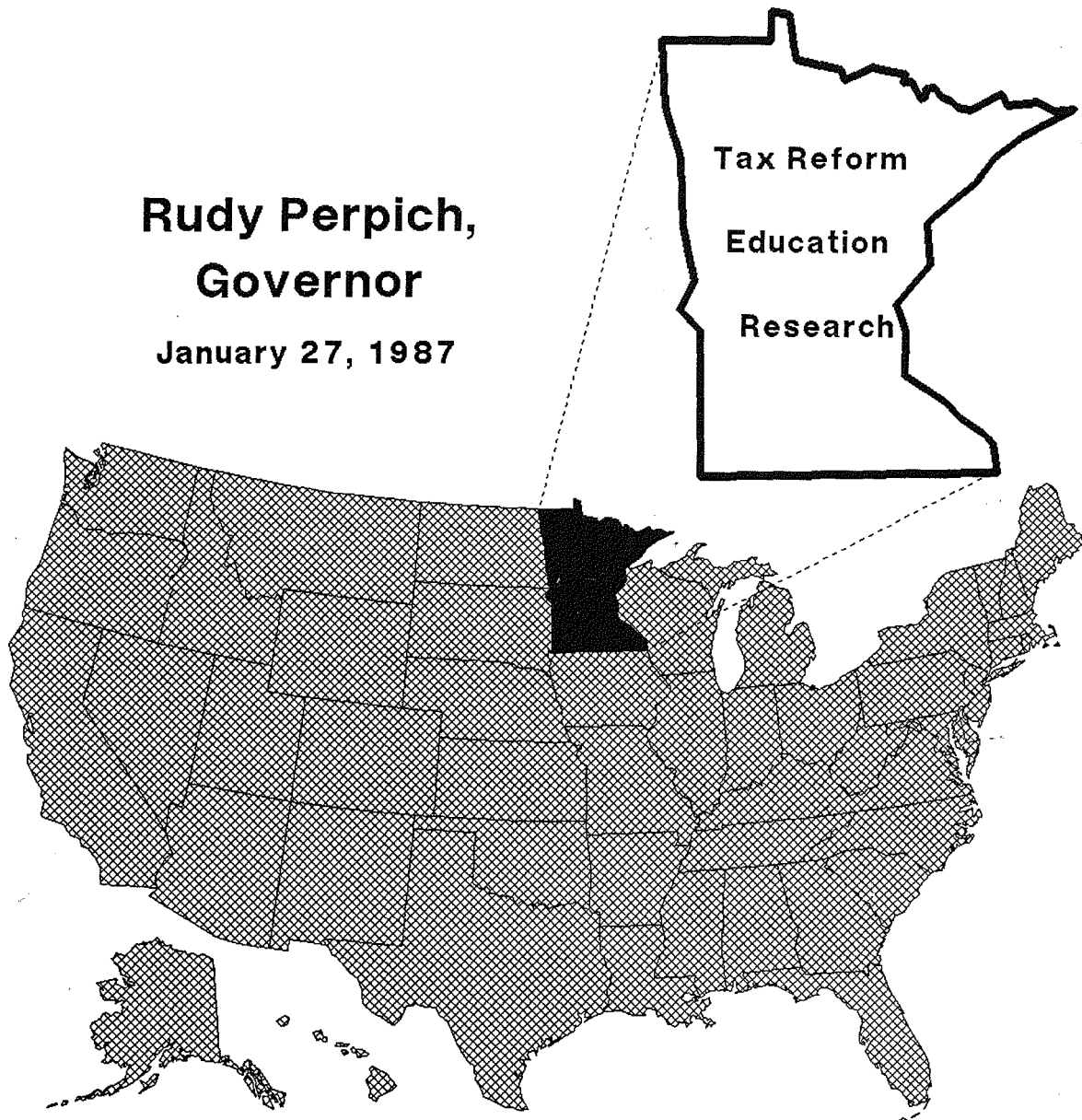


# FOCUSING ON THE FUTURE

**Rudy Perpich,  
Governor**

**January 27, 1987**



## STATE OF MINNESOTA

### Proposed 1987-89 Budget

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STATE OF MINNESOTA  
DEPARTMENT OF FINANCE  
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SAINT PAUL, MINNESOTA 55155

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January 27, 1987

To the Citizens of Minnesota:

This booklet provides an overview of Governor Perpich's proposed state budget for the 1987-89 biennium.

Work on this budget began more than nine months ago. The recommendations which have been developed address issues that are important to the people of Minnesota. They will determine the services we will receive, the taxes we will pay and the direction for future state policies.

This booklet is intended to help the reader better understand Minnesota's budget by:

- Outlining the goals and objectives the Governor would like to achieve in the next two years.
- Highlighting the budget proposals responding to those goals and objectives.
- Describing directions and strategies shaping the budget decisions.

I hope this booklet expands comprehension of state government and the course the Governor envisions for the future.

Sincerely,

*Jay Kiedrowski*  
Jay Kiedrowski  
Commissioner

BUDGET MESSAGE

GOVERNOR RUDY PERPICH

JANUARY 27, 1987

TO MEMBERS OF THE 1987 MINNESOTA LEGISLATURE:

I am presenting to the Legislature today a two-year budget that is prudent, balanced and geared to moving Minnesota forward into the 21st Century.

Linked to this budget is the most ambitious effort of any state to bring further reform to a tax system that is very complicated, full of loopholes and built on tax rates that are too high.

Since the early days of 1983, we have turned the corner from crisis to confidence. We have restored stability to state government. We have regained pride in our state. And we have renewed a feeling of confidence in our future.

Now, in 1987, our challenge is to put a focus on our efforts -- a sharp focus on what the state can and should do, on what local governments can and should do, and on what families can and should do.

This budget and tax package is a focused, long-term investment in what is necessary to provide jobs for Minnesotans, and to maintain our pride in this state as an innovative leader.

Passage of the federal tax reform act has provided a window of opportunity that we must not close. There is momentum for tax reform, and we must not lose it.

We have developed what I firmly believe is the most fair and thoughtful approach to tax reform in the nation.

This budget and tax package benefits people, not special interests.

Without a doubt, special interests will line up to oppose our efforts. In fact, these special interests already are lining up to oppose change of any kind. I urge all Minnesotans, and especially all members of the Legislature, to listen to our proposals in detail and seize an opportunity that may not occur soon again.

In my view, we have more than four million "special" interests in Minnesota. It is they who should be heard, and it is clear they want a fair tax system and a tight, effective budget.

We have held the line on spending.

This budget holds average spending increases to less than 4% a year for the next biennium. This is the smallest percentage increase in state spending

in 22 years. It reduces agency requests by over \$850 million. And, it lowers the ratio of state spending to personal income in Minnesota to levels of the 1960s.

Like any family, we must spend wisely for necessities, but we also must invest in the future. And like a prudent family, we must have a budget reserve, or "rainy day fund."

This budget does all of those things.

The General Fund Budget which I recommend totals \$11.2 billion for F.Y. 1988-89.

Budget decisions were not easy. In no case was a governmental activity allowed to survive simply because it exists now. All state operations were increased only \$13 million or less than 1% for the biennium, which is less than the expected inflation for the period.

As usual, the bulk of this budget, nearly 85%, is money raised by the state but spent by local governments.

We will ask local governments to join state government in a system that is more accountable, more future-oriented, more decentralized in decision-making and more innovative in the delivery of services to citizens.

Our budget priorities are those I outlined in my State of the State Address: A tax system that is competitive, honest, simple and fair; an education system that is committed to excellence, and a climate of research that will yield the products, ideas and jobs of tomorrow.

Out of every new dollar in this budget, approximately 71 cents goes for education increases in the next two years.

We are proposing to invest an additional \$570 million in education from early childhood through post-secondary. This is an investment in our children and in our future.

We have provided more funds for education, but we also will demand excellence. We have also provided a strong safety net for those in need of basic sustenance, but we will emphasize training and movement into the job market. And, we have provided a comprehensive blueprint for tax reform, but we are ready to work with the Legislature to fine tune it.

It is a budget that is balanced with fairness and prudence.

It is a tax plan that is built on fairness and simplicity.

We have a magnificent opportunity to enact education reform that prepares our young people for work, welfare reform that encourages work, and tax reform that rewards work.

I will work unceasingly in the next five months to make certain that this opportunity is not lost.

## TAX REFORM AND REVENUES

When I took office four years ago, Minnesotans paid more income taxes than citizens of almost every other state.

In response, we took dramatic action, including a 25% cut in our income taxes, the largest cut of any state in the nation.

But more must be done. We should seize the opportunity of federal tax reform and initiate a major overhaul of our entire system.

Last year I asked the Revenue Department to develop a tax system that has six principal characteristics: it must, above all, be fair; it should also be competitive, simple, stable, accountable and enforceable.

In preparing its proposal, the department began with the work of our 1984 Tax Study Commission. It also considered the advice of several hundred Minnesotans who took the time to share their ideas.

Our tax plan, the most sweeping reform in the history of the state, is the most comprehensive of any state in the nation this year.

First, we fully conform with the new federal law on income, deductions and exemptions. This means 125,000 Minnesota families with low incomes no longer have any state tax liability.

Our tax forms will be greatly simplified as well. Our short form will be five lines long, and our long form will be a true one-page form. Better yet, more than 1.3 million Minnesotans -- two thirds of all taxpayers -- will now be able to use the short form.

Every dollar gained from our income tax plan must be returned to Minnesota income taxpayers. When I took office in 1983, our top rate on the income tax was 17.6%. Under our new plan, we have reduced that top rate by more than one-half to 8%. Like the federal government, we will have one other rate, 6%, for lower incomes.

Three out of every four taxpayers will have a reduction in Minnesota income taxes or no change. And, the vast majority of our taxpayers will have a reduction in their combined federal and Minnesota income taxes.

This same philosophy of lower rates applies to our corporate tax. Until now, we have had the highest corporate tax rate in the nation at 12%. This high rate is especially burdensome for smaller businesses that do most or all of their business in Minnesota.

Our tax plan increases simplicity by conforming to the federal tax law changes for businesses. In addition, we address fairness and stability through a minimum tax by ensuring that more businesses pay their fair share. These changes and others permit us to reduce the top corporate tax rate by more than one-fourth, to 8.9%, while increasing the corporate tax share of total revenues to more traditional levels.

Our tax plan envisions reform of the sales tax as well. We propose creating a more "level playing field" and promoting productivity by removing institutional exemptions and certain other unfair tax exemptions.

I am especially enthusiastic about our plan for property taxes and local government aids. We greatly simplify our system, which is now the most complicated in the nation. We reduce the number of property classes from 68 to 5. We remove many inequities in our classification system. We provide local governments with more control over property tax relief dollars, and we target relief to those areas needing the most help.

A key element of our program is to increase the share of state funding for schools. Educating our young people is a responsibility given to the state by our Constitution.

To meet this mandate, I propose that the state assume an additional \$1 billion in early childhood to secondary education costs, which are now paid for by property taxes. This will reduce local education levies by nearly 34 mills statewide, while increasing the state share of elementary and secondary education to 82%. It will permit local governments to assume responsibility for property tax increases and for purely local services, including the taxes necessary to finance these services.

Property taxes for farm homesteads, apartments, and business properties should drop under our plan, while some other classes will see very modest increases.

Funding for the school property tax takeover comes from the elimination of the homestead, agriculture and other property tax credits, along with the elimination of local government aid. We also phase out completely the renter's credit and better target the homeowners' circuit breaker.

Overall, our tax program has several themes: rate reduction, base broadening, simplification and removing special benefits for privileged groups. We reward those who work. More people will pay their fair share and all of us will pay at lower rates. No longer will Minnesota rank in the top 10 for any of our major tax categories.

A final issue on taxes is compliance. Once again, we are asking the Legislature to grant us statutory changes and additional resources to help insure that taxes are collected from all taxpayers.

More detail on our Minnesota Tax Reform Plan is provided in a separate report being transmitted to you today. Our tax reform package increases our revenues \$630 million. Of the total, \$250 million are temporary increases for the Budget Reserve. Once the Reserve reaches its appropriate level, income tax rates should be further reduced.

#### EDUCATION

Education is vitally important for Minnesota because it is the wellspring of future economic growth. To the extent that we invest in education and channel that investment well, we are providing the best opportunity for our citizens to learn and succeed throughout their lives. We are preparing them for the work of the future.

This budget includes a \$570 million or 14% increase for education at all levels. If the property tax reform is also considered, nearly 65% of the total state budget will now be for education.

### Pre-School to Secondary

The 1987-89 Pre-School to Secondary Education Aids Budget continues the major themes of my 1985 ACCESS TO EXCELLENCE program and moves us forward to becoming the Brainpower State.

In June, 1985 I formed the Governor's Discussion Group on Education which brought together individuals and organizations involved with public education policy. My charge to them was to develop a visionary plan for the future of Minnesota's elementary and secondary education system. They met that challenge by submitting a unanimously endorsed plan, which constitutes the foundation of my education aids budget.

To quote the Discussion Group, "We believe that voluntary action by individuals and organizations, in a framework of incentives and opportunities, will bring about the changes we need, rather than relying on extensive mandates." Research continues to show that sound decisions are made when the people most affected by the decisions have an opportunity to participate in making the decisions. I believe that excellence is achieved by giving administrators, teachers, school boards, and families opportunities -- opportunities to use their creativity.

First, there are enhanced, state-level professional development programs in this budget. These programs will provide teachers and principals with additional opportunities for acquiring new classroom skills and leadership training and will foster creativity by our school staffs. In addition, the budget provides \$10 million for comprehensive local professional development programs, including extended teacher contracts.

Emphasis on accountability for student outcomes continues to be a major policy recommendation. New funding for the continued development of state learner expectations and student assessment instruments, including a comprehensive sampling program to determine statewide student achievement, is a critical part of the budget.

Expanded funding is also available for continued integration of curriculum and technology. Nearly \$3 million in state funds and over \$10 million in local capital expenditure funds will continue to move our schools toward the technological needs of the 21st Century.

The state board and local school boards need to develop comprehensive policies regarding students who are or may become at risk for learning. My budget recommends a unified approach to helping these students. All learners in our state need access to quality educational programs which meet their needs.

Adequate, equitable and stable funding is also needed to improve education. This budget includes increases of 5% per student to \$3,741 total revenue for 1988 and a base of 3% to \$3,865 total revenue for 1989. Im-



proved equalization is recommended for the foundation program, the transportation program, capital expenditures and referendum revenues.

The final element of my education program is to provide expanded opportunities for students. Pilot programs will be proposed for all-day kindergarten and for K-3 class size reduction. School districts and individual school sites will be allowed to choose new options to address the needs of their students. Funding for the School for the Arts and Resource Center will provide options for talented students statewide. Finally, in accord with the visionary plan of the Discussion Group, we will test a voluntary K-12 choice option.

### Higher Education

For Minnesota to be a Brainpower State in the year 2000, 50% of the workforce in Minnesota should have an education 2 years beyond high school and 35% should have completed at least 4 years of college. Accomplishing these goals will require clear missions for each of our higher education systems, an emphasis on the quality of the education provided in the systems, and additional resources for the systems.

This budget restores the 1987 budget reductions for 1988-89 for the higher education systems, continues funding on the basis of students enrolled with 2.5% upward adjustments annually, and increases funding for repair and replacement of buildings.

For the University of Minnesota, this budget funds progress toward making it a world-class university, one of the top five in the nation. It supports additional funding for President Keller's "Commitment to Focus" plan, while requiring undergraduate enrollment to drop according to the plan. Total funding for the University of Minnesota is up 18%.

For the State University System (SUS), whose role is to be the major provider of undergraduate education, new dollars have been provided to develop the Winona campus' engineering program and to foster applied research. Total funding for the SUS is increased 11%.

Our AVTIs will play an increasingly important role in creating a better future for the working poor, for victims of major economic declines, and for many Minnesotans who seek training and retraining to provide for their families in the years to come. AVTI funding is increased 12%.

The Community Colleges should be attractive to Minnesotans of all ages, backgrounds, and economic status for life-long learning and as a bridge to 4 year institutions. Enrollment in the Community Colleges is up, which is indicative of their attractiveness. Their funding is increased 14%.

Private colleges also play an important role in higher education in the state. The cap on financial aids for private colleges has been increased to provide better choices for prospective students.

A key new emphasis for higher education in this budget is the assessment of quality. Nationwide questions continue to be raised about the quality of the educational product. Are Minnesota post-secondary students learning

enough? How do we compare to other states? What is the quality of our faculty and their research?

Minnesota higher education systems should take the lead in demonstrating to the public the quality of their institutions. I urge the Legislature to require plans for assessing quality to be submitted by next fall, and that information be presented by the fall of 1988 demonstrating the high quality of our institutions.

The final component of my higher education program is student financial aids. While we were unable to increase the total funding, we have redesigned the way we deliver financial aids so that actual living expenses are more accurately reflected (particularly for child care costs), increases in aids are provided for tuition increases, work study opportunities are more than doubled and, to hold down state costs, a student's work/loan share is increased.

#### RESEARCH: THE CORNERSTONE OF OUR ECONOMIC DEVELOPMENT STRATEGY

Four years ago, Minnesota faced an economic nightmare. Unemployment was at 10.4%, which translated into 218,800 people out of work. Our job, four years ago, was to develop an economic development strategy with the sole objective of creating jobs, putting Minnesotans back to work.

Today, over 200,000 Minnesotans are back to work. Our unemployment rate is less than 6% and more Minnesotans are working than ever before.

But, we cannot rest until each and every citizen has adequate skills and the opportunity to find work. Job creation must still remain the primary objective of our economic development strategy, but the strategy should be reassessed.

Competition in the national and international marketplace is increasing at an ever-quickenning pace. It is critical that all of Minnesota be competitive. Research and development leading to new job creation offers the best hope for areas of our state which have been devastated by the changing economies of a nation and world.

The centerpiece of our research and development enterprise will be the Greater Minnesota Corporation, a public-private organization that will spearhead the long-term economic recovery of rural Minnesota. The Greater Minnesota Corporation, with start-up funding of \$5 million, will support applied research and product development in our post-secondary schools. Our colleges, universities and AVTIs are the laboratories which will generate new businesses and new techniques for farming, mining and manufacturing outstate.

The Corporation will also provide seed capital funds through local communities for new business start-ups which result from research initiatives. The emphasis will be on locating these new businesses in rural areas.

Our tax plan also lowers relative property tax burdens for farmsteads and small business in greater Minnesota. This should help to strengthen our rural areas.

The Department of Economic Development will focus on trade, community development, tourism, and the promotion and marketing of Minnesota. We have consolidated the Minnesota Trade Office within this department, and we are continuing our community development grants program.

Minnesota has much to offer, but we must do a better job of getting our message out. We increase funding \$2 million for tourism, an industry which has proven to be highly successful in diversifying the economy of rural Minnesota. This budget also contains a \$1.5 million increase in marketing and promotion funds for economic development.

It is necessary to assess Minnesota's current economic development programs to ensure that the state is prepared for tomorrow's challenges. I have asked the Department of Economic Development to prepare an evaluation of the Minnesota Energy and Economic Development Authority (MEEDA), which I will present to the 1988 Legislature, along with any recommended changes in the program. Other states are beginning similar assessments of their strategies, and it is incumbent upon Minnesota to stay abreast of new programs and developments. No new funding is recommended for MEEDA at this time.

#### OTHER BUDGET PRIORITIES

##### Financial Stability

Economic growth in Minnesota can be enhanced by a state government that is managed on a sound, fiscal basis. Since 1982, state government has compiled an impressive record of financial stability and improvement:

- Short-term borrowing that reached a peak of \$850 million in 1982 has been eliminated.
- The state's credit rating has been upgraded to a "AA+."
- The use of a Budget Reserve has been widely accepted.
- Shifts, accounting tricks and revenue accelerations have been avoided; and
- The state became only the fifth in the nation to receive the prestigious "Certificate of Excellence for Financial Reporting" and has attained an unqualified audit opinion.

These accomplishments occurred despite the slowing of the national economy which reduced our state revenue collections.

Minnesotans deserve a fiscally sound government, and this budget provides it.

The revenue forecast for this budget was developed in November with strong words of caution: "No forecast spanning 32 months will be accurate." Historically, Minnesota's biennial forecasts have been in error from a negative \$1.5 billion to a positive \$670 million, or, on average, \$900 million (9%). The November forecast is at least as uncertain as past forecasts because of the federal tax changes which are proving difficult to estimate.

Forecast variances must be accepted as a fact of Minnesota life. Our challenge is to manage the budget in spite of the variances. I am recommending that a Budget Reserve of \$550 million be established over the next 4 years. At least \$250 million should be provided for in the upcoming biennium, and most of any surplus that may accrue should be dedicated to the Budget Reserve. Projections included with our budget show that our recommended revenues and expenditures will remain balanced through the 1990-91 biennium while the Budget Reserve builds to \$550 million.

But even a Budget Reserve of \$550 million may not be adequate to manage all of the risk of the future. I want to work with the Legislature this session to authorize additional means to manage risk -- possibly enhanced unallotments, annual consideration of parts of the budget, minimal inflation adjustments and automatic tax changes.

This budget does not require short-term borrowing because of carefully planned cash flows. No shifts or other gimmicks were used to balance the budget. This should secure our credit rating and position us for a further upgrading.

#### Welfare Reform Through Training and Child Care

Minnesotans want to work. They want to provide a better life for themselves and their families. Recent Minnesota experience shows that almost half of those who are forced onto AFDC get off within one year, and nearly 60% are able to get off within two years. For them, AFDC is working exactly as intended -- as a temporary program to help families through severe difficulties. Yet, for many others, whether on AFDC or not, economic forces outside their control keep them from reaching their potential. We must provide assistance to human service recipients, dislocated workers, farmers, teen parents, and other Minnesotans to enable them to find jobs.

One of the critical needs in helping people in the transition from welfare to working is adequate education and training. Preparing people for work is the key to real welfare reform. We propose to do this, not by the scatter gun approach used in some states, but in a carefully targeted plan. While other states have chosen programs which guarantee "success" and run up seemingly good numbers by helping the easiest to employ, Minnesota's targeted plan will be aimed at the minority who have a difficult time finding employment and who are using a disproportionate amount of the welfare dollars. This proposal focuses on long-term recipients and those who are likely to be long-term recipients. National studies indicate that this is the best financial investment; and, if we are to spare some of our neighbors from a lifetime of deprivation, it is the most humane investment.

Seven million dollars of state money and approximately \$5 million of federal program money will be earmarked for programs for heads of households receiving AFDC benefits. This funding will provide for assessment of their training needs and development of employment plans and will lead directly to remedial education, support services and job training.

I am also asking the State Job Training Council to give added priority for federal job training funds to persons currently receiving welfare benefits.

A significant barrier to work is the absence of child care. Two years ago, we provided a major increase in the state's assistance to low income families in meeting this need. I am again requesting additional dollars for this activity. To assist persons attending our AVTIs and other post-secondary education institutions, \$11 million for child care funding has been included for the Higher Education Coordinating Board. For the first time, we can remove the barrier of child care costs which has prevented many Minnesotans, whether human service program recipients or not, from completing an education that allows them to achieve all that they are capable of.

I also urge you to add \$6 million to the child care fund that already assists Minnesota's families. This program has been extremely successful and deserves to be expanded. These two child care programs, when matched with federal funding for public assistance recipients, will provide approximately \$46 million over the next two years to meet a critical work assistance need. This greatly increased funding level, when combined with administrative changes to ensure that child care funding is there when a job trainee needs it, is critical to the success of our program to reduce dependency.

Another of the critical needs in preventing welfare dependency, is to ensure that young people stay in school. For a young woman who bears a child while still a teenager and drops out of school, the future likely holds seven years or more of AFDC dependence. To reverse this, I am asking the federal government to allow us to require continued high school attendance as a condition of receiving assistance. This requirement will be supported by \$2 million for services to assist these young persons to stay in school. In addition, I propose that \$1 million be used by communities for pilot projects to prevent teen pregnancy. Local communities will be able to design projects, for both young men and young women, which will lower the teen birth rate in Minnesota.

Perhaps the most substantial part of the welfare reform package is included in my proposed tax plan. For many Minnesotans receiving income maintenance grants, the current income tax system serves as a significant economic disincentive to self sufficiency through work. By eliminating income taxes for approximately 125,000 lower income Minnesotans, many on AFDC will find they are better able to make the transition to independence. This same tax change will also directly help the working poor -- those Minnesotans who are low income but are not receiving income support. The tax reform plan, by allowing them to keep more of their income, should help prevent their slipping backwards onto the public assistance rolls. We also will conform to the federal child care credit and provide a single head-of-household tax table. Taken together, these tax changes will save lower income Minnesotans about \$60 million during the next biennium.

We must also assist displaced farmers and workers who have recently lost their jobs -- those who have been dealt a tough blow by a changing world economy. They need to be retrained in order to find new work. For many years, the major funding for retraining has come from the federal government. But the need is much greater than the amount of federal dollars available. We will not stand by, idly wringing our hands. Minnesota will assist its citizens in this effort.

