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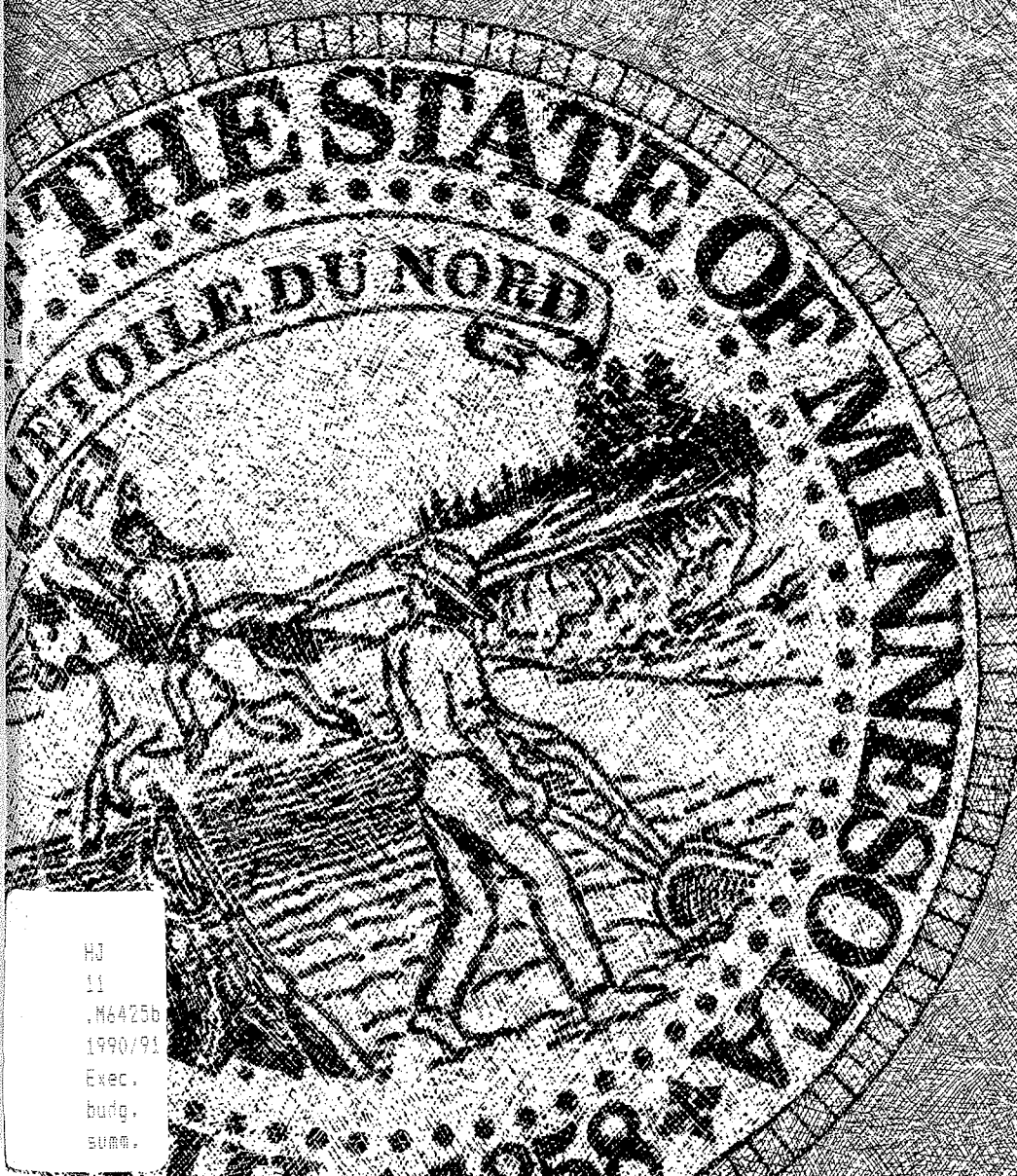


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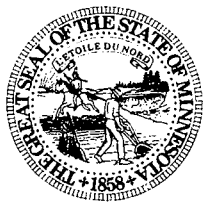
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# 1990-91 EXECUTIVE BUDGET SUMMARY



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1990/91  
Exec.  
budg.  
summ.



RUDY PERPICH  
GOVERNOR

# STATE OF MINNESOTA

OFFICE OF THE GOVERNOR

ST. PAUL 55155

## TO THE 1989 LEGISLATURE AND THE PEOPLE OF MINNESOTA:

Three weeks ago today, I delivered my State-of-the-State Message to the people of Minnesota. In that address, I stressed the overriding goal of this Administration -- job creation. I emphasized four themes in our job creation efforts: education, research, environmental protection, and tax reform and fiscal stability.

Over the past several weeks, I have provided more detail on major pieces of our 1989 program. Today, I deliver to you this Budget Message which provides the overall picture of our recommended state budget for 1990-91.

In elementary and secondary Education, this Budget recommends significant new resources for one of state government's most important responsibilities - the education of our young people. These resources and a variety of new program initiatives are targeted to school accountability, learner outcomes, at-risk students, early childhood, adult literacy, and dropout prevention. These initiatives, when coupled with our Access to Excellence, provide an exciting and challenging expansion of our elementary and secondary programs and will help prepare our students for the jobs of the future.

Our Research initiatives are focused on our systems of higher education. All four of our systems are in need of additional resources. This Budget proposes system-wide initiatives in the fields of instructional equipment, telecommunications, support services for disabled students, facilities rehabilitation and student childcare needs. In addition, we are recommending funding for a variety of programs within each of the systems. Special appropriations are requested for research programs dealing with paper chemistry, cold weather effects, stress and addiction, and small business technology transfer.

In the field of Environmental Protection, we are proposing a comprehensive program of recycling, waste reduction, groundwater protection, waste clean-up and expansion of the Re-Invest in Minnesota (RIM) program. These initiatives will include funding for the start-up of the Environmental Trust Fund which was overwhelmingly approved by Minnesota voters in November of last year.

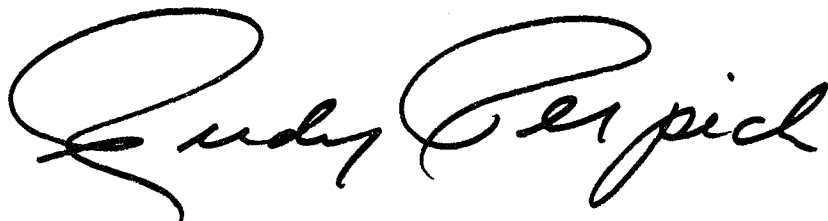
Finally, for Tax Reform and Fiscal Stability, we are building on initiatives begun over the past several years. Our top priority is the maintenance of a strong Budget Reserve to protect Minnesota when the inevitable economic slowdown stifles

national growth. Our tax reduction focus will be on those classes of property taxes that are most burdensome on our citizens: middle-valued homes, rental housing, and businesses. We will simplify the property classes and state aid formulas and will help to clarify state-local responsibilities by having the state take over costs of major portions of the trial court system.

Many of our new initiatives are being presented as parts of four major programs: Children, Year of the City, Affordable Housing, and Capital Investment. Specific initiatives under these programs include Head Start, rental housing assistance, health care, neighborhood development, family support, and road and telecommunications development.

I recommend spending reductions and reallocations in a number of programs. This is part of what must be a continuing effort to refine the purpose and method of governmental expenditure.

This Budget Message is a prudent one in this period of economic uncertainty, and it targets a limited amount of new resources to the most pressing needs of our citizens as we enter a new decade. Above all, it continues the central goal of this Administration--job creation.

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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## **EXECUTIVE SUMMARY**

### **1990-91 Biennial Budget Governor Rudy Perpich**

**The 1990-91 Biennial Budget Recommendations of Governor Rudy Perpich build off the central goal of his Administration. As the Governor said:**

*"Consistently, from the bad times of 1983 to the good times of 1989, the central goal of this Administration has been the same--Job Creation. We have focused on job creation through partnerships in four key areas. Education. Research. A Clean Environment. And Tax Reform through sound fiscal management . . .*

*We begin with education because our jobs and the jobs of our children will depend upon the quality of our education system . . . We have accepted the challenge of filling in the research gap to create another generation of 3Ms, Blandins and Crays for the 21st Century . . . The protection and preservation of our environment is firmly embedded in Minnesota's great heritage . . . I am committed to reducing property taxes where the burdens are the highest . . .*

*A job gives a person the power to dream, and the strength to work toward the fulfillment of that dream. Every single one of us deserves the chance to make a better life through a job that pays a decent wage. Together, we will carry our tradition of job creation forward . . . today . . . tomorrow . . . and into the future, where our hopes, dreams and accomplishments await us."*

Governor Rudy Perpich  
State-of-the State Address  
January 4, 1989

**In preparing this Budget, the Governor also used several key guidelines:**

- **Avoid increases in the state's major taxes**
- **Reallocate or cut current spending wherever possible**
- **Strengthen our fiscal stability**
- **Cut our property taxes and reform our local aids systems**
- **Target spending to our most pressing needs**

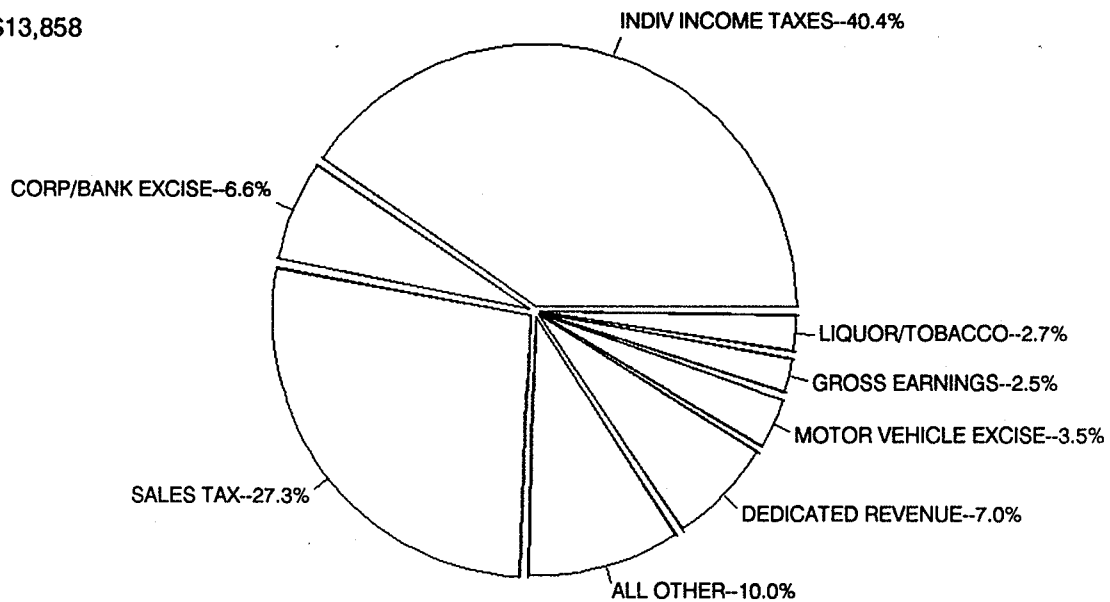
# **WHERE THE MONEY COMES FROM** **(\$ IN MILLIONS)**

<b>TAXES</b>	<b>\$11,665</b>
<b>NON-TAX REVENUES</b>	<b>1,363</b>
<b>BALANCE FROM 1988-89</b>	<b>830</b>
<hr/>	
<b>TOTAL RESOURCES</b>	<b>\$13,858</b>

## **GENERAL FUND RESOURCES**

1990-91 BIENNIUM

\$13,858



# WHERE THE MONEY WILL GO

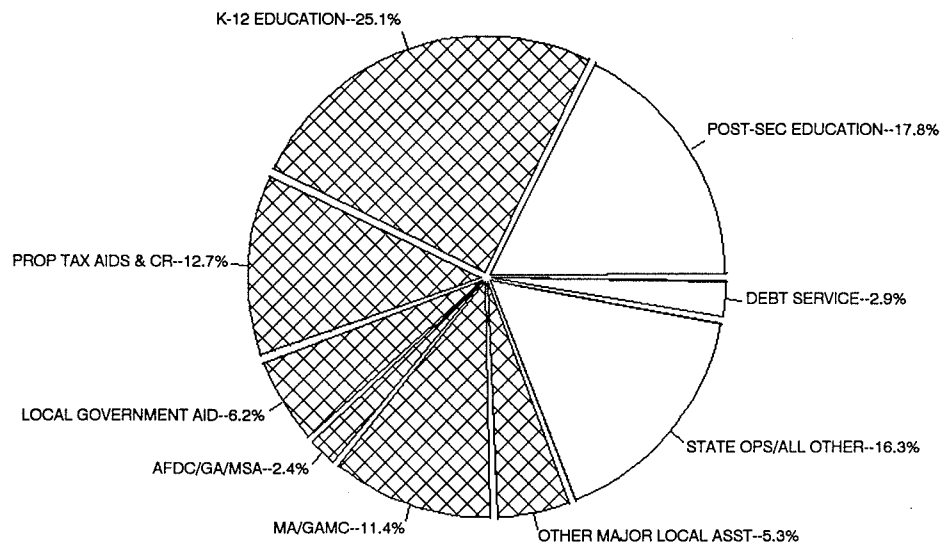
## (\$ IN MILLIONS)

<b>RESOURCES</b>	<b>\$13,858</b>
<hr/>	<hr/>
- TRANSFER PAYMENTS	10,760
- STATE OPERATIONS	2,188
- OTHER	360
<b>SUBTOTAL EXPENDITURES</b>	<b>13,308</b>
<hr/>	<hr/>
<b>BUDGET RESERVE</b>	<b>550</b>
 <b>BALANCE</b>	 <b>\$ -0-</b>

