3,168,193.2
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(H) EDUCATION						
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EDUCATION, DEPARTMENT OF	19,952.9	21,857.9	23,059.8	24,185.2	17,769.0	41,954.2
HIGHER EDUC COORDINATING BD	39,674.2	59,562.4	61,038.0	62,511.8	76,397.7	138,909.5
STATE UNIVERSITY BOARD	95,020.4	101,199.4	110,923.5	117,973.0	122,750.4	240,723.4
COMMUNITY COLLEGES BOARD	43,862.0	48,652.7	57,085.4	62,365.2	62,624.8	124,990.0
UNIVERSITY OF MINNESOTA	259,229.1	293,112.7	304,101.3	355,190.3	370,522.5	725,712.8
MAYO MEDICAL SCHOOL	1,297.3	1,343.9	1,204.7	1,064.1	966.4	2,030.5
BD ON VO-TECH EDUCATION	102,101.1	112,512.0	113,402.4	149,004.7	133,821.1	282,825.8
ST THOMAS ENGINEERING	0.0	0.0	0.0	400.0	800.0	1,200.0
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TOTAL EDUCATION	561,137.0	638,241.0	670,815.1	772,694.3	785,651.9	1,558,346.2
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GENERAL FUND - FUND BALANCE ANALYSIS

(NOTE: WITH TAX/SCHOOL REFORMS)

	ACTUAL F.Y. 1983	ACTUAL F.Y. 1984	12-84 EST F.Y. 1985	GOVERNOR'S REC F.Y. 1986	GOVERNOR'S REC F.Y. 1987	BIENNIAL REC F.Y. 1986-87
(I) HEALTH, WELFARE, CORRECTIONS						
HUMAN SERVICES, DEPT OF	732,364.9	727,935.7	845,809.5	900,036.2	934,756.9	1,834,793.1
ECONOMIC SECURITY, DEPT OF	14,957.6	105,351.5	79,338.7	28,459.4	27,509.3	55,968.7
MN JOB SKILLS PARTNERSHIP BD	0.0	77.5	1,255.2	1,163.9	962.3	2,126.2
CORRECTIONS, DEPT OF	68,918.4	80,885.8	87,384.5	87,051.6	90,444.2	177,495.8
SENTENCING GUIDELINES COMSN	147.2	160.5	158.1	191.1	193.5	384.6
OMBUDSMAN FOR CORRECTIONS	250.6	267.3	299.7	319.1	306.5	625.6
HEALTH, DEPARTMENT OF	23,084.6	26,264.8	26,699.4	27,085.4	27,938.5	55,023.9
BOARD OF CHIROPRACTIC EXAMINER	65.9	87.6	94.8	74.8	75.9	150.7
BOARD OF DENTISTRY	240.1	264.2	280.2	234.1	238.2	472.3
BOARD OF MEDICAL EXAMINERS	372.4	438.5	454.2	401.3	407.7	809.0
BOARD OF NURSING	656.6	624.7	855.2	776.4	788.5	1,564.9
BOARD OF NURS HM EXAM ADMIN	97.8	103.8	117.9	113.8	115.6	229.4
BOARD OF OPTOMETRY	35.5	47.5	51.3	44.3	45.3	89.6
BOARD OF PHARMACY	301.5	334.9	356.3	350.2	354.2	704.4
BOARD OF PODIATRY EXAMINERS	3.7	5.2	6.0	5.8	6.0	11.8
BOARD OF PSYCHOLOGY	97.5	104.5	114.4	123.4	120.7	244.1
BOARD OF VETERINARY MEDICINE	53.9	59.7	72.4	68.6	70.3	138.9
CONTINGENT FOR STATE INSTIT	NA	NA	NA	NONE	NONE	NA
TOTAL HEALTH, WELFARE, CORRECTIONS	841,648.2	943,013.7	1,043,347.8	1,046,499.4	1,084,333.6	2,130,833.0

GENERAL FUND - FUND BALANCE ANALYSIS

(NOTE: WITH TAX/SCHOOL REFORMS)