Only when we have helped those who have been or will be hurt by the changes we know are part of our future, can we welcome that future with excitement and a knowledge of the opportunities it represents. I want the Department of Jobs and Training to administer a new state retraining fund of \$9.9 million to work with the state's fine system of AVTIs and the other job training providers in the state so that all Minnesotans can face the future without fear.

As technology changes, it is important to assist current workers to obtain the additional training necessary to keep Minnesota's businesses and workforce vital. My budget includes \$4 million for customized training of workers for existing Minnesota businesses and provides the Jobs Skills Partnership Board with \$2 million in grants for training employees for new and expanding businesses. With this funding, the AVTIs will be able to devise specific training programs for Minnesota businesses and develop training to ensure a productive workforce.

Funding for these programs, both new and expanded, comes from two main sources. First, there is a reprogramming of the \$27 million Minnesota Employment and Economic Development (MEED) wage subsidy dollars into the programs I have outlined above. Second, I have committed more than \$20 million of new money for these programs. This, combined with the value of the tax reduction found in my tax proposal, amounts to a substantially increased commitment to Minnesota's "jobs first" policy.

#### Conserving/Protecting the Environment

Minnesotans are justly proud of our past efforts to protect the environment and our natural resources. We recognize that environmental and resource protection are not inconsistent with economic growth when a careful balance between the two is preserved. Minnesota has preserved that balance. Our economy is stronger than that of our neighbors at the same time the Conservation Federation has cited Minnesota as the number one state in the nation in protecting the environment.

In 1986, we adopted the Re-Invest in Minnesota (RIM) program. In 1987, we must continue our commitment to this program which has become a model for the whole country. I propose a \$36 million program for the biennium.

Four years ago, I signed into law the state Superfund program. It was controversial at the time; it is successful today. Under this program clean-up efforts have been initiated at 73 of the 130 worst sites in Minnesota. Every \$3 of state money has generated \$112 in private and federal spending. More than \$100 million of private funds have now been spent on resolving these problems.

Because of what we began in 1983, Minnesota is in a unique position among the 50 states to take advantage of increased federal funds approved by the 99th Congress. I recommend that over \$10 million be appropriated for the Superfund program, so that we can leverage another \$90 million in federal dollars.

Wastewater treatment facilities are important to the protection of our health and environment, as well as to continued economic growth. Great

strides have been made in cleansing health threatening wastes from our rivers and lakes where treatment facilities have been constructed.

About 190 Minnesota communities remain on the Pollution Control Agency's highest priority list. We must continue our ambitious program to remedy combined sewer overflow (CSO) problems in Minneapolis, St. Paul, and South St. Paul must continue. I support the sale of \$73 million in state bonds for this effort.

And, I will expand our commitment to reducing flood damage, which still averages over \$70 million per year in Minnesota. We will improve our ability to deal with rising lake levels which threaten homes, as well as to protect our citizens from flooding along rivers and streams.

While targeting these key programs for further emphasis, I also have come to recognize two important gaps in Minnesota's efforts to protect the environment.

First, I propose that Minnesota join the 10 other states which have adopted container deposit legislation. We must reduce the litter which is strewn through our parks and along our highways. We must promote the reuse and recycling of container materials. We must slow the filling of limited land-fill space.

I will ask the Legislature to adopt a deposit on all beverage containers, which will be refunded when the container is returned. My goal is to have at least 90% of all beverage containers purchased in Minnesota returned for recycling.

Second, I propose a clean water partnership for Minnesota. This partnership of the state, local governments, and private landowners will work to control the scattered pollution resulting from runoff from our yards, streets, and agricultural lands, and by the movement of chemicals and fertilizers into our precious ground water supply. I propose that \$2 million be allocated to begin this partnership program.

In order to finance these environmental initiatives, I recommend that the Legislative Commission on Minnesota Resources (LCMR) be eliminated. Unfortunately, it is not possible to fund the necessary new and expanded programs I have proposed and continue the funding of the LCMR also.

We have come far in protecting our environment. These new and expanded efforts will protect our health and preserve our resources for the 21st Century.

### Transportation

In 1981, we made a commitment to dedicate Motor Vehicle Excise Tax (MVET) revenues to upgrade transit and state highway programs. The state's financial circumstances delayed implementation of this commitment in 1983 and again in the spring of 1986.

It is now clear that although the needs identified in 1981 continue today, the transfer of the \$220 million MVET revenues can no longer occur. I have

directed the Commissioner of Transportation to prepare a recommendation on replacement funding for MVET revenues by March 1, 1987 for consideration this session.

Transit funding has been subject to the same uncertainty as highway funding during the past five years. Distinctions between metro and out-state programs have tended to result in inequities that need to be corrected. In the absence of MVET revenues, the state should continue its current funding for transit services throughout the state. In addition, local support should provide the same subsidies to special services for the handicapped as it provides to riders of regular routes.

### Mental Health

Over the past decade, Minnesota has provided strong and effective human service programs. Major initiatives, ranging from care-related reimbursement in nursing homes to provision of services to the elderly (so they can remain in their homes), have provided national examples of quality programs while rewarding Minnesota taxpayers with savings that now reach into the hundreds of millions of dollars. Our programs reflect a continuing commitment to community services that are both accessible and appropriate to the needs of clients.

Unfinished on our human service agenda are improvements in service for the mentally ill comparable to those for the mentally retarded and the chemically dependent. The challenge is to offer cost effective mental health services, appropriate to the individual needs of patients, in an environment that is safe and as close to home and family as possible. I propose that Minnesota increase its community based mental health funding by \$14 million during 1988-89. These funds will be used to establish a unified and comprehensive program of mental health services in each county. State and federal resources will be combined and provided to county social service agencies to assist persons with mental illnesses in achieving as much self-sufficiency and independence as possible. The new funds will be targeted at essential services such as case management and 24 hour emergency response which are not now available in all counties.

This budget will also establish a unified source of funding for mental health services. As clients move toward self-sufficiency, funding will not be restricted to particular services. Instead, incentives will be established for counties to offer a wider range of services appropriate to the changing needs of clients.

### Health Care

Even though many changes have been made to reduce health care costs, opportunities remain. By extending prenatal services to women with high risk pregnancies and their children up to one year of age, savings can be realized in the next two years alone that will virtually pay for the entire cost of services.

Prepayment for health care should be extended to AFDC and Medicare clients when that option is available. These savings, although modest in the short run, will grow to substantial levels over time, while quality care is assured for clients.



Efficiencies in provider reimbursements are included in the budget along with reductions in the rates of reimbursement that were recommended last year as part of the 1986 budget balancing effort.

### State Agencies

State agencies are going to improve their efficiency and effectiveness again. Actual dollars for state agencies are reduced. While dollars are included in the budget for salary increases, inflation increases in purchases of state agencies will have to be absorbed through increased productivity. During the 1988-89 biennium, we estimate a reduction of state employment, mainly by reducing 400 positions through attrition.

Program changes also are included for state agencies:

- The Soil and Water Conservation Board, the Southern Minnesota Rivers Basin Council and the Water Resources Board are to be merged into a single, independent 13 member state board. The new board will be responsible for coordinating the delivery of state technical and financial assistance to local units of government, approving local water plans, and continuing the same duties currently assigned by law to the three boards.
- Reductions are recommended in the first and second years of the biennium for the Minnesota Zoo to ensure increased reliance on private funding for operating expenses.
- Increased funding and services for the Minneapolis Veteran's Home are recommended to cover the projected patient populations for 1988-89.
- Increased reliance on fees at Historical Society sites is proposed along with increased funding for the agency to prepare for its move to the new History Center in the next biennium.
- Improvement of information systems are recommended in agencies such as the Department of Revenue and the Department of Human Services where there are clear returns for the state's investment or where sanctions are now in effect from the federal government.
- The Master Lease program, under which state lease-purchases are more efficiently undertaken, is being extended to additional agencies.
- Budgets for the courts, legislature and other constitutional officers will be forwarded to the Legislature without recommendation, in recognition of their independent status. No dollars are included in the budget for their requested increases.
- The budget includes all of the parts of the last year's farm bill except new dollars for the interest rate buy-down program. We should wait until March when we know better what the Congress intends to do with the farm bill and we know better which direction the economy will be heading.

## Capital Budget

Minnesota must have a capital budget this legislative session. This operating budget includes \$55 million of additional debt service for the capital budget to finance projects throughout the state.

The Legislature provided planning dollars for major projects, such as the History Center and Judicial Building. The final authorizations should be made this session. In addition, there are projects enhancing our educational systems which are vital if the state is to move aggressively to become the Brainpower State. Life safety issues, such as the removal of asbestos and PCBs, also are important projects that should not be delayed. I will be submitting the details of the capital budget in a few weeks, earlier than usual, to afford ample opportunity for review of my recommendations and to pass a capital budget this session.

## SUMMARY

This is not going to be a comfortable budget, with plenty of money for all programs. It is a budget that is balanced by hard decisions and hard choices.

But it also is a budget that keeps Minnesota on the road of fiscal stability and program innovation, one that provides for quality education and research, and one that is supported by a tax program that is competitive, understandable and fair.

We are seizing the opportunity for change.

We are standing up to special interests in the interest of all Minnesotans.

We are continuing to be lean without being mean.

And we are making government more efficient and more productive.

I am looking forward to working with the Legislature to accomplish our priorities for the 1988-89 budget.

A large, stylized handwritten signature in black ink, reading "Rudy Perpich". The signature is fluid and cursive, with the first name "Rudy" and last name "Perpich" clearly distinguishable.

RUDY PERPICH  
Governor

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## C. OVERVIEW OF THE 1987-89 BUDGET

### 1. Focusing on the Future

The Governor's budget for 1987-89 is prudent, balanced and geared to moving Minnesota forward into the 21st Century. The budget is a focused, long-term investment in what is necessary to provide jobs for Minnesotans and to maintain our pride in this state as an innovative leader.

#### BUDGET OBJECTIVE

PROVIDE A CLEARER FOCUS FOR THE FUTURE

The programs and services of state government must be carefully managed and used to focus state efforts to foster continued growth and meet the real needs of Minnesota citizens. Issues of what the state can and should do, what local governments can and should do, and what families can and should do must be considered in developing the budget for the next two years.

#### 1987-89 BUDGET PRIORITIES

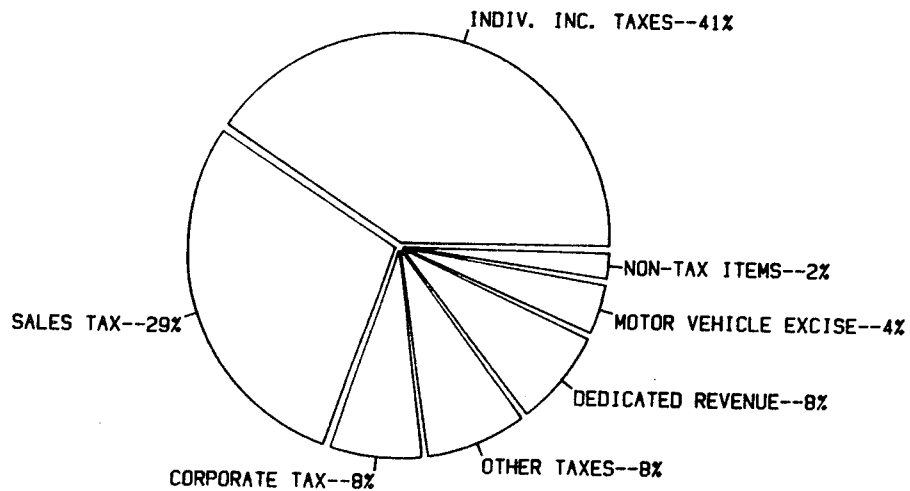
- Tax Reform That is Competitive, Honest, Simple, and Fair
- An Education System Committed to Excellence
- A Climate of Research to Yield Products, Ideas, and Jobs of Tomorrow
- Others: Financial Stability, Welfare Reform, Conserving the Environment, Transportation, Mental Health, Health Care, Improving State Operations and Capital Budget.

## 2. GENERAL FUND BUDGET SUMMARY

### WHERE THE MONEY COMES FROM (\$ IN MILLIONS)

TAXES	\$10,076
NON-TAX REVENUES	1,174
BALANCE FROM 1986-87	179
<hr/>	<hr/>
TOTAL RESOURCES	\$11,429

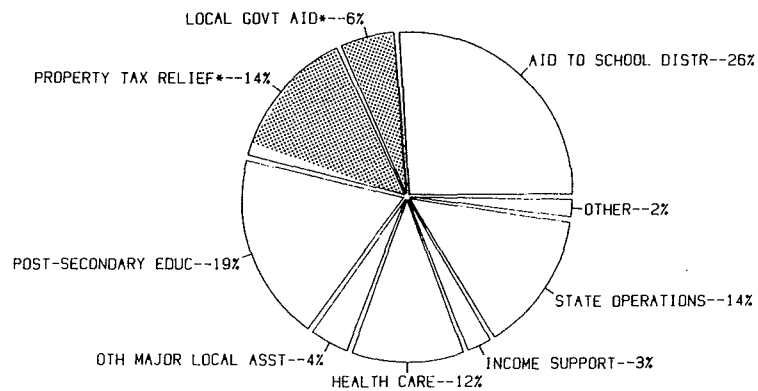
### GENERAL FUND REVENUES 1987-89 GOVERNOR'S BUDGET



**WHERE THE MONEY WILL GO  
(\$ IN MILLIONS)**

<b>RESOURCES</b>	<b>\$11,429</b>
- TRANSFER PAYMENTS	9,333
- STATE OPERATIONS	1,585
- OTHER	245
<b>SUBTOTAL EXPENDITURES</b>	<b>11,163</b>
<b>BUDGET RESERVE</b>	<b>250</b>
<b>BALANCE</b>	<b>\$ 16</b>

**GENERAL FUND SPENDING  
1987-89 RECOMMENDATIONS**



\* UNDER PROPERTY TAX REORGANIZATION A NEW  
EDUCATION CREDIT WILL BE CREATED IN FY1989

## GENERAL FUND PRIORITIES

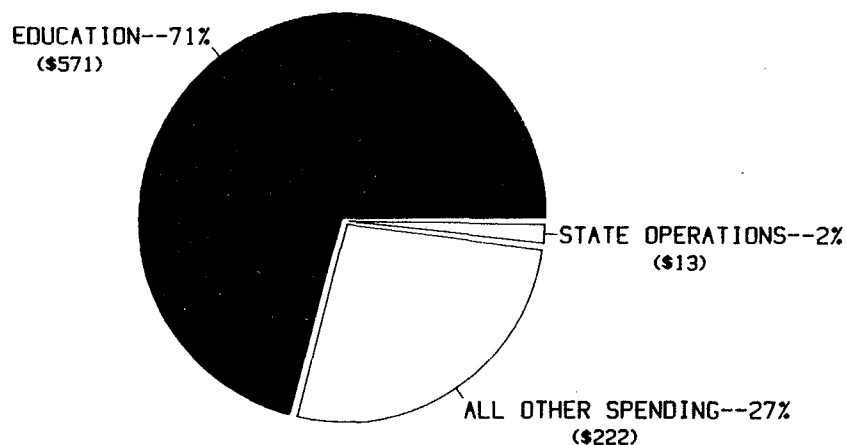
The priorities of the Governor's recommended budget are clear:

- Education grows at 14%
- Everything else increases by 4%

The proposed budget provides for an increase of \$806 million over the budget for the 1985-87 biennium. The majority of that increase is provided for education.

### F.Y. 1988-89 BUDGET PRIORITIES

An \$806 Million Increase in Spending .....



Increase by Category

The budget for 1987-89 is balanced. The \$800 million "problem" indicated in November's budget forecast of current law is resolved by the proposed budget.

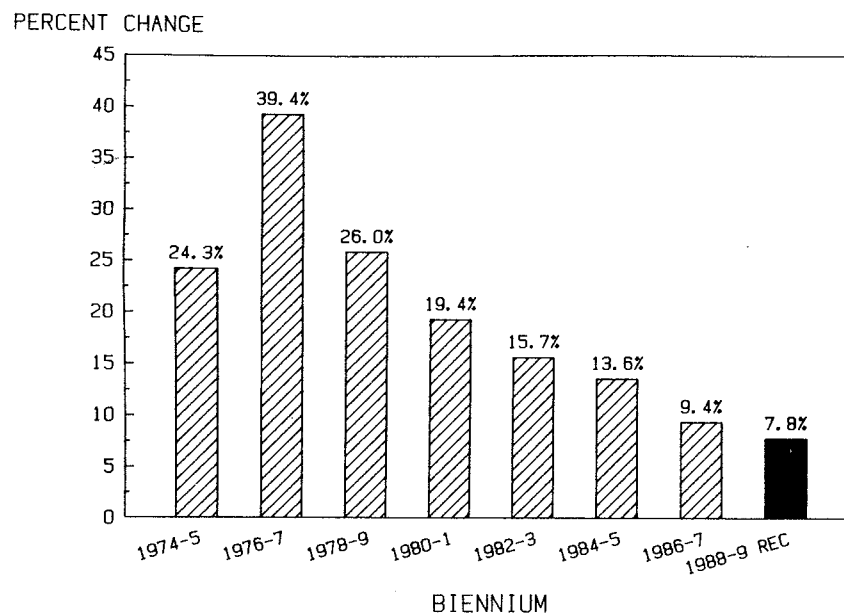
#### BALANCING THE BUDGET

<u>November Estimates (Problem)</u>	<u>(\$800 million)</u>
Budget Reductions (From current law forecasts)*	\$300
Tax Reform - Revenue Increases	\$400
Positive Year-To-Date Receipts	<u>\$100</u>
TOTAL	<u>\$800 million</u>

\* Reductions from "Agencies' requests"  
total \$860 million.

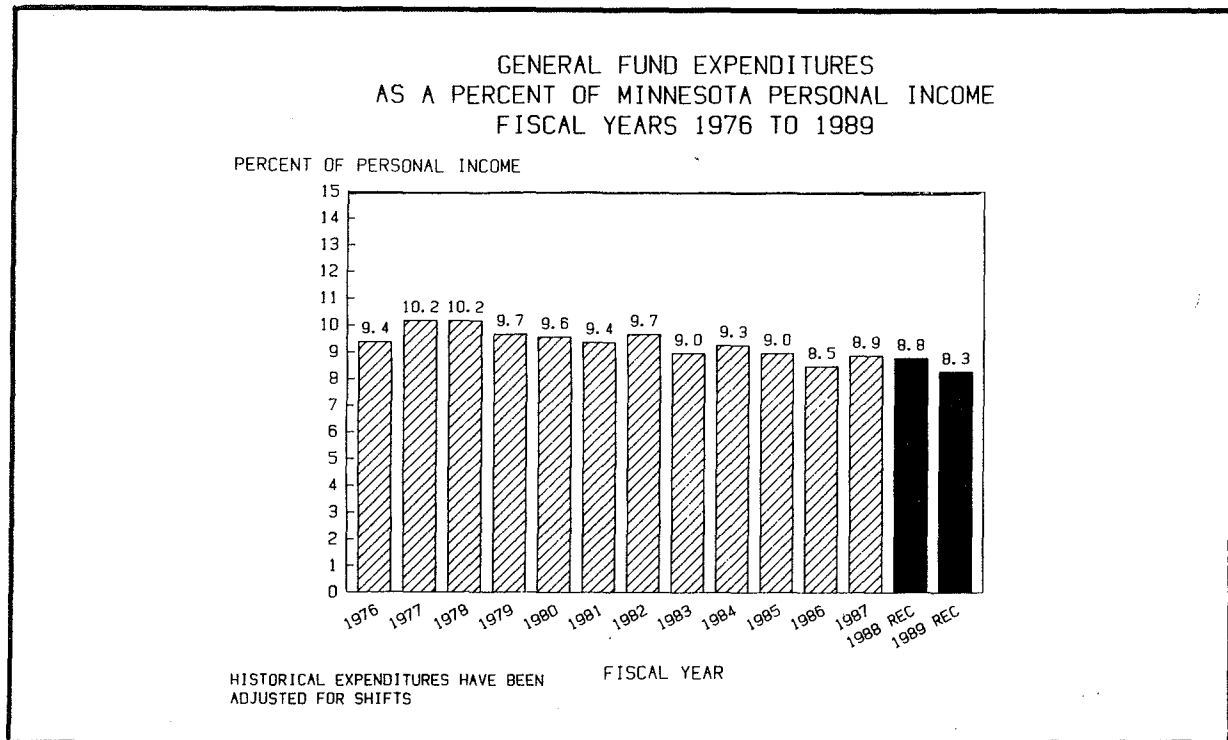
The growth in expenditures reflects a 3.8 percent annual growth rate, or a 7.8 percent growth biennium to biennium. This is the smallest biennial increase in the last twenty-two years.

#### GENERAL FUND SPENDING PERCENT CHANGE

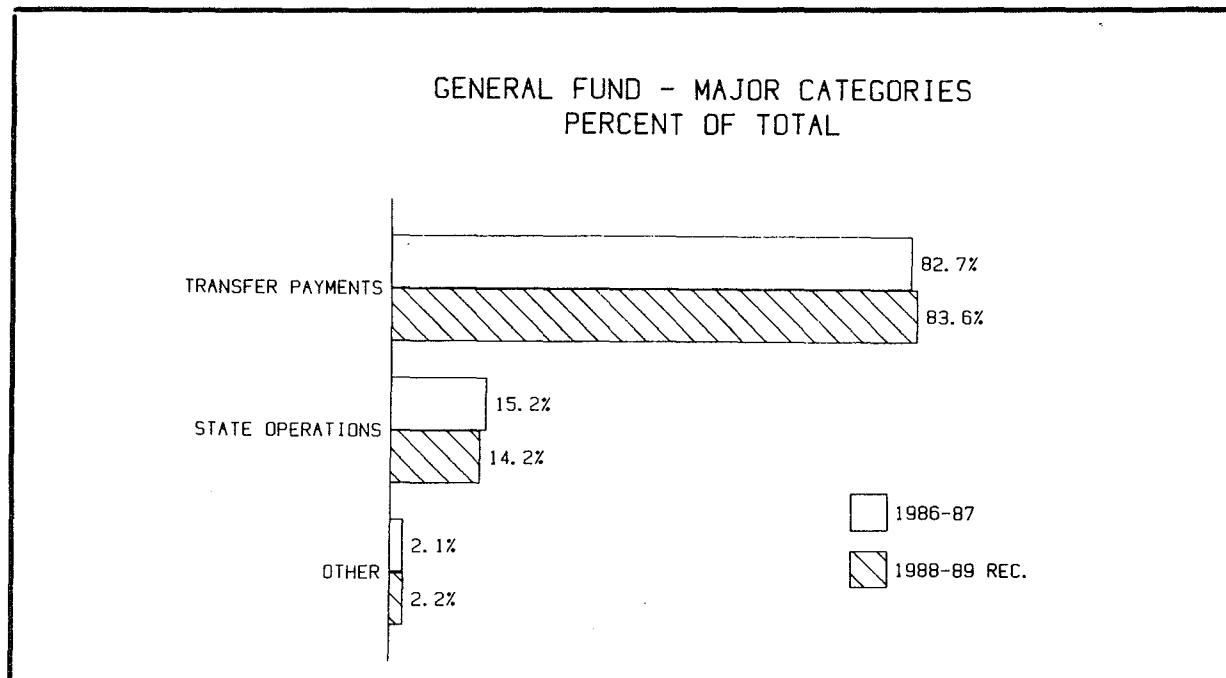




State taxes and state spending continue to take a lesser portion of the state's economy and income.



Minnesota will spend more than 83% on education and other forms of direct aid to local units of government and individuals. The emphasis in the Governor's budget shifts the pattern of where the tax dollar is spent.



### 3. BUDGET POLICIES

The proposed budget was developed to respond to fiscal restraints, changing needs, and a set of policies designed to innovatively redesign our programs for the future. The following examples illustrate guideline applications contained in the Governor's budget proposal.