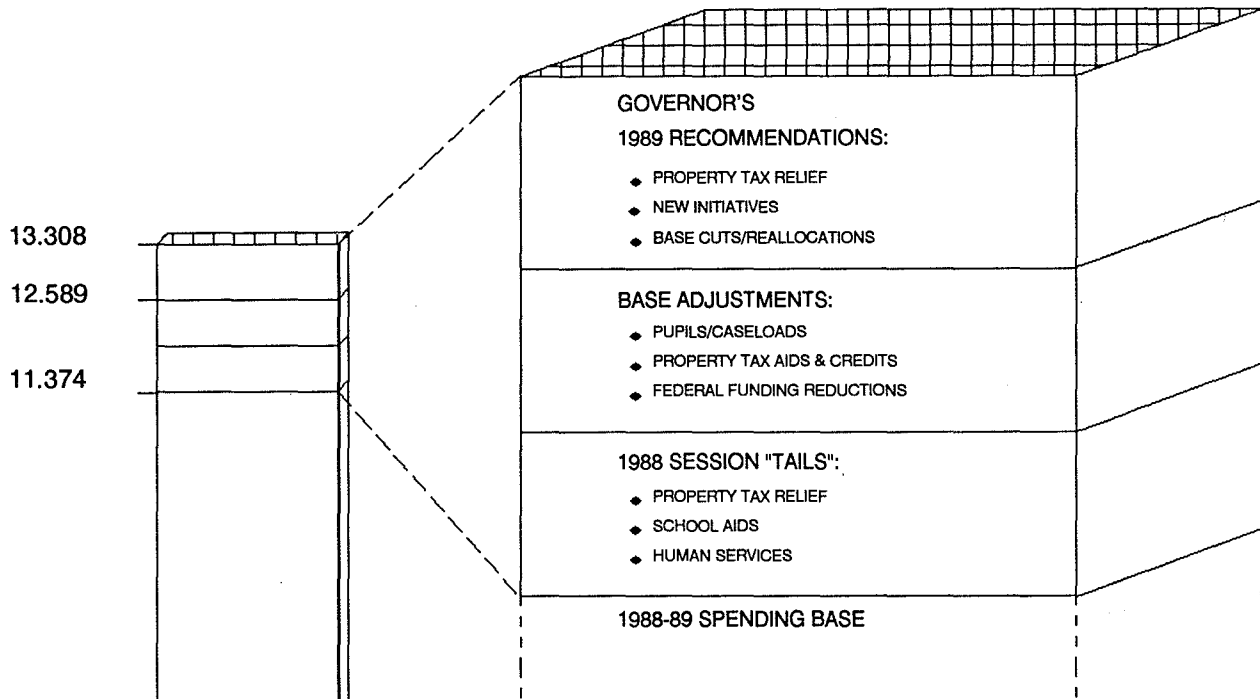
## GENERAL FUND SPENDING

1990-91 BIENNIUM  
\$13,308  
\$550 RESERVE

 PAYMENTS TO  
LOCAL GOVERNMENTS



# BUILDING THE 1990-91 BUDGET



1988-89  
SPENDING  
BASE

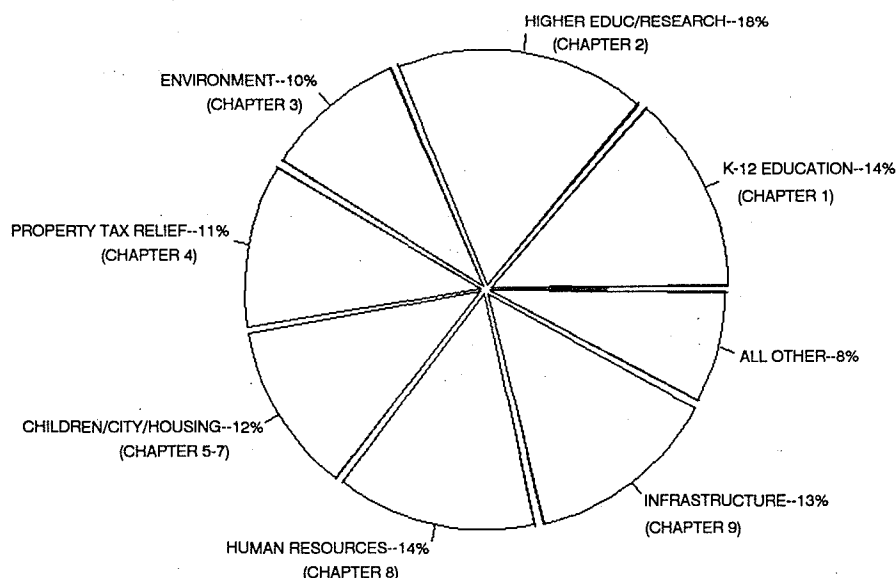
## FUNDING SOURCES FOR GOVERNOR'S 1989 RECOMMENDATIONS

AVAILABLE FROM NOVEMBER FORECAST	\$393
NOV./DEC. RECEIPTS	36
REALLOCATIONS OF PROJECTED SPENDING	185
BASE CUTS - \$87	
FORECAST ADJUSTMENTS - \$98	
REVENUE CHANGES	(5)
CHARITABLE GAMBLING - \$79	
FEES/OTHER - \$16	
PROPERTY TAX RELIEF - \$(100)	
NET AVAILABLE	\$609



# GOVERNOR'S 1989 RECOMMENDATIONS

## ALLOCATING NEW SPENDING INITIATIVES



### 1. Elementary and Secondary Education

**Goals:** provide more resources to improve quality, expand choices, help at-risk children, reduce dropouts, encourage school restructuring, measure performance, reduce adult illiteracy.

**Key Governor's Recommendations:** \$120 million of additional state funding (less \$47 million in base reductions), for a total 1990-91 state and local commitment of \$828 million above current spending (13.9% increase).

- Expand Choice program and resources for at-risk students
  - \$ 5.6 million for dropout prevention
  - 13.7 million for center city school problems
  - 4.0 million for adult literacy
- Encourage innovation and improvement
  - \$11.2 million for school restructuring
  - 40.0 million for computers and new technologies
  - 2.0 million for libraries
  - 1.8 million for statewide testing
- Increase state share of education finance as part of property tax/local aids reform

## **2. Research and Higher Education**

**Goals:** provide more resources to improve quality and serve rising enrollments; meet systemwide needs in special areas; promote applied research.

**Key Governor's Recommendations:** \$139 million of additional state funding, for a total 1990-91 state commitment of \$205 million above current spending (11.2% increase); consider additional UofM funding in March.

- Provide for growing enrollments and increasing costs
  - \$47.7 million for inflation and health insurance
  - 16.7 million for rapid enrollment growth at SUS and CCS
  - 9.5 million for inflation in student financial aids
- Encourage systemwide initiatives
  - \$30.0 million for new equipment and facility repair
  - 3.0 million for telecommunications backbone system
  - 3.0 million for childcare and services to disabled students
  - 22.9 million for special research and developmental needs

## **3. Environmental Protection**

**Goals:** prevent further contamination of ground water by promoting solid waste management and recycling; expand RIM and implement Trust Fund.

**Key Governor's Recommendations:** \$88 million of new state funding.

- Protect the state's ground water
  - \$24.1 million for management, control and education
  - 8.5 million for increased Superfund clean-up efforts
- Expand resource protection and development
  - \$27.3 million for expansion of RIM program
  - 10.8 million for Trust Fund programs
- Consider funding sources for SCORE recycling programs and promote Environmental Compact of the States

## **4. Tax Reform and Fiscal Stability**

**Goals:** reduce financial risk to the state, clarify state-local responsibilities, provide more local assistance, and reform the property tax system.

**Key Governor's Recommendations:** \$100 million for direct property tax relief, for a total 1990-91 state commitment of \$387 million in relief (13.6% increase).

- Increase the Budget Reserve to 5% of total biennial receipts
- Cut property taxes for mid-value homes, rental housing, businesses
- Begin state takeover of trial court and public defense costs

**5. Children**

**Goals:** provide resources to meet needs of at-risk young children, and strengthen families through childcare and expanded healthcare.

**Key Governor's Recommendations:** \$55 million in new resources.

- \$22.0 million to expand childcare and early childhood development programs
- \$16.0 million to expand Head Start
- \$7.0 million for improved health and mental health coverage
- \$5.7 million to strengthen family protection and development

**6. Year of the City**

**Goal:** provide resources to help prevent urban core deterioration in Minneapolis, St. Paul and Duluth.

**Key Governor's Recommendations:** \$70 million in new resources.

- \$40.0 million for Urban Redevelopment Action Program (URAP)
- \$21.3 million for human services programs with up to \$9 million to be used for wage subsidization
- \$8.7 million for special problems faced by center city schools

**7. Affordable Housing**

**Goal:** meet the needs of growing numbers of homeless and help reduce housing costs for lower income persons as recommended by the Governor's Commission on Affordable Housing.

**Key Governor's Recommendations:** \$39 million in new resources plus property tax reductions for rental housing.

- \$20.0 million for center city housing through the URAP program
- \$10.0 million for low income housing assistance outside of the center cities
- \$9.0 million to establish single family revolving loan fund for use by local governments and non-profits to help finance home purchases and rehabilitation

**8. Health and Human Resources**

**Goal:** meet basic needs of Minnesotans who are at-risk, impoverished or institutionalized.

**Key Governor's Recommendations:** \$122.7 million in new state resources.

- \$14.5 million to fully fund the requests of Veterans Home Board
- \$21.0 million to implement first phase of Regional Treatment Center plan
- Provide for improved health and human services programs
  - \$2.1 million for mental health
  - 5.4 million for nursing homes and alternative care grants
  - 6.2 million for PATHS self-sufficiency services
  - 2.2 million for refugee services
- \$37.0 million for additional correctional system resources

**9. Capital Investment**

**Goal:** provide additional resources to meet pressing infrastructure needs for roads, transit, athletic facilities and state institutions.

**Key Governor's Recommendations:** \$124 million in infrastructure improvements.

- \$27.0 million for roads and light rail by increasing the MVET transfer from 30% to 35% in 1990 and to 45% in 1991
- \$14.0 million in bonding for Amateur Athletic facilities
- \$25.0 million in bonding for Regional Treatment Center plan
- \$29.0 million in bonding for public building accessibility for the disabled
- \$4.0 million for fiber optic telecommunications "backbone"

**10. State Government Management**

**Goal:** to continue improving efficiency of government.

**Key Governor's Recommendations:** \$42.9 million in new resources.

- \$40.0 million for state agency computerization
- \$2.9 million for financial controls and program reviews
- Sunset or privatize various agencies.

## Introduction

# Preparing for Change

This introductory section is a summary of key trends and coming issues that are critical to Minnesota's future. Not all of the issues identified below require state action; many are best resolved by others or in partnership with the state. Additional trends and coming issues are included in the "Background" sections of the chapters in this Budget Message.

### DEMOGRAPHIC TRENDS

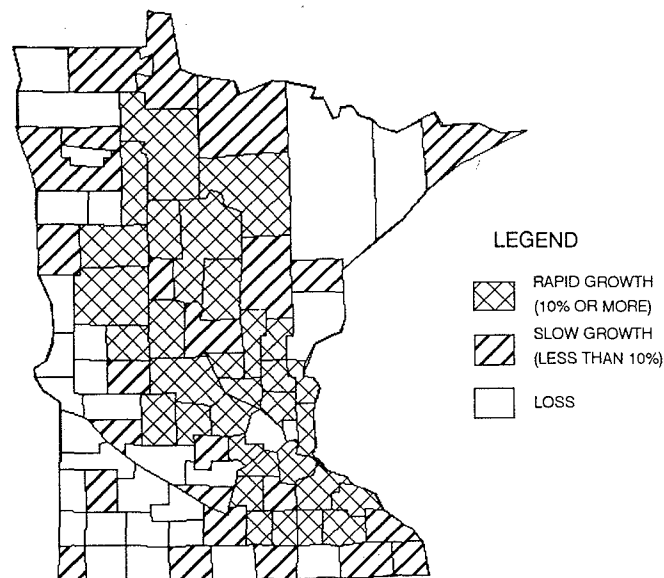
Minnesota has been the fastest growing state in the Upper Midwest since 1980. While the state has historically supplied people to the rest of the country, there are now indications that more people are moving into Minnesota than are moving out.

The number of births in Minnesota and the country as a whole has begun to decline as the baby boom generation ages. This decline in births will soon begin to be felt in kindergarten and early childhood programs. Primary school enrollments will continue to grow for the next few years before being affected by the birth decline, while secondary schools will not be affected until the turn of the century.

Rapid population growth in Minnesota is increasingly concentrated in the Minneapolis-St. Paul, Rochester, and St. Cloud metropolitan areas. Rural areas of Minnesota have lost population since 1983 after experiencing population increases during the 1970s and early 1980s. Because of these changes, the maintenance of a stable revenue and service base in much of rural Minnesota is increasingly difficult.

### POPULATION CHANGE

1985 - 2000



While racial minorities remain only a small percentage of Minnesota's population, their numbers have been growing rapidly. Growth in the nonwhite population accounts for about one-third of the state's population growth. This growth is particularly concentrated in the center cities. Minorities accounted for 43% of Minneapolis school enrollments and 37% of St. Paul enrollments in 1986.

The state's workforce is becoming increasingly diverse as growing numbers of women and minorities join the world of work. Nationally, it is estimated that only 15% of the new entrants to the labor force between 1987 and 2000 will be white males.

The workforce is also aging. During the next ten years Minnesota will experience large increases in the number of workers between the ages of 35 and 54. At the same time, the number of younger workers will decline, and this fact holds out the possibility of increasing employment among traditionally hard-to-employ groups. However, many jobs in the future will need to be filled by current workers who have been retrained for the jobs of the future.

By the year 2000, there are projected to be over 90,000 Minnesotans 85 and over, compared with only about 21,000 in 1960. People in this age group are the heaviest users of long-term health care. Approximately 85% of the state Medicaid expenditures are now attributed to this age group. Efforts to control future long-term care costs will be made more difficult by the rapid growth of this age group.

The number of single parent families has been rising dramatically. Between 1980 and 1986 the number of female-headed families with children in the U.S. grew by more than 50%. During this same period the number of married-couple families with children declined slightly. While Minnesota has among the nation's lowest rates

of both births to unmarried mothers and divorce, the state is affected by this trend as well. The percent of births to unmarried mothers rose from 11% in Minnesota in 1980 to 17% in 1987.

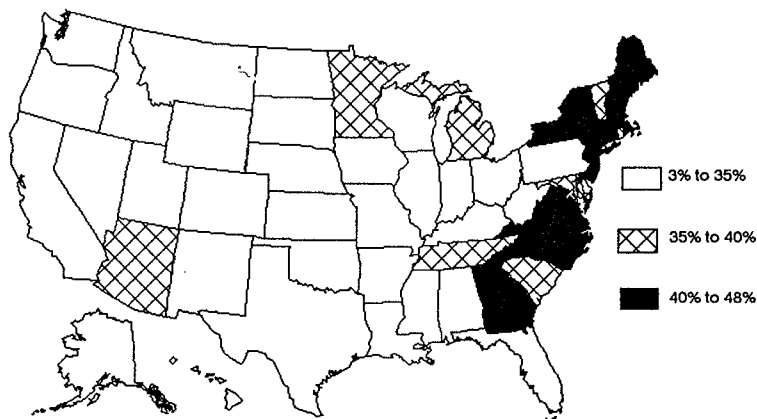
## ECONOMIC TRENDS

Since the recession of the early 1980s, Minnesota's economy has grown more rapidly than those of neighboring states. From 1982 to 1986, our gross state product grew more rapidly than any mid-western or western state except Michigan and Arizona.

Analysis of these trends over time suggests that the Minnesota economy expands slightly more rapidly than the national economy during good times, while declining at about the same rate as the rest of the nation during periods of recession.

Minnesota income has returned to a strong growth trend following the recession of the early 1980s. Income growth in Minnesota has outpaced other mid-western states and is comparable to that in the U.S. as a whole. However, not all Minnesota citizens have shared in the

Change in Per Capita Income  
1982 - 1987



recent economic growth. Incomes of middle income families have lagged behind while incomes of upper income families have increased substantially.

Higher incomes continue to be concentrated in the Twin Cities metropolitan area and in a few other parts of the state. However, the discrepancies between the Twin Cities and other areas have not become larger in recent years, and there are signs of resumed earnings growth in parts of Greater Minnesota.

Until the drought of 1988, the farm economy had shown signs of recovery from the depressed levels of the early 1980s. Farming will remain important to Minnesota for the foreseeable future. However, much of Minnesota's farm income comes from only a few crops. Efforts like those of the Greater Minnesota Corporation will hopefully reduce this dependence. The long-term stability of Minnesota agriculture will depend on reducing farm input costs, developing new crops and products, and developing new markets for existing crops.

Most national forecasters expect economic activity to slow during the 1990-91 bien-

nium. Projections for slowing growth used in the November, 1988, Department of Finance forecast assume real GNP growth rates of 2.3% in 1989, 1.9% in 1990, and 3.2% in 1991.

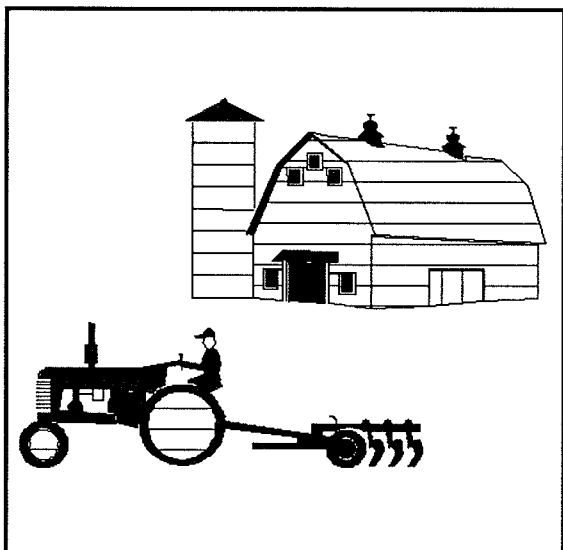
There is a risk of a national recession sometime during the coming biennium. This slowing growth and recession risk prompted the Governor's Council of Economic Advisors and others to recommend an increase in the size of the state's Budget Reserve.

### TECHNOLOGICAL TRENDS

New technologies are increasingly important to the Minnesota economy. Between 1982 and 1985 the number of jobs in high technology industries increased by 22% in Minnesota compared to an 8% increase nationally. Minnesota, with less than 2% of the nation's population, accounts for almost 10% of the U.S. high technology workforce. The most rapid employment growth has been in high technology service industries such as software design, although most high technology jobs continue to be in manufacturing.