	ACTUAL F.Y. 1983	ACTUAL F.Y. 1984	12-84 EST F.Y. 1985	GOVERNOR'S REC F.Y. 1986	GOVERNOR'S REC F.Y. 1987	BIENNIAL REC F.Y. 1986-87
(J) TRANSPORTATION/SEMI-STATE						
TRANSPORTATION, DEPT OF	20,070.5	24,526.9	23,757.6	10,402.9	10,118.8	20,521.7
PUBLIC SAFETY, DEPT OF	14,853.1	16,900.5	19,226.5	17,730.2	18,243.9	35,974.1
AGRICULTURE, DEPT OF	10,757.0	13,755.9	16,929.3	16,427.8	16,483.4	32,911.2
BOARD OF ANIMAL HEALTH	1,085.6	1,310.5	1,319.6	1,478.4	1,491.5	2,969.9
COMMERCE, DEPARTMENT OF	6,427.0	7,221.2	8,165.5	8,136.3	8,211.1	16,347.4
BOARD OF ABSTRACTORS	2.2	2.2	3.7	3.8	4.0	7.8
BOARD OF ACCOUNTANCY	174.7	222.7	232.4	250.9	249.7	500.6
BOARD OF ARCHITECTURAL/ENG	235.4	253.9	278.8	274.5	280.0	554.5
BOARD OF BARBERS EXAMINERS	93.2	98.2	116.0	119.3	120.6	239.9
BOARD OF BOXING	18.8	37.8	50.8	48.8	49.4	98.2
BOARD OF ELECTRICITY	604.6	670.7	740.9	742.6	750.8	1,493.4
BOARD OF PEACE OFFICER TRAINING	1,248.7	1,339.4	1,389.6	1,435.8	1,487.0	2,922.8
BOARD OF WATCHMAKERS EXAMINERS	5.6	0.0	NA	NA	NA	0.0
PUBLIC UTILITIES COMMISSION	1,188.9	1,120.4	1,329.0	1,359.7	1,374.2	2,733.9
PUBLIC SERVICE, DEPT OF	3,078.3	3,329.1	3,855.0	3,792.8	3,871.5	7,664.3
ETHICAL PRACTICES BOARD	157.6	182.2	193.1	198.7	200.4	399.1
MINNESOTA MUNICIPAL BOARD	162.7	186.3	216.2	214.6	217.0	431.6
MN/WISC BOUNDARY AREA COMMISSION	55.6	65.8	67.6	72.9	76.8	149.7
UNIFORM LAWS COMMISSION	10.7	12.3	15.6	10.7	13.6	24.3
MN RACING COMMISSION	NA	209.3	846.4	488.7	499.9	988.6
CHARITABLE GAMBLING CNTRL BD	NA	NA	556.0	594.1	604.7	1,198.8
VOYAGEURS NAT'L PARK ADV CM	54.3	71.6	74.4	71.9	74.4	146.3
HISTORICAL SOCIETY	6,529.7	7,595.2	7,876.9	9,179.0	9,284.9	18,463.9
ARTS BOARD	1,524.5	1,966.4	2,265.2	2,717.4	3,140.4	5,857.8
HUMANE SOCIETY	0.0	43.8	0.0	48.0	0.0	48.0
HORTICULTURAL SOCIETY	67.4	67.9	67.9	67.9	67.9	135.8
ACADEMY OF SCIENCE	17.5	20.4	20.5	20.5	20.6	41.1
SCIENCE MUSEUM OF MINNESOTA	225.0	273.4	290.5	416.5	438.8	855.3
DISABLED AMERICAN VETERANS	20.1	20.1	20.1	20.1	20.1	40.2
VETERANS OF FOREIGN WARS	25.0	25.0	30.0	30.0	30.0	60.0
TOTAL TRANSPORTATION/SEMI-STATE	68,693.7	81,529.1	89,935.1	76,354.8	77,425.4	153,780.2

GENERAL FUND - FUND BALANCE ANALYSIS

(NOTE: WITH TAX/SCHOOL REFORMS)