#### BUDGET AND POLICY GUIDELINES

- PROVIDE THE CONSUMER OF PUBLIC SERVICES WITH MORE CHOICE
  - Provides for continued alternative care grant services for the elderly
  - Expands student choice for selected elementary and secondary students
- CREATE MORE COMPETITION AMONG SERVICE PROVIDERS
  - Proposes expansion of health care prepayment initiatives and competitive funding for mental health and chemical dependency services
  - Maintains average cost funding for AVTI's, Community Colleges, and the State University System
- SERVICE PROVIDERS SHOULD BE HELD ACCOUNTABLE
  - Increases funding aid and establishes county performance standards under administrative aids
  - Requires quality assessment in higher education systems
- FOSTER SELF-HELP RATHER THAN DEPENDENCE ON PUBLIC PROGRAMS
  - Increases work/loan expectations in student grant programs
  - Provides for increased reliance on fees and private support by Minnesota Zoo and Historical Society
- TARGET SUBSIDIES AND ASSISTANCE TO THOSE MOST IN NEED
  - Makes public assistance clients a priority for job training and educational loans and grants
  - Improves equalization of foundation, transportation, referendum, and capital expenditure funds to school districts

- DECENTRALIZE DECISION-MAKING TO ENHANCE ACCOUNTABILITY
  - Provides more responsibility to counties in administering elements of the human services system
  - Combines University of Minnesota special appropriations into one, providing allocation authority
- EMPHASIZE FAMILY RESPONSIBILITY BEFORE PUBLIC ASSISTANCE
  - Expands efforts to collect child support from non-custodial parents
  - Provides funding for teen-pregnancy education programs
- IMPROVE THE CONVENIENCE OF GOVERNMENT SERVICE
  - Transfers Farm Advocates program to the Area Vocational-Technical Institutes
  - Reorganizes three water-related boards into a single unit
- INVEST WHERE THERE IS A CLEAR RETURN ON THE STATE'S INVESTMENT
  - Increases pre-natal services to avoid neonatal intensive care costs
  - Provides required funding of necessary capital repair and replacement projects

## D. TAX REFORM AND STATE REVENUES

### 1. 1987-89 Revenue Forecast

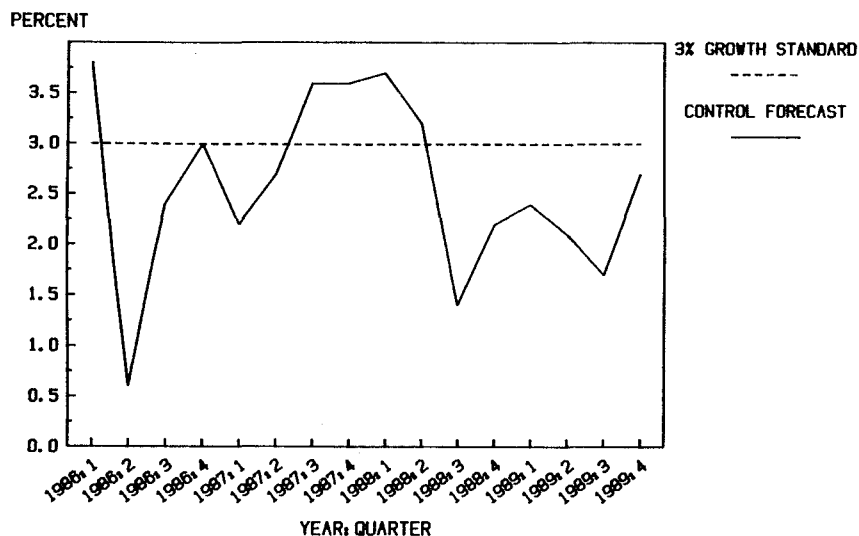
Recommendations for the 1987-89 budget were based in part on the Department of Finance forecast prepared in November, 1986. In preparing economic forecasts which extend 32 months into the future (June, 1989) several concerns must be recognized:

- Tax revenue collections are highly dependent upon national economic conditions
- The extent to which Minnesota's economic prospects are tied to the national economy
- The unusual sensitivity of Minnesota's tax structure to both economic conditions and federal tax changes

#### Key Economic Assumptions

- Real GNP -- 2.8% Average Growth
- NON-AGRICULTURAL EMPLOYMENT -- 89,000 More Jobs by 1989
- INFLATION ESTIMATES -- 2.8% in 1988
- INTEREST RATES -- Stable to slight reduction

#### REAL GNP GROWTH FORECAST AND POTENTIAL



## 2. Tax Reform

The Governor's budget recommends a comprehensive tax reform package designed to achieve six essential objectives.

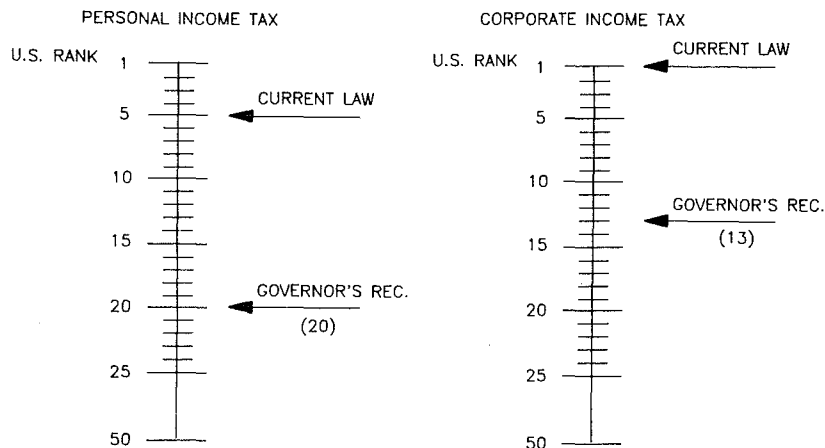
### TAX REFORM OBJECTIVES

- Create a fair and equitable system
- Simplify existing taxes
- Increase Minnesota's Competitiveness
- Add to revenue stability
- Increase accountability
- Increase enforcement so all pay fair share

In general the Governor's proposal emphasizes rate reduction, base broadening, simplification and removing special benefits for privileged groups. More people will pay their fair share and all Minnesotans will pay at lower rates.

NO LONGER WILL MINNESOTA TAX RATES RANK IN THE TOP 10 FOR ANY OF OUR MAJOR TAX CATEGORIES.

### MINNESOTA'S TAX RATE RANKING MINNESOTA vs U.S.



## Income Tax

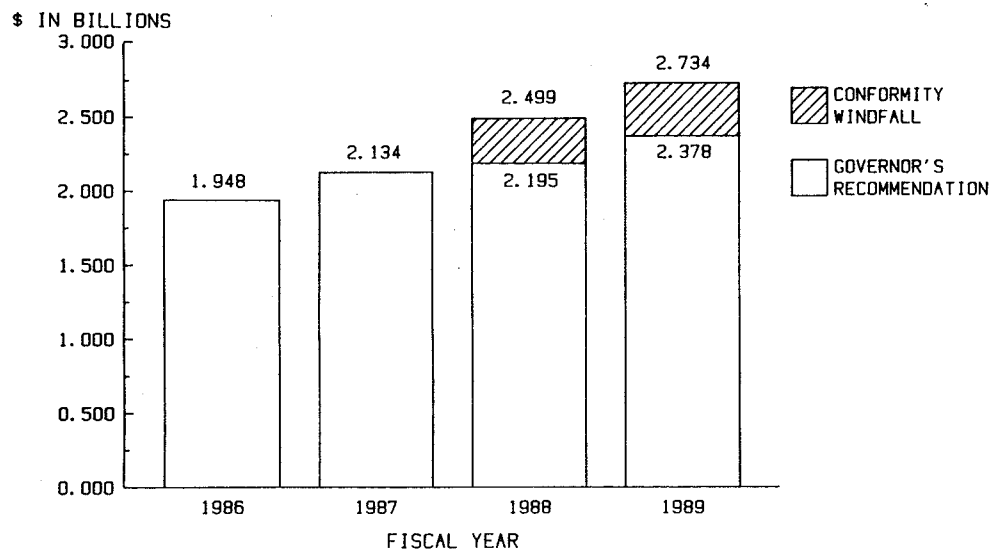
The Governor's proposals continue to significantly simplify the state's income tax system.

### INCOME TAX RECOMMENDATIONS

- Return federal tax "windfall" to Minnesota taxpayers
- Maximize state conformity with federal taxes
- Repeal special tax preferences
- Reduce number of brackets from 16 to 2
- Reduce top rate from a high of 14% to 8%
- Retain indexing

Revenue increases resulting from federal tax changes are returned to Minnesota income tax payers.

### RETURNING A \$660 MILLION FEDERAL WINDFALL TO MINNESOTA INCOME TAX PAYERS AVOIDS AN INCREASE



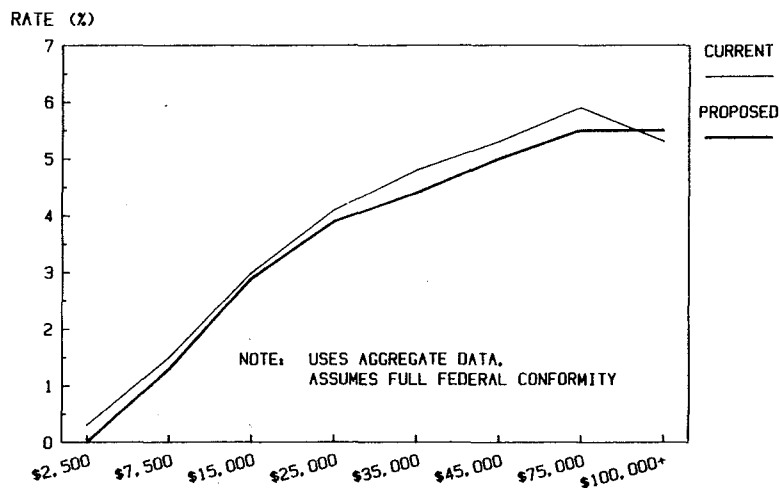
The positive results of these changes are substantial.

#### IMPACT OF INCOME TAX CHANGES

- Reduces state and federal tax liability for most Minnesotans
- Eliminates 125,000 low income families from paying taxes
- Removes Minnesota's tax rate from the top ten states in national rankings

Most Minnesotans will benefit from proposed changes.

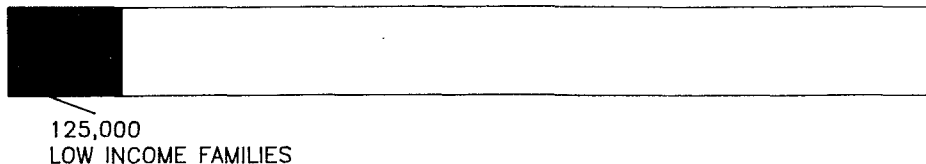
#### AVERAGE EFFECTIVE RATES, MN INDIVIDUAL INCOME TAX CURRENT LAW vs GOVERNOR'S PROPOSAL TY1988 - ALL TAXPAYERS



Tax law changes will save lower income Minnesotans about \$60 million over the next biennium.

#### GOVERNOR'S INCOME TAX REFORM ELIMINATES 125,000 LOW INCOME FILERS

1,900,000 TOTAL INCOME TAX FILERS



### BUSINESS TAXES

- Reduce the maximum corporate tax rate from 12 to 8.9 percent while creating a new corporate minimum tax on business activity.
- Eliminate various special credits and calculation options.
- Make adjustments to taxes affecting specific industries including: the insurance gross premium tax base, the telephone gross receipts tax, and timber and mining taxes.

### SALES TAXES

- Extend the sales tax to institutions which are currently exempt including state government, local government and non-profit organizations.
- Extend the sales tax to interstate phone calls, taxes imposed by the federal government, railroad rolling stock, private sales of used boats, meals provided to employees at no cost, and mail order and cable television sales.
- Exclude sales tax on purchases made with food stamps and reduces the tax rate from 6% to 2% for dealer-installed farm equipment.

### OTHER TAX/REVENUE RECOMMENDATIONS

- Impose a Railroad Fuel Tax at the same rate as motor fuels taxes.
- Provide additional funding for increased tax compliance efforts.
- Redirect current dedicated portion of cigarette taxes. Increase departmental revenues, fees and reimbursements related to state agencies' services.



The impact of the Governor's tax reform proposal and other revenue recommendations is summarized in the table below.

GOVERNOR'S RECOMMENDATION TAX CHANGES AND OTHER REVENUES =====	
	IMPACT 1988-89 ----- (\$ IN MILLIONS)
TAXES -----	
INCOME TAX	
GAIN FROM FEDERAL CHANGES	659.9
RETURN FEDERAL WINDFALL	(659.9)
TAX REFORM/INCREASES	
BUSINESS-CORPORATE TAXES	151.4
BUSINESS-INSURANCE GROSS EARNINGS	75.0
SALES TAX-INSTITUTIONS	218.2
SALES TAX-MISCELLANEOUS CHANGES	62.4
MOTOR VEHICLE EXCISE-INSTITUTIONS	16.4
TELEPHONE & TELEGRAPH GROSS EARNINGS	85.7
RAILROAD FUEL EXCISE TAX	19.8
SUBTOTAL-NEW TAX REVENUES	628.9 *
OTHER REVENUE ITEMS	
TAX COMPLIANCE (NET)	28.8
PROGRAM REVENUES/FEEES	8.2
ALL OTHER	28.8
DEDICATED RECEIPTS, TRANSFERS	2.5
TOTAL-ALL REVENUES/RESOURCES	697.2 =====

\* \$250 MILLION OF NEW TAX REVENUES IS A  
TEMPORARY INCREASE TO FUND BUDGET RESERVE

## E. EDUCATION

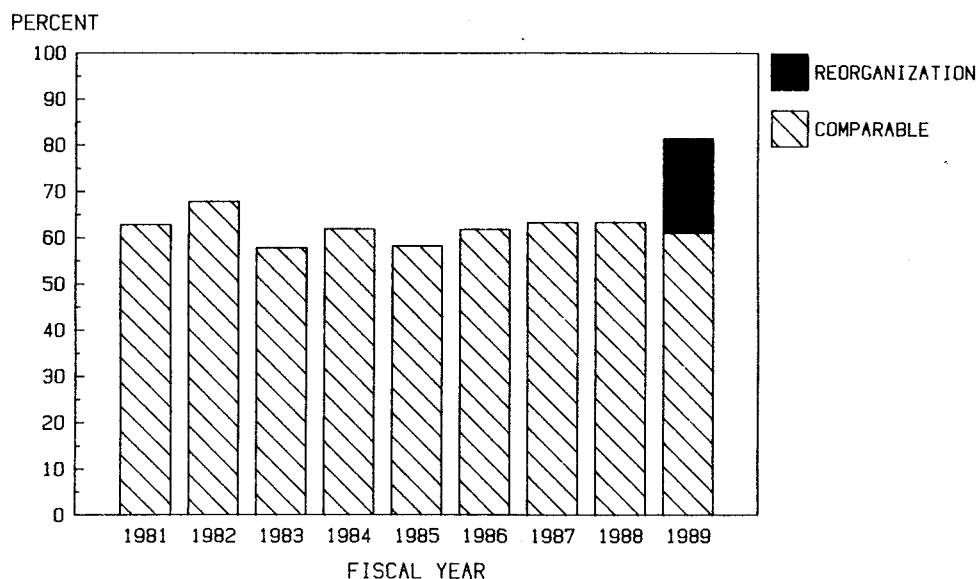
Education is vitally important for Minnesota because it is the wellspring of future economic growth. To the extent that we invest in education, and channel that investment well, we are providing the best opportunity for our citizens to succeed. We are preparing them for the work of the future.

This budget includes a \$570 million or 14 percent increase for education at all levels. This compares to a 7.8 percent increase for the total general fund budget. If the property tax reform is also considered, nearly 65% of the total state budget will now be for education.

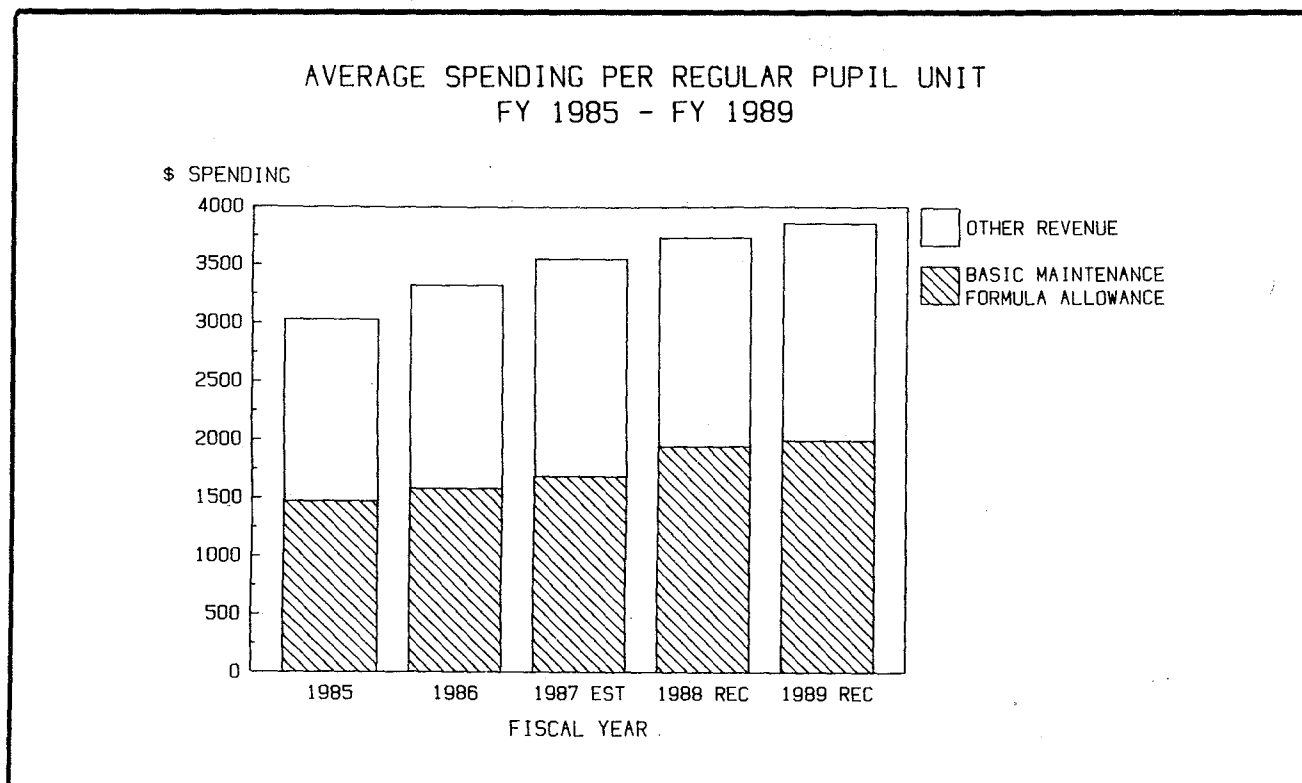
### Elementary and Secondary Education

State aid for elementary/secondary education comprises about 32% of the budget for F.Y. 1987. Under the Governor's proposed modifications for Minnesota's property tax relief system, this will increase to about 45% in F.Y. 1989, and the percent of school revenues coming from the state will increase from 61% to 82%.

ELEMENTARY & SECONDARY EDUCATION  
STATE SUPPORT  
PERCENT OF TOTAL SCHOOL DISTRICT REVENUE



These recommendations will bring spending per student to \$3,747 for F.Y. 1988 (a 5.8% increase), and to \$3,871 by F.Y. 1989 (a 3.3% increase). The bar chart displays the average spending per student since F.Y. 1985.



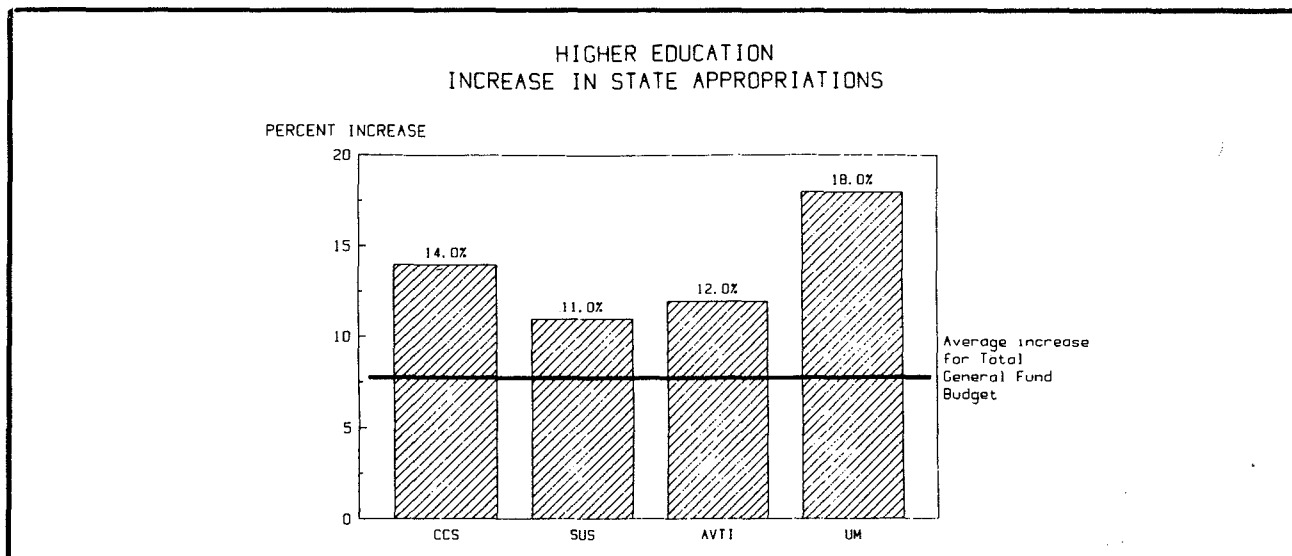
#### GOVERNOR'S RECOMMENDATIONS ELEMENTARY AND SECONDARY EDUCATION

- Enhance equalization of funding for the foundation and retirement aid programs, the transportation program, the capital expenditure program, and referendum revenues
- Establish new programs for professional development teachers and administrators
- Establish new programs for at-risk students
- Encourage greater accountability for student learning
- Provide more program choice for students
- Increase state funding for adult literacy education
- Increase funding for libraries

## Post-Secondary Education

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

The chart shows the total increase in F.Y. 1988 - F.Y. 1989 spending by system over the current biennium compared to increases in total general fund spending.



### Governor's Recommendations Post-Secondary Education

- Provide funding for the University of Minnesota's Commitment to Focus plan
- Provide additional funds for University research through elimination of an indirect cost recovery offset to the University's appropriation
- Provide funding for developing an applied research program in the State University System and a materials engineering program at Winona State University
- Establish need-based child-care grants for students with pre-school children
- Provide funding for the Board for Vocational-Technical Education to establish customized training programs to serve Minnesota business and industry
- Provide enhanced funding for repair and replacement
- Require assessment of the quality of institutions
- Increase student work/loan expectations

## F. RESEARCH AND ECONOMIC DEVELOPMENT

Applied research is the bridge between Minnesota's educational investment today and the creation of jobs for tomorrow. The difficult restructuring occurring in manufacturing and agriculture confirms the need for new ideas as technology defines where jobs are created and retained.

In the past, states tended to compete with their neighbors to attract jobs or new industries. Today that competition is with world markets. The battleground was defined by tax subsidies or wage concessions. Today and in the future it will be dependent upon new and better ideas, advanced technology and applied research.

The purpose of economic development is job creation. An investment in applied research is the first step.

### RESEARCH INITIATIVES

- Development of Greater Minnesota Corporation (\$5 million).
- Increased funding for research at the University of Minnesota (\$16 million).
- Establishment of base funding for applied research at state universities (\$3.7 million).

The state must narrow and target its economic development resources in the Department of Energy and Economic Development.

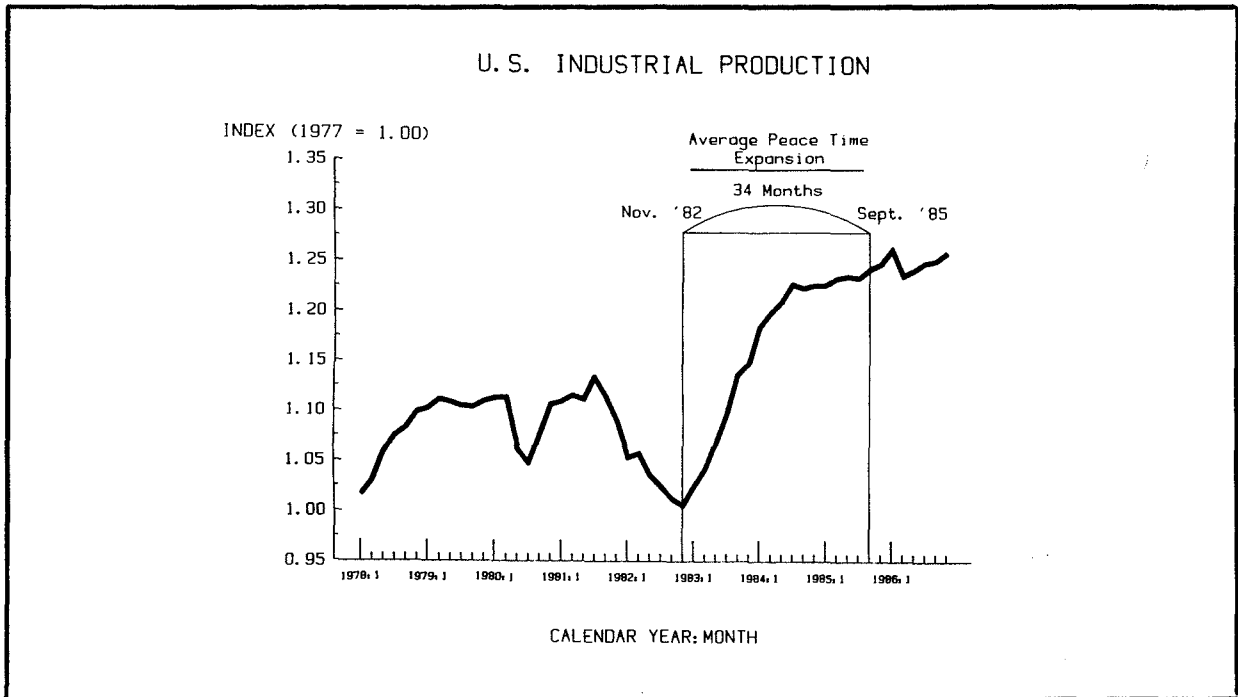
### ECONOMIC DEVELOPMENT

- Emphasize promotion and marketing as compared to grants administration (Minnesota Emergency Employment Program Authority evaluation due by December, 1987; abolish Rural Rehabilitation Fund, and discontinue Enterprise Zone Program).
- Consolidate state trade programs in the newly restructured Department of Economic Development.
- Transfer the energy division to the Department of Public Service; Metro Parks and LAWCON programs to the Department of Natural Resources.
- Continue the emphasis on tourism, targeted urban revitalization and Enterprise Development Centers.