Major support for research and development has traditionally come from the federal government and private industry. However, federal research funds are increasingly spent on defense-related projects with little application to industry. At the same time, private dollars are increasingly focused on near-term, lower-risk research at the expense of research with longer-term, less predictable outcomes.

Innovations in biotechnology have the potential to stimulate existing Minnesota industries such as agriculture, health



care, food processing and forestry. New technologies may result in reduced dependence on pesticides, crops better able to withstand a changing climate, faster maturing trees, and better treatments for chronic and degenerative diseases. They may also, however, accelerate the trend toward fewer, more productive farms, increase the glut of farm commodities, and contribute to the growth of health care costs.

New communication technology has tremendous potential to enhance education and the state economy. Educational offerings at all levels may be brought to all corners of the state rather than just a single classroom. There is also evidence that new technologies can bring jobs from urban areas to Greater Minnesota and increase the ability of people to work at home or at some other location away from the job site.

Advances in manufacturing technologies and the development of new industrial materials will likely maintain manufacturing's importance to our economy while potentially reducing manufacturing employment. As productivity increases, labor costs will become less important in determining the location of manufacturing operations.

### **FEDERAL FUNDING TRENDS**

Federal grants to state and local governments help finance programs covering most areas of public spending. In 1989, those grants totalled \$123.6 billion, and 55% of that was for income support and health care programs.

Federal funding has been declining over the past nine years. During this period, the funds have grown at an average annual rate of 3.0% - a rate far below that of inflation. In 1980, federal grants to state and local

governments were 15.5% of total federal outlays; today they are 10.9%. Federal grants have dropped from 25.8% of all state and local expenditures in 1980 to 18.2% in 1988.

These national trends are being felt in the Minnesota budget. Current projections call for reducing expected federal revenues by \$28 million in 1990 and \$31 million in 1991. In addition, new federal mandates require increased state spending of \$14.9 million in 1990 and \$18.6 million in 1991 (primarily in healthcare and social services programs). To account for these new mandates and the need to make up at least some of the federal grant reductions, state general fund expenditures will need to rise by about \$50 million in 1990 and nearly \$60 million in 1991.

The prospects are great for further funding cuts by the Congress. Several major federal funding programs expire in 1989 (including various education, nutrition, environmental, housing and community development programs).

### **SOURCES OF ADDITIONAL INFORMATION**

The materials used in the preparation of this Introduction came from various trend and data publications of the Minnesota State Planning Agency, the 1988 and 1989 Economic Report to the Governor prepared by the state's Economic Resource Group, "Minnesota Environmental Quality," coordinated by the Environmental Quality Board, "Compare Minnesota" prepared by the Department of Trade and Economic Development, and the November, 1988, Economic Forecast of the Department of Finance.



## Chapter 1

# Elementary and Secondary Education

During the preceding six years, Minnesota has implemented several innovative programs for students in elementary and secondary education and for adults who desire to complete a high school education. This priority has been reflected in increased funding and expanded learning opportunities for all students.

The Governor's recommendations to the 1989 Legislature build on these past education reform measures and target additional resources to areas of special opportunity.

### Background

Minnesota state government has a strong history of financing elementary and secondary education. In 1989, state aids for those programs equalled \$1.6 billion, or about 26% of the entire state budget.

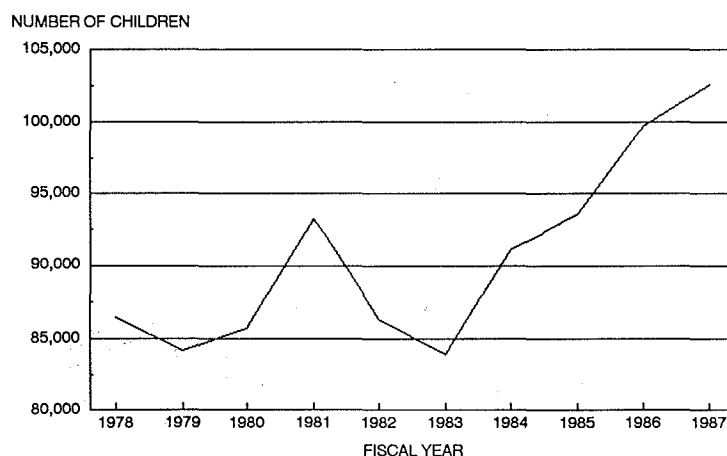
This state financial commitment will continue to grow, and this growth should have the support of most Minnesotans. However, doubts are being raised about the efficacy of many forms of education spending.

A variety of new problems are challenging our traditional systems of education. For example, the number of at-risk students continues to grow, especially in urban schools where the number of poor and racial minority students is increasing.

In 1986, more than 9,400 students dropped out of Minnesota's schools. While this is one of the lowest dropout rates in the nation, we must be concerned about the over-representation of minorities in that dropout total. Although they represent 7.3% of the student population, minorities make up 18% of all dropouts. Equally troublesome is the estimate that only one of four teen mothers in Minneapolis completes her education.

While funding continues to increase for elementary and secondary education, we are receiving mixed messages about the effectiveness of our investment. For example, our rate of high school graduation (91.4%) continues to be the highest in the country. In addition, our students' scores on national aptitude tests continue to exceed national averages.

MINNESOTA CHILDREN ON AFDC



On the other hand, the national averages are moving closer to Minnesota's scores. In addition, we are seeing wide disparities in scores around the state. Smaller schools and schools with high numbers of disadvantaged students are seeing test scores below those of other students.

The need for adult education, both in basic skills and advanced programs, is becoming more apparent as society changes. The population of younger people is declining, and labor shortages in some skilled occupations are appearing. At the same time, the educational level required for most jobs is increasing.

Fortunately, most adult Minnesotans want more education, as evidenced by enrollment trends. Adult basic education enrollment doubled from 1983 to 1988, to 41,000 persons, and is expected to increase to 56,000 by 1991.

### Recent Initiatives

Governor Perpich and the Legislature have initiated a series of fiscal and policy innovations designed to meet the current challenges and better prepare Minnesota students for the future.

- Since 1984, state spending on elementary and secondary education has risen from \$1 billion per year to \$1.6 billion. The following are impacts of that increase:

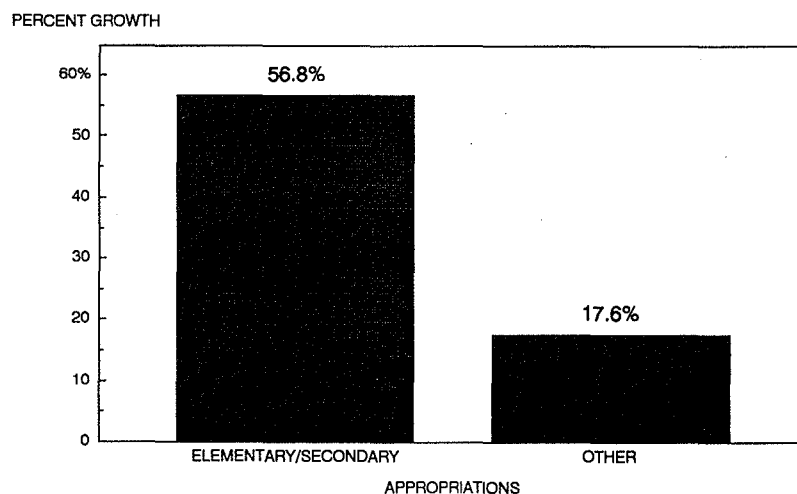
26.3% of the state's budget is now devoted to elementary and secondary education, up from 21% in 1984,

spending for elementary and secondary education has grown over three times as fast as the rest of the budget, and

total education revenue per pupil has grown nearly two and one-half times faster than the rate of inflation.

- "Access to Excellence"--a national model for increased student/parent choice--was initiated by Governor Perpich as a series of credit and transfer opportunities for students and parents. Since 1985, choices for Minnesota students and parents have increased substantially through:

GROWTH IN ELEMENTARY/SECONDARY EDUCATION  
vs OTHER GENERAL FUND APPROPRIATIONS  
F.Y. 1984 - F.Y. 1989



the Post-Secondary Enrollment Options Act,

the Voluntary Enrollment Options Plan, and

the High School Graduation Incentives Program.

- The Comprehensive Technology and Educational Improvement Act has provided resources to schools for planning, workshops and more than 40 technology demonstration sites.
- The Minnesota Educational Effectiveness Program has provided more than 400 participating schools with staff training and development strategies to improve learner outcomes.
- In 1988, at the initiative of Governor Perpich, the Legislature implemented one of the nation's first basic education entitlement programs for adults--the provision of state school aids permitting persons over age 20 who are unemployed or on public assistance to complete high school at state expense.
- The Minnesota School for the Arts and Resource Center was established with statewide outreach programs and a commitment for a future residential Arts High School.

### **Goals for 1990-91**

Recent state initiatives in elementary and secondary education are impressive. However, many challenges still remain. More resources are needed, but these must be accompanied by more effective use of current funding.

We must improve access to quality educational opportunities for all students. We must give greater attention to students who are at-risk of school failure, and those who are in school but not learning to their full potential. Minnesota's graduation rate should be increased to 96% by 1996, and we should assure that all our high school graduates possess basic skills competencies.

We must adopt a comprehensive strategy to address the interrelated problems of school dropouts. We must expand opportunities for adult literacy programs while we reduce the dropout rate in those offerings by linking them more closely with case management programs (such as "PATHS"), tying them to occupational goals, and integrating child care and transportation.

We must expand programs for very young children including early childhood opportunities, health screening services, and parent/child education, especially for disadvantaged families.

We must state more clearly our basic expectations of schools and continue developing ways of assessing student achievement. We must provide incentives for restructuring our system of delivering education, and we must provide more information to parents and students about the various "Access to Excellence" programs.

We must enhance computer literacy and encourage more experimentation in using computers as instructional aids.

### **Recommendations**

The Governor's recommendations, combined with the effects of existing law, will

raise funding for elementary and secondary education from state and local sources by \$828 million in 1990-91 (an increase in total funding of 13.9% from 1988-89 levels). Of this amount, \$120 million would be increases in state funding pursuant to the Governor's recommendations for 1989 legislative action. The \$828 million also reflects the Governor's recommendation of \$47 million in base reductions from certain education aid categorical formulas.

Some of the Governor's recommendations affecting education are discussed in Chapter 5 (Children) and Chapter 6 (Year of the City). Other major education recommendations include:

Access to Excellence. The Governor recommends an expansion of his "Choice" program to permit at-risk students who drop out or who are likely to drop out of their current schools to enroll at state expense in private, non-sectarian schools. In addition, the Governor recommends \$200,000 for outreach and evaluation programs to inform parents and students of the various Access to Excellence program options.

Education Restructuring. The Governor recommends \$11.2 million for several initiatives to further encourage voluntary, innovative school restructuring. These include an expansion of the Department of Education's Learner Outcomes project (\$3.7 million), a project on Higher Order Thinking Skills (\$1.5 million), a program emphasizing the need for more international education (\$3.0 million), a competitive grant program for schools that meet prescribed high standards (\$1.0 million), and assistance with capital construction projects for small districts agreeing to consolidate or for districts seeking to locate

school facilities within private business offices (\$2.0 million in debt service).

Achievement Measurement. The Governor recommends \$1.75 million to institute a statewide testing program to permit students, their families and their communities to measure educational progress. Standardized tests would be administered in the sixth and tenth grades.

Dropout Prevention. The Governor recommends \$5.6 million (1) to implement a cross-cultural strategy to retain more minority students in schools, (2) to encourage schools to offer flexible and collaborative learning environments in the elementary and middle grades with the active participation of teachers, parents, and the local community, (3) to encourage more teen parents to return to school by providing needed transportation and day care services, and (4) to assure access to appropriate remedial education resources.

Computers in Education. The Governor recommends \$10 million (to be matched by an equal amount of local levies) for shared state and local financing of the acquisition of about 40,000 personal computers for classrooms. This program will involve a lease-purchase method of acquisition with a five-year goal of one classroom computer for every four elementary-secondary students. The Governor also recommends \$2.0 million for a technology demonstration school.

Libraries. The Governor recommends \$2.0 million in additional state support for regional libraries to help them meet the increasing costs of books and periodicals, as well as the increase in demand for library services.

Desegregation. The Governor recommends that \$5 million be added to the current \$24 million base for state assistance to inner city districts experiencing special learning problems associated with disproportionately high enrollments of racial minorities. (These resources would be used in conjunction with the Governor's recommendations for \$8.7 million in education programs in his Year of the City initiative.) Finally, the Governor recommends \$200,000 for increased cooperation in metropolitan open enrollment programs.

Special Education. The Governor recommends that the Department of Education, legislators and interested groups work together to develop a comprehensive program to improve the delivery of special education services. Reforms would occur in one or more of the following: interrelating the special education categorical funding formula with the general education formula, more carefully defining program eligibility, and altering state-mandated services. In expectation of a reform program, the Governor recommends that the current base spending for special education be retained at approximately 1989 levels.

Adult Literacy. The Governor recommends \$4 million in additional funding to stimulate creation and expansion of targeted adult literacy programs that integrate learning with personal support, child care and transportation services. Special priority would be given to learners with the most serious literacy problems, and up to \$540,000 would be available for programs

serving inmates at correctional institutions. To set standards, award grants and insure coordination, the Governor urges creation of an Adult Learning Council consisting of public and private sector representatives.

State Share of Education Finance. The Governor believes strongly that the state should assume a larger role in financing elementary-secondary education in Minnesota. He therefore recommends, as part of his property tax/local aid reform goals, that as much as possible of undesignated local aids (primarily the "transition aid") attributable to schools be added to the state's share of the general education formula. This will increase the state's share of education funding above its current level and reduce the local property tax share. This goal is desirable because it will help to promote equal education while providing future property tax relief for Minnesotans.

### **Future Actions**

The Governor's Budget holds the general education formula allowance at \$2800 per student for 1990. The Budget does not contain funding for a formula increase for 1991, although the Governor does recommend a 5% levy increase for both 1991 and 1992.

If remaining 1989 and 1990 revenue forecasts show positive variances, the Governor may recommend an increase in the state's contribution to the general education formula.

## Chapter 2

# Higher Education and Research

As we enter an increasingly complex future, every Minnesotan will require the skills and talents to adapt to changing jobs and economic conditions. More than ever, the degree to which we can provide quality post-secondary education and applied research will determine our future prosperity.

### Background

More and more Minnesotans see higher education as a way to self-improvement. Demand for higher education is also increasing as a result of changing workforce requirements. This increased interest in higher education is placing increasing demands on our systems.

- About 90% of Minnesota students pursue some form of post-secondary education within five years of completing high school. As a result, Minnesota's enrollment relative to the state's population is the fourth highest in the nation.
- Fall, 1988 enrollment at Minnesota's colleges and universities increased by more than 4,000 students (2.4%) at a time

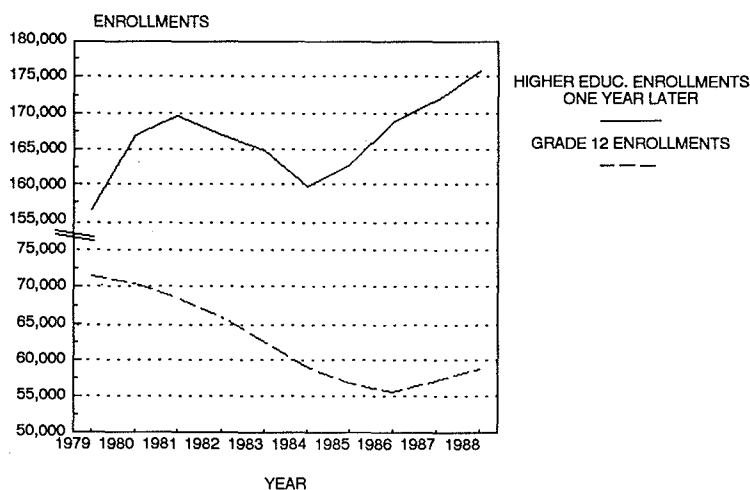
when the population of high school youth continues in gradual decline.

- Greater numbers of non-traditional students are enrolling in post-secondary institutions than ever before. More women, minorities, and older students are returning to education to acquire new skills and training.
- Recent analyses suggest a growing need in the Twin Cities metropolitan area for more higher education options.