	ACTUAL F.Y. 1983	ACTUAL F.Y. 1984	12-84 EST F.Y. 1985	GOVERNOR'S REC F.Y. 1986	GOVERNOR'S REC F.Y. 1987	BIENNIAL REC F.Y. 1986-87
(K) STATE DEPARTMENTS						
LEGISLATURE	25,426.7	26,675.0	30,497.4	34,657.1	36,035.4	70,692.5
SUPREME COURT	4,959.4	4,970.0	5,389.3	6,103.4	6,250.2	12,353.6
COURT OF APPEALS	0.0	1,264.9	2,308.8	3,020.6	2,991.5	6,012.1
TRIAL COURTS	12,304.5	14,558.0	15,254.4	15,846.4	15,906.1	31,752.5
JUDICIAL STANDARDS, CMSN ON	141.1	201.1	147.9	180.0	183.0	363.0
BOARD OF PUBLIC DEFENSE	343.4	346.9	493.4	538.6	566.3	1,104.9
PUBLIC DEFENDER	885.5	1,076.4	1,053.6	1,285.7	1,297.5	2,583.2
CONTINGENT ACCOUNTS	TRANSFER	TRANSFER	4,594.0	2,000.0	2,000.0	4,000.0
GOVERNOR'S OFFICE	1,437.0	1,972.6	2,065.8	2,099.5	2,133.3	4,232.8
LT. GOVERNOR'S OFFICE	223.8	264.0	274.3	337.1	280.4	617.5
SECRETARY OF STATE	1,306.9	1,203.1	1,752.2	1,643.3	1,999.1	3,642.4
STATE AUDITOR	278.0	401.6	429.2	437.5	443.5	881.0
STATE TREASURER	581.4	664.5	661.8	711.7	698.5	1,410.2
ATTORNEY GENERAL	11,564.6	13,512.7	15,096.6	15,667.7	16,116.6	31,784.3
EXECUTIVE COUNCIL	0.0	0.0	150.0	0.0	0.0	0.0
INVESTMENT BOARD	1,203.3	1,308.0	1,642.6	1,491.2	1,507.9	2,999.1
ADMINISTRATIVE HEARINGS	1,285.1	1,647.9	1,715.7	0.0	0.0	0.0
ADMINISTRATION, DEPT OF	17,326.9	20,891.2	31,632.1	14,766.6	13,205.5	27,972.1
CAPITOL AREA ARCH & PLNG BD	80.5	94.6	99.5	125.1	126.7	251.8
FINANCE, DEPT OF	5,738.3	6,879.4	7,252.3	6,986.1	7,207.0	14,193.1
EMPLOYEE RELATIONS, DEPT OF	3,195.3	3,645.0	3,897.6	4,287.9	4,346.0	8,633.9
REVENUE, DEPT OF	31,097.7	34,849.5	36,881.3	38,353.6	39,324.8	77,678.4
TAX COURT OF APPEALS	289.7	340.0	358.0	405.6	387.8	793.4
NATURAL RESOURCES, DEPT OF	42,319.5	46,386.0	53,105.1	50,311.2	49,423.9	99,735.1
ZOOLOGICAL GARDEN	5,306.5	5,957.1	6,147.0	4,847.3	5,083.4	9,930.7
WATER RESOURCES BOARD	91.4	109.1	123.5	149.8	150.2	300.0
POLLUTION CONTROL AGENCY	5,809.4	6,546.1	7,798.6	7,623.7	7,832.5	15,456.2
WASTE MANAGEMENT BOARD	1,055.9	1,350.5	2,659.2	2,410.5	2,371.5	4,782.0
ENERGY & ECONOMIC DEVELOPMENT	5,329.8	10,660.3	30,626.4	34,063.7	34,165.5	68,229.2
STATE PLANNING AGENCY	3,846.1	4,360.3	6,043.5	5,149.1	5,270.6	10,419.7
NATURAL RESOURCES ACCEL (LCMR)	9,317.6	8,591.1	9,151.9	9,957.6	9,833.3	19,790.9
LABOR AND INDUSTRY, DEPT OF	5,553.3	7,390.4	9,179.9	10,666.9	10,896.7	21,563.6
W.C. COURT OF APPEALS	357.7	415.3	449.8	0.0	0.0	0.0
MEDIATION SERVICES	979.8	1,144.6	1,162.4	1,267.6	1,229.6	2,497.2
WORLD TRADE CENTER BOARD	NA	NA	583.8	735.7	885.9	1,621.6
PUBLIC EMPLOYEE RELATIONS BOARD	44.9	52.9	55.2	0.0	0.0	0.0
MILITARY AFFAIRS, DEPT OF	4,386.4	5,149.0	5,129.3	5,848.2	5,926.3	11,774.5
VETERAN AFFAIRS, DEPT OF	9,642.7	10,809.0	12,344.2	12,825.0	12,757.3	25,582.3
INDIAN AFFAIRS	188.7	244.0	294.8	258.7	260.6	519.3
COUNCIL ON BLACK MINNESOTANS	93.2	117.6	117.4	119.2	119.9	239.1
COUNCIL FOR THE HANDICAPPED	298.6	342.0	368.5	378.2	382.3	760.5
HUMAN RIGHTS, DEPT OF	1,182.7	1,431.6	2,211.2	2,379.8	2,325.8	4,705.6
COUNCIL FOR SPANISH SPKG PEOPLE	95.2	108.2	116.5	117.8	118.4	236.2
FINANCE NON-OPERATING	111.8	1,666.7	4,114.2	2,500.0	0.0	2,500.0
TORT CLAIMS	75.7	307.5	592.5	443.2	438.3	881.5
SALARY SUPPL W/O HIGHER EDUC	inc	inc	inc	21,264.0	45,547.0	66,811.0
TOTAL STATE DEPARTMENTS	215,756.0	249,905.7	316,022.7	324,261.9	348,026.1	672,288.0