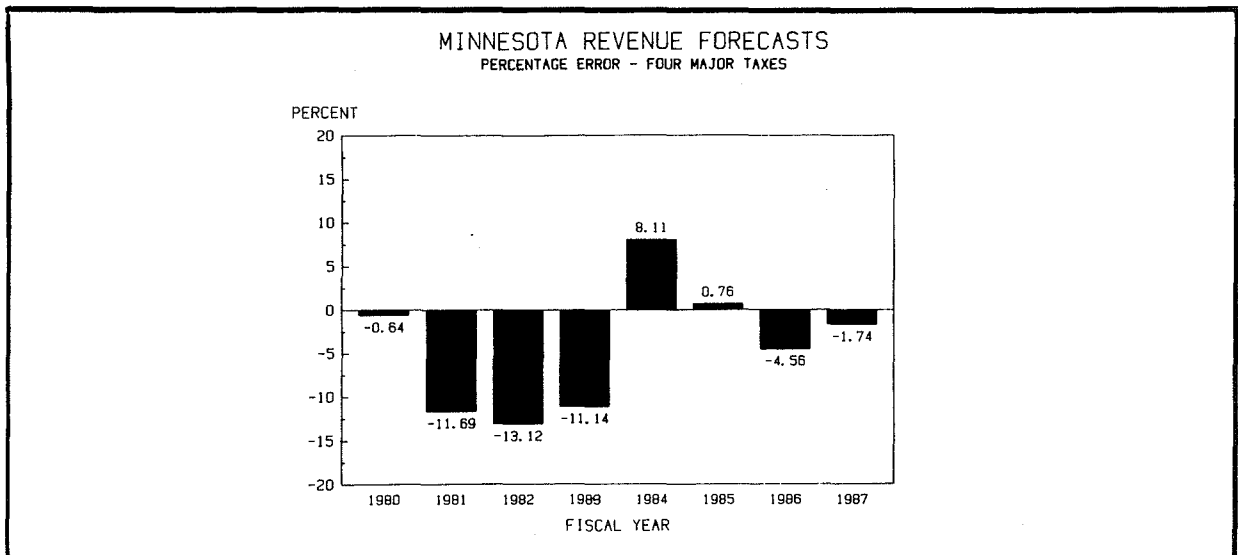
## G. OTHER MAJOR BUDGET ISSUES

### 1. Financial Management

Success in restoring financial stability to state finances is no guarantee of a problem-free future. The post-recession recovery has lasted an unusually long 48 months.



Forecasting state revenues is difficult. The average annual percentage error for the four major taxes over the last six years is 6.5%. For a biennium, 32 months ahead, the average absolute forecast error has been 9.0% or \$900 million per biennium.



The causes of forecast errors are difficult to rank analytically. A recent report by the Department of Finance suggested the following:

FORECASTING ERROR CONTRIBUTING FACTORS		
Revenues:	<u>%</u>	<u>\$</u>
Volatile National Economic Growth	20	180M
Fluctuating Inflation	20	180M
Minnesota's Relationship to National Economy	15	135M
Sensitivity of Tax System	15	135M
Technical Forecasting Problems	20	180M
Expenditures:		
Fluctuating Inflation	3	27M
Estimating Other Factors	6	54M
Federal Changes	1	9M
	<u>100%</u>	<u>\$900M</u>

The conclusion is that there is little that can be done to substantially reduce forecast errors. The Governor's budget addresses this issue in a direct way.

FISCALLY RESPONSIBLE BUDGET
<ul style="list-style-type: none"> <li>● Provides for rebuilding a \$550 million Budget Reserve over a four year period, \$250 million in 1988-89</li> <li>● Avoids shifts and time bombs for the future</li> <li>● Provides for tax reform to greatly simplify and reduce expenditure volatility over the longer term</li> <li>● Provides measures that control the growth in state spending</li> <li>● Controls open formula-driven appropriation and entitlement program spending</li> <li>● Provides no automatic across-the-board inflation increases</li> </ul>

Additionally, the Governor wants to work with the 1987 Legislature to better insure a stable budget for the future.

#### RISK MANAGEMENT TOOLS

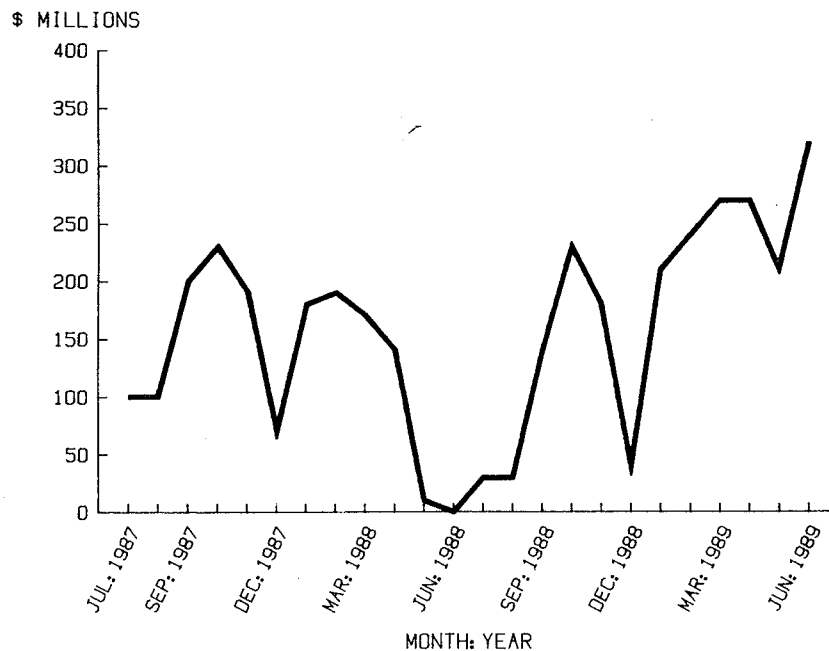
- Enhanced unallotment authority
- Automatic tax changes
- Changes to the biennial appropriation process

#### Cash Management

The Governor is recommending rebuilding the Budget Reserve to \$550 million over a four year period - \$250 million by the end of Fiscal Year 1989. A reserve of this size will help finance cash imbalances which occur during the year due to the timing of receipts and disbursements.

#### ESTIMATED MONTHLY CASH LOW POINTS

FISCAL YEARS 1988 & 1989  
BASED ON GOVERNOR'S PROPOSED BUDGET





## 2. Welfare Reform Through Training and Child Care

The Governor's budget recommendations for welfare reform affect both the AFDC and General Assistance (GA) programs. There are five distinct strategies for 1987-89.

### GOVERNOR'S RECOMMENDATION WELFARE REFORM STRATEGY

#### Income Tax Reform

- Exempts 125,000 low income households from state income tax to help ensure their independence while working.
- Reduces taxes for low-income families nearly \$60 million over the next biennium.

#### Training and Retraining

- Funds customized training and career assessment through Area Vocational-Technical Institutes: (\$5.2 million).
- Targets funds for job training: (\$7.1 million for long-term AFDC clients; \$9.9 million for new training opportunities).
- Targets Job Training Partnership Act Funds (JTPA): (a total of \$42.7 million per year to complement other state programs).

#### Child Care

- Increases access to child care programs: (\$16.6 million).

#### Teen Pregnancy

- Provides funding for Teen Pregnancy Initiative: (\$3.5 million to the Department of Education).

#### Improved Incentives for Counties

- The state share of General Assistance (GA) would be reduced from 75% to 50% of cost and the state would assume a greater share of counties' administrative costs (from 3% to 25%). Although fiscally neutral, the incentives for cost containment would be more favorable for both the state and counties.

In Minnesota, more than half of those who receive AFDC are able, through their own efforts, to find work and leave the program within 24 months. As a result, any training or retraining programs to prepare people for work, or assist them in locating work, need to recognize this initiative rather than replacing it.

These recommendations would:

- Encourage teenagers who become pregnant to stay in school
- Provide career training for those who lack employment skills
- Provide retraining for those who become dislocated due to structural economic circumstances or other factors.

These initiatives require coordination with federal funds (special needs), and with state and federal student grant and loan programs. Increased funding for child care programs will also be provided to ensure that Minnesota tax dollars are available for those most in need but also invested wisely where they are most likely to produce employment and foster independence.

### 3. Environment and Transportation

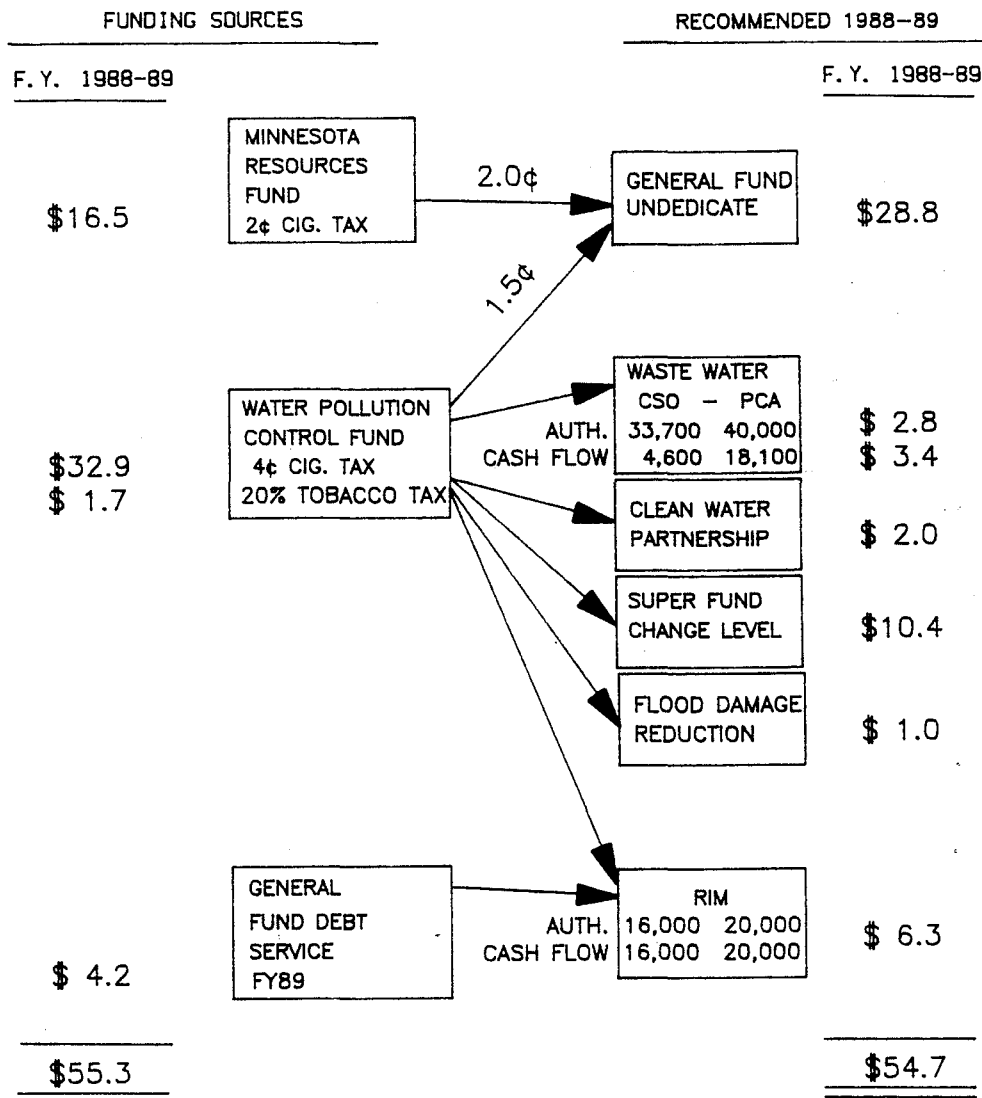
The Governor's budget preserves a balance between conserving the environment and economic growth. The 1988-89 budget continues such innovative programs as Reinvest in Minnesota (RIM) and Superfund which have earned Minnesota the highest national ranking in protecting the environment.

#### GOVERNOR'S ENVIRONMENTAL INITIATIVES

- Redirect the Water Pollution Control Fund (cigarette tax receipts) to continue the Pollution Control Agency's Waste Water Construction Grant Program, the Metro Combined Sewer Overflow (CSO) Grant Program, the Superfund Program and the first year of Reinvest in Minnesota (RIM) Program.
- Provide new funds to regulate air toxics and expand the Pollution Control Agency's ability to monitor ambient air quality for toxic compounds.
- Continue the acid rain monitoring program through additional funding for further sampling and analytical work.
- Provide funding for a flood damage reduction program from the Water Pollution Control Fund which will reduce the number of structures and facilities subject to flood damage through implementation of local government flood mitigation action plans.
- Consolidate the Soil and Water Conservation Board, the Water Resources Board, and the Southern Minnesota River Basin Council into the Board of Soil and Water Resources which unifies the state approach to water management.

Recommended funding levels and organization of environmental programs are summarized on the following page.

CONSERVATION PROGRAM – SUMMARY  
LCMR, WATER POLLUTION, AND RIM  
(\$ IN MILLIONS)



Highway funding remains an unresolved issue. While commitments were made in 1981 to eventually dedicate the Motor Vehicle Excise Tax to highway and transit funding, financial circumstances have repeatedly delayed implementing that commitment. The Governor has directed the Commissioner of Transportation to review and prepare recommendations on a permanent solution of replacement funding for the Motor Vehicle Excise Tax by March 1, 1987.

Although transit funding has been subject to similar uncertainty over the past five years, the Governor's budget provides for general fund financing of transit programs.

GOVERNOR'S RECOMMENDATIONS  
HIGHWAY AND TRANSIT FUNDING

- Eliminate the phased transfer of Motor Vehicle Excise Tax receipts from the General Fund
- Eliminate the Transit Assistance Fund in favor of 100% General Fund financing of state transit subsidies
- Defer recommendations on highway programs financed through the Highway Users Fund pending analysis and recommendations from the Commissioner of Transportation
- Reduce the state subsidy for Metro Mobility and Non-Metro transit programs to the same proportion as other transit programs
- Freeze the amount of state transit subsidies to the level of the 1985-87 biennium
- Remove any statutory cap on local property tax financing of metro and non-metro transit programs

#### 4. Mental Health

Over the past decade, Minnesota has provided strong and effective human service programs. Such major initiatives as care-related reimbursement in nursing homes and provision of services to the elderly so they can remain in their homes, have provided national examples of quality programs while rewarding Minnesota taxpayers with hundreds of millions of dollars in cost reductions. The Governor's programs reflect a continuing commitment to community services that are both accessible and appropriate to the needs of clients.

##### MENTAL HEALTH INITIATIVES BACKGROUND

- Governor's Commission on Mental Health and the Legislative Auditor have identified serious gaps in the state's mental health system.
- The current system is fragmented and uncoordinated.
- Current funding provides incentives for clients to receive more expensive care, even if not most appropriate for their needs.
- These problems prevent many mentally ill individuals from achieving maximum levels of self-sufficiency and independence.

The Governor's budget addresses these unmet needs with positive, responsive solutions.

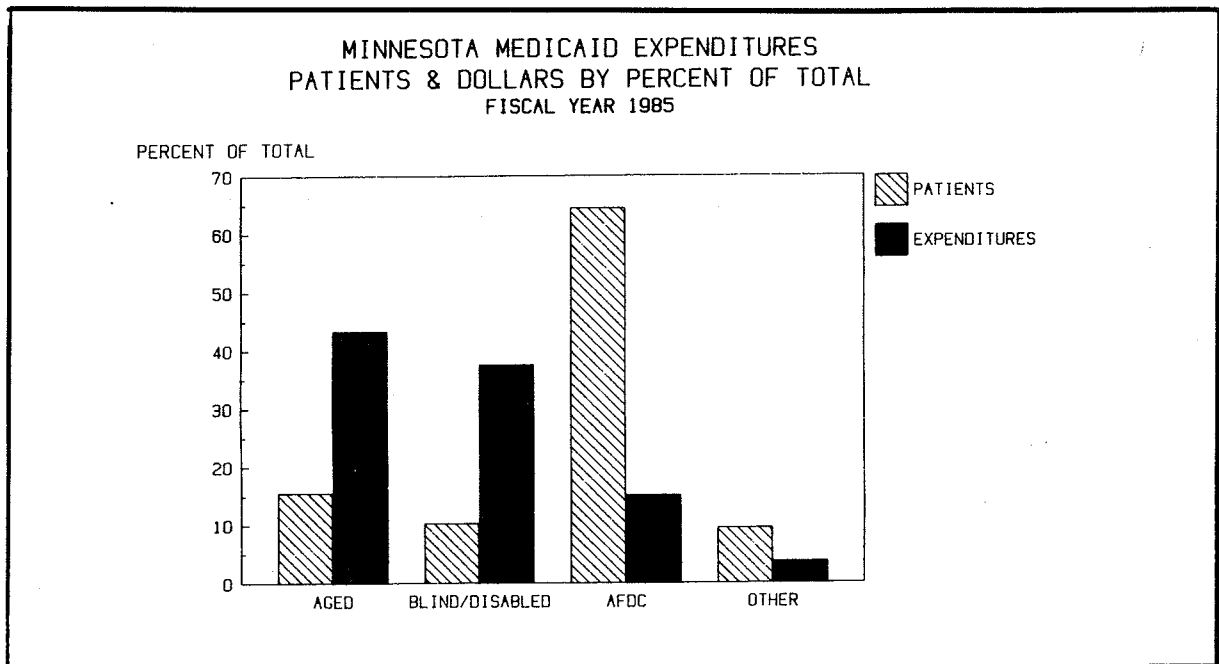
##### GOVERNOR'S RECOMMENDATIONS MENTAL HEALTH

- Provide \$14 million in new funding to ensure that a comprehensive, coordinated system of mental health services is available statewide.
- Require that a number of essential services, such as case management and 24-hour emergency response, be available in every county in the state.
- Establish a mental health fund which will consolidate all state funds being spent on mental health services and ensure that services are based on client needs rather than funding source.

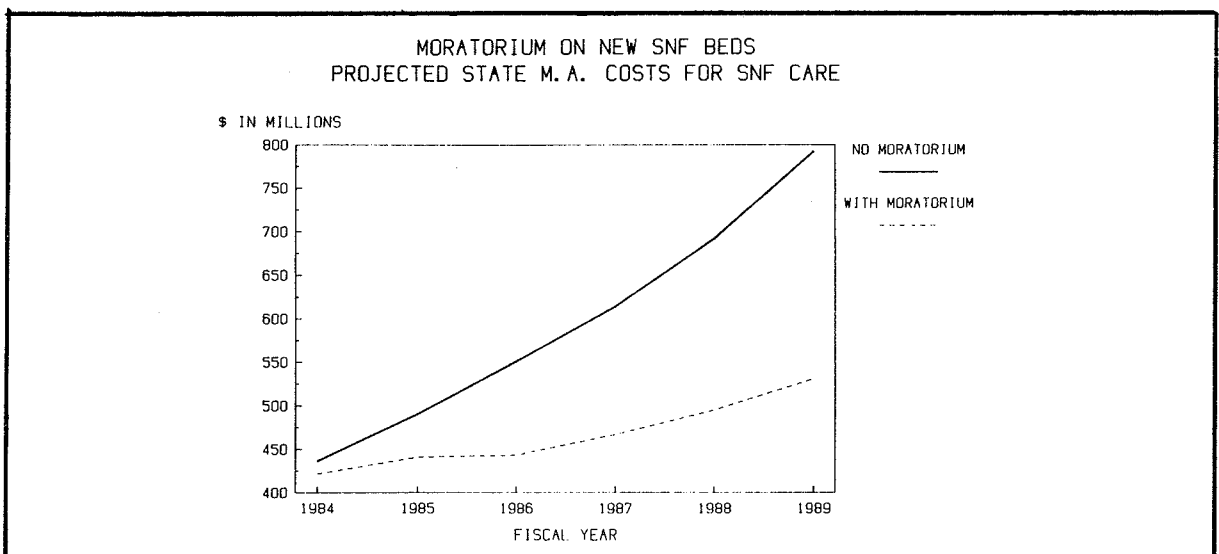
## 5. Health and Income Support Programs

### Medical Assistance

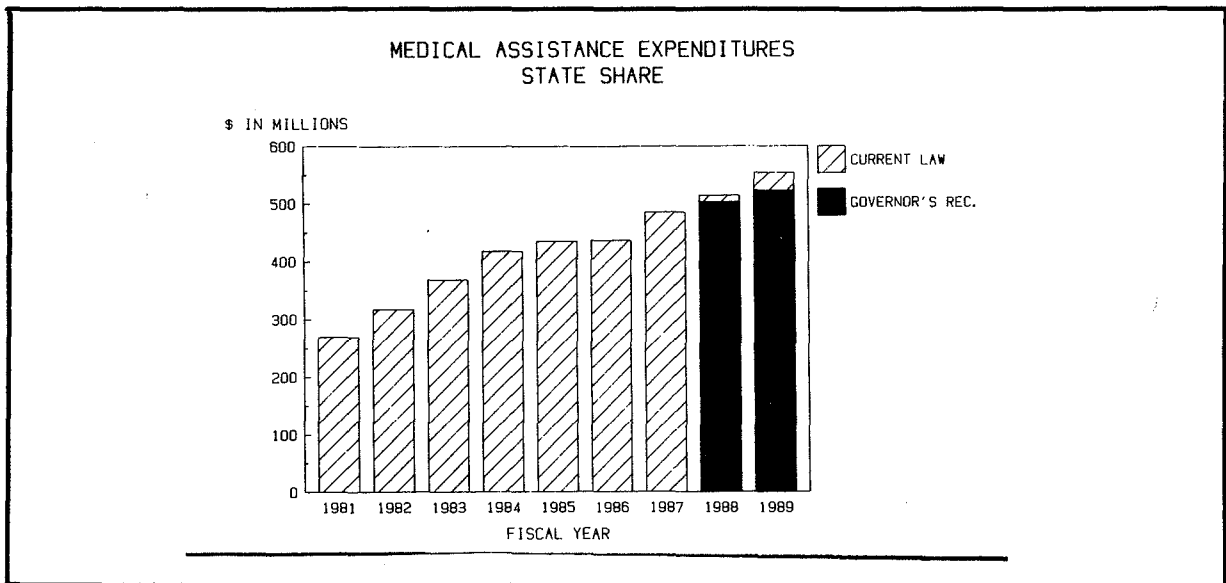
Medical Assistance (MA) is the major federal-state program used to pay for medical expenses for the needy aged, blind, disabled persons and dependent families. Although the largest percentage of patients are women with children on AFDC, the largest percentage of expenditures is provided for the aged, blind, and disabled.



MA has been one of the fastest growing programs in the state budget, due primarily to the increasing elderly population and to inflation in medical costs. Cost containment initiatives in nursing home and provider reimbursements have greatly slowed the rate of increase in recent years.



Governor's recommendations for the 1988-89 biennium save \$42 million from current law estimates of Medical Assistance expenditures.