Higher levels of achievement will be expected of all students to fuel the increasingly sophisticated needs of Minnesota employers. With only 1.7% of the nation's population, Minnesota has 2.85% of the nation's high-tech labor force, and our rate of growth in high-tech employment is more than twice the national average.

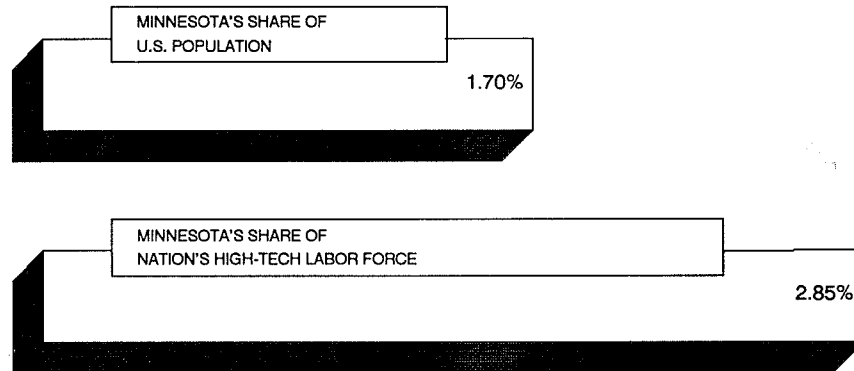
While the demand for skilled employees is increasing, fewer new entrants are joining our workforce. As noted in the Introduction, this will force greater emphasis

HIGHER EDUCATION ENROLLMENTS



## MINNESOTA: A HIGH-TECH WORKFORCE

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on retraining and updating the skills of current workers.

Other problems also exist. For example, some studies suggest that Minnesota may be falling in respect to national rankings on dollars spent per student. In addition, our higher education systems are experiencing problems in funding specific needs such as instructional equipment, building repairs, and childcare. And finally, tuition is becoming an increasingly costly burden, especially to middle income families.

### Recent Initiatives

Governor Perpich and the Legislature have dealt with many of these concerns. Our strengthened commitment to post-secondary education and applied research is reflected in the following data covering the period 1983 to the present:

- state spending on higher education has increased from 17.8% to 19% of the state budget and has grown 50% faster than the rest of the budget;
- although patterns vary among the individual systems, expenditures on higher education have grown faster than the rate of inflation; and

- state scholarship and grant funding for post-secondary students has increased from \$25 million to \$65 million resulting in our financial aid program now ranking tenth nationally on a funding per capita basis.

To make the most efficient use possible of Minnesota higher education, a "Mission Differentiation" process was initiated to evaluate the most appropriate roles for the various components of the state system.

The University of Minnesota's "Commitment to Focus" is a positive result of this mission differentiation effort. Other state-supported University initiatives include the creation of more than 100 newly-endowed chairs and the establishment of the Supercomputer Institute, the Natural Resources Research Institute, and the new Rochester Center.

Key program expansions at other systems include the creation of four new engineering programs, four enterprise development centers, expanded applied research capacity, and customized training programs for our vocational schools.

Minnesota's private colleges and universities play a critical role in the provision of future-oriented job skills in our state. They provide one-half of all Minnesota degree recipients in science and mathematics, and about one-third of all University of Minnesota graduate students in these fields.

Another very important recent initiative which is promoting research in the state is the Greater Minnesota Corporation. GMC was established primarily to finance applied research in partnership with private businesses, colleges, universities, and other post-secondary educational institutions in the state. GMC is rapidly emerging as a premier state-initiated research and development institution.

#### **Goals for 1990-91**

State funding decisions have reflected the importance of higher education and applied research to our future. Although these funding and program changes are in the right direction, improvement is still needed in many areas.

The Governor's 1990-91 post-secondary education and applied research recommendations reflect our continuing commitment to keep our status as the Brainpower State. His goals include:

- Encouraging a larger proportion of the state's population to enroll in education and training programs, and encouraging our higher education systems to serve more students by adequately funding increased enrollments. In his 1987 State of the State Message, the Governor set a goal of developing a workforce in Minnesota with 50% having an education two years beyond high school, and 35% having at least four years of higher education.

- Expanding access to educational opportunities for all Minnesotans by preserving the purchasing power of student grants, improving services to handicapped students, and making child-care for students more affordable.
- Renewing our commitment to community service in our colleges and universities.
- Encouraging our higher education systems to explore new ways of organizing and delivering their services.
- Updating and replacing instructional and laboratory equipment, and improving our ability to properly maintain higher education's physical infrastructure.

#### **Recommendations**

The Governor recommends a total increase of \$205 million in funding for the state's higher education systems for the 1990-91 biennium (11.2% above the 1988-89 biennium). This increase includes \$46 million attributable to continuation of the Average Cost Funding policy, a \$20 million increase in debt service on previously approved building improvements, and \$139 million in new initiatives.

Systemwide Programs. The Governor requested the four public higher education systems to work together on five separate initiatives relating to common needs of all institutions. As a result of this unprecedented cooperative effort, the Governor recommends:

- \$7.5 million in debt service to finance lease purchase payments on \$25 mil-



lion of modern instructional and lab equipment. (Of this amount, \$500,000 would be used to establish a state match program for equipment purchases by private collegiate education institutions in the state),

- \$5 million for facilities repair and betterment,
- \$3 million for telecommunications systems development (Note: this initiative is more thoroughly described in Chapter 10),
- \$2 million for childcare for children of non-AFDC students (Note: children of students receiving AFDC payments are covered by programs in the Department of Human Services), and
- \$1 million for handicapped student services.

The four higher education systems were all subject to major health insurance cost increases for their faculty and employees. The Governor therefore recommends \$41.2 million to cover those increased costs for 1989-91.

System-specific Initiatives. The Governor also recommends:

- \$16 million for general inflation adjustments for FY1990 for the Community College System, the State University System, and the Technical Institutes System,
- \$9.5 million to the Higher Education Coordinating Board to provide inflation adjustments to its student financial aids,
- \$16.7 million in "marginal cost" funding to help finance the increased enroll-

ments at the State University and Community College Systems,

- \$4 million to improve the financial management information systems at the University of Minnesota, with the University first completing an extensive systems planning process using its own resources (as recommended by the Governor's Blue Ribbon Commission on Financial Management),
- \$1.2 million to the University of Minnesota to operate the graduate center in Rochester,
- \$1.7 million to the University to help create endowed faculty chairs in the fields of minority affairs and Canadian issues,
- \$3.0 million to the Technical Institutes System to continue its program restructuring project,
- \$3.0 million to the Technical Institutes System to adjust its base for salary settlements negotiated by the local school boards governing institute operations,
- \$500,000 to the Higher Education Coordinating Board to establish a supplemental grant program for minority students pursuing elementary/secondary teacher preparation programs, and
- \$500,000 to the Higher Education Coordinating Board to operate a Community Service program that will provide opportunities for students to learn by tutoring young at-risk students or illiterate adults, or by befriending disadvantaged children.

The Governor recommends that the University of Minnesota budget reflect a collapsing into its general operating appropriation of the numerous "special" appropriations it receives. This will simplify the budgeting process, will remove various funding inequities, and will give the Board of Regents appropriate discretion in the distribution of University resources. The Governor further recommends that all future "special" appropriations be folded into the general operating budget after their initial biennium of operation.

Structure Study. In recent years, many persons have questioned the desirability of four separate higher education systems with, in some cases, overlapping programs. The Governor recommends \$100,000 for the Higher Education Coordinating Board to analyze restructuring options and the academic, financial, and organizational issues suggested by those options.

Applied Research. Many of the preceding recommendations will ultimately be used by the higher education systems to finance applied research. In addition, the Governor recommends the following specific applied research initiatives:

- \$1.5 million for research into the effects of cold weather on products and materials,
- \$5.0 million for research into the causes, effects and cures for stress and addiction,
- \$1.3 million for research in paper science,
- \$100,000 for research at the University of Minnesota on innovative ways of educating children, and

- \$1.6 million for scientific and engineering expertise to be provided through Minnesota Project Outreach to small and medium businesses.

### **Future Actions**

Governor Perpich is a strong supporter of the University of Minnesota. The University is the state's flagship higher education institution and its foremost research center. The University's faculty is nationally renowned and one of our state's principal assets. The University of Minnesota ranks seventh in the total amount of research and development conducted at American universities. The continued strength of the University is, therefore, critical to Minnesota's future prosperity.

Although the University of Minnesota receives significant funding under these Governor's recommendations, its increase is less than that recommended for the other systems. The Governor has concerns about a number of recent reports which raised questions about University governance, finances and management.

The University has begun the difficult and lengthy task of responding to the problems identified in the reports. However, the Governor is withholding additional funding recommendations until he is satisfied that the Board of Regents and the new University Administration have made significant progress toward resolution of these concerns. If significant progress has been made, the Governor will, as resources permit, recommend additional funding for the University later in the 1989 session.

Recent reports have highlighted the inadequacy of higher education programs in the metropolitan area. Not all of the needs of Twin Cities residents are being met, but there is yet no consensus on how to meet those needs. The Governor recommends that the state's public and private higher education systems work cooperatively with other interested citizens and groups to define a strategy for resolving this issue. When consensus is reached, the Governor will submit to the Legislature a plan for expanding higher education options in the Twin Cities area.

The Governor's recommendations call for an inflation adjustment for the other higher education systems only for FY1990. If later 1989 or 1990 revenue forecasts show positive variances, the Governor may recommend additional resources to provide an inflation adjustment for higher education in 1991.

Depending on the final report of his proposed study of higher education structure, the Governor may recommend significant higher education mergers or restructuring in the 1990 or 1991 sessions.

## Chapter 3

# Environmental Protection

The people of Minnesota are committed to ensuring the quality of our natural environment. This commitment has been reaffirmed time and again by support of the innovative policies and programs which have positioned Minnesota as a national leader in the development of environmental protection and resource management policies.

We cannot rest on our successes to date. More must be done, and it must be done quickly. The preservation of Minnesota's water resources and the wise management of the solid waste stream require immediate attention. Governor Perpich recognizes the urgency of these needs and recommends the commitment of significant resources to meet them.

### Background

One of our most valued resources is our abundant and pure water. Although we have done much to protect our water resources, recent events indicate new challenges that must be addressed. For example, last summer's drought taught us that our water supplies are limited.

In addition, ground water pollution is a continuing and major threat. Pesticides have been found in nearly 40% of the wells tested in state studies. Nitrate levels in these same studies exceeded health limits in over 40% of the private wells and 7% of the public wells tested.

Another major threat to our water is the growing amount of solid waste. Approximately one ton of solid waste is generated annually for each person living in

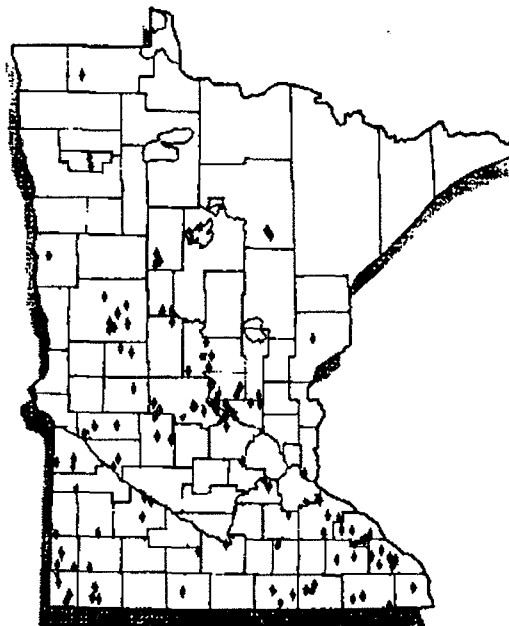
Minnesota. Solid waste landfills and dumps have become a major source of ground water contamination, with well over 50 sites on the state's Superfund priority clean-up list.

### Recent Initiatives

Governor Perpich and the Legislature have implemented a number of initiatives in recent years to deal with environmental problems:

- Our Acid Rain Prevention Program includes the nation's first and toughest acid rain standards, the monitoring of acid deposition, and a compliance enforcement plan.
- Our Superfund is a national model program with the authority to initiate

Occurrence of Pesticides in Public Wells



cleanup of hazardous wastes and charge violators for the clean-up cost.

- Our Petrofund is among the nation's first programs to find, repair and replace leaking petroleum storage tanks in cooperation with tank owner/operators.
- Our Clean Water Partnership is a state-local shared program to deal with pesticide runoff and other nonpoint source pollution.
- Our Comprehensive Local Water Management program is the key to the state's renewal of a dynamic role for local government in a water management partnership.
- Our Re-Invest in Minnesota (RIM) is the nation's first state-sponsored reserve/set-aside program, protecting thousands of acres of wildlife habitat and restoring important fish habitat.
- Our Minnesota Environment and Natural Resources Trust Fund is a constitutionally created fund for the support of long-term environmental protection and resource management activities including: RIM, research, data collection and analysis, and education.

#### **Goals for 1990-91**

Governor Perpich continues to place the highest priority on insuring that an adequate supply of clean, clear water is available to all Minnesotans. He is committed to work to prevent further contamination of our ground water resources. This includes working to reduce the amount of waste that is generated, to increase recycling opportunities, to impose solid waste management practices that remove toxics from the waste

stream, and to educate all Minnesotans on wise solid waste management options.

#### **Recommendations**

The Governor recommends a commitment of \$88 million to a variety of critically important programs:

Comprehensive Water Resources Protection. The "Minnesota Ground Water Protection Strategy" and the companion "Strategy for the Wise Use of Pesticides and Nutrients" were developed to guide the state's response to our ground water problems. These reports serve as the foundation for the Governor's proposed "Comprehensive Water Resources Protection Act of 1989." The Governor recommends \$24.1 million for the following major initiatives:

- improving the understanding of our ground water resources, preventing pollution, and protecting drinking water supplies. Included are activities to assess ground water, increase education, improve data management, conduct research, and improve enforcement of well construction and sealing,
- controlling sources of pollution through identification of sensitive areas, development and promotion of the best management practices, development of a state pesticide management plan, and enhancement of our pesticide and fertilizer control efforts, and
- building a partnership with local government by providing state technical and financial assistance to counties to help develop comprehensive water plans and to assist in implementing

those plans. Funds would also be provided to seal priority wells.

Comprehensive Recycling and Waste Management. In 1988, Governor Perpich urged that a comprehensive program be developed to address solid waste management and recycling issues. The vehicle for the development was the Governor's Select Committee on Recycling and the Environment ("SCORE") consisting of state and local government, non-profit and private sector leaders. SCORE developed over 70 recommendations for a comprehensive approach to waste reduction, litter reduction and statewide recycling enhancement. Some of the primary recommendations are:

- a cornerstone recommendation of a 25% recycling goal to be achieved by each county by 1993, and
- a broad grant and loan program totalling \$40 million to encourage and facilitate recycling, litter reduction, market development, and education.

To finance their recommendations, SCORE recommended a "waste abatement tax," which would extend the state sales tax to waste hauling and pick-up services, and the imposition of a "problem materials" tax. The Governor requests that legislative leaders, his staff, environmental leaders, and other interested parties work together to achieve consensus on a financing package that will support the goals and programs advocated by SCORE. If consensus can be achieved, the Governor will submit the SCORE recommendations, including funding, to the 1989 session.

Other Initiatives. The Governor's 1990-91 environmental program also includes major recommended additions to existing or recently authorized initiatives:

- \$8.5 million to the state's Superfund,
- \$27.3 million to the RIM program to allow it to continue functioning until the lottery generates dollars for the long-term maintenance of the program (\$21 million would be bonding authorization for land acquisition; the remainder would be for needed support staff and services),
- \$10.8 million for expenditures consistent with the Environmental Trust Fund to allow the Fund to begin operating prior to the receipt of lottery funds,
- \$3.0 million for new and expanded forestry activities,
- \$1.5 million for the vehicle emissions inspection program in the Twin Cities metropolitan area enacted by 1988 legislation,
- \$1.4 million to assist counties in addressing existing contamination problems and improve and help ensure that solid waste management facilities are properly constructed and operated in an environmentally-sound and cost-effective manner, and
- \$1.4 million for a comprehensive regulatory program for municipal solid waste and municipal and industrial waste incineration activities.