GENERAL FUND - FUND BALANCE ANALYSIS

(NOTE: WITH TAX/SCHOOL REFORMS)

	ACTUAL F.Y. 1983	ACTUAL F.Y. 1984	12-84 EST F.Y. 1985	GOVERNOR'S REC F.Y. 1986	GOVERNOR'S REC F.Y. 1987	BIENNIAL REC F.Y. 1986-87
(M) UNALLOTTED/BALANCE FWD						672,288.0
EXPENDITURES UNDER CLOSING	(1,908.7)	1,943.3	3,349.6	0.0	0.0	0.0
TOTAL UNALLOTTED/BALANCE FWD	(1,908.7)	1,943.3	3,349.6	0.0	0.0	0.0
(D) DEFICIENCIES						
SCHOOL AIDS	0.0	0.0	16,736.8	0.0	0.0	0.0
TOTAL DEFICIENCIES	0.0	0.0	16,736.8	0.0	0.0	0.0
(P) AIDS & CREDITS						
PROPERTY TAX REFUND	39,785.4	29,328.0	52,400.0	47,700.0	36,800.0	84,500.0
RENTERS CREDIT	2,887.0	100,051.3	74,272.8	80,500.0	75,000.0	155,500.0
SENIOR CITIZENS AND DISABLED CREDIT	3,958.0	56,800.0	60,980.6	57,200.0	55,400.0	112,600.0
AGRICULTURAL CREDIT	63,654.2	95,581.2	96,397.1	105,294.8	16,125.0	121,419.8
AID TO LOCAL GOVERNMENT	235,076.9	270,394.4	273,764.1	288,701.8	300,660.0	589,361.8
ATTACHED MACHINERY AID	10,229.5	11,161.7	4,137.7	3,215.9	3,215.9	6,431.8
HOMESTEAD CREDIT	351,492.9	507,723.6	508,250.6	528,421.4	36,618.5	565,039.9
SUPPL HMSTD PROP TAX RELIEF	1,071.1	1,074.4	1,162.9	876.1	561.1	1,437.2
AID TO POLICE AND FIRE	22,569.3	22,725.7	23,583.2	25,669.0	27,539.0	53,208.0
REDUCED ASSESSMENT CREDIT-II-3CC	10,500.1	14,464.6	869.6	0.0	0.0	0.0
WETLANDS CREDIT & REIMBURSEMENT	3,160.0	3,782.4	714.0	1,702.4	135.0	1,837.4
NATIVE PRAIRIE CREDIT & REIMB	84.6	132.6	147.5	149.4	12.6	162.0
PAYMENT IN LIEU OF TAXES-DNR	4,260.2	4,284.5	4,278.7	4,536.5	4,785.9	9,322.4
DISASTER CREDIT	0.0	0.0	54.6	143.5	150.0	293.5
AGRICULTURAL PRESERVATION CREDIT	0.0	115.1	325.0	340.1	340.0	680.1
CH 502 SDO LINE LITIGATION (REIMB)	0.0	0.0	9,000.0	NA	NA	0.0
ENTERPRISE ZONE CREDIT	0.0	0.0	618.6	981.8	1,189.5	2,171.3
RTB LEVY REDUCTION	0.0	0.0	0.0	0.0	2,500.0	2,500.0
TOTAL AIDS AND CREDITS	748,729.2	1,117,619.5	1,110,957.0	1,145,432.7	561,032.5	1,706,465.2