GOVERNOR'S RECOMMENDATION  
MEDICAL ASSISTANCE

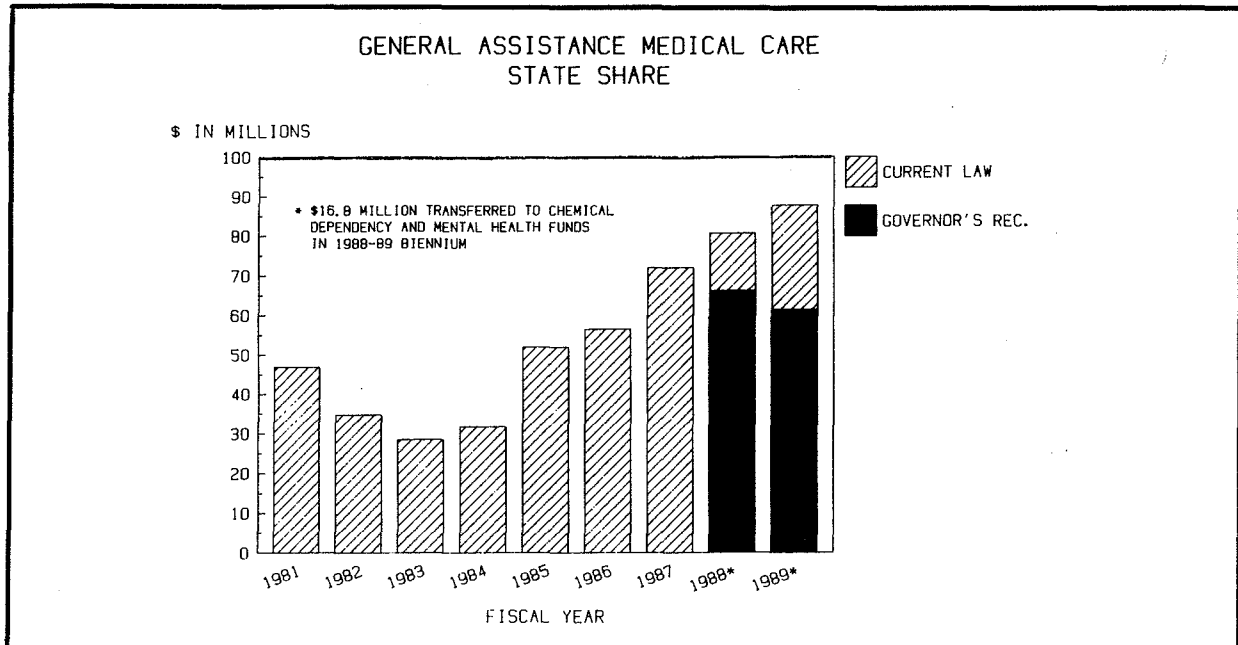
- Expands prepayment plan to cover all AFDC recipients where a choice of prepaid plans is available.
- Extends health care coverage for pregnant women and young children.
- Lowers provider reimbursement by efficiencies, recoveries and one-time fee reductions.



## General Assistance Medical Care

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 increased during the 1986-87 biennium due to caseload increases in the General Assistance program and increases in provider reimbursement. The Governor's recommendations for the 1988-89 biennium will save \$24 million from current law estimates.



## **GOVERNOR'S RECOMMENDATIONS GENERAL ASSISTANCE MEDICAL CARE**

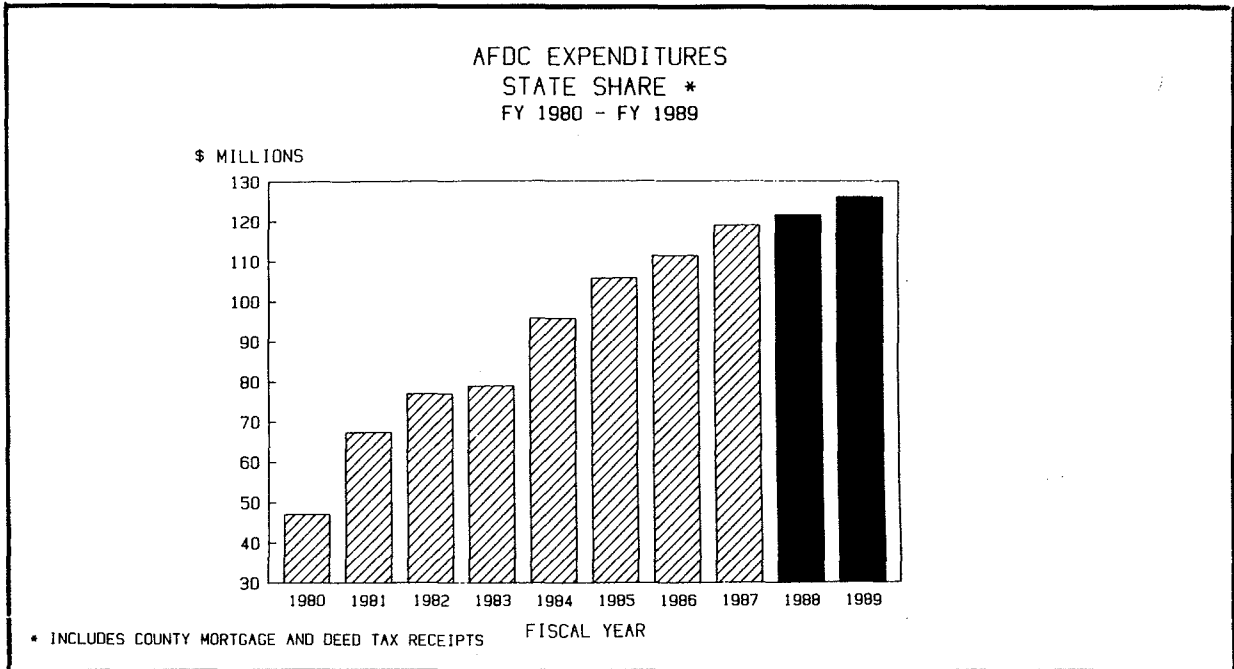
- Continues expansion of prepayment efforts.
- Adopts Medical Assistance recommendations for provider efficiencies and recoveries.
- Continues rateable reductions at January 1, 1987 level.

## Income Support Programs

### Aid to Families With Dependent Children

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

The AFDC program continues to grow due to the continued increase in both single parent recipients and unemployed parent families.



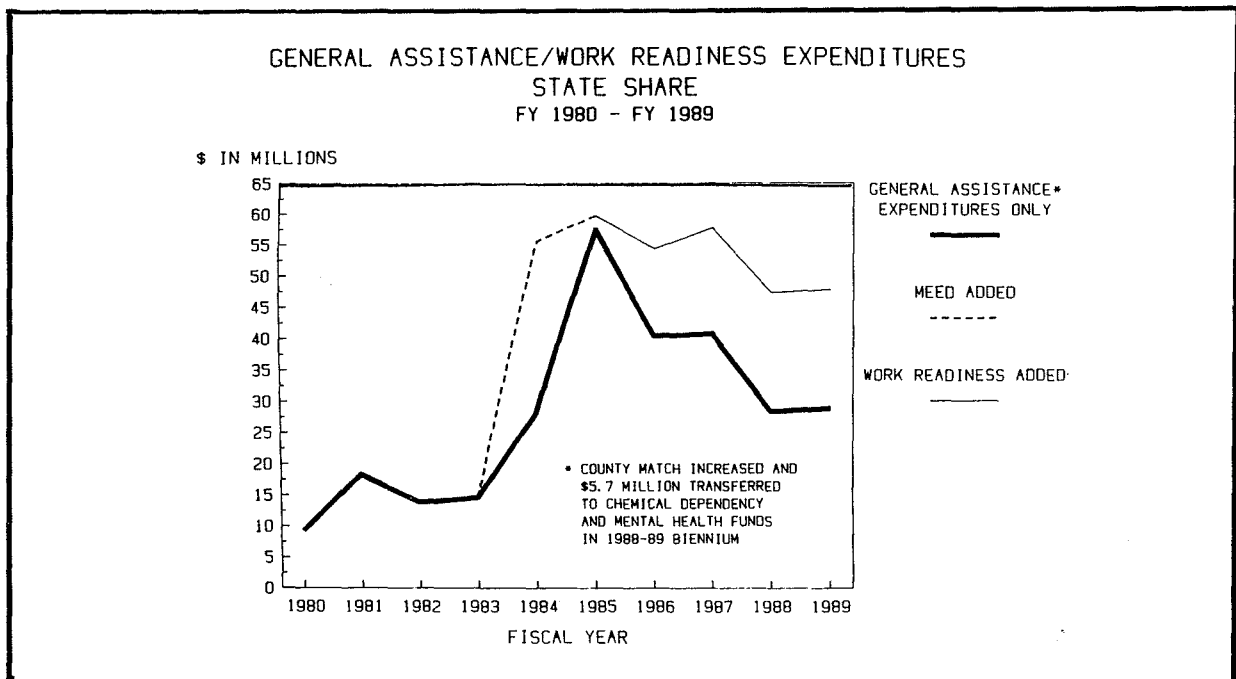
### GOVERNOR'S RECOMMENDATION AFDC PROGRAM

- Initiates innovative child support projects.
- Provides funding for a variety of job-related activities.  
(See Welfare Reform summary.)
- Continues benefits at current levels.

## General Assistance/Work Readiness

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). Work Readiness provides cash assistance for employable people while they receive services to assist them in becoming employed.

While caseloads dropped with implementation of Work Readiness time-limited eligibility in F.Y. 1986, they began to grow again in F.Y. 1987. Five percent growth for the combined programs is predicted for each year of the 1988-89 biennium due primarily to the poor rural economy and increased knowledge of the new eligibility requirements.



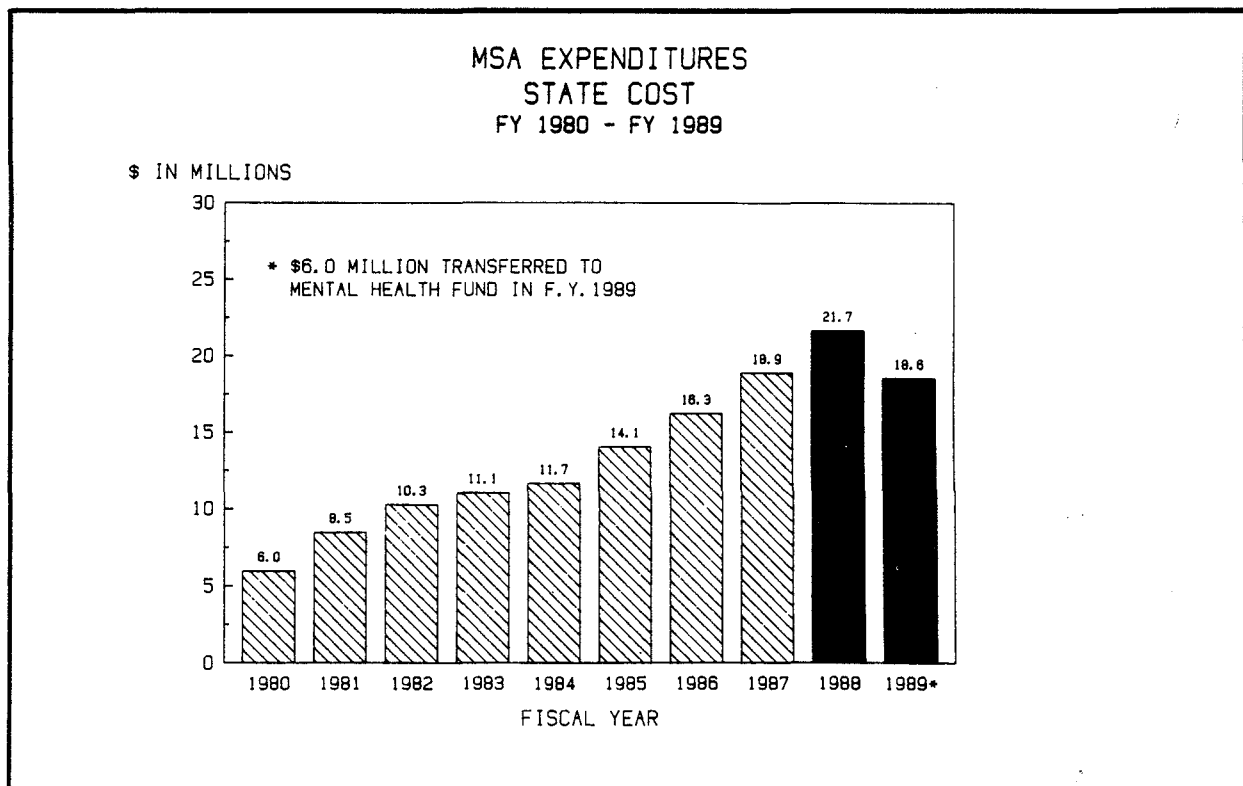
### GOVERNOR'S RECOMMENDATION GENERAL ASSISTANCE/WORK READINESS

- Expands eligibility for certain Work Readiness recipients from 2 months in 24 to 6 months in 12.
- Continues benefits at current levels.
- Increases the county share to provide additional administrative aid to the counties.

## Minnesota Supplemental Aid

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

Expenditures for MSA are increasing due to greater emphasis on providing care for the elderly and disabled within the community.

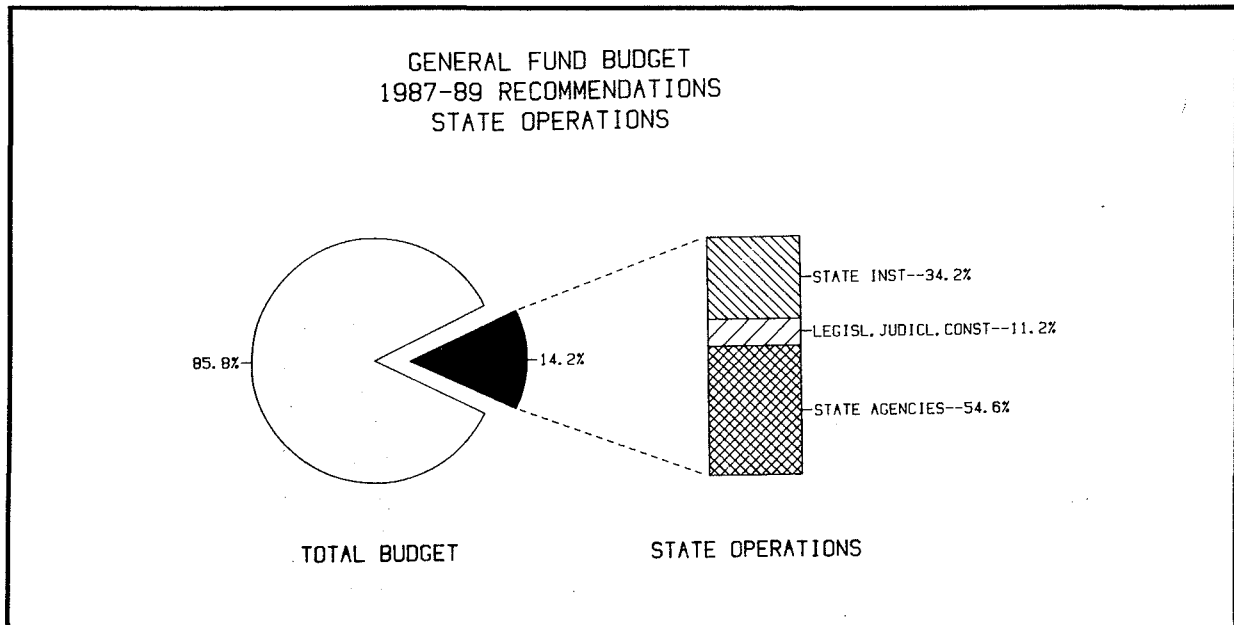


The Governor's recommendations for the MSA program provides additional funding for mentally retarded individuals to live in the community and benefits at current levels.

## 6. State Operations

State management includes direct operations and services of all legislative, judicial and executive offices, agencies, and state institutions.

The smallest increase in the budget for 1987-89 is for state operations. State operations will account for only 14¢ of every dollar spent -- down from 15¢ in the current biennium.



The Governor's budget provides almost no increase (less than 1%) for state operations. For state agencies (excluding state institutions) a 1.3% reduction is recommended, including funding for anticipated labor contract increases.

GOVERNOR'S RECOMMENDATION STATE OPERATIONS				
(\$ IN MILLIONS)				
	1986-87 ESTIMATE	1988-89 RECOMMENDED	AMOUNT CHANGE	PERCENT CHANGE
STATE INSTITUTIONS	526.2	541.6	15.4	2.9%
LEGISLATIVE, JUDICIAL, CONSTITUTIONAL OFFICERS	168.6	178.4	9.8	5.8%
STATE AGENCIES	877.2	865.4	(11.8)	-1.3%
TOTAL	1,572.0	1,585.4	13.4	0.9%
PERCENT OF GENERAL FUND BUDGET	15.2%	14.2%		

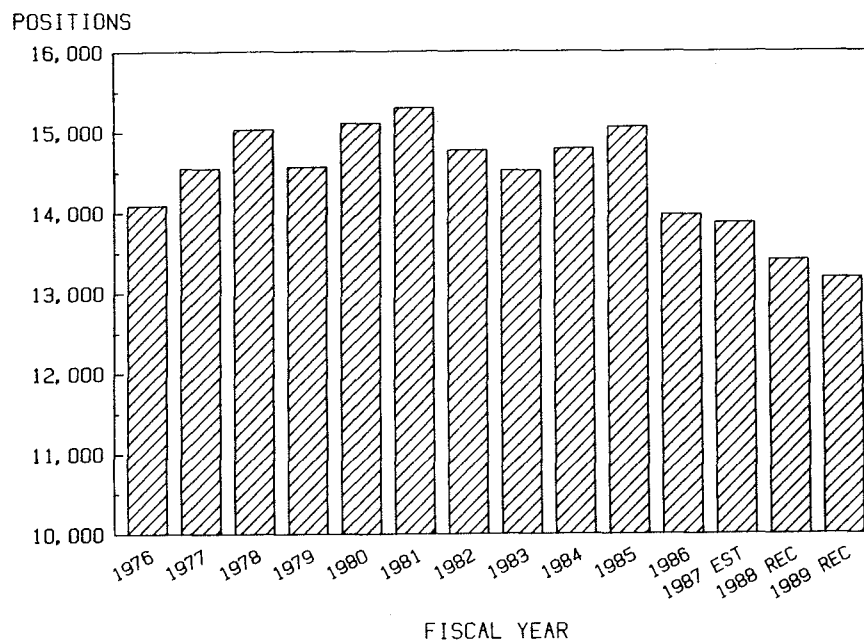
### GOVERNOR'S RECOMMENDATIONS EFFECTIVE STATE MANAGEMENT

- Budgets increase less than inflation
- No automatic inflation adjustments
- Smaller, more efficient work force
- Sound management initiatives

The Governor's recommended budget continues to emphasize a "doing more with less" philosophy which requires increases in efficiency and effectiveness of state operations.

Growth in state employment will continue to be limited. For the 1988-89 bien-nium, an estimated reduction of 400 General Fund positions will occur. The number of authorized General Fund positions under the Governor's recommenda-tions will be almost 900 fewer in F.Y. 1989 than there were 13 years ago -- in 1976.

### AUTHORIZED COMPLEMENT GENERAL FUND

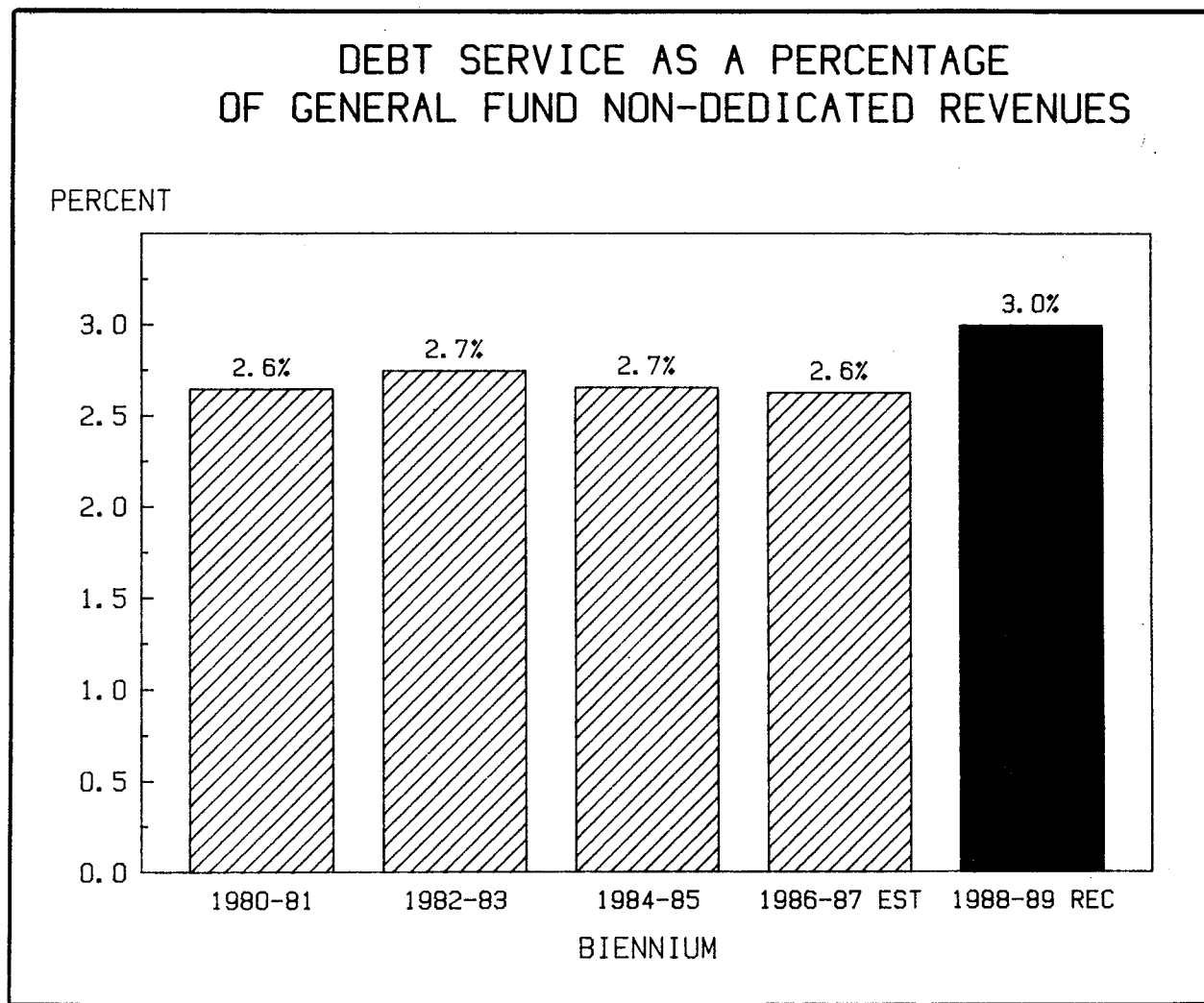


GOVERNOR'S RECOMMENDATIONS  
STATE OPERATIONS

- Merge Soil and Water Conservation Board, Southern Minnesota Rivers Basin Council, and Water Resources Board into a single, independent state board responsible for state technical and financial assistance and approving local water plans
- Support increased reliance of the Minnesota Zoo on private funding for operating expenses
- Provide increases to the Science Museum for a statewide elementary education program
- Increase funding for the Minneapolis Veterans Home for projected population increases
- Support increased reliance on fees at Historical Society sites along with increased funding for preparation for moving to the new history center
- Provide funding for improvement of information systems in those agencies like Human Services and Revenue where there are clear returns on investments and to avoid continued federal sanctions
- Extend the "Master Lease" program which resulted in more cost-effective purchasing to selected state agencies
- Reorganize programs under the Department of Energy and Economic Development, World Trade Center, and International Trade Office for more effective operations

## 7. Capital Budget

The Governor's budget includes \$289 million for the cost of debt service (principal and interest) on long-term debt. Of this amount, \$234 million is required to make payments on existing debt. The balance of \$55 million will be for the payment of debt service on new bonds to be issued during the 1987-89 biennium.



The new bonds will be issued to provide cash flow financing for capital projects currently authorized and also for new capital projects. Recommendations for new capital project authorizations will be included in the Capital Improvement Budget to be submitted in February.

Also included in debt service costs is a \$3.3 million direct appropriation for agency relocation expenses, which has been recommended and will be included in the Capital Improvement Budget.



## H. PROPERTY TAX REFORM

The Governor's plan for reorganizing the state's property tax system reflects three basic principles:

- CLARIFICATION OF STATE AND LOCAL GOVERNMENT FISCAL RESPONSIBILITIES TO ENHANCE GOVERNMENT ACCOUNTABILITY.

Finance directly those costs associated with functions or services having major statewide benefits. Elementary and secondary education are readily accepted as a state fiscal responsibility.

Minimize state responsibility in providing general property tax relief.

Make state services more dependent on state revenue sources and state elected officials, and local services more dependent on local revenue sources and locally elected officials.