Assistance to Farmers. Several of these new initiatives will be of direct benefit to Minnesota's farmers. For example, of the \$21 million for RIM financing, \$12 million will go to farmers who are willing to abide by the resource protection provisions of the RIM program. In addition, the Governor is recommending

\$650,000 in response to the report of his Agricultural Drought Task Force. The funding will be used to extend the farmer-lender mediation program, to increase assistance for the Farm Advocate program and to initiate a water well replacement assistance program for needy farmers. The Governor is also supportive of a number of non-spending recommendations by the Task Force.

### **Future Actions**

Many of the major challenges to the environment are regional or national in character and beyond the control of any single state. Current efforts to find solutions to these challenges are fragmented, and little leadership has been provided by the federal government. These issues of national, and often international, concern cannot be adequately addressed without informed participation and cooperation among the states.

In August of 1988, Governor Perpich proposed creation of an Environmental Compact of the States. Modeled after the

successful Education Commission of the States, the Environmental Compact would be an organization of state executive and legislative leaders from across the country. The organization would provide a forum through which critical national environmental protection and resource management issues could be brought into perspective and solutions to the issues debated.

To help establish the Environmental Compact, the Governor is recommending an appropriation of \$100,000 for 1990-91.

The Minnesota Environment and Natural Resources Trust Fund must be adequately financed. By an overwhelming majority, the voters of Minnesota approved the first constitutionally protected comprehensive environment and natural resources trust fund in the nation. The Governor recommends that the Trust Fund be financed by a constitutional dedication of a portion of the proceeds from the state lottery.

## Chapter 4

# Tax Reform and Fiscal Stability

The 1987 session of the Minnesota Legislature accomplished a major overhaul of the state's systems of individual and corporate income taxes. Minor additional adjustments were made in the 1988 session, and the sales tax was changed slightly in 1987 and 1988. Aside from changes in the corporate alternative minimum tax and the charitable gambling tax, the Governor is not recommending major changes in state-levied taxes in 1989.

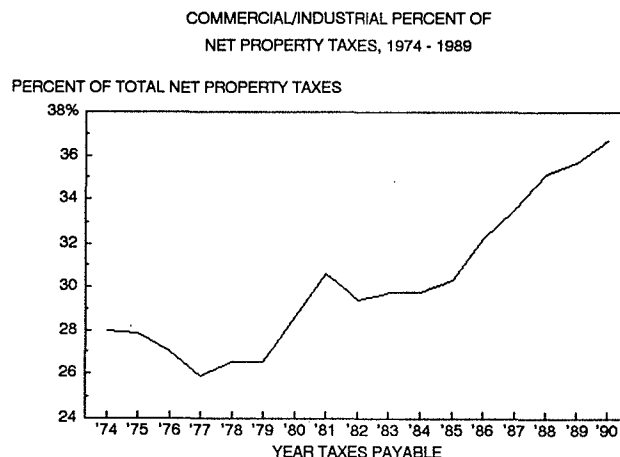
The property tax/local aids system, however, needs extensive work. Despite some changes by the 1987 and 1988 legislatures, the property tax/local aids system still needs major overhaul. In this Budget Message, the Governor recommends goals and a process that will lead to major reform of that system in the 1989 session.

The Governor is also concerned about the adequacy of the state's protection against revenue shortfalls. In this chapter, the Governor renews his call for additional protection to help insure that the state can meet its financial obligations in a period of economic downturn.

## Background

Minnesota's property tax/local aids system has evolved over decades into the nation's most complex system. Beginning with four property classes in 1913, the system has expanded into today's structure with 21 different tax rates on different property classes. These rates vary from 0.4% to 5.25% of market value. Many states have just one tax rate for all types of property, and no other state has as many rates or such a wide range of rates for different classes.

Our property taxes on most business properties are now among the highest in the country. Business property valued at over \$100,000 is taxed at a rate more than five times as high as the rate for low-value homes and farms. A result of this differential is that the business share of total property taxes has risen from 26% in 1977 to a projected 37% in 1990, while business property market values are only 17% of the total. This heavy property tax burden impairs our ability to attract and maintain jobs in Minnesota.





Similarly severe tax rate differences exist between homestead and rental housing properties. For housing units valued below \$68,000, the normal tax rates are 1% of market value for homesteads, 3.5% for 1-3 unit rental properties, and 4.1% for 4 + unit rental properties. In many cases, people who cannot afford to buy a home pay much higher property taxes (through their rents) than do those who can afford to buy.

Since the national recessions of 1981-82 and related Minnesota budget crises, Minnesota property taxes have moved back above the U.S. average and have been rising rapidly. Recent and projected statewide increases in net property taxes are 7.6% in 1987, 9.4% in 1988, 7.7% in 1989, and 8.8% in 1990. These numbers are well above inflation and the growth rates of other taxes and personal income. As shown in the graph, the increases since 1981 are estimated to bring property taxes in 1990 above 30% of total state and local taxes for the first time since 1973.

Another continuing problem with our property tax/local aids system is the complexity and instability of the various formulas used to distribute aids to local governments. For example, we have com-

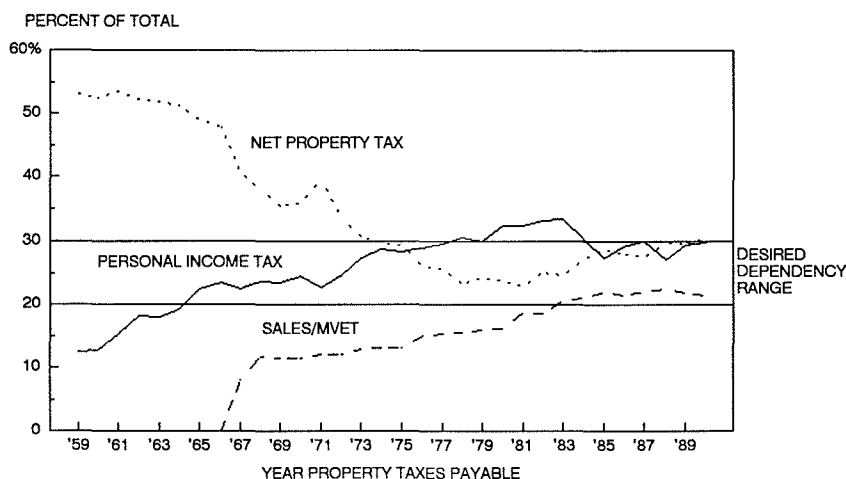
plicated and separate formulas for distributing state aids for schools, roads, public employee pensions, income maintenance, social services, and for general aid to cities, townships, and counties.

Cities receive \$373 million in local government aid, about 40% of their total levy base. This high level of aids creates an unhealthy dependency by local governments on state aids and exacerbates unequal treatment between cities.

A problem with the remainder of our tax system is its volatility. Three years ago, Minnesota was rated by the Advisory Commission on Intergovernmental Relations as having the most volatile tax system in the country. Over the past twenty years, actual revenues have varied from biennial forecasts by an average of 8-9%. During the most recent recessions in the early 1980s, this volatility resulted in a difficult series of special legislative sessions and budget balancing.

Although more recent forecasts have seen variances in the range of 3-4%, the potential continues to exist for significant shortfalls in revenue. The current national economic uncertainty, coupled

MAJOR STATE AND LOCAL TAXES AS A PERCENT OF  
TOTAL STATE AND LOCAL TAXES: 1959-1990



with technical estimating problems with our revenues, led the Departments of Finance, Revenue and Planning to conclude in their "Fiscal Stability Report" (December 1988) that current forecast risk is 6% of biennial expenditures. The state's current fiscal stability tools are inadequate to meet this risk.

### **Recent Initiatives**

Interest in property tax reform goes back many years in Minnesota. Most recently, the 1985 report of the Tax Study Commission appointed by Governor Perpich recommended that the number of property classes be reduced to three and that the homestead credit be eliminated.

The 1987 session of the Legislature took some useful steps toward property tax/local aids reform by reducing the number of classes and uncoupling the homestead credit and agricultural credit from local spending decisions. The 1988 session of the Legislature made further progress:

- geographical tax rate disparities were greatly reduced,
- effective tax rates replaced classification ratios and credits, making the large rate differences between classes more visible and understandable,
- the high tax rates on homes valued between about \$68,000 and \$100,000 were significantly reduced,
- state/local accountability was improved through state takeover of income maintenance costs, and
- "Truth in Taxation" was adopted to better inform taxpayers of local budget proposals.

On the other hand, only minimal progress was made in 1988 on reducing business and rental housing taxes. The number of classes was actually increased somewhat from the 1987 law, the local government aid formulas for cities were made more complicated and costly, and the overall system was made more complex.

Fiscal stability has also been the subject of recent legislative action. The Tax Reform Act of 1987, with its base broadening and other improvements, helped to increase revenue stability. Perhaps even more significant was the establishment of a \$250 million state Budget Reserve or "rainy day fund" in 1983. Since then the Reserve has fluctuated in amount with its current funding being \$550 million (about 4% of anticipated biennial expenditures for 1990-91).

### **Goals for 1990-91**

Minnesota's remaining tax problems are too serious to resolve in one year. However, it is imperative that reform efforts begin in 1989. Six general goals guide the Governor's reform program:

**Reduce Financial Risk.** The Fiscal Stability Report strongly recommends that the Budget Reserve be increased in order to provide a reasonable degree of budget protection.

**Clarify Financial Responsibilities.** The state should pay more of the costs of those programs which it mandates, and local governments should pay more of the costs of local programs not mandated by the state.

Base State Aid on Reduction of Local Property Wealth Differences. Most state aid to local governments should be premised on a goal of reducing local property wealth differences. This will lead to a fair and understandable basis for the distribution of state aid, resulting in the greatest aid to those local governments least able to pay for basic services.

Reduce Differences Between Property Classes. The wide disparities in tax rates for different property classes should be reduced, with tax reductions provided for middle-value homes, rental housing, and business property.

Simplify the Property Tax/Local Aids System. The overall property tax/local aids system must be simplified by reducing the number and complexity of property classes and aid formulas.

Increase Local Revenue Options. Local governments should be given more flexibility in financing their operations.

If these general goals are achieved through action of the 1989 Legislature, major progress will be made toward a state/local finance system which is more understandable, efficient, competitive, fair, and stable.

### **Recommendations**

Governor Perpich has directed Revenue and Finance Department staffs to work with legislative leaders to fashion a property tax and local aids reform plan that will meet the goals outlined above.

The Governor recommends \$100 million to finance a property tax/local aids reform package. He recommends that this relief be targeted to the following classes: mid-

dle-value homesteads, rental housing, and business property.

The Governor supports a new local aids system that will improve simplicity and fairness. Such a system should continue the clarification of state/local responsibilities begun with the 1988 legislative decision that the state should take over the payment of income maintenance costs.

In particular, the Governor supports increasing the state share of education financing as discussed in Chapter 1. In addition, he supports the recommendations of his Advisory Commission on State Local Relations and a Minnesota Supreme Court Task Force that the state should begin assuming the costs of the state's trial court system and public defense systems. Of the \$100 million appropriation for property tax relief, the Governor recommends that \$13 million be used to begin the takeover of trial court and public defense costs.

A comprehensive property tax/local aids reform program should also increase the fiscal flexibility of local governments. A reform program should recognize that local governments need more options for local revenues than today's high levels of property taxes and state aids.

Because a specific reform plan has yet to be developed, it is not possible to provide exact cost estimates. It may be that the final cost for a comprehensive reform plan will exceed \$100 million. If so, the Governor is committed to working with legislators to find the necessary additional resources to finance true reform.

The Governor also supports strengthening the state's Budget Reserve or "rainy

day fund." The Governor recommends implementation of the proposal by the Departments of Finance, Revenue and Planning that the current \$550 million Reserve be increased to a maximum of 5% of biennial revenues through the dedication of positive variances from future forecasts.

### **Other Tax System Recommendations**

As noted in the introduction to this chapter, one of the main objectives for our other tax systems is stability. The Governor is therefore not recommending changes in our other major taxes. However, changes are needed in the corporate alternative minimum tax (AMT) and the charitable gambling tax.

Corporate Alternative Minimum Tax. In 1987, the Legislature set the corporate AMT to equal 0.1% of a corporation's Minnesota sales, property, and payroll. The corporation pays the regular corporate income tax or the AMT, whichever is larger.

Current law provides for the AMT to transform in 1990 to an add-on tax of 40% of the federal AMT. Because this change will reduce total AMT revenues, current law calls for the regular 9.5% corporate tax rate to increase as necessary to maintain the same total corporate income tax revenue. This increased rate is estimated to be 10.5%.

There is considerable dissatisfaction with the three-factor AMT because of its impact on low-margin businesses. The 1990 solution is also undesirable, however, because of the increase in the regular corporate tax rate.

The Governor has directed the Revenue Department to work with legislative

leaders and affected business interests to devise a solution in time for action in the 1989 session. This Budget assumes that the solution will generate the same revenues as now projected for the total corporate income tax.

Charitable Gambling Tax. The tax on charitable gambling operations in Minnesota is now 10% of net proceeds. In determining its tax, the taxpayer subtracts prizes from gross proceeds and applies a 10% tax to the remainder.

This tax calculation differs from prior calculation methods for the tax. Prior to 1985, the charitable gambling tax was 6% of gross proceeds.

A 10% rate on net proceeds is equivalent to 2% of gross proceeds. This 2% rate is low when measured against other taxes for similar activities. For example, discussion about the rate of lottery taxation has focused on rates between 35% and 50%. The 2% rate is also less than Minnesota's basic sales tax rate of 6% of gross sales.

The Governor recommends that the charitable gambling tax return to its former base of 6% of gross proceeds. This base would make the tax equal to the sales tax and would move the tax closer to the rate likely to be applied to lottery proceeds. This change would also ease calculation of the tax by taxpayers and improve enforcement by the state. Returning to the 6% base would generate \$79 million in new revenues during the 1990-91 biennium.

# Children

Our children are Minnesota's most prized resource. Until this year, however, the state budget has not clearly reflected children as a policy priority independent of programs such as education. The Governor's recommendations for 1989 represent a new commitment to the goal that every child in Minnesota has the chance to become a healthy, independent and productive adult.

### Background

Several social and economic trends will prevent an increasing number of children from reaching their creative and productive potential. These trends include an increase in family isolation, changes in the labor force and family earning power, and a crisis in access to adequate health care. These trends pose barriers to a child's success in the educational system and eventually in the labor market.

Minnesota's families are becoming more independent and more isolated. This is the

result of several trends, including the increase in two-parent working families and the increase in single-parent families.

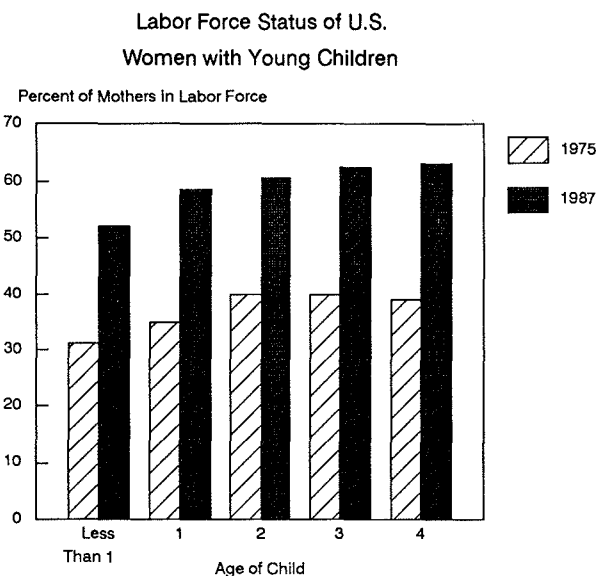
Because of this isolation, many families with children lack connections to support systems traditionally provided by the extended family and the community. This added stress on the family has heightened the need for child care options, child protection and intervention, and family support services.

A growing number of families with children face economic hardship. More children live in poverty than any other age group. Children in poverty may not have their most basic needs met, such as adequate and safe shelter, good nutrition, and preventive health care.

The national crisis in health insurance has serious implications for children. A lack of health insurance translates directly into reduced access to health care, particularly the preventive care crucial to early childhood development. On any given day in Minnesota, an estimated 342,000 persons lack health insurance. Thirty percent of those persons are children under the age of 18.