GENERAL FUND - FUND BALANCE ANALYSIS

(NOTE: WITH TAX/SCHOOL REFORMS)

	ACTUAL F.Y. 1983	ACTUAL F.Y. 1984	12-84 EST F.Y. 1985	GOVERNOR'S REC F.Y. 1986	GOVERNOR'S REC F.Y. 1987	BIENNIAL REC F.Y. 1986-87
(Q) OTHER OPEN & STANDING						
SHORT TERM BORROWING COSTS	83,907.3	25,843.4	2,614.0	0.0	0.0	0.0
LEECH LAKE WHITE EARTH	497.6	434.9	481.3	501.3	522.5	1,023.8
R. WEBER COMPENSATION	1.2	1.2	1.2	1.2	1.2	2.4
STATEMENT RECOMPUTING-COUNTIES	0.0	0.0	100.0	0.0	0.0	0.0
DEPT OF REVENUE	134.5	207.0	632.0	545.0	560.0	1,105.0
TOTAL OTHER OPEN AND STANDING	84,540.6	26,486.5	3,828.5	1,047.5	1,083.7	2,131.2
(R) RETIREMENTS						
LEGISLATORS RETIREMENT	1,099.3	700.6	1,827.2	1,970.0	2,168.0	4,138.0
JUDGES RETIREMENT	2,365.1	1,842.5	2,174.5	2,224.0	2,405.0	4,629.0
CONSTITUTIONAL OFFICERS RETIREMENT	134.8	96.6	105.8	116.0	128.0	244.0
MSRS SUPPLEMENTAL BENEFITS	48.2	TRANSFER	TRANSFER	38.0	38.0	76.0
MPLS PENSION REIMBURSEMENT	5,214.7	6,606.6	7,145.8	7,076.0	7,076.0	14,152.0
LOCAL POLICE/FIRE AMORTIZATION	6,537.0	6,537.0	7,537.0	7,537.0	7,537.0	15,074.0
CH 246 POST RETIRE ADJUSTMENT	5,800.3	308.7	323.0	5,500.0	5,500.0	11,000.0
TOTAL RETIREMENTS	21,199.4	16,092.0	19,113.3	24,461.0	24,852.0	49,313.0
(S) MINING APPT - DIRECT PAY						
PROPERTY TAX RELIEF	17,699.9	18,922.6	10,200.0	2,508.1	0.0	2,508.1
MUNICIPAL AID FUND	6,701.7	6,701.7	5,793.9	0.0	0.0	0.0
COUNTY ROADS AND BRIDGES	3,028.1	3,043.1	2,658.0	0.0	0.0	0.0
SCHOOL DISTRICTS	19,303.2	19,975.5	17,844.8	0.0	0.0	0.0
CITY AND TOWNS	1,361.7	1,362.1	1,179.2	0.0	0.0	0.0
COUNTY	11,756.2	11,814.4	10,318.7	0.0	0.0	0.0
RAILROAD (1977 BASE)	3,160.9	3,160.9	3,160.9	0.0	0.0	0.0
IRON RANGE MUNIC AND SCH ASSN	109.0	109.0	94.0	0.0	0.0	0.0
TOTAL MINING APPT.-DIRECT PAY.	63,120.7	65,089.3	51,249.5	2,508.1	0.0	2,508.1

GENERAL FUND - FUND BALANCE ANALYSIS

(NOTE: WITH TAX/SCHOOL REFORMS)