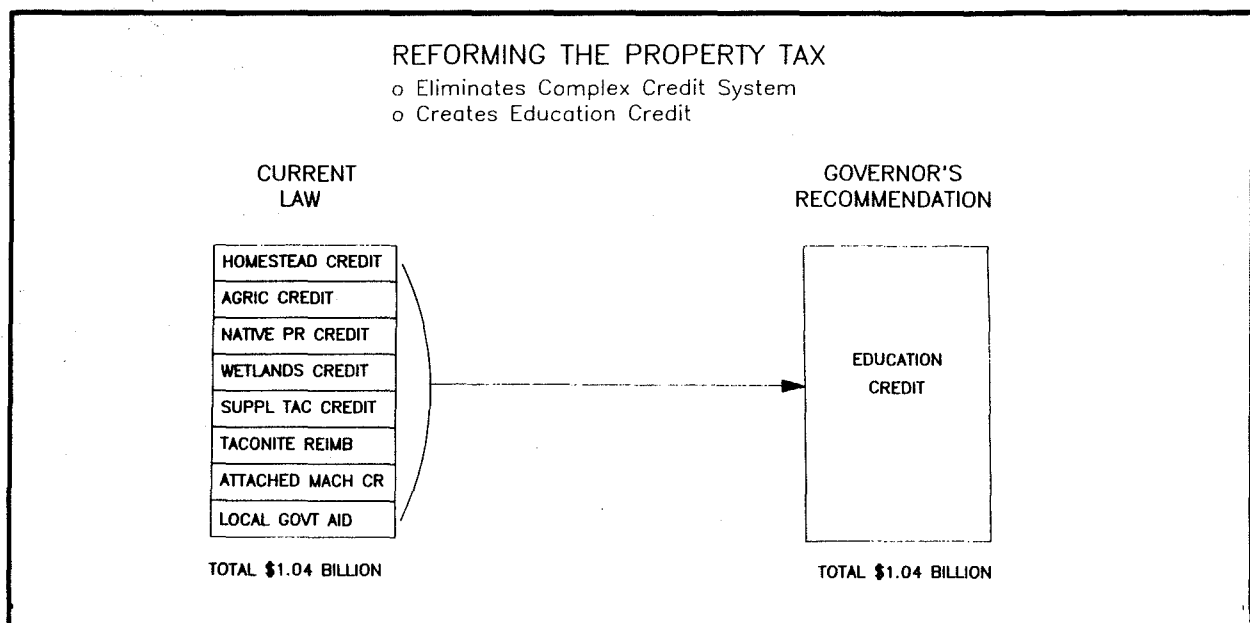
- SIMPLICITY AND UNDERSTANDABILITY

Simplify the property tax system by reducing the number of property tax classifications and the number of property tax relief programs. Reform the current complex property tax system which obscures the relationship between taxes and public services and undermines the fairness and understandability of the system among taxpayers.

- STABILITY

Redesign state property tax relief programs to enhance budget stability and discourage excessive spending.

The plan eliminates what is currently a complex system of credits.



GOVERNOR'S RECOMMENDATIONS  
PROPERTY TAX REFORM

- Establish a new Education Property Tax Credit.
- Abolish the homestead credit, agricultural school credit, supplemental taconite credit and reimbursement, attached machinery aid, wetland credit and reimbursement, native prairie credit and reimbursement, and Local Government Aids (LGA) program.
- Redirect funds from abolished aid and credit programs to finance the new Education Credit which will reduce school property tax levies throughout the state.
- Distribute the Education Credit by a simple formula that is neutral towards local spending and taxing decisions and will not significantly change net property taxes among local governments.
- Apply the Education Credit to all classes of property with a provision allowing local officials, after appropriate public hearings, to shift the credit between classes of property.
- Remove levy limits from city, county and township governments.
- Reduce the number of property classifications to five basic classes:
  - Homestead                      -- Residential nonhomestead
  - Farmstead                    -- Commercial, industrial, and all other
  - Rural land

PROPOSED REORGANIZATION  
=====

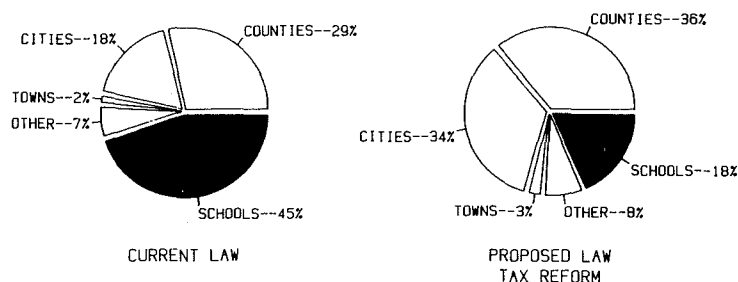
(\$ IN MILLIONS)

DESCRIPTION	1986-87 BIENNIUM	COMPARABLE			BIENNIUM PERCENT CHANGE	REORGANIZED			BIENNIUM PERCENT CHANGE
		FY1988	FY1989	BIENNIUM		FY1988	FY1989	BIENNIUM	
HOMESTEAD CREDIT	1,109	601	598	1,200	8.1%	601	0	601	-45.8%
AGRICULTURAL CREDIT	228	121	121	242	6.2%	121	0	121	-46.9%
MISCELLANEOUS CREDITS	4	1	2	3	-8.6%	2	0	2	-48.6%
LOCAL GOVERNMENT AID	599	319	319	637	6.4%	319	0	319	-46.8%
ATTACHED MACHINERY AID	6	3	3	6	0.0%	3	0	3	-50.0%
SUBTOTAL	1,947	1,046	1,043	2,089	7.3%	1,046	0	1,046	-46.3%
EDUCATION CREDIT	0	0	0	0		0	1,044	1,044	
TOTAL	1,947	1,046	1,043	2,089	7.3%	1,046	1,044	2,090	7.4%

The Governor's reorganization plan clarifies state responsibility in providing property tax relief. The state, which already has the major role in school financing, will assume two-thirds of educational costs presently supported by property taxes. State support for K-12 education will rise to more than 82% of total school expenditures.

Correspondingly, the state will end its role in providing general purpose property tax aids and credits to municipal, county and township governments. This plan will provide local governments more freedom in making their own decisions regarding property taxes and in using a greater share of the property tax base.

PROPERTY TAX REFORM  
Reducing School District Share of Net Levies



PROPERTY TAX POLICY  
OTHER MAJOR RECOMMENDATIONS

- Phase out the renters' credit provision of the state's property tax refund program beginning in F.Y. 1988. The need for the renters' credit is reduced by both federal and state income tax reforms affecting low-income families and reduced property taxes on apartments under proposed classifications.
- Target the homeowner's property tax refund to those who truly need the financial assistance by including an asset factor in determining benefit levels, revising the definition of income and adjusting the minimum and maximum benefit amounts.
- Limit the F.Y. 1988 increase in local government aids to 2.5%.

## I. FOUR YEAR BUDGET OUTLOOK

A budget projection for the 1990-91 biennium is presented only as a guide to assist planning of the 1988-89 budget. The projection assumes that the state revenue will follow a course of moderate growth and the Governor's recommendations will be enacted by the 1987 Legislature.

The projection extends an adjusted F.Y. 1989 expenditure base into the following biennium assuming a general inflationary growth of 3.7% for F.Y. 1990 and 4.1% for F.Y. 1991, the DRI long range forecast for GNP deflator. Expenditure projections for health care and income support programs are based on current projections of caseloads, inflation, and other cost factors.

Under this planning projection, the ending balance at June 30th, 1991 would be \$147 million, including the Governor's recommended budget reserve of \$550 million.

FOUR-YEAR BUDGET OUTLOOK			
	Estimated 1986-87	Proposed 1988-89	Projected 1990-91
	(in \$ millions)		
o BALANCE FORWARD	539	179	266
o CURRENT RESOURCES	9,997	11,250	12,476
o TOTAL RESOURCES	10,536	11,429	12,742
o TOTAL EXPENDITURES	10,357	11,163	12,045
1. Transfer Payments			
Aids to School Districts	2,568	2,919	3,113
Post Secondary Education Aid	1,460	1,672	1,805
Tuition and Fees	424	431	470
State Education Credit (New)		1,043 (a)	2,215 (b)
Property Tax Credits	1,355	727 (a)	0 (b)
Property Tax Refunds	333	144	63
Local Government Aid (LGA)	599	319 (a)	0 (b)
Other Major Local Assistance	347	477	549
Health Care (MA, GAMC)	1,169	1,284	1,465
Income Support (AFDC, GA, MSA)	310	314	354
	8,566	9,333	10,034
2. State Operations	1,572	1,585	1,713
3. Debt Services & All Other	219	245	298
o BALANCE WITHOUT RESERVE	179	266	697
o BUDGET RESERVE	179	250	550
o UNRESTRICTED BALANCE	0	16	147

**Notes:**

- (a) Reflects only FY 1988 amounts. FY 89 amounts are incorporated into the newly created State Education Credit.
- (b) Incorporated into the newly created State Education Credit.

## J. OTHER STATE OPERATING FUNDS

The following table displays all state operating funds including the General Fund. Total estimated expenditures for the operating funds is \$17.0 billion for the 1988-89 biennium, as compared to \$16.4 billion in the current biennium--a 3.9% increase.

Estimates for the Federal Fund are based on projections using federal fiscal year 1987 at "current services" levels, without considering the President's proposals to the 1987 Congress or the congressional decisions to follow.

The Trunk Highway Fund is the third largest operating fund, after the General and Federal funds. It is supported mostly by motor vehicle registration fees and motor fuel taxes. The trunk highway expenditures for the upcoming biennium are estimated at 1.3 billion, a 4.3% increase from the current biennium. The Governor has requested that the Commissioner of Transportation report by March 1, 1987 on alternative funding alternatives for highways.

The Debt Service Fund is the state's fourth largest operating fund. It accounts for the accumulation of resources and payment of most general long-term principal and interest.

CONSOLIDATED FUND STATEMENT (Dollars in Millions)						
	FY 1986	FY 1987	BIENNIUM 1986-87	FY 1988	FY 1989	BIENNIUM 1988-89
ACTUAL AND ESTIMATED USES						
Expenditures						
General Fund	4,859.9	5,237.7	10,097.5	5,431.0	5,432.8	10,863.8
Special Revenue Funds						
Federal Fund	1,494.8	1,752.8	3,247.6	1,644.9	1,708.1	3,353.0
Trunk Highway Fund	601.1	650.9	1,252.0	660.2	645.4	1,305.6
All Other Special Revenue Funds	283.4	336.9	620.3	294.5	295.5	590.1
Expendable Trust Funds						
County-State Aid Highway	137.9	189.3	327.2	181.1	182.5	363.6
All Other Expendable Trust Funds	84.1	101.1	185.1	107.2	99.5	206.6
Debt Service Fund	219.3	413.3	632.6	163.4	153.9	317.3
Total Expenditures	7,680.4	8,682.0	16,362.4	8,482.2	8,517.7	16,999.9
Transfers to Other Funds	710.0	776.3	1,486.3	755.5	768.4	1,523.9
Total Uses	8,390.4	9,458.3	17,848.7	9,237.7	9,286.1	18,523.8

## K. APPENDIX - FUND SUMMARIES

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

The first summary table highlights the impact of the Governor's Property Tax Reform on General Fund spending by category effective in F.Y. 1989, the second year of the budget.

- Governor's Budget - Property Tax Reform Page 61

For comparative purposes additional summary tables by major category are provided on a comparable basis (unadjusted for the property tax reorganization). The tables are presented for reference to provide commonly requested information and additional financial detail:

- Biennial Comparison Page 62
- Annual Percent Change Page 63
- Percent of Total Page 65
- November Planning Estimates - Governor's Budget Page 66
- Agency Requests/Estimates - Governor's Budget Page 67

The General Fund statement details individual revenue sources, actual and recommended spending by agency and other major items of state spending beginning on page 69.

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# Governor's Budget - Property Tax Reform

	GOV'S REC. F.Y. 1988	GOV'S REC. F.Y. 1989	BIENNIAL TOTAL
-----			
ACTUAL AND ESTIMATED RESOURCES	(\$ IN THOUSANDS)		
-----			
BEGINNING BALANCE	178,824.0	39,688.4	178,824.0
NON-DEDICATED REVENUES	4,678,586.4	4,959,266.1	9,637,852.5
NEW LEGISLATION REVENUES	305,143.7	389,529.3	694,673.0
DEDICATED REVENUE	433,081.0	446,753.4	879,834.4
TRANSFERS & OTHER	19,860.0	17,650.8	37,510.8
-----			
TOTAL RESOURCES	5,615,495.1	5,852,888.0	11,428,694.7
-----			
EXPENDITURES			
-----			
1. TRANSFER PAYMENTS			
AID TO SCHOOL DISTRICTS	1,452,371.9	1,466,921.3	2,919,293.2
POST-SECONDARY EDUC (STATE)	820,549.0	851,805.2	1,672,354.2
POST-SECONDARY EDUC (TUITION)	209,009.2	222,072.1	431,081.3
PROPERTY TAX CREDITS	729,012.2	1,600.0	730,612.2
PROPERTY TAX REFUND	114,000.0	30,000.0	144,000.0
NEW EDUCATION CREDIT	0.0	1,043,470.6	1,043,470.6
LOCAL GOVERNMENT AID (LGA)	319,184.1	0.0	319,184.1
OTHER MAJOR LOCAL ASSISTANCE	218,376.0	255,703.7	474,079.7
HEALTH CARE (MA,GAMC)	633,629.9	650,554.1	1,284,184.0
INCOME SUPPORT (AFDC,GA,MSA)	155,654.5	158,673.2	314,327.7
-----			
SUBTOTAL-TRANSFER PAYMENTS	4,651,786.8	4,680,800.2	9,332,587.0
-----			
2. STATE OPERATIONS			
STATE INSTITUTIONS	272,415.1	269,257.7	541,672.8
LEGIS., JUDICIAL, CONST. OFFICERS	88,724.7	89,631.6	178,356.3
STATE AGENCIES	439,747.5	425,625.0	865,372.5
-----			
SUBTOTAL-STATE OPERATIONS	800,887.3	784,514.3	1,585,401.6
-----			
3. OTHER			
DEBT SVC & SHORT TERM BORROWING	142,007.6	150,428.0	292,435.6
NEW LEGISLATION	(3,875.0)	(3,875.0)	(7,750.0)
ESTIMATED CANCELLATIONS	(15,000.0)	(25,000.0)	(40,000.0)
-----			
SUBTOTAL-OTHER	123,132.6	121,553.0	244,685.6
-----			
TOTAL EXPENDITURES & TRANSFERS	5,575,806.7	5,586,867.5	11,162,674.2
-----			
UNRESERVED FUND BALANCE	39,688.4	266,020.5	266,020.5
-----			
BUDGET RESERVE	250,000.0	250,000.0	250,000.0
-----			
ENDING BALANCE	(210,311.6)	16,020.5	16,020.5
=====			



# Biennial Comparison: 1986-87 to 1988-89 Recommended

(\$ IN THOUSANDS)

	1986-87 1-87 EST	1988-89 GOV'S REC.	\$ DIFFERENCE	PERCENT CHANGE
-----				
ACTUAL AND ESTIMATED RESOURCES				
-----				
BEGINNING BALANCE	538,543.9	178,824.0	(359,719.9)	-66.8%
NON-DEDICATED REVENUES	9,089,979.5	9,637,852.5	547,873.0	6.0%
NEW LEGISLATION NON-DEDIC REV.	5,800.0	694,673.0	688,873.0	NM
DEDICATED REVENUES	845,936.5	879,834.3	33,897.8	4.0%
TRANSFERS & OTHER	55,516.5	37,510.8	(18,005.7)	-32.4%
-----				
TOTAL RESOURCES	10,535,776.4	11,428,694.6	892,918.2	8.5%
EXPENDITURES				
-----				
1. TRANSFER PAYMENTS				
AID TO SCHOOL DISTRICTS	2,567,514.0	2,919,293.2	351,779.2	13.7%
POST-SECONDARY EDUC (STATE)	1,459,836.2	1,672,354.2	212,518.0	14.6%
POST-SECONDARY EDUC (TUITION)	424,482.3	431,081.2	6,598.9	1.6%
PROPERTY TAX CREDITS	1,355,270.6	1,454,898.4 *	99,627.8	7.4%
PROPERTY TAX REFUND	333,112.3	144,000.0	(189,112.3)	-56.8%
LOCAL GOVERNMENT AID (LGA)	599,348.5	638,368.5 *	39,020.0	6.5%
OTHER MAJOR LOCAL ASSISTANCE	347,348.4	474,079.7	126,731.3	36.5%
HEALTH CARE (MA,GAMC)	1,168,773.4	1,284,184.0	115,410.6	9.9%
INCOME SUPPORT (AFDC,GA,MSA)	310,058.6	314,327.7	4,269.1	1.4%
-----				
SUBTOTAL-TRANSFER PAYMENTS	8,565,744.3	9,332,586.9	766,842.6	9.0%
2. STATE OPERATIONS				
STATE INSTITUTIONS	526,214.9	541,672.8	15,457.9	2.9%
LEGIS., JUDICIAL, CONST. OFFCRS	168,585.2	178,356.3	9,771.1	5.8%
STATE AGENCIES	877,222.5	865,372.5	(11,850.0)	-1.4%
-----				
SUBTOTAL-STATE OPERATIONS	1,572,022.6	1,585,401.6	13,379.0	0.9%
3. OTHER				
DEBT SVC & SHT TERM BORROWING	239,185.5	292,435.6	53,250.1	22.3%
NEW LEGISLATION	0.0	(7,750.0)	(7,750.0)	NM
ESTIMATED CANCELLATIONS	(20,000.0)	(40,000.0)	(20,000.0)	100.0%
-----				
SUBTOTAL-OTHER	219,185.5	244,685.6	25,500.1	11.6%
-----				
TOTAL EXPENDITURES & TRANSFERS	10,356,952.4	11,162,674.1	805,721.7	7.8%
-----				
UNRESERVED FUND BALANCE	178,824.0	266,020.5	87,196.5	
-----				
BUDGET RESERVE	178,824.0	250,000.0		
-----				
ENDING BALANCE	0.0	16,020.5		
=====				

\*NOTE: WOULD BE REPLACED BY NEW EDUCATION CREDIT UNDER PROPOSED  
PROPERTY TAX REORGANIZATION F.Y.1989

## Annual Percent Change: Governor's Budget

	1-87 EST F.Y. 1987	GOV'S REC. F.Y. 1988	PERCENT CHANGE	GOV'S REC. F.Y. 1989	PERCENT CHANGE
-----					
ACTUAL AND ESTIMATED RESOURCES					
-----					
BEGINNING BALANCE	370,222.4	178,824.0	-51.7%	39,688.4	-77.8%
NON-DEDICATED REVENUES	4,723,620.1	4,678,586.4	-1.0%	4,959,266.1	6.0%
NEW LEGISLATION REVENUES	5,800.0	305,143.7	NM	389,529.3	27.7%
DEDICATED REVENUE	427,386.4	433,081.0	1.3%	446,753.4	3.2%
TRANSFERS & OTHER	18,699.9	19,860.0	6.2%	17,650.8	-11.1%
-----					
TOTAL RESOURCES	5,545,728.8	5,615,495.1	1.3%	5,852,888.0	4.2%
-----					
EXPENDITURES					
-----					
1. TRANSFER PAYMENTS					
AID TO SCHOOL DISTRICTS	1,333,063.3	1,452,371.9	8.9%	1,466,921.3	1.0%
POST-SECONDARY EDUC (STATE)	766,873.3	820,549.0	7.0%	851,805.2	3.8%
POST-SECONDARY EDUC (TUITION)	212,953.1	209,009.2	-1.9%	222,072.1	6.2%
PROPERTY TAX CREDITS	708,140.6	729,012.2	2.9%	725,886.2 *	-0.4%
PROPERTY TAX REFUND	156,212.1	114,000.0	-27.0%	30,000.0	73.7%
LOCAL GOVERNMENT AID (LGA)	310,931.3	319,184.1	2.7%	319,184.4 *	0.0%
OTHER MAJOR LOCAL ASSISTANCE	172,882.3	218,376.0	26.3%	255,703.7	17.1%
HEALTH CARE (MA, GAMC)	618,665.2	633,629.9	2.4%	650,554.1	2.7%
INCOME SUPPORT (AFDC, GA, MSA)	159,210.8	155,654.5	-2.2%	158,673.2	1.9%
-----					
SUBTOTAL-TRANSFER PAYMENTS	4,438,932.0	4,651,786.8	4.8%	4,680,800.2	0.6%
2. STATE OPERATIONS					
STATE INSTITUTIONS	270,432.5	272,415.1	0.7%	269,257.7	-1.2%
LEGIS., JUDICIAL, CONST. OFFICERS	88,735.4	88,724.7	-0.0%	89,631.6	1.0%
STATE AGENCIES	469,339.7	439,747.5	-6.3%	425,625.0	-3.2%
-----					
SUBTOTAL-STATE OPERATIONS	828,507.6	800,887.3	-3.3%	784,514.3	-2.0%
3. OTHER					
DEBT SVC & SHORT TERM BORROWING	119,465.2	142,007.6	18.9%	150,428.0	5.9%
NEW LEGISLATION	0.0	(3,875.0)	NM	(3,875.0)	0.0%
ESTIMATED CANCELLATIONS	(20,000.0)	(15,000.0)	-25.0%	(25,000.0)	66.7%
-----					
SUBTOTAL-OTHER	99,465.2	123,132.6	23.8%	121,553.0	-1.3%
-----					
TOTAL EXPENDITURES & TRANSFERS	5,366,904.8	5,575,806.7	3.9%	5,586,867.5	0.2%
-----					
UNRESERVED FUND BALANCE	178,824.0	39,688.4		266,020.5	
-----					
BUDGET RESERVE	178,824.0	250,000.0		250,000.0	
-----					
ENDING BALANCE	0.0	(210,311.6)		16,020.5	
=====					

\*NOTE: WOULD BE REPLACED BY NEW EDUCATION CREDIT UNDER PROPOSED  
PROPERTY TAX REORGANIZATION F.Y.1989

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## Percent of Total General Fund - By Category

	1986-87 EST \$ in 000's	PERCENT OF TOTAL	1988-89 REC \$ in 000's	PERCENT OF TOTAL
-----				
ACTUAL AND ESTIMATED RESOURCES				
-----				
BEGINNING BALANCE	538,543.9	5.1%	178,824.0	1.6%
NON-DEDICATED REVENUES	9,089,979.5	86.3%	9,637,852.5	84.3%
NEW LEGISLATION REVENUES	5,800.0	0.1%	694,673.0	6.1%
DEDICATED REVENUES	845,936.5	8.0%	879,834.3	7.7%
TRANSFERS & OTHER	55,516.5	0.5%	37,510.8	0.3%
-----				
TOTAL RESOURCES	10,535,776.4	100.0%	11,428,694.6	100.0%
EXPENDITURES				
-----				
1. TRANSFER PAYMENTS				
AID TO SCHOOL DISTRICTS	2,567,514.0	24.8%	2,919,293.2	26.2%
POST-SECONDARY EDUC (STATE)	1,459,836.2	14.1%	1,672,354.2	15.0%
POST-SECONDARY EDUC (TUITION)	424,482.3	4.1%	431,081.2	3.9%
PROPERTY TAX CREDITS	1,355,270.6	13.1%	1,454,898.4 *	13.0%
PROPERTY TAX REFUND	333,112.3	3.2%	144,000.0	1.3%
LOCAL GOVERNMENT AID (LGA)	599,348.5	5.8%	638,368.5 *	5.7%
OTHER MAJOR LOCAL ASSISTANCE	347,348.4	3.4%	474,079.7	4.2%
HEALTH CARE (MA,GAMC)	1,168,773.4	11.3%	1,284,184.0	11.5%
INCOME SUPPORT (AFDC,GA,MSA)	310,058.6	3.0%	314,327.7	2.8%
-----				
SUBTOTAL-TRANSFER PAYMENTS	8,565,744.3	82.7%	9,332,586.9	83.6%
2. STATE OPERATIONS				
STATE INSTITUTIONS	526,214.9	5.1%	541,672.8	4.9%
LEGIS., JUDICIAL, CONST. OFFCRS	168,585.2	1.6%	178,356.3	1.6%
STATE AGENCIES	877,222.5	8.5%	865,372.5	7.8%
-----				
SUBTOTAL-STATE OPERATIONS	1,572,022.6	15.2%	1,585,401.6	14.2%
3. OTHER				
DEBT SVC & SHY TERM BORROWING	239,185.5	2.3%	292,435.6	2.6%
NEW LEGISLATION	0.0	0.0%	(7,750.0)	-0.1%
ESTIMATED CANCELLATIONS	(20,000.0)	-0.2%	(40,000.0)	-0.4%
-----				
SUBTOTAL-OTHER	219,185.5	2.1%	244,685.6	2.2%
-----				
TOTAL EXPENDITURES & TRANSFERS	10,356,952.4	100.0%	11,162,674.1	100.0%
-----				
UNRESERVED FUND BALANCE	178,824.0		266,020.5	
-----				
BUDGET RESERVE	178,824.0		250,000.0	
-----				
ENDING BALANCE	0.0		16,020.5	
=====				