### Recent Initiatives

Governor Perpich and the Legislature have recently initiated a series of programs designed to improve the condition of children in Minnesota. Responding to the changing needs of families, Minnesota has become a leader in the support of quality child care programs.



The state has also promoted early childhood education experiences, improved access to health care for young children and begun to address the needs of children where family supports have broken down.

The "Child Care Fund" helps low-income families afford quality child care. The state invested over \$26 million in these subsidies in 1988-89. Although 4,900 families were served in 1988, 4,300 families are still on waiting lists.

A state subsidy of \$1 million helps the federal "Head Start" program to provide health, nutritional and educational services for children of low income families. Head Start children show measurable improvement in their early learning ability. Minnesota is one of a minority of states which supplement federal funding for Head Start. However, current state and federal funds serve only a third of eligible children.

"Early Childhood Family Education" programs run by local school districts involve parents and children in experiences which enhance child development. The state invested \$15 million in early childhood education in 1988-89, serving 25% of eligible parents and children.

"Permanency Planning Grants" support programs which help reunify families with children in out-of-home placements and intervene to prevent initial placements. The increasing numbers of minority children in substitute care and the increase in child protection cases indicate a need for additional targeted services.

"Service Development Child Care Grants" have allowed various communities around the state to create child care resource and referral networks which link parents and

services. The program in 1988-89 also provided \$650,000 in grants to child care centers and family day care providers to improve quality and provide more infant and special needs care.

The "Children's Health Plan" improves access to primary health care services for children of low-income families, particularly those families which cannot afford private insurance but which do not qualify for publicly assisted medical care. During the first two months of the program, which began in July, 1988, the state enrolled over 2,000 children.

### **Goals for 1990-91**

The Governor's recommendations for 1989 reflect a renewed and enhanced commitment to Minnesota's children. We must find ways to strengthen families to provide the best environment for raising happy, healthy children.

We must remain committed to meeting the basic needs of all children, including safe shelter, a nurturing environment, resources for mental health, adequate nutrition and access to health care, including prenatal care.

Affordable, accessible, high quality child care is needed throughout the state. We must develop options for child care, including increased services for school-age children and children of families who succeed in leaving public assistance programs.

The state needs to support creative solutions to the problems of family isolation and conflict. While the state should not supplant the parent's role as the primary caregiver for children, we must look for ways to support parents to fulfill that role.

Parents as well as children need support to realize their potential.

Agencies which oversee programs and services for children need better communication and coordination. We must support the efforts of all advocates for children to develop comprehensive policies and establish shared goals for children and the future of Minnesota.

### **Recommendations**

The Children's Initiative does not seek to create wholly new programs for children but to expand on programs which have already proven effective. Governor Perpich asked Lieutenant Governor Marlene Johnson to provide leadership in the Children's Initiative, and he has accepted and fully supports her recommendations. The Governor recommends \$55 million in new initiatives:

#### **Child Care and Early Childhood Development Programs**

Child Care Fund. The Governor recommends \$11.9 million for child care assistance for families leaving public assistance or for those who need child care to attend high school or adult basic education programs. This amount includes an increase to the basic sliding fee child care program (\$1 million).

Child Care Information and Referral. The Governor recommends \$1.6 million to expand statewide the current information and referral network.

Child Care Development Grants. More child care centers and family day care homes are needed. The Governor recommends \$1 million to help defray start-up costs and necessary building

modifications for new child care providers.

Extended Day Child Care Grants. The Governor recommends \$1.5 million for a new grant program for schools and community agencies to develop child care for school-age children.

Head Start. The Governor recommends expanding Head Start to serve nearly 50% of eligible children. The cost for this expansion would be \$16 million.

Early Childhood Grants. Increased funding would allow the center cities to place low-income children in existing child care programs. The Governor recommends \$1 million for these grants.

Early Childhood Family Education (ECFE). To help target these programs to the most needy, the Governor recommends \$3 million for expansion of the ECFE program. School districts which agree to serve more low-income children would be eligible for funding.

Preschool Screening. The Governor recommends \$2 million to develop new screening tools and program guidelines and to fund schools which agree to screen younger children using the newly developed, enhanced screening.

#### **Health Care and Mental Health**

Children's Health Plan and Medical Assistance Eligibility. The Governor recommends expanding the Children's Health Plan from its current coverage

of children through age eight to serve children through age 18. The cost of this expansion would be \$3.5 million. In addition, more children are now eligible for Medical Assistance under new federal guidelines, and the increased state share of the costs for expanded eligibility will be \$130,000.

Infant Mortality and Childhood Injury Reduction. Childhood injury is the leading cause of death for young children. The Governor recommends \$960,000 to help the Department of Health investigate the causes of infant mortality and to establish a program focusing on the reduction of childhood injuries.

Mental Health for Children. The Governor recommends \$3.5 million for the Departments of Education and Human Services to define, develop and pay for mental health services for children, and for the development of family-based mental health services and therapeutic foster care to provide mental health services for children outside of institutional settings.

### **Strengthening Families**

Permanency Planning Grants, Minority Parents, and Subsidized Adoptions. The Governor recommends \$3.9 million to place more minority children in permanent homes through foster care or adoption, to recruit more minority parents to be foster or adoptive parents, and to allow more minority and special needs children to be placed in adoptive homes with post-adoption services.

Child Protection/Chronic Neglect. Increased training is needed by child

protection workers to assist them in gaining needed skills and knowledge of current legal requirements. The Governor recommends \$950,000 to improve this training and to develop a pilot program to provide intensive services to families who are long-term child protection clients.

Chemical Dependency Treatment for Women with Young Children. Some mothers of young children delay needed chemical dependency treatment because they are fearful of placing their children in foster care. The Governor recommends \$275,000 for a program which would provide pilot treatment programs that provide on-site child care while the mother is receiving treatment.

Homeless Adolescents. A growing number of children are living on the streets. The Governor recommends \$500,000 to provide increased funding to teen service agencies to help them house homeless teens.

In addition to the preceding programs, the Governor recommends a total of \$2.6 million to provide institutional linkages between state agencies and education and human service provider organizations. The funds would also be used in to improve child support collection activities.

Together, these Children's Initiatives constitute a broad-based and comprehensive program targeted to Minnesota's most vulnerable and needy young people.



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# Year of the City

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The economic and social well-being of Minnesota's three cities of the first class is essential to the continued prosperity of the entire state. The cities of Minneapolis, Saint Paul, and Duluth serve as economic and social hubs, fostering much of the business, entertainment and cultural activities which directly and indirectly benefit all Minnesotans.

During the early 1980's, when national economic trends created an economic crisis for rural Minnesota--a crisis that resulted in double-digit rates of unemployment and dramatic decreases in property values--state officials joined with local officials in providing resources for economic and social change. A similar joint effort is now necessary to address the unique and fundamental problems of our center cities.

To help assure that Minneapolis, Saint Paul and Duluth remain vital parts of our economy, Governor Perpich has declared 1989 as the "Year of the City" and has challenged the cities to develop a package of programs that will target state resources to address their needs.

### Background

The economies of the Twin Cities metropolitan area and Duluth have generally prospered. However, many core neighborhoods in the three cities have not shared in that prosperity. Dramatic increases in chronic unemployment, poverty, homelessness, drug use, and crime now threaten significant portions of the center cities and, if not dealt with, threaten to spill into other neighborhoods and cities.

The early warning signs of a deteriorating urban core are clearly evident in the three cities. These signs are characteristic of the beginning of the downward spirals of many major metropolitan areas throughout the nation.

Approximately 5.5% of all residents of Hennepin and Ramsey counties receive General Assistance or AFDC support payments; 3.8% of the residents of the remainder of the state receive these same support payments.

In 1986, 76% of all reported violent crimes in Minnesota occurred in Ramsey and Hennepin counties. And yet, these counties account for only 34% of the state's total population.

In 1986, unwed mothers accounted for 36% of the babies born in Minneapolis, 27.6% of the babies born in Saint Paul, and 25.2% of the babies born in Duluth. For the balance of the state, unwed mothers accounted for 12.6% of all births.

On one sample evening--February 24, 1988--1,980 individuals used shelters for the homeless in the state of Minnesota. Approximately 72% of those individuals used shelters in Minneapolis, Saint Paul and Duluth. These cities account for only 16.6% of the population of the entire state.

The cities of Saint Paul, Minneapolis and Duluth have several neighborhoods with heavy concentrations of substandard housing. For example, over 25% of single family and duplex residential

structures in several Saint Paul neighborhoods are substandard.

### Recent Initiatives

The 1987 Legislature enacted the Urban Revitalization Action Program (URAP) and provided \$9 million to assist the most distressed core neighborhoods in Minneapolis and Saint Paul. To be eligible for URAP, a neighborhood must meet specified distress criteria. URAP funds must be matched dollar-for-dollar by other resources and can be used for a variety of commercial and housing development purposes, including:

- rehabilitation of commercial property or housing;
- assistance for business development;
- acquisition of vacant land or abandoned buildings for development; and
- public infrastructure improvements.

Pursuant to these standards, Minneapolis and Saint Paul targeted six areas for revitalization using state URAP dollars. Those six areas will likely attract \$5 to \$6 in other funds for every state URAP dollar

received and will hopefully help foster a permanent sense of community pride.

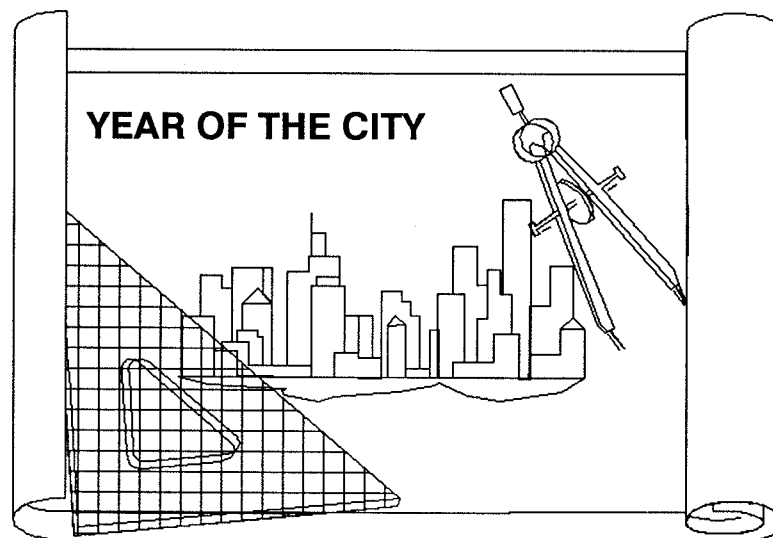
### Goals For 1990-91

While URAP began to meet some of the physical development needs of the three center cities, much more needs to be done. The initial \$9 million appropriation for URAP is not sufficient to address even the most urgent needs for commercial and housing development. Furthermore, investing in physical developments alone, without treating underlying social problems, will fail to address the unique and fundamental problems of the cities.

The primary goal of the Year of the City is to expand and build off the revitalization efforts begun by URAP. In addition to enhancing URAP, the Governor intends that Year of the City will begin to address some of the underlying social problems that are contributing to the rapid deterioration of many core neighborhoods within the three cities.

### Recommendations

Governor Perpich recommends \$70 million in funding for the Year of the City initiative. The state dollars would be



provided to the three cities in three separate accounts to address specific economic and social needs.

- \$40 million would be used to continue and enhance URAP's assistance to Saint Paul, Minneapolis and Duluth. Of the dollars available for URAP, at least 50% would be used for housing as described in Chapter 7, including low-income housing, transitional housing and other shelter needs of the cities' homeless.
- \$21.3 million would be used for human service programs associated with job skill development, chemical dependency, mental illness, crime, language and cultural differences, and inadequate health and child care. The cities would be encouraged to use up to \$9 million of that amount for wage subsidy programs (similar to the state's current MEED program) that help provide employment for unemployed residents who are ineligible for either unemployment benefits or workers' compensation. To the extent possible, the delivery mechanisms for all services under this section would be existing governmental and non-profit programs.
- \$8.7 million would be used to help our center city school districts address the

unique problems they face relating to large numbers of impoverished, transient and racial minority populations. Programs under this section would supplement other school funding for AFDC and desegregation.

Under all three programs, the cities would submit expenditure proposals to appropriate state agencies. The agencies would have review and comment authority in respect to URAP grant requests, and approval authority in respect to the other programs.

These three components will form an effective strategy for treating both the causes and the symptoms of the unique and fundamental problems facing Minnesota's cities of the first class.

#### **Future Actions.**

A secondary goal for the Year of the City program will be to begin working with other Minnesota cities to identify additional needs that warrant special state assistance. Once identified, these needs could become the focus of future efforts to improve the economic and social environments within all Minnesota cities.

# Affordable Housing

Most Minnesotans have a decent and affordable place to live. However, many do not. The Governor's Commission on Affordable Housing recently submitted to Governor Perpich its recommendations for dealing with this problem.

### Background

Affordable housing for many Minnesotans has become an unattainable goal. Rising costs of construction and financing, combined with falling levels of real income for many persons, have resulted in greater numbers of homeless persons and greater reliance on substandard or inadequate shelter. The dream of home ownership will never be fulfilled for many Minnesotans.

The affordability crisis is having its greatest impact on young families, female-headed households, and the elderly. In rural areas of the state, lower incomes and the lack of housing demand are forcing many persons to sell at a loss, if they can sell at all.

In the Twin Cities metropolitan area, the reverse problem occurs. Rising housing prices impact both prospective first-time buyers and renters. For example, rents in the Twin Cities metropolitan area increased by 66% from 1980 to 1986.

Other problems also contribute to the problems of homelessness and unaffordability:

- a decrease in federal support for affordable housing by 80% over the last eight years,

- an aging housing stock which, when not adequately maintained, becomes substandard or abandoned, and
- federal tax law changes which make low income housing development less attractive as an investment opportunity.

The impacts of these problems are clear and unequivocal. Women and children are becoming more frequent users of emergency shelters and transitional housing. Homeownership among low income families is dropping, and those who do not own their homes are finding that housing costs take an increasing portion of their incomes--usually at the expense of other necessities.

### Recent Initiatives

Minnesota policymakers and advocates for the poor and homeless have responded to many of the problems identified above. In many cases, we have been at the forefront of national reforms.

For example, Minnesota was one of the first states to enact transitional housing legislation. This program provides needy individuals and families safe and adequate shelter while efforts are made to find more permanent housing. The transitional programs also provide other human services such as job placement, childcare and education. Through the efforts of the state and non-profit organizations, 29 transitional housing programs are now in operation with four more in the planning stages.

The Housing Trust Fund was created in 1988. Under this innovative program, interest earnings from real estate trust accounts will be used by the Minnesota Housing Finance Agency (MHFA) to finance rental and cooperative housing opportunities for very low income individuals. With this permanent revenue source, the MHFA now can make a long-term commitment in this important area.

Other recent initiatives of MHFA include an apartment renovation program which uses taxable debt to help preserve low cost existing rental property and a home mortgage co-insurance program which makes low down payment loans available in rural areas. Also established has been a loan program which enables a more effective use of the federal low income rental tax credit for affordable rental housing.

Recent housing initiatives have not been limited to state government. Minnesota is blessed with outstanding local government and private sector housing support groups which are meeting the needs of many lower income persons around the state. Examples of innovative private, non-profit programs include the St. Paul/Minneapolis Family Housing Fund, the Community Development Corporation of the St. Paul

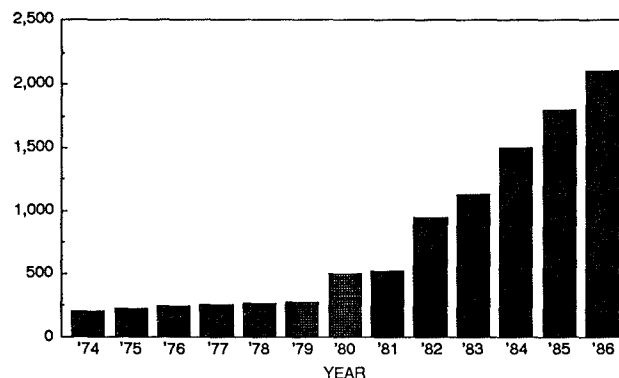
Archdiocese/Westminster Corporation, and the Twin Cities Habitat for Humanity. Area funders such as the McKnight Foundation and the United Way have provided critical funding for these and other programs.