	ACTUAL F.Y. 1983	ACTUAL F.Y. 1984	12-84 EST F.Y. 1985	GOVERNOR'S REC F.Y. 1986	GOVERNOR'S REC F.Y. 1987	BIENNIAL REC F.Y. 1986-87
(U) DEDICATED REVENUE EXPENDITURES						
STATE UNIVERSITY BOARD	38,972.5	52,329.7	58,063.8	54,642.5	56,813.9	111,456.4
STATE COMMUNITY COLLEGE SYSTEM	23,042.1	29,064.8	29,645.8	31,703.2	31,617.9	63,321.1
EDUC VO-TECH BOARD	0.0	30.0	NA	NA	NA	0.0
UNIVERSITY OF MINNESOTA	122,545.5	130,413.2	129,708.2	123,968.3	125,220.1	249,188.4
HUMAN SVCS-COUNTY REIMBURSEMENT	44,036.1	47,857.0	56,398.0	60,113.8	63,826.5	123,940.3
HUMAN SVCS-MA ACCT HOSP RECEIPTS	0.0	137,581.0	139,196.5	141,481.4	138,763.4	280,244.8
ALL OTHER	1,943.5	4,598.8	5,000.0	5,000.0	5,300.0	10,300.0
TOTAL DEDICATED REVENUE EXPENDITURES	230,539.7	401,874.5	418,012.3	416,909.2	421,541.8	838,451.0
(V) CANCELLATION ADJUSTMENTS						
CANCELLATION ESTIMATES	NA	NA	(20,000.0)	(15,000.0)	(25,000.0)	(40,000.0)
TOTAL CANCELLATION ESTIMATES	0.0	0.0	(20,000.0)	(15,000.0)	(25,000.0)	(40,000.0)
(X) TRANSFERS TO OTHER FUNDS						
DEBT SERVICE	114,829.7	104,716.7	143,983.2	139,783.0	153,101.9	292,884.9
CAMPAIGN FINANCING (OPEN)	1,491.1	0.0	1,688.7	0.0	1,790.0	1,790.0
NON-GAME WILDLIFE FUND	603.5	635.2	650.0	700.0	700.0	1,400.0
TACONITE ENV PROTECTION FUND	12,605.3	6,029.8	8,531.0	0.0	0.0	0.0
IRRRB REGULAR	2,150.7	2,161.8	1,935.8	0.0	0.0	0.0
IRRRB - OCCUPATIONAL TAX 1977 BASE	1,252.5	1,252.5	1,252.5	0.0	0.0	0.0
N.E. MN ECON PROTECTION FUND	3,202.9	574.1	1,732.6	0.0	0.0	0.0
REGION 3 - FROM OCCUPATION TAX	386.2	335.0	339.4	349.7	350.5	700.2
TRUNK HIGHWAY FUND-MNDOT	1,115.1	0.0	0.0	0.0	0.0	0.0
TRUNK HIGHWAY-PUBLIC SAFETY	269.8	384.6	388.2	476.1	480.0	956.1
LOANS TO REVOLVING FUND	1,841.5	1,652.3	2,499.0	500.0	500.0	1,000.0
CH 654 MOTOR VEH EX TRANSFER	0.0	0.0	51,376.1	53,302.5	57,602.8	110,905.3
CH 597 R&B GENERAL FUND PROJECT	0.0	24,437.3	0.0	6,000.0	6,000.0	12,000.0
HOUSING FINANCE	0.0	23,450.0	2,750.0	14,410.3	14,380.6	28,790.9
WORKERS COMPENSATION REGULATION & E	2,978.7	0.0	0.0	0.0	0.0	0.0
ALL OTHER TRANSFERS	987.0	36,882.4	4,998.5	2,663.0	89.0	2,752.0
TOTAL TRANSFERS TO OTHER FUNDS	143,714.0	202,511.7	222,125.0	218,184.6	234,994.8	453,179.4

GENERAL FUND - FUND BALANCE ANALYSIS

(NOTE: WITH TAX/SCHOOL REFORMS)

	ACTUAL F.Y. 1983	ACTUAL F.Y. 1984	12-84 EST F.Y. 1985	GOVERNOR'S REC F.Y. 1986	GOVERNOR'S REC F.Y. 1987	BIENNIAL REC F.Y. 1986-87
(Y) RESERVE/APPROP CARRIED FORWARD						
APPROPRIATED RESERVE	0.0	250,000.0	375,000.0	500,000.0	500,000.0	500,000.0
CH 463 SCHOOL RESERVE ACCOUNT	0.0	0.0	50,000.0	0.0	0.0	0.0
BALANCE FORWARD OUT	8,407.3	118,180.1	0.0	NA	NA	0.0
MINING BALANCE FORWARD OUT	10,390.8	4,136.2	2,508.1	(0.0)	(0.0)	(0.0)
PENSION FUND REIMB-BALANCE FORWARD	7,160.0	NA	NA	NA	NA	0.0
TOTAL RESERVE/APPROP CARRIED FORWARD	25,958.1	372,316.3	427,508.1	500,000.0	500,000.0	500,000.0