\*NOTE: WOULD BE REPLACED BY NEW EDUCATION CREDIT UNDER PROPOSED  
PROPERTY TAX REORGANIZATION F.Y.1989

# Governor's Budget -- November Planning Estimates

1988-89 BIENNIUM			
	11-86 PROJ.	GOV'S REC.	DIFFERENCE
ACTUAL AND ESTIMATED RESOURCES			
BEGINNING BALANCE	86,050.8	178,824.0	92,773.2
NON-DEDICATED REVENUES	9,633,852.5	9,637,852.5	4,000.0
NEW LEGISLATION NON-DEDIC REV.	0.0	694,673.0	694,673.0
DEDICATED REVENUES	898,220.1	879,834.3	(18,385.8)
TRANSFERS & OTHER	35,010.8	37,510.8	2,500.0
TOTAL RESOURCES	10,653,134.2	11,428,694.6	775,560.4
EXPENDITURES			
1. TRANSFER PAYMENTS			
AID TO SCHOOL DISTRICTS	2,904,756.8	2,919,293.2	14,536.4
POST-SECONDARY EDUC (STATE)	1,576,747.6	1,672,354.2	95,606.6
POST-SECONDARY EDUC (TUITION)	444,791.0	431,081.2	(13,709.8)
PROPERTY TAX CREDITS	1,492,879.5	1,454,898.4 *	(37,981.1)
PROPERTY TAX REFUND	341,900.0	144,000.0	(197,900.0)
LOCAL GOVERNMENT AID (LGA)	648,128.0	638,368.5 *	(9,759.5)
OTHER MAJOR LOCAL ASSISTANCE	575,805.3	474,079.7	(101,725.6)
HEALTH CARE (MA,GAMC)	1,371,326.1	1,284,184.0	(87,142.1)
INCOME SUPPORT (AFDC,GA,MSA)	337,540.5	314,327.7	(23,212.8)
SUBTOTAL-TRANSFER PAYMENTS	9,693,874.8	9,332,586.9	(361,287.9)
2. STATE OPERATIONS			
STATE INSTITUTIONS	553,872.1	541,672.8	(12,199.3)
LEGIS., JUDICIAL, CONST. OFFCRS	176,833.2	178,356.3	1,523.1
STATE AGENCIES	847,116.7	865,372.5	18,255.8
SUBTOTAL-STATE OPERATIONS	1,577,822.0	1,585,401.6	7,579.6
3. OTHER			
DEBT SVC & SHT TERM BORROWING	234,400.0	292,435.6	58,035.6
NEW LEGISLATION	0.0	(7,750.0)	(7,750.0)
ESTIMATED CANCELLATIONS	(40,000.0)	(40,000.0)	0.0
SUBTOTAL-OTHER	194,400.0	244,685.6	50,285.6
TOTAL EXPENDITURES & TRANSFERS	11,466,096.8	11,162,674.1	(303,422.7)
UNRESERVED FUND BALANCE	(812,962.6)	266,020.5	1,078,983.1
BUDGET RESERVE	0.0	250,000.0	250,000.0
ENDING BALANCE	(812,962.6)	16,020.5	828,983.1

\*NOTE: WOULD BE REPLACED BY NEW EDUCATION CREDIT UNDER PROPOSED  
PROPERTY TAX REORGANIZATION F.Y.1989

# Governor's Budget -- Agencies' Requests/Estimates

	1988-89 AGENCY REQ.	1988-89 GOV'S REC.	\$ DIFFERENCE
-----			
ACTUAL AND ESTIMATED RESOURCES			
-----			
BEGINNING BALANCE	178,824.0	178,824.0	0.0
NON-DEDICATED REVENUES	9,633,852.5	9,637,852.5	4,000.0
NEW LEGISLATION NON-DEDIC REV.	(5,498.7)	694,673.0	700,171.7
DEDICATED REVENUES	885,626.5	879,834.3	(5,792.2)
TRANSFERS & OTHER	35,010.8	37,510.8	2,500.0
-----			
TOTAL RESOURCES	10,727,815.1	11,428,694.6	700,879.5
-----			
EXPENDITURES			
-----			
1. TRANSFER PAYMENTS			
AID TO SCHOOL DISTRICTS	2,896,952.1	2,919,293.2	22,341.1
POST-SECONDARY EDUC (STATE)	1,817,922.8	1,672,354.2	(145,568.6)
POST-SECONDARY EDUC (TUITION)	432,493.1	431,081.2	(1,411.9)
PROPERTY TAX CREDITS	1,488,066.8	1,454,898.4*	(33,168.4)
PROPERTY TAX REFUND	341,900.0	144,000.0	(197,900.0)
LOCAL GOVERNMENT AID (LGA)	649,208.0	638,368.5*	(10,839.5)
OTHER MAJOR LOCAL ASSISTANCE	673,368.4	474,079.7	(199,288.7)
HEALTH CARE (MA,GAMC)	1,350,274.1	1,284,184.0	(66,090.1)
INCOME SUPPORT (AFDC,GA,MSA)	322,784.4	314,327.7	(8,456.7)
-----			
SUBTOTAL-TRANSFER PAYMENTS	9,972,969.7	9,332,586.9	(640,382.8)
2. STATE OPERATIONS			
STATE INSTITUTIONS	547,708.2	541,672.8	(6,035.4)
LEGIS., JUDICIAL, CONST. OFFCRS	188,795.2	178,356.3	(10,438.9)
STATE AGENCIES	1,119,389.2	865,372.5	(254,016.7)
-----			
SUBTOTAL-STATE OPERATIONS	1,855,892.6	1,585,401.6	(270,491.0)
3. OTHER			
DEBT SVC & SHT TERM BORROWING	234,400.0	292,435.6	58,035.6
NEW LEGISLATION	0.0	(7,750.0)	(7,750.0)
ESTIMATED CANCELLATIONS	(40,000.0)	(40,000.0)	0.0
-----			
SUBTOTAL-OTHER	194,400.0	244,685.6	50,285.6
-----			
TOTAL EXPENDITURES & TRANSFERS	12,023,262.3	11,162,674.1	(860,588.3)
-----			
UNRESERVED FUND BALANCE	(1,295,447.2)	266,020.5	1,561,467.8
-----			
BUDGET RESERVE	0.0	250,000.0	250,000.0
-----			
ENDING BALANCE	(1,295,447.2)	16,020.5	1,311,467.8
=====			

\*NOTE: WOULD BE REPLACED BY NEW EDUCATION CREDIT UNDER PROPOSED  
PROPERTY TAX REORGANIZATION F.Y.1989

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## General Fund Recommendations: By Omnibus Bill, Agencies

	ACTUAL F.Y. 1985	ACTUAL F.Y. 1986	1-87 EST F.Y. 1987	GOV'S REC. F.Y. 1988	GOV'S REC. F.Y. 1989	GOV'S REC. F.Y. 1988-89
-----						
ACTUAL AND ESTIMATED RESOURCES						
-----						
( A )BALANCE FORWARD	374,519.9	538,543.9	370,222.6	178,824.0	39,688.4	178,824.0
( B )PRIOR YEAR ADJUSTMENTS	23,118.5	14,557.7	10,000.0	12,000.0	10,000.0	22,000.0
-----						
ADJUSTED BALANCE FORWARD	397,638.4	553,101.6	380,222.6	190,824.0	49,688.4	200,824.0
-----						
NON-DEDICATED REVENUE:						
( C )NON-DEDICATED REVENUE	5,259,184.7	5,023,111.0	5,281,641.1	5,316,681.4	5,598,092.1	10,914,773.5
( T )REVENUE REFUNDS	495,062.9	656,751.6	558,021.0	638,095.0	638,826.0	1,276,921.0
( N )NEW LEGISLATION--REVENUES	0.0	0.0	5,800.0	306,393.7	390,779.3	697,173.0
-----						
NET NON-DEDICATED REVENUE	4,764,121.8	4,366,359.4	4,729,420.1	4,984,980.1	5,350,045.4	10,335,025.5
-----						
( D )DEDICATED REVENUE	413,633.3	418,550.1	427,386.4	433,081.0	446,753.4	879,834.4
( E )TRANSFERS FROM OTHER FUNDS	8,569.2	22,258.9	8,699.9	6,610.0	6,400.8	13,010.8
-----						
TOTAL RESOURCES AVAILABLE	5,583,962.7	5,360,270.0	5,545,729.0	5,615,495.1	5,852,888.0	11,428,694.7
-----						
ACTUAL AND ESTIMATED EXPENDITURES						
-----						
( F )NEW LEGISLATION	0.0	0.0	0.0	(3,875.0)	(3,875.0)	(7,750.0)
( G )EDUCATION AIDS	1,134,392.1	1,234,450.7	1,333,063.3	1,452,371.9	1,466,921.3	2,919,293.2
( H )EDUCATION	665,521.9	711,852.6	782,036.0	840,726.2	871,901.7	1,712,627.9
( I )HEALTH, WELFARE, CORRECTIONS	1,003,932.3	974,165.2	1,069,674.7	1,114,148.6	1,141,570.2	2,255,718.8
( J )TRANSPORTATION/SEMI-STATE	87,639.0	91,460.1	86,330.4	92,822.5	92,226.1	185,048.6
( K )STATE DEPARTMENTS	323,455.2	264,890.8	279,308.4	293,790.4	306,125.5	599,915.9
( M )UNALLOTTED/BALANCE FORWARD	3,093.5	(6,254.2)	16,620.3	0.0	0.0	0.0
( O )DEFICIENCIES	0.0	0.0	25,163.5	0.0	0.0	0.0
-----						
TOTAL DIRECT EXPENDITURES	3,218,034.0	3,270,565.2	3,592,196.6	3,789,984.6	3,874,869.8	7,664,854.4
-----						
(P-S)AIDS, CREDITS, RETIREMENTS	1,170,507.1	1,170,739.0	1,238,076.0	1,222,957.5	1,136,156.6	2,359,114.1
( U )DEDICATED REVENUE EXPENDITURES	413,633.3	418,550.1	427,386.4	433,081.0	446,753.4	879,834.4
( 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	4,802,174.4	4,859,854.3	5,237,659.0	5,431,023.1	5,432,779.8	10,863,802.9
( X )TRANSFERS TO OTHER FUNDS	243,244.4	130,193.1	129,246.0	144,783.6	154,087.7	298,871.3
-----						
TOTAL EXPEND. AND TRANSFERS	5,045,418.8	4,990,047.4	5,366,905.0	5,575,806.7	5,586,867.5	11,162,674.2
-----						
UNRESERVED FUND BALANCE	538,543.9	370,222.6	178,824.0	39,688.4	266,020.5	266,020.5
( Y )RESERVE/APPROP. CARRIED FWD	481,079.4	103,471.0	178,824.0	250,000.0	250,000.0	250,000.0
-----						
UNRESTRICTED BUDGETARY BALANCE	57,464.5	266,751.6	0.0	(210,311.6)	16,020.5	16,020.5
=====						



## GENERAL FUND - FUND BALANCE ANALYSIS

	ACTUAL F.Y. 1985	ACTUAL F.Y. 1986	1-87 EST F.Y. 1987	GOV'S REC. F.Y. 1988	GOV'S REC. F.Y. 1989	GOV'S REC. F.Y. 1988-89
<hr/>						
( B ) PRIOR YEAR ADJUSTMENTS						
<hr/>						
CANCELL OF PRIOR YEAR ENCUMBRANCES	20,684.0	13,300.9	15,000.0	15,000.0	15,000.0	30,000.0
INCOME	1,822.4	1,281.3	1,000.0	1,000.0	1,000.0	2,000.0
CARRY FORWARD OF PRIOR YEAR ENC.	NA	(24.5)	(6,000.0)	(4,000.0)	(6,000.0)	(10,000.0)
OTHER	612.1	0.0	0.0	0.0	0.0	0.0
<hr/>						
TOTAL PRIOR YEAR ADJUSTMENTS	23,118.5	14,557.7	10,000.0	12,000.0	10,000.0	22,000.0
<hr/>						
( C ) NON-DEDICATED REVENUE						
<hr/>						
INDIVIDUAL INCOME TAX	2,636,299.5	2,496,547.3	2,615,733.0	2,697,300.0	2,878,000.0	5,575,300.0
CORPORATE INCOME TAX	420,261.4	402,129.1	441,148.0	423,100.0	461,600.0	884,700.0
SALES TAX - GENERAL	1,352,280.7	1,371,543.7	1,437,309.0	1,472,500.0	1,547,500.0	3,020,000.0
MOTOR VEHICLE EXCISE	197,212.7	207,769.1	230,163.0	232,800.0	230,100.0	462,900.0
BANK EXCISE	34,565.0	47,410.6	36,309.0	43,800.0	46,300.0	90,100.0
INHERITANCE, ESTATE & GIFT	18,560.3	15,679.3	15,960.8	10,557.0	8,028.0	18,585.0
LIQUOR, WINE & BEER	52,427.1	51,506.0	49,541.2	48,817.1	49,465.0	98,282.1
CIGARETTE & TOBACCO PRODUCTS	85,388.9	72,699.8	77,586.6	69,800.5	68,626.1	138,426.6
IRON ORE OCCUPATION	379.5	530.6	400.0	400.0	400.0	800.0
TACONITE OCCUPATION	10,605.6	4,836.4	5,288.0	4,000.0	4,000.0	8,000.0
TACONITE PRODUCTION	64,514.3	0.0	0.0	0.0	0.0	0.0
ROYALTY TAXES	4,464.0	4,133.9	2,496.3	2,619.2	2,619.2	5,238.4
DEED AND MORTGAGE REGISTRATION	26,178.5	2,261.5	0.0	0.0	0.0	0.0
INSURANCE GROSS EARN & FIRE MARSH	77,372.7	97,439.7	100,984.0	99,571.0	100,568.0	200,139.0
TELEPHONE & TELEGRAPH GROSS EARN	55,898.4	57,034.9	99,721.4	36,165.9	22,615.6	58,781.5
OTHER GROSS EARNINGS	43.4	1,231.9	479.3	1,134.8	1,135.6	2,270.4
LEGALIZED GAMBLING TAXES	443.6	11,821.8	16,000.4	16,047.2	17,895.2	33,942.4
CARE & HOSPITAL DEPT EARNINGS	4,554.0	16.1	0.0	0.0	0.0	0.0
DEPARTMENTAL EARNINGS	52,539.6	42,373.4	42,460.0	41,500.0	41,500.0	83,000.0
INVESTMENT INCOME	73,862.0	62,398.0	31,159.0	24,000.0	24,000.0	48,000.0
INCOME TAX RECIPROCITY	16,153.0	15,950.8	21,425.0	19,300.0	19,900.0	39,200.0
OTHER NON-DEDICATED REVENUE	51,408.8	40,444.8	39,257.2	39,500.0	39,500.0	79,000.0
ADMIN RENT RECEIPTS	8,296.9	0.0	0.0	0.0	0.0	0.0
DPW-FEDERAL REIMBURSEMENT	15,474.8	17,352.3	18,219.9	18,768.7	19,339.4	38,108.1
COMPLIANCE	0.0	0.0	0.0	15,000.0	15,000.0	30,000.0
<hr/>						
TOTAL NON-DEDICATED REVENUE	5,259,184.7	5,023,111.0	5,281,641.1	5,316,681.4	5,598,092.1	10,914,773.5
<hr/>						
( T ) REVENUE REFUNDS						
<hr/>						
REGULAR INCOME TAX REFUNDS	402,832.7	547,963.4	455,701.0	502,700.0	499,900.0	1,002,600.0

## GENERAL FUND - FUND BALANCE ANALYSIS

	ACTUAL F.Y. 1985	ACTUAL F.Y. 1986	1-87 EST F.Y. 1987	GOV'S REC. F.Y. 1988	GOV'S REC. F.Y. 1989	GOV'S REC. F.Y. 1988-89
CORPORATE INCOME TAX REFUNDS	66,833.6	76,005.1	70,367.0	92,700.0	97,300.0	190,000.0
SALES TAX REFUNDS	4,854.8	10,905.6	15,849.0	21,100.0	20,100.0	41,200.0
OTHER REFUNDS	20,541.8	21,877.5	16,104.0	21,595.0	21,526.0	43,121.0
<b>TOTAL REVENUE REFUNDS</b>	<b>495,062.9</b>	<b>656,751.6</b>	<b>558,021.0</b>	<b>638,095.0</b>	<b>638,826.0</b>	<b>1,276,921.0</b>
<b>=====</b>						
<b>( N ) NEW LEGISLATION - REVENUES</b>						
<b>-----</b>						
<b>TAX CHANGES:</b>						
BUSINESS - CORPORATE	0.0	0.0	0.0	48,400.0	103,000.0	151,400.0
BUSINESS - INSURANCE GROSS EARN	0.0	0.0	0.0	35,800.0	39,200.0	75,000.0
SALES TAX - INSTITUTIONS	0.0	0.0	0.0	106,200.0	112,000.0	218,200.0
MVE-INSTITUTIONS	0.0	0.0	0.0	8,000.0	8,400.0	16,400.0
TELEPHONE & TELEGRAPH	0.0	0.0	5,800.0	38,700.0	47,000.0	85,700.0
RAILROAD FUEL EXCISE TAX	0.0	0.0	0.0	9,900.0	9,900.0	19,800.0
SALES TAX - MISCELLANEOUS	0.0	0.0	0.0	30,500.0	31,900.0	62,400.0
<b>SUBTOTAL TAX CHANGES</b>	<b>0.0</b>	<b>0.0</b>	<b>5,800.0</b>	<b>277,500.0</b>	<b>351,400.0</b>	<b>628,900.0</b>
<b>POST-SECONDARY</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1,523.0</b>	<b>1,653.0</b>	<b>3,176.0</b>
HEALTH, WELFARE, CORRECTIONS	0.0	0.0	0.0	3,384.4	3,384.4	6,768.8
TRANSPORTATION/SEMI-STATE	0.0	0.0	0.0	(158.4)	(1,796.0)	(1,954.4)
<b>SD-LT GOV UNDEDIC 2c LCMR/1.5c WPC</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>14,550.4</b>	<b>14,273.5</b>	<b>28,823.9</b>
SD-LT GOV PCA INCR POWER CO ACID RN	0.0	0.0	0.0	103.0	103.0	206.0
<b>SUBTOTAL STATE DEPARTMENTS</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>14,653.4</b>	<b>14,376.5</b>	<b>29,029.9</b>
<b>NEW TAX COMPLIANCE (NET)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>8,241.3</b>	<b>20,511.4</b>	<b>28,752.7</b>
WASTE TIRE BALANCE-TRANSFER	0.0	0.0	0.0	1,250.0	1,250.0	2,500.0
<b>TOTAL NEW LEGISLATION REVENUES</b>	<b>0.0</b>	<b>0.0</b>	<b>5,800.0</b>	<b>306,393.7</b>	<b>390,779.3</b>	<b>697,173.0</b>
<b>=====</b>						
<b>( D ) DEDICATED REVENUE</b>						
<b>-----</b>						
STATE UNIVERSITY BOARD	60,087.5	57,247.8	61,745.6	61,339.2	67,142.7	128,481.9
STATE COMMUNITY COLLEGE SYS	29,909.4	27,304.5	28,366.6	28,830.5	30,755.0	59,585.5
EDUC VO-TECH BOARD	NA	NA	NA	NA	NA	NA
UNIVERSITY OF MINNESOTA	125,390.6	126,976.9	122,840.9	118,839.5	124,174.4	243,013.9
HUMAN SVCS-COUNTY REIMBURSEMNT	53,040.8	56,026.2	60,659.9	63,363.0	65,055.4	128,418.4
HUMAN SVCS-MA ACCT HOSP RCPTS	140,044.7	144,450.9	143,673.4	150,608.8	149,525.9	300,134.7
ALL OTHER	5,160.3	6,543.8	10,100.0	10,100.0	10,100.0	20,200.0
<b>TOTAL DEDICATED REVENUE</b>	<b>413,633.3</b>	<b>418,550.1</b>	<b>427,386.4</b>	<b>433,081.0</b>	<b>446,753.4</b>	<b>879,834.4</b>

## GENERAL FUND - FUND BALANCE ANALYSIS

	ACTUAL F.Y. 1985	ACTUAL F.Y. 1986	1-87 EST F.Y. 1987	GOV'S REC. F.Y. 1988	GOV'S REC. F.Y. 1989	GOV'S REC. F.Y. 1988-89
=====						
( E ) TRANSFERS FROM OTHER FUNDS						
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LCMR FEDERAL REIMBURSEMENT	1,183.6	0.0	0.0	0.0	0.0	0.0
GAS TAX REIMBURSEMENT	1,072.6	0.0	0.0	0.0	0.0	0.0
OTHER SPECIAL REVENUE FUNDS	3,968.6	5,722.4	5,389.1	5,589.1	5,589.1	11,178.2
ALL OTHER TRANSFERS	514.6	1,305.5	161.0	161.0	111.0	272.0
REPAY OF REVOLVING FUND LOANS	1,829.8	1,355.0	649.8	859.9	700.7	1,560.6
CH 13 - TRANSFER FROM LCMR FUND	0.0	2,500.0	2,500.0	0.0	0.0	0.0
4-86 EXECUTIVE ACTION	0.0	11,376.0	0.0	0.0	0.0	0.0
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TOTAL TRANSFERS FM OTHER FUNDS	8,569.2	22,258.9	8,699.9	6,610.0	6,400.8	13,010.8
=====						
( F ) NEW LEGISLATION - EXPENDITURES						
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MASTER LEASE SAVINGS	0.0	0.0	0.0	(3,875.0)	(3,875.0)	(7,750.0)
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TOTAL NEW LEGISLATION - EXPENDITURES	0.0	0.0	0.0	(3,875.0)	(3,875.0)	(7,750.0)
=====						
( G ) EDUCATION AIDS						
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FOUNDATION AID	840,752.4	923,893.3	1,025,771.8	1,117,168.8	1,092,963.3	2,210,132.1
TRANSPORTATION AID	83,255.3	88,993.6	82,638.0	93,435.6	89,272.7	182,708.3
CAPITAL EXP & DEBT SVC	317.9	2,727.8	2,943.0	2,139.1	55,317.3	57,456.4
PROFESSIONAL DEVELOPMENT	25.0	280.9	225.3	1,408.6	1,408.6	2,817.2
EDUCATIONAL EFFECTIVENESS	2,553.5	7,232.3	4,575.4	3,101.3	3,336.9	6,438.2
INTERDISTRICT COOPERATION	1,656.6	2,260.0	2,873.7	6,942.1	8,120.3	15,062.4
EXPANDED STUDENT OPPORTUNITIES	6,673.6	10,283.0	11,811.5	14,510.5	16,765.8	31,276.3
SPECIAL PROGRAMS	172,207.6	171,825.1	175,716.3	181,471.4	166,086.3	347,557.7
COMMUNITY & FAMILY EDUCATION	4,992.5	9,077.8	9,979.0	12,473.4	14,088.2	26,561.6
PUBLIC LIBRARIES	4,802.0	5,128.7	4,740.9	5,089.4	5,164.5	10,253.9
HEALTH, SAFETY, NUTRITION	6,417.5	6,530.8	6,174.4	7,785.0	7,779.6	15,564.6
MISCELLANEOUS	5,983.8	5,864.0	5,602.0	6,846.7	6,617.8	13,464.5
DISCONTINUED PROGRAMS	4,754.4	353.4	12.0	0.0	0.0	0.0
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TOTAL EDUCATION AIDS	1,134,392.1	1,234,450.7	1,333,063.3	1,452,371.9	1,466,921.3	2,919,293.2
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( H ) EDUCATION						
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EDUCATION, DEPARTMENT OF	18,832.0	18,889.7	19,057.7	20,177.2	20,096.5	40,273.7