### Goals for 1990-91

Although the recent initiatives have been effective, serious shortages of affordable housing remain in Minnesota. These shortages were enumerated in the Affordable Housing Commission report and, in response, the Governor has identified the following affordable housing goals:

- increased assistance to first time homebuyers,
- the creation and funding of housing programs that are compatible with the goals of community and neighborhood preservation and revitalization,
- increased resources for the adaptation, re-use, preservation, and rehabilitation of the housing stock,
- adequate short-term housing for homeless individuals and families and

CUMULATIVE DEVELOPMENT PRODUCTION  
NON-PROFIT SPONSORED RENTAL/CO-OP UNITS



SOURCE: COMMON SPACE

accelerated efforts to prevent homelessness, and

- reduction in the property tax burden on rental property in order to increase the affordability of housing for renters.

### **Recommendations**

To begin work on these long-term goals, Governor Perpich recommends the following:

- that one-half of his \$40 million recommendation for the Urban Revitalization Action Program be targeted for housing. URAP, which is more thoroughly described in Chapter 6, is intended to help resolve serious economic and social problems of the cities of Minneapolis, St. Paul and Duluth. The Governor encourages the three cities to use this \$20 million in ways consistent with the recommendations of the Governor's Commission on Affordable Housing and to help to meet the needs of center city homeless persons.
- \$10 million in general fund appropriations for low income housing assistance programs outside of the three first class cities. These programs would provide permanent housing for homeless persons, rental housing assistance for low income persons and transitional housing.
- the use of \$9 million in Minnesota Housing Finance Agency reserves to establish a revolving loan fund for non-profits and

local governments. Loans from the fund would be used to increase the availability of capital and mortgage insurance for families attempting to purchase lower-priced homes and to assist with rehabilitation costs.

- changes in the property tax laws, as discussed in Chapter 4, to reduce the tax burden on rental residential property.

### **Future Actions**

The age of our housing stock, the high cost of new construction, volatile mortgage interest rates, and the withdrawal of federal support for housing are all challenges which the state must face on a continuing basis in order to provide access to affordable housing.

The Commission on Affordable Housing has taken a needed first step toward identifying funding and policy priorities for the coming years. State policymakers should use these recommendations as guides to action in the years to come.

Minnesota has benefited from the partnership between the public, private and nonprofit sectors. The state should continue to pursue policies and programs which increase the capacity of nonprofits and local levels of government to meet the challenges of providing decent, affordable housing.

## Chapter 8

# Health and Human Resources

Meeting the needs of Minnesota's impoverished, at-risk and institutionalized populations has always been a priority for Governor Perpich. For 1990-91, the Governor has included special initiatives for these persons in his programs for Children, Year of the City, Housing and Education. In addition, he is recommending budget and program improvements in the fields of veterans affairs, health, human services and corrections.

### Background

Growing problems in several health and human resource fields threaten the quality of life for many of our neighbors.

A decrease in federal government resources is threatening human services for many Minnesotans. We estimate that for 1990-91, more than \$35 million in federal funding for human resource programs will be cut. In addition to this loss of federal funding, the Governor's budget must respond to approximately \$34 million in new federal mandates as a result of congressional action.

One federal funding cut results from a redefinition of mentally persons for purposes of the Medicaid program. To protect these persons, the state must make up much, if not all, of these cuts. The fiscal impacts on the state of this pick-up--in this tight budget year--will be enormous.

Other health-related problems also face the state. These include the growth of Minnesota's AIDS population and the increasing number of refugees who experience chronic health problems.

Minnesota's residential facilities for veterans have been hampered by a lack of adequate resources needed to provide high quality care to those Minnesotans who have given so much to their country. This resource shortage culminated in 1987 with the issuance of several orders from the Department of Health ordering the state to correct major facility and service deficiencies at the state's Veterans Homes.

Changes are also occurring in the state's other residential facilities. Responding to changing philosophies on quality of care, this state, as well as most others, has been shifting its residential populations from large congregate settings to more homelike environments.

Findings of the Governor's Mental Health Commission and the Office of the Legislative Auditor in 1986 showed that Minnesota's mental health system lacked coordination, unified direction and accountability. Without quality services at the community level, many persons with chronic mental health needs either were not treated or were forced to obtain services at expensive acute care facilities or state treatment centers.

Minnesota continues to play an important role in the resettlement of refugees, especially those from Southeast Asia. Many of the most recent arrivals who will make their home in Minnesota are from rural backgrounds with little previous contact with Western culture. In addition, many of these persons are victims of malnutrition, physical and mental torture, and chronic disease.

We face a growing problem with our correctional system. Our adult male prison population has increased rapidly over the past biennium, paralleling a national trend. The recent increases have averaged about 200 Minnesota male inmates annually. In October 1986, the population stood at 2,211; by November 1988, it had risen to 2,605.

The primary reason for the increase has been growing public concern over crime and the dramatic increases in the number of commitments by the courts to the prison system.

The correctional system problem is aggravated by the fact that many of our system costs have been paid for by receipts from the federal government and other states. However, the recent unexpected growth in Minnesota inmates necessitates foregoing those receipts.

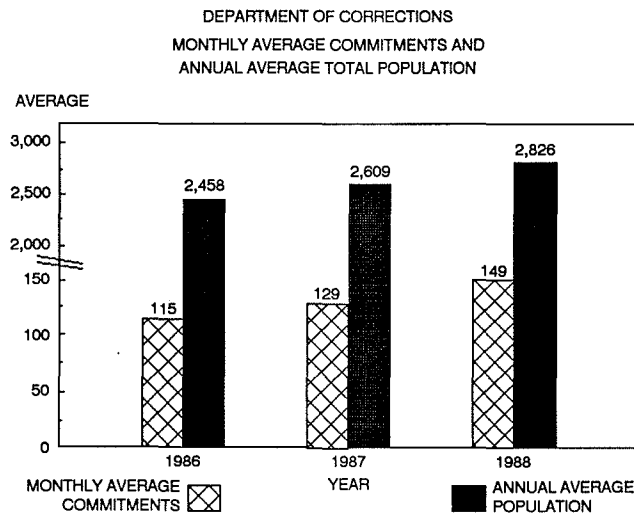
### Recent Initiatives

In 1987, Governor Perpich immediately responded to the Health Department findings regarding the Veterans Homes. Acting with the approval of the Legislative Advisory Commission, the Governor ordered that \$521,000 and 58 new positions

be added to the Homes. In the 1988 legislative session, an additional \$4.0 million and 26 positions were added to the Homes' resources. These new resources were viewed as the first thrust in a multi-year plan to eliminate the extensive problems documented by the Health Department.

To enable the Veterans Homes to make effective use of the resources provided in 1988, the Legislature created a new, independent managing board. Members of the new Board possess outstanding credentials and a sensitivity to the diverse needs of veterans. During the past year, the Board has established a management framework for the homes, hired top-quality administrators, and developed a comprehensive biennial budget proposal.

In addition to the Board's work, veterans and county groups in northeastern Minnesota have developed a plan for establishing a new facility at Silver Bay. Remodeling of an existing facility is being undertaken with funds provided by the federal government, the county, and the city. The Department of Administration is nearing completion of a report discussing the needs for veteran facilities in





other parts of the state, and the Governor has indicated his intention to support a new Veterans facility in southwestern Minnesota consistent with that report.

In the area of economic assistance, the focus over the last few years has been to provide support for education and job training for recipients. This investment in training and education will make self-sufficiency possible for many individuals and families. The PATHs program for AFDC recipients began statewide July 1, 1988. It targets education, training, case management and supportive services such as child care, to families most at risk of long-term dependence on AFDC.

The state continues to develop new ways to make programs work better for people. One important effort is the development of the Minnesota Family Investment Plan, a proposal for major reform of the current welfare programs for families.

In response to deficiencies in our mental health system, the Governor initiated, and the Legislature enacted, the 1987 Comprehensive Mental Health Services Act. To deal with changing views on treatment of the developmentally disabled and chronically mentally ill, the state began to emphasize community support and residential care.

Governor Perpich and the Legislature have initiated a number of recent programs to deal with correctional system problems. Perhaps the most innovative of these is the Sentencing to Service program to create community service sentencing alternatives for the courts and thereby relieve population pressures on county jails.

To provide new directions for several of these human service issues, commissions

were created to provide advice to the Governor and legislators on mental health, the uninsured, and the Regional Treatment Centers.

### **Goals for 1990-91**

A basic goal which cuts across program lines is to insure that state assistance efforts offer a comprehensive program of care for needy persons. Services such as childcare, mental health and job placement should be integrated into as many human resource programs as possible.

The Governor believes that job creation and job readiness should be central goals of most human resource programs. He also believes that more resources are needed for many programs, but that these resources must be used in the most cost-effective manner possible.

The relocation of persons from central residential facilities into community settings continues to be a goal of the Governor. In the area of services for the mentally handicapped, the goal is to fully implement recommendations from various study groups and to begin long-term residential services plans.

The Governor has three major goals for improving residential services to veterans:

- developing the Hastings, Minneapolis and Silver Bay facilities into a model service, research, and teaching network,
- completing preliminary planning and fully implementing new nursing care services at Silver Bay, and

- completing a plan for establishing a fourth Veterans facility in southwestern Minnesota.

### **Recommendations**

Additional resources and programs are needed to continue providing quality care for those Minnesotans who are impoverished, at-risk or institutionalized.

Veterans Homes. To address the remaining needs of the state's facilities, the Governor recommends:

- \$9.5 million to fully fund the budget requests submitted by the Veterans Home Board for the Minneapolis and Hastings facilities, and
- \$5.0 million to fully phase-in the new Silver Bay facility.

Health and Human Services. The Governor recommends the following major funding and program increases:

- \$3.3 million to expand General Assistance Medical Care to cover those mentally ill persons who are no longer eligible for Medical Assistance,
- \$2.9 million to enhance the quality of long-term care facilities,
- \$2.5 million for an expanded Alternative Care Grants Program,
- \$1.0 million in expanded case management services for persons with AIDS,
- \$21.0 million to implement the first phase of a six-year plan to move developmentally disabled residents in state facilities to small state and privately operated community residences and to

enhance the quality of regional treatment center programs for the mentally ill,

- \$5.8 million for increased local grant funding and state staff to assure full implementation of required mental health support and residential services,
- \$3.0 million to ensure attainment of mental health requirements of new federal nursing home legislation,
- \$6.2 million to increase funding for PATHs projects to continue self-sufficiency services provided to AFDC recipients, and
- \$2.2 million for refugee services, including Mental Health, Social Adjustment, Employment Case Management, and services for youth.

The Governor's initiatives for Children, Year of the City, and Affordable Housing (Chapters 5, 6 and 7 of this Budget Message) also propose significant assistance to help our at-risk populations.

Corrections. The Governor recommends \$37 million of additional resources to:

- replace dedicated receipt funding of current bedspace and provide additional needed staff to adequately serve the existing capacity,
- provide sufficient funding for future population needs by expanding work release and community service programs, encouraging counties to retain short-term nonviolent offenders in the community, and remodeling existing state facilities for

use as minimum/medium security prison annexes, and

- replace dedicated receipt funding of other correctional programs initiated in the current biennium and provide new funding in certain key operational areas.

### **Future Actions**

The role of the federal government in providing health and human resource programs is changing. Unless challenged, the next generation of federal assistance programs will require substantially more state and local resources. Therefore, the state must strive to retain key federal funding while simultaneously developing our own cost-effective initiatives to meet our basic needs.

As the state increases its investments in community mental health services and state-delivered community services, improved coordination will be necessary to achieve maximum cost-effectiveness. Therefore, the Governor recommends that the Legislature carefully evaluate the

linkage between these two components of the mental health systems.

Crime and corrections issues are extremely complex. The Governor's corrections system recommendations in this Budget will manage the corrections system population given current sentencing laws. However, significant increases in sentences will place further demands on the system. Therefore, the Governor recommends that the Legislature carefully study crime and sentencing before attempting major changes. To assist in this analysis process, the Governor recently appointed a select committee, and he has instructed the committee to provide all possible assistance to legislative committees during this review process.

To take advantage of the momentum which the state now has in upgrading veterans' services, the Governor will ask the new Veterans Home Board to present, within the next year, a detailed five-year plan for making Minnesota's veterans facilities a model for the nation.

## Chapter 9

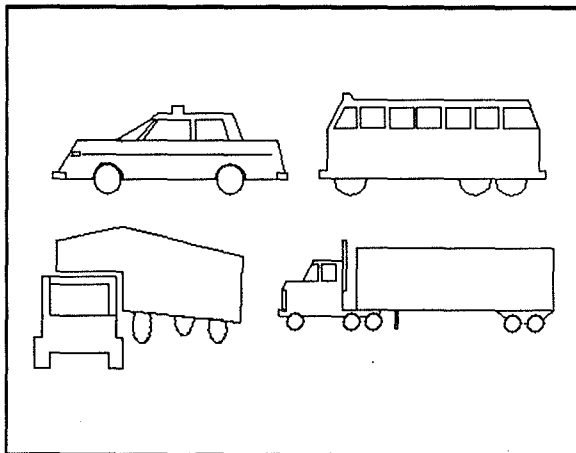
# Capital Investment

Minnesota's road, public facility and telecommunications networks serve as critical links between people and education, between information and information processing, and between products and markets. Infrastructure development and maintenance have been consistent themes in prior Budget Messages of Governor Perpich.

### Background

Minnesota has the fifth largest highway system in the country. More than 60 transit systems in Minnesota provide more than 80 million trips annually. Thousands of public buildings and recreational facilities service a variety of citizen needs. Nearly 6 billion telephone calls are made each year in Minnesota.

Although our infrastructure is extensive and generally well preserved, several trends are placing increasing burdens on those facilities. The cumulative impact of these trends creates an acute need for increased investment in the preservation and improvement of our infrastructure.



Nearly a quarter of our trunk highway system is over 50 years old, and much of the interstate system has now exceeded its design life. The buses, garages, and road equipment of our transportation system are aging and well beyond a prudent replacement cycle. Many of our state buildings have deteriorated to the point where they constitute a danger to their users and a drain on agency operating budgets.

Two trends will place continuing pressure on our transportation system:

- Travel by larger and heavier trucks is predicted to increase, and this will speed road deterioration. Five-axle truck travel, for example, is projected to double by the year 2000.
- Travel demand in the metropolitan area already is causing congestion in certain areas. Traffic on metro-area highways is expected to increase by over 35% between 1980 and 2000, adding to the strain on roads and the transit system.

Demographic trends also contribute to infrastructure problems. For example, more high school graduates and "non-traditional" students are choosing to enroll in our higher education systems. These enrollment increases are putting great pressures on buildings in those systems, particularly our community colleges and state universities.

Another trend that impacts our need for investments in infrastructure is the increasing demand being put on our

recreational and sports facilities. For example, the Minnesota Amateur Sports Commission estimated that more than 1.2 million Minnesotans participated in amateur sports in 1988. Many of the facilities used by these persons also serve to attract major sporting events to Minnesota which, in turn, draw out-of-state visitors and stimulate job creation and economic development.

Finally, as our society becomes ever more information-dependent, the need for adequate telecommunications facilities increases. State offices and campuses must be able to communicate effectively, rural schools need interactive television capabilities in order to offer expanded curriculums, and Greater Minnesota cities can benefit from job growth fostered by remote processing of information collected in the metropolitan area.

### **Recent Initiatives**

Governor Perpich has maintained continuous and strong support for infrastructure investment in Minnesota.

In transportation, for example, the Governor has encouraged transportation improvements and has sought needed resources. He has consistently urged the transfer of the Motor Vehicle Excise Tax from the General Fund to transportation programs. He also succeeded in obtaining the first state appropriation for light rail transit.

Major progress has been made in improving our capital facilities. More than \$1 billion in capital projects have been authorized since 1983, with over \$400 million of this amount earmarked for higher education facilities. In addition, the Governor and Legislature have initiated

major efforts promoting wetland preservation (Reinvest in Minnesota), Water Pollution Control Projects, aid to farmers in crisis, Natural Resources protection, and restoration of the Capitol Complex.