## GENERAL FUND - FUND BALANCE ANALYSIS

	ACTUAL F.Y. 1985	ACTUAL F.Y. 1986	1-87 EST F.Y. 1987	GOV'S REC. F.Y. 1988	GOV'S REC. F.Y. 1989	GOV'S REC. F.Y. 1988-89
HIGHER EDUC COORDINATING BD	53,360.0	56,268.3	76,484.9	66,173.1	66,734.3	132,907.4
STATE UNIVERSITY BOARD	109,402.7	114,106.0	122,314.8	130,811.2	140,380.7	271,191.9
COMMUNITY COLLEGES BOARD	54,687.5	58,447.4	58,599.0	65,968.3	69,823.3	135,791.6
BD ON VO-TECH EDUCATION	124,448.8	137,163.8	141,155.3	155,222.0	160,564.1	315,786.1
UNIVERSITY OF MINNESOTA	302,710.5	325,133.1	363,282.9	400,519.5	412,413.2	812,932.7
MAYO MEDICAL SCHOOL	1,154.7	1,034.9	932.9	854.9	889.6	1,744.5
MN JOB SKILLS PARTNERSHIP BD	925.7	809.4	208.5	1,000.0	1,000.0	2,000.0
<b>TOTAL EDUCATION</b>	<b>665,521.9</b>	<b>711,852.6</b>	<b>782,036.0</b>	<b>840,726.2</b>	<b>871,901.7</b>	<b>1,712,627.9</b>
<b>( I ) HEALTH, WELFARE, CORRECTIONS</b>						
HUMAN SERVICES, DEPT OF	820,958.1	813,436.9	894,428.1	954,753.1	983,702.5	1,938,455.6
FULL PRODUC. & OPPORTUNITY	0.0	322.2	853.8	850.0	850.0	1,700.0
JOBS & TRAINING, DEPT OF	68,562.8	47,261.8	50,368.4	29,927.2	28,555.8	58,483.0
CORRECTIONS, DEPT OF	85,825.1	85,457.6	93,603.0	97,559.7	98,370.9	195,930.6
SENTENCING GUIDELINES COMSN	158.0	192.0	195.0	199.3	202.4	401.7
OMBUDSMAN FOR CORRECTIONS	285.8	322.2	330.3	331.9	331.5	663.4
HEALTH, DEPARTMENT OF	25,773.8	27,172.5	29,896.1	30,527.4	29,557.1	60,084.5
BOARD OF CHIROPRACTIC EXAMINER	107.4	dedic.	dedic.	dedic.	dedic.	0.0
BOARD OF DENTISTRY	349.8	dedic.	dedic.	dedic.	dedic.	0.0
BOARD OF MEDICAL EXAMINERS	520.6	dedic.	dedic.	dedic.	dedic.	0.0
BOARD OF NURSING	648.1	dedic.	dedic.	dedic.	dedic.	0.0
BOARD OF NURS HM EXAM ADMIN	115.6	dedic.	dedic.	dedic.	dedic.	0.0
BOARD OF OPTOMETRY	43.8	dedic.	dedic.	dedic.	dedic.	0.0
BOARD OF PHARMACY	341.6	dedic.	dedic.	dedic.	dedic.	0.0
BOARD OF PODIATRY EXAMINERS	8.6	dedic.	dedic.	dedic.	dedic.	0.0
BOARD OF PSYCHOLOGY	163.6	dedic.	dedic.	dedic.	dedic.	0.0
BOARD OF VETERINARY MEDICINE	69.6	dedic.	dedic.	dedic.	dedic.	0.0
<b>TOTAL HEALTH, WELFARE, CORRECTIONS</b>	<b>1,003,932.3</b>	<b>974,165.2</b>	<b>1,069,674.7</b>	<b>1,114,148.6</b>	<b>1,141,570.2</b>	<b>2,255,718.8</b>
<b>( J ) TRANSPORTATION/SEMI-STATE</b>						
TRANSPORTATION, DEPT OF	8,286.6	5,676.2	5,123.3	2,992.2	2,877.2	5,869.4
REGIONAL TRANSIT BOARD	15,771.8	16,792.6	14,143.2	17,687.4	17,687.4	35,374.8
PUBLIC SAFETY, DEPT OF	18,146.5	17,031.6	17,723.4	20,304.6	20,198.0	40,502.6
AGRICULTURE, DEPT OF	15,309.4	15,202.4	15,942.9	12,295.0	12,327.6	24,622.6
BOARD OF ANIMAL HEALTH	1,286.4	1,377.3	1,580.1	1,610.1	1,600.3	3,210.4
COMMERCE, DEPARTMENT OF	8,911.8	13,745.3	8,787.3	9,546.0	9,274.4	18,820.4
BOARD OF WATER & SOIL RESOURCES	0.0	0.0	0.0	3,629.5	3,627.3	7,256.8
BOARD OF ABSTRACTORS	3.0	3.5	3.9	3.9	3.9	7.8
BOARD OF ACCOUNTANCY	218.1	254.8	291.4	344.6	340.8	685.4
BOARD OF ARCHITECTURAL/ENG	272.0	282.7	298.6	351.5	357.7	709.2
BOARD OF BARBERS EXAMINERS	121.6	119.9	130.4	137.0	134.9	271.9

## GENERAL FUND - FUND BALANCE ANALYSIS

	ACTUAL F.Y. 1985	ACTUAL F.Y. 1986	1-87 EST F.Y. 1987	GOV'S REC. F.Y. 1988	GOV'S REC. F.Y. 1989	GOV'S REC. F.Y. 1988-89
BOARD OF BOXING	45.3	46.8	53.7	53.9	53.9	107.8
BOARD OF ELECTRICITY	701.2	726.7	798.1	0.0	0.0	0.0
BOARD OF PEACE OFFICER TRAINING	1,364.7	1,341.8	1,435.4	0.0	0.0	0.0
PUBLIC UTILITIES COMMISSION	1,123.9	1,372.0	1,431.8	1,983.0	1,765.4	3,748.4
PUBLIC SERVICE, DEPT OF	3,633.7	3,682.0	4,030.9	6,124.8	6,112.4	12,237.2
ETHICAL PRACTICES BOARD	196.0	208.6	221.1	219.7	219.9	439.6
MINNESOTA MUNICIPAL BOARD	199.3	213.6	233.1	235.7	235.4	471.1
MN/WISC BOUNDARY AREA COMMISSION	67.3	72.1	76.8	82.5	82.2	164.7
UNIFORM LAWS COMMISSION	15.6	10.7	13.6	13.6	13.6	27.2
MN RACING COMMISSION	831.3	888.3	815.6	899.9	904.8	1,804.7
CHARITABLE GAMBLING CNTRL BD	450.5	505.4	545.1	714.0	664.1	1,378.1
VOYAGEURS NAT'L PARK ADV CM	74.6	56.2	59.3	84.9	89.9	174.8
HISTORICAL SOCIETY	7,914.3	8,753.4	9,202.6	9,589.2	9,729.2	19,318.4
ARTS BOARD	2,265.1	2,495.3	2,762.7	3,255.1	3,255.1	6,510.2
HUMANE SOCIETY	0.0	48.0	50.0	0.0	0.0	0.0
HORTICULTURAL SOCIETY	67.9	67.9	67.9	67.9	67.9	135.8
ACADEMY OF SCIENCE	20.5	20.5	20.6	20.6	20.6	41.2
SCIENCE MUSEUM OF MINNESOTA	290.5	409.5	432.6	520.9	527.2	1,048.1
DISABLED AMERICAN VETERANS	20.1	25.0	25.0	25.0	25.0	50.0
VETERANS OF FOREIGN WARS	30.0	30.0	30.0	30.0	30.0	60.0
TOTAL TRANSPORTATION/SEMI-STATE	87,639.0	91,460.1	86,330.4	92,822.5	92,226.1	185,048.6
( K ) STATE DEPARTMENTS						
LEGISLATURE	31,266.1	32,357.1	35,685.3	34,472.8	34,740.6	69,213.4
SUPREME COURT	5,427.2	5,424.7	6,773.0	6,732.2	6,741.9	13,474.1
COURT OF APPEALS	2,286.7	2,695.2	3,306.8	3,169.2	3,164.1	6,333.3
DISTRICT COURTS	15,294.5	16,120.3	16,749.7	17,315.4	17,245.2	34,560.6
JUDICIAL STANDARDS, CMSN ON	133.4	107.4	186.9	154.8	154.7	309.5
PUBLIC DEFENDER	1,082.5	1,226.6	1,428.9	1,457.8	1,466.3	2,924.1
BOARD OF PUBLIC DEFENSE	493.4	499.3	548.4	548.5	548.5	1,097.0
CONTINGENT ACCOUNTS	0.0	0.0	608.2	1,500.0	1,500.0	3,000.0
GOVERNOR'S OFFICE	2,053.0	2,197.4	2,301.0	2,259.8	2,268.3	4,528.1
LT. GOVERNOR'S OFFICE	286.2	258.7	271.6	275.9	276.6	552.5
SECRETARY OF STATE	1,701.9	0.0	0.0	0.0	0.0	0.0
STATE AUDITOR	419.3	429.3	518.1	490.0	489.6	979.6
STATE TREASURER	661.3	245.9	174.1	610.5	552.6	1,163.1
ATTORNEY GENERAL	14,534.8	14,975.8	15,716.3	15,890.8	15,890.2	31,781.0
INVESTMENT BOARD	1,344.6	1,468.9	1,597.8	1,602.3	1,600.6	3,202.9
ADMINISTRATIVE HEARINGS	1,715.7	0.0	0.0	0.0	0.0	0.0
ADMINISTRATION, DEPT OF	30,440.5	18,817.4	15,314.2	15,467.7	15,431.3	30,899.0
CAPITOL AREA ARCH & PLNG BD	99.5	137.9	145.1	147.0	147.0	294.0
FINANCE, DEPT OF	7,207.7	6,855.8	7,546.9	8,009.5	7,585.9	15,595.4
EMPLOYEE RELATIONS, DEPT OF	3,795.5	3,823.5	4,122.8	5,024.2	5,255.8	10,280.0
REVENUE, DEPT OF	37,763.2	37,494.9	40,969.9	45,236.9	46,676.9	91,913.8
TAX COURT OF APPEALS	357.2	391.3	401.2	402.4	401.9	804.3
NATURAL RESOURCES, DEPT OF	53,008.8	45,238.8	45,052.9	47,205.2	48,732.2	95,937.4

## GENERAL FUND - FUND BALANCE ANALYSIS

	ACTUAL F.Y. 1985	ACTUAL F.Y. 1986	1-87 EST F.Y. 1987	GOV'S REC. F.Y. 1988	GOV'S REC. F.Y. 1989	GOV'S REC. F.Y. 1988-89
ZOOLOGICAL GARDEN	5,912.3	4,548.6	4,754.0	4,000.0	3,000.0	7,000.0
WATER RESOURCES BOARD	140.1	136.0	136.1	0.0	0.0	0.0
POLLUTION CONTROL AGENCY	7,740.6	6,154.8	5,826.5	6,913.5	6,973.0	13,886.5
WASTE MANAGEMENT BOARD	2,310.0	1,471.3	1,982.1	1,822.5	1,821.6	3,644.1
ENERGY & ECONOMIC DEVELOPMENT	39,276.6	24,578.9	27,490.1	23,763.4	21,414.4	45,177.8
STATE PLANNING AGENCY	5,607.7	4,067.9	4,567.6	4,849.8	4,838.1	9,687.9
NATURAL RESOURCES ACCEL (LCMR)	9,369.6	0.0	0.0	0.0	0.0	0.0
LABOR AND INDUSTRY, DEPT OF	11,866.2	6,722.7	6,340.3	4,991.0	5,040.9	10,031.9
W.C. COURT OF APPEALS	449.6	0.0	0.0	0.0	0.0	0.0
MEDIATION SERVICES	1,151.3	1,247.2	1,327.3	1,557.6	1,656.1	3,213.7
WORLD TRADE CENTER BOARD	553.5	775.4	989.1	0.0	0.0	0.0
PUBLIC EMPLOYEE RELATIONS BOARD	50.2	51.8	60.5	60.6	60.5	121.1
MILITARY AFFAIRS, DEPT OF	5,063.0	6,918.8	5,694.1	6,451.1	6,453.4	12,904.5
VETERAN AFFAIRS, DEPT OF	12,311.7	6,079.1	6,576.7	7,220.8	7,191.3	14,412.1
INDIAN AFFAIRS	291.7	266.7	283.4	284.3	283.9	568.2
COUNCIL ON ASIAN-PACIFIC MINN	0.0	67.5	81.4	81.6	81.6	163.2
COUNCIL ON BLACK MINNESOTANS	117.4	126.7	133.0	148.7	148.7	297.4
COUNCIL FOR THE HANDICAPPED	367.8	389.5	410.4	418.9	419.5	838.4
HUMAN RIGHTS, DEPT OF	2,231.5	2,415.1	2,444.6	2,574.7	2,593.1	5,167.8
COUNCIL FOR SPANISH SPKG PEOPLE	116.4	126.1	132.6	134.3	134.5	268.8
FINANCE NON-OPERATING	4,101.8	237.5	77.6	0.0	0.0	0.0
TORT CLAIMS	303.2	303.0	140.2	303.0	303.0	606.0
HOUSING FINANCE	2,750.0	7,440.0	10,441.7	7,941.7	7,941.7	15,883.4
SALARY SUPPL W/O HIGHER EDUC	0.0	0.0	0.0	12,300.0	24,900.0	37,200.0
<b>TOTAL STATE DEPARTMENTS</b>	<b>323,455.2</b>	<b>264,890.8</b>	<b>279,308.4</b>	<b>293,790.4</b>	<b>306,125.5</b>	<b>599,915.9</b>
<b>( M ) UNALLOTTED/BALANCE FWD</b>						
EXPEND. UNDER CLOSING-ALL OTHER	(542.5)	(0.3)	0.0	0.0	0.0	0.0
EDUCATION AIDS	0.0	(3,385.0)	0.0	0.0	0.0	0.0
EDUCATION	3,382.4	1,694.1	0.0	0.0	0.0	0.0
HEALTH/WELFARE/CORRECTIONS	130.7	(1,245.6)	0.0	0.0	0.0	0.0
TRANSP/SEMIST	418.6	(54.7)	0.0	0.0	0.0	0.0
STATE DEPTS	(87.7)	(3,232.9)	0.0	0.0	0.0	0.0
OTHER	(208.0)	(29.8)	0.0	0.0	0.0	0.0
FY87 BALANCE FORWARD OUT	0.0	0.0	6,453.0	0.0	0.0	0.0
FY87 CANCELLATIONS	0.0	0.0	10,167.3	0.0	0.0	0.0
<b>TOTAL UNALLOTTED/BALANCE FORWARD</b>	<b>3,093.5</b>	<b>(6,254.2)</b>	<b>16,620.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>( O ) DEFICIENCIES</b>						
INTEREST WRITE-DOWN	0.0	0.0	13,962.5	0.0	0.0	0.0
TRA DEFICIENCY-AVTI'S	0.0	0.0	1,895.0	0.0	0.0	0.0
SUB-BRIDGE ASSESSMENT	0.0	0.0	500.0	0.0	0.0	0.0

## GENERAL FUND - FUND BALANCE ANALYSIS

	ACTUAL F.Y. 1985	ACTUAL F.Y. 1986	1-87 EST F.Y. 1987	GOV'S REC. F.Y. 1988	GOV'S REC. F.Y. 1989	GOV'S REC. F.Y. 1988-89
SUB-WOODBURNING BONDS	0.0	0.0	1,500.0	0.0	0.0	0.0
JUDICIAL SALARIES	0.0	0.0	394.5	0.0	0.0	0.0
AG EXTENSION MEDIATION	0.0	0.0	515.5	0.0	0.0	0.0
WHITE EARTH LAND CLAIMS ACT	0.0	0.0	740.0	0.0	0.0	0.0
NEW BRIGHTON LAWSUIT	0.0	0.0	4,000.0	0.0	0.0	0.0
LTV RESERVE	0.0	0.0	300.0	0.0	0.0	0.0
AG BICENTENNIAL COMM	0.0	0.0	25.1	0.0	0.0	0.0
COMMERCE-BANK EXAMS	0.0	0.0	189.2	0.0	0.0	0.0
CORRECTIONS-PROBATION/PAROLE	0.0	0.0	19.4	0.0	0.0	0.0
L&I-REINUSRANCE PREMIUM	0.0	0.0	1,032.0	0.0	0.0	0.0
L&I-INDIRECT COST	0.0	0.0	68.5	0.0	0.0	0.0
STATE TREASURER	0.0	0.0	21.8	0.0	0.0	0.0
WORK READINESS SERVICES	0.0	0.0	1,900.0	0.0	0.0	0.0
TOTAL DEFICIENCIES	0.0	0.0	25,163.5	0.0	0.0	0.0
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( P ) AIDS & CREDITS						
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PROPERTY TAX REFUND	77,013.3	71,695.9	59,612.1	59,100.0	30,000.0	89,100.0
RENTERS CREDIT	102,955.6	105,204.3	96,600.0	54,900.0	0.0	54,900.0
AGRICULTURAL CREDIT	93,159.7	104,645.0	123,400.2	121,123.0	121,123.4 *	242,246.4
AID TO LOCAL GOVERNMENT	273,764.2	288,417.2	310,931.3	319,184.1	319,184.4 *	638,368.5
ATTACHED MACHINERY AID	4,126.8	3,217.4	3,217.7	3,217.7	3,217.7 *	6,435.4
HOMESTEAD CREDIT	505,022.0	533,134.4	576,255.9	601,424.0	598,297.6 *	1,199,721.6
SUPPL HMSTD PROP TAX RELIEF	1,162.9	879.5	1,081.8	918.5	918.5 *	1,837.0
AID TO POLICE AND FIRE	23,575.2	25,410.8	29,744.7	29,745.0	29,745.0	59,490.0
REDUCED ASSESSMENT CREDIT-II-3CC	834.3	0.0	0.0	0.0	0.0	0.0
WETLANDS CREDIT & REIMBURSEMENT	711.6	592.2	700.2	555.0	555.0 *	1,110.0
NATIVE PRAIRIE CREDIT & REIMB	146.4	171.4	171.3	174.0	174.0 *	348.0
PAYMENT IN LIEU OF TAXES-DNR	4,278.7	4,356.5	4,453.1	4,500.0	4,500.0	9,000.0
DISASTER CREDIT	53.9	70.6	5.6	0.0	0.0	0.0
AGRICULTURAL PRESERVATION CREDIT	324.4	388.2	631.7	0.0	0.0	0.0
SOO LINE LITIGATION (REFUND)	9,000.0	3,623.0	0.0	0.0	0.0	0.0
ENTERPRISE ZONE CREDIT	617.6	989.5	1,076.2	0.0	0.0	0.0
RTB LEVY REDUCTION	0.0	0.0	1,600.0	1,600.0	1,600.0	3,200.0
TOTAL AIDS AND CREDITS	1,096,746.6	1,142,795.9	1,209,481.8	1,196,441.3	1,109,315.6	2,305,756.9
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\*NOTE: WOULD BE REPLACED BY NEW EDUCATION CREDIT UNDER PROPOSED  
PROPERTY TAX REORGANIZATION F.Y.1989

## GENERAL FUND - FUND BALANCE ANALYSIS

	ACTUAL F.Y. 1985	ACTUAL F.Y. 1986	1-87 EST F.Y. 1987	GOV'S REC. F.Y. 1988	GOV'S REC. F.Y. 1989	GOV'S REC. F.Y. 1988-89
<b>( Q ) OTHER OPEN &amp; STANDING</b>						
SHORT-TERM BORROWING COSTS	2,618.1	0.0	0.0	0.0	0.0	0.0
LEECH LAKE WHITE EARTH	463.5	477.9	511.4	509.4	506.9	1,016.3
R. WEBER COMPENSATION	1.2	1.2	1.2	1.2	1.2	2.4
STATEMENT RECOMPUTING-COUNTIES	110.4	0.0	0.0	0.0	0.0	0.0
DEPT OF REVENUE	377.1	274.3	533.0	533.0	533.0	1,066.0
<b>TOTAL OTHER OPEN AND STANDING</b>	<b>3,570.3</b>	<b>753.4</b>	<b>1,045.6</b>	<b>1,043.6</b>	<b>1,041.1</b>	<b>2,084.7</b>
<b>( R ) RETIREMENTS</b>						
LEGISLATORS RETIREMENT	922.7	987.3	2,147.8	2,155.0	2,161.0	4,316.0
JUDGES RETIREMENT	2,174.5	2,224.0	2,405.0	2,650.0	2,875.0	5,525.0
CONSTITUTIONAL OFFICERS RETIREMENT	124.9	100.8	128.0	142.0	157.0	299.0
MSRS SUPPLEMENTAL BENEFITS	35.3	29.8	26.0	23.0	23.0	46.0
MPLS PENSION REIMBURSEMENT	7,006.6	7,650.1	9,599.4	9,787.2	9,840.0	19,627.2
LOCAL POLICE/FIRE AMORTIZATION	7,524.6	7,491.5	7,537.0	7,537.0	7,537.0	15,074.0
POST-1973 RETIRE ADJUSTMENTS	290.9	5,664.4	5,705.4	3,178.4	3,206.9	6,385.3
<b>TOTAL RETIREMENTS</b>	<b>18,079.5</b>	<b>24,147.9</b>	<b>27,548.6</b>	<b>25,472.6</b>	<b>25,799.9</b>	<b>51,272.5</b>
<b>( S ) MINING APPT - DIRECT PAY</b>						
PROPERTY TAX RELIEF	10,595.1	3,041.8	Local	Local	Local	Local
MUNICIPAL AID FUND	5,855.8	Local	Local	Local	Local	Local
COUNTY ROADS AND BRIDGES	2,688.6	Local	Local	Local	Local	Local
SCHOOL DISTRICTS	18,085.8	Local	Local	Local	Local	Local
CITY AND TOWNS	1,192.1	Local	Local	Local	Local	Local
COUNTY	10,437.4	Local	Local	Local	Local	Local
RAILROAD (1977 BASE)	3,160.9	Local	Local	Local	Local	Local
IRON RANGE MUNIC AND SCH ASSN	95.0	Local	Local	Local	Local	Local
<b>TOTAL MINING APPT.-DIRECT PAY.</b>	<b>52,110.7</b>	<b>3,041.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>( U ) DEDICATED REVENUE EXPENDITURES</b>						
STATE UNIVERSITY BOARD	60,087.5	57,247.8	61,745.6	61,339.2	67,142.7	128,481.9
STATE COMMUNITY COLLEGE SYSTEM	29,909.4	27,304.5	28,366.6	28,830.5	30,755.0	59,585.5
EDUC VO-TECH BOARD	NA	NA	NA	NA	NA	NA



## GENERAL FUND - FUND BALANCE ANALYSIS

	ACTUAL F.Y. 1985	ACTUAL F.Y. 1986	1-87 EST F.Y. 1987	GOV'S REC. F.Y. 1988	GOV'S REC. F.Y. 1989	GOV'S REC. F.Y. 1988-89
UNIVERSITY OF MINNESOTA	125,390.6	126,976.9	122,840.9	118,839.5	124,174.4	243,013.9
HUMAN SVCS-COUNTY REIMBURSEMENT	53,040.8	56,026.2	60,659.9	63,363.0	65,055.4	128,418.4
HUMAN SVCS-MA ACCT HOSP RECEIPTS	140,044.7	144,450.9	143,673.4	150,608.8	149,525.9	300,134.7
ALL OTHER	5,160.3	6,543.8	10,100.0	10,100.0	10,100.0	20,200.0
<b>TOTAL DEDICATED REVENUE EXPENDITURES</b>	<b>413,633.3</b>	<b>418,550.1</b>	<b>427,386.4</b>	<b>433,081.0</b>	<b>446,753.4</b>	<b>879,834.4</b>
<b>( V ) CANCELLATION ADJUSTMENTS</b>						
CANCELLATION ESTIMATES	NA	NA	(20,000.0)	(15,000.0)	(25,000.0)	(40,000.0)
<b>TOTAL CANCELLATION ESTIMATES</b>	<b>0.0</b>	<b>0.0</b>	<b>(20,000.0)</b>	<b>(15,000.0)</b>	<b>(25,000.0)</b>	<b>(40,000.0)</b>
<b>( X ) TRANSFERS TO OTHER FUNDS</b>						
DEBT SERVICE	147,368.1	119,720.3	119,465.2	142,007.6	150,428.0	292,435.6
CAMPAIGN FINANCING (OPEN)	1,494.8	0.0	2,148.0	0.0	800.0	800.0
NON-GAME WILDLIFE FUND	715.4	792.1	820.0	800.0	800.0	1,600.0
TACONITE ENV PROTECTION FUND	8,719.6	0.0	0.0	0.0	0.0	0.0
IRRRB REGULAR	1,958.2	Local	Local	Local	Local	Local
IRRRB - OCCUPATIONAL TAX 1977 BASE	1,252.5	Local	Local	Local	Local	Local
N.E. MN ECON PROTECTION FUND	1,840.2	0.0	0.0	0.0	0.0	0.0
REGION 3 - FROM OCCUPATION TAX	356.9	344.8	313.4	290.0	280.0	570.0
TRUNK HIGHWAY-PUBLIC SAFETY	388.2	425.6	449.1	890.0	983.7	1,873.7
LOANS TO REVOLVING FUND	504.9	435.9	2,000.0	500.0	500.0	1,000.0
MOTOR VEHICLE EXCISE TRANSFER	49,592.5	0.0	200.0	0.0	0.0	0.0
R&B GENERAL FUND PROJECT	13,514.9	0.0	0.0	0.0	0.0	0.0
ALL OTHER TRANSFERS	15,538.2	8,474.5	3,850.3	296.0	296.0	592.0
<b>TOTAL TRANSFERS TO OTHER FUNDS</b>	<b>243,244.4</b>	<b>130,193.1</b>	<b>129,246.0</b>	<b>144,783.6</b>	<b>154,087.7</b>	<b>298,871.3</b>
<b>( Y ) RESERVE/APPROP CARRIED FORWRD</b>						
BUDGET & CASH FLOW RESERVE	375,000.0	450,000.0	450,000.0	250,000.0	250,000.0	250,000.0
4-86 USE BUDGET RESERVE	0.0	(450,000.0)	(450,000.0)	0.0	0.0	0.0
RESTORE BUDGET RESERVE	0.0	0.0	178,824.0	0.0	0.0	0.0
SCHOOL RESERVE ACCOUNT	50,000.0	NA	NA	NA	NA	NA
BALANCE FORWARD OUT	53,275.2	103,471.0	NA	NA	NA	NA
MINING BALANCE FORWARD OUT	2,804.2	NA	NA	NA	NA	NA
<b>TOTAL RESERVE/APPROP CARRIED FORWARD</b>	<b>481,079.4</b>	<b>103,471.0</b>	<b>178,824.0</b>	<b>250,000.0</b>	<b>250,000.0</b>	<b>250,000.0</b>