In 1987, the Minnesota Amateur Sports Commission was created to oversee the effort to develop the state's athletic infrastructure. The 1987 bonding bill authorized \$29.4 million for construction of Olympic caliber facilities in track and field, swimming, ice hockey, and skiing.

The Governor has also sought to use telecommunications development as a way to bring jobs to Greater Minnesota. In 1988, for example, the Department of Revenue opened a remote tax compliance processing facility in Ely which has employed 17 local residents. Telecommunications linkages associated with that development will hopefully help lure private sector job creation in that economically distressed area of the state.

The private sector is also beginning to make effective use of telecommunications linkages. Northern Minnesota has benefitted from recent decisions to locate health claim processing facilities in smaller cities, and the Governor is encouraging similar siting decisions throughout the state.

### **Goals for 1990-91**

Governor Perpich believes that funding for infrastructure development should be increased further in the 1990-91 biennium. He believes that a sound infrastructure is a prerequisite to job growth and a continuation of our quality of life.

Specific goals of the Governor include:

- an orderly investment program to repair and modernize our aging highway systems, transit systems, and buildings,
- the development of creative alternatives, such as light rail, to meet our future transportation needs,
- predictable and secure funding sources to meet our longer-term infrastructure needs, and
- construction and acquisition of sufficient physical assets to enhance our educational programs and stimulate economic development.

### Recommendations

Transportation. The Governor recommends that the Legislature increase the transfer of the Motor Vehicle Excise Tax (MVET) from its current 30% level to 35% in 1990 and 45% in 1991. The \$49 million generated by the transfer would be distributed as follows:

- \$23 million to the trunk highway fund
- \$4 million to increase light rail funding, and
- \$22 million to local governments to reduce local property taxes for transportation or other local purposes.

Because this MVET transfer will not meet all trunk highway funding needs, the Governor also recommends that the Legislature index the gasoline tax to help insure adequate future funding as costs increase.

The Governor recommends that the Legislature restructure transportation planning

for the Twin Cities metropolitan area. Responsibility for that activity is now dispersed among a number of state, regional and local agencies. Highway, transit and light rail planning requires a more focused and coordinated effort. The Governor questions the continued need for the Regional Transit Board, and he suggests the Legislature should consider sunseting the RTB as part of its effort to restructure metro-area transportation planning.

Amateur Athletics. The Governor recommends that the 1989 Legislature continue the effort to develop the state's athletic infrastructure. The following projects, all needed to keep the 1990 Olympic Festival and the 1991 Special Olympics events on track, are recommended for authorization by the 1989 Legislature:

- \$8.5 million to expand the Blaine sports complex,
- \$300,000 to upgrade track and field facilities at the University of Minnesota to Olympic standards,
- \$5.0 million to expand the the Giants Ridge complex, and
- \$360,000 to establish a kayaking center on the St. Louis River in Carlton County.

Other Capital Investments. The Governor recommends that the 1989 session authorize an additional \$77 million for the following immediate capital needs:

- \$25 million for repairs and construction planning needed for the state's Regional Treatment Centers, including planning for the first phase of state

operated community services pursuant to an agreement negotiated between state agencies, advocate groups and labor organizations,

- \$29 million to continue the state's commitment to make all state-owned buildings accessible to the handicapped by 1992 (Note: the Governor will seek separate legislation for this program in the 1989 session.),
- \$21 million for the RIM program to permit continued progress on RIM prior to permanent financing from the Environmental Trust Fund, and
- \$2 million for moving costs for various state agencies that must vacate their present office space.

The \$17 million in general fund appropriations required to finance the debt service and direct appropriations on these projects has been included in this Budget Message.

**Telecommunications.** The Governor recommends \$4 million to create a revolving fund to lease fiber optic communications lines linking higher education institutions and major state facilities

throughout the state. This telecommunication network will provide critically needed, cost-efficient links between state agencies, local schools and higher education institutions. The linkage will enable interactive television as well as other sorts of data and voice communication.

The initial use of the leased lines will be for public sector use. However, it is anticipated that the cables carrying the leased fibers will have sufficient excess capacity to facilitate cost-efficient use by private business.

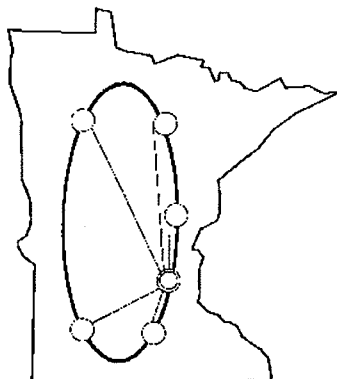
### **Future Actions**

The transportation financing provisions and capital improvement authorization in current law, together with the recommendations outlined above, ensure continued progress in maintaining and improving the quality of the state's infrastructure. However, additional future commitments will be needed.

The Governor recommends that transfer of the MVET continue until the entire amount is transferred, and that this transition not take more than eight years. Also, he recommends that future legislatures continue with the development of the complete telecommunications network radiating from the backbone system.

Finally, the Governor intends to submit a full capital budget to the Legislature prior to the statutory submission date of April 15, 1989. This capital budget, to be prepared in close consultation with legislative leaders, will continue the state's commitment to public facility construction and rehabilitation.

### **TELECOMMUNICATIONS BACKBONE CONCEPT**



# State Government Management

Since taking office in 1983, Governor Perpich has emphasized management improvement. Fortunately, the state's workforce, which has proven to be one of the nation's most talented and dedicated, has been fully supportive. Relying on ideas generated both internally and externally, a variety of system improvements have been made in recent years.

The Governor's 1990-91 budget builds off these past successes and seeks further improvement.

### Background

Minnesota state government has developed a national reputation for efficiency and quality. However, the public sector is facing a number of new challenges. These challenges come from both internal and external sources:

- Federal budget cuts and policy changes have shifted more program and financial responsibility to state and local governments.
- Our citizens are demanding more and better quality services. In a 1987 statewide poll, two-thirds of respondents said they favored greater spending for governmental programs. However, our citizens are also demanding that government improve efficiency and quality.
- The ability of government to generate more revenues is increasingly limited, and competition for limited future resources is intensifying.

- The amounts of information to be processed in connection with government programs is soaring, and many state information processing systems are outdated or inadequate.
- The financial and programmatic relationships between state and local governments are becoming more entangled and threaten to overwhelm state funding capacities.
- Uncertainties in the national economy, and technical problems with revenue estimating, result in a high risk that state government in the future may not be able to meet its financial commitments.

These challenges must be dealt with immediately and decisively if the state is to continue to provide services in a cost-effective and high-quality manner.

### Recent Initiatives

Since taking office in 1983, Governor Perpich has undertaken a number of initiatives to improve the management and operation of state government. Although many of these ideas were generated internally, Minnesota's private sector has contributed significantly to these initiatives. Some recent efforts include:

- establishment of a \$550 million budget reserve or "rainy day fund" to help manage any future revenue shortfalls,
- creation of the Advisory Commission on State Local Relations (ACSLR)



and the successful completion by ACSLR of seven activities which have helped to clarify or restructure state/local relationships,

- completion of more than 50 productivity and quality improvement projects by the public-private Strive Toward Excellence in Performance (STEP) program,
- relocation of all or portions of more than eleven state agencies to improved, centralized office facilities,
- institution of new award and recognition programs designed to encourage state employees to implement productivity and quality improvements,
- institution of future planning or "environmental scanning" functions in several state agencies,
- decentralization and other improvements in the state's system of testing and hiring of state employees,
- reduction in the number of permanent state boards, commissions, councils and task forces,
- establishment of many state-of-the-art information systems to improve productivity, and
- creation of the Information Policy Office to encourage more advanced use of information technologies and to prioritize agency requests for systems resources.

The results of these initiatives are measurable by various standards. For example, our skilled and committed workforce now ranks 39th nationally in the number of governmental employees per capita.

### Goals for 1990-91

Although these past efforts are significant, Governor Perpich has directed that management improvements be intensified. The new challenges facing state government require more than the initiatives noted above.

We must manage our limited resources wisely by critically examining the effectiveness of our current programs, by further clarifying appropriate state vs. local programmatic functions, by increasing governmental accountability, by controlling spending increases while protecting against revenue shortfalls, by further streamlining government, and by increasing our use of information technology.

### Recommendations

The Governor recommends the following initiatives to further improve state government operations.

Budget Reserve. The state's commitment to finance important programs is only as good as the source of revenues to fund a commitment. Because our revenue system continues to be volatile, we need fiscal stability tools to compensate for that volatility. Foremost among these tools is the Budget Reserve which should be increased to 5% of biennial expenditures as more fully discussed in Chapter 4.

Agency Sunsets. Once a state agency is established, it is often extremely difficult to repeal the agency, regardless of whether there is a continuing justification for the agency's existence. The Governor therefore recommends that the following agencies be allowed to ex-

pire because their usefulness will shortly end:

- The Agriculture and Economic Development Board and the Rural Finance Authority, effective June 30, 1991. Remaining loan administration functions of these boards would be transferred to other state agencies.
- The Regional Transit Board, if appropriate pursuant to the study of metro-area transportation planning recommended in Chapter 9.

Privatization. The Governor recommends that certain state agencies no longer receive state funding and, in some cases, be transformed into private entities:

- The Minnesota Education Computing Consortium should be removed from statute with its assets sold to a private-sector enterprise. The purchaser of the assets would be required to continue providing software services to Minnesota schools at favored rates.
- The Minnesota Council on Productivity and Quality should become a private nonprofit corporation, supported by private funds, as of July 1, 1989.

The Governor intends to initiate reviews prior to each subsequent legislative session and to suggest additional agencies for sunset or privatization wherever appropriate.

Systems Development. As noted above, state government information needs are expanding rapidly. To best serve their clients, agencies must manage this information in the most efficient way possible. Virtually all state agencies now computerize the vast bulk of their data bases, and assistance is

needed to maintain and upgrade these systems.

To assist the Governor and the Legislature in determining information system priorities, the Information Policy Office was created in 1987. Governor Perpich recommends that the top priorities of IPO be funded at a total cost of \$40 million. Major priority projects include:

- continuation of the Department of Revenue's integrated systems project,
- the Department of Employee Relations' staffing information system,
- the Department of Human Services' integrated eligibility system for income maintenance programs, and
- the Department of Administration's STARS project to develop a new cost-effective telecommunications system for the transmission of data, voice and video.

Service Redesign. The Governor recommends \$650,000 for four major pilot projects to experiment with redesigning public services. The projects will be in the areas of human services, education, transportation, and natural resources. Projects, wherever appropriate, will involve local governments and will experiment with identifying and assessing citizens' needs, employee involvement, job redesign, performance management, policies, procedures, administrative systems, technology, and alternative mechanisms for delivering services. Consultation, technical assistance and evaluation will be provided by the Department of Administration's Management Analysis Division.

Program Evaluation. The Governor recommends \$416,000 to create a program evaluation unit in the State Planning Agency. The Agency will assist other agencies in strengthening their own program evaluation efforts. The results of these efforts will be used by the Governor in his ongoing evaluations of state agencies and their programs.

Internal Auditing. The Governor recommends \$1.0 million to strengthen internal controls over state funds and to improve state financial management systems. As the size of agency budgets grows, the need for sound internal auditing also rises. The Department of Finance will be responsible for supporting the development of internal auditing in state agencies, including developing standards and providing internal auditing services to small agencies.

Local Government Reporting. The Governor recommends \$208,000 to implement a

local government expenditure reporting system. The results of this project will be used by state and local agencies and the Governor's Advisory Commission on State Local Relations to analyze expenditure trends and to assist in the state's on-going redesigning of state and local services as described in Chapter 4.

State Personnel Services. The Governor recommends \$608,000 to improve state hiring practices. By strengthening the Department of Employee Relations' compensation and staffing services unit, state hiring will be expedited, the public's accessibility to state jobs increased, and the state personnel system made more responsive to agency managers and the public.



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## Appendix

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The following section provides additional detail on the historical and recommended level of revenue and spending for the state General Fund. The graphics and tables are presented to provide commonly requested information and additional financial data.

<b>Graphic</b>	1990-91 General Fund Resources .....	A-1
<b>Graphic</b>	1990-91 General Fund Spending .....	A-2
<b>Graphic</b>	General Fund Spending Percent Change .....	A-3
<b>Graphic</b>	Minnesota vs. U.S. Average .....	A-3

Other tables present the current biennium and proposed budget for 1990-91 displayed by functional spending category.

<b>Summary</b>	Recommendations by Year .....	A-4
<b>Summary</b>	Biennial Comparison .....	A-5
<b>Summary</b>	Annual Percent Change .....	A-6
<b>Summary</b>	Percent of Total .....	A-7

The General Fund Statement details individual revenue sources, actual and recommended spending by agency in legislative bill format beginning on page A-8.

Complete information on individual program recommendations can be found in companion **Detailed Budget** volumes prepared for each omnibus appropriations bill.

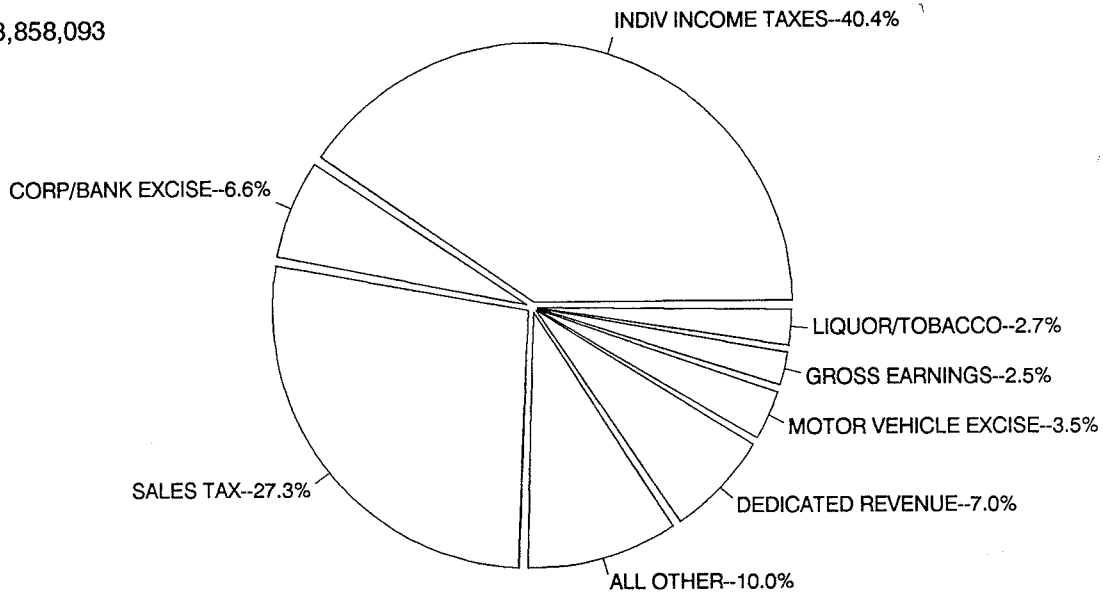
Additional information on the economic and revenue forecast can be found in the **November Financial Report**. An update to the economic forecast and planning estimates for a four-year budget outlook through 1992-93 will be released in March 1989.

# GENERAL FUND RESOURCES 1990-91 GOVERNOR'S BUDGET

(\$ IN THOUSANDS)

1990-91 BIENNIUM

\$13,858,093



Balance Forward 6-30-89	830,238
Prior Year Adjustments	20,000
<b>Revenues:</b>	
Individual Income Tax	5,599,700
Sales Tax	3,787,288
Corporate/Bank Excise	918,900
Motor Vehicle Excise Tax	486,317
Gross Earnings Taxes	341,354
Liquor and Tobacco	367,917
Other Revenue	513,726
<b>Subtotal-Revenue</b>	<b>\$12,015,202</b>
Dedicated Revenue	971,739
Transfers From Other Funds	20,914
<b>TOTAL AVAILABLE RESOURCES, FY 1990-91</b>	<b>\$13,858,093</b>
Less: Estimated Expenditures	\$(13,308,093)
<b>Budget Reserve</b>	<b>(550,000)</b>
<b>Projected General Fund Balance 6-30-91</b>	<b>\$ 0</b>
January 25, 1989 Governor's Recommendations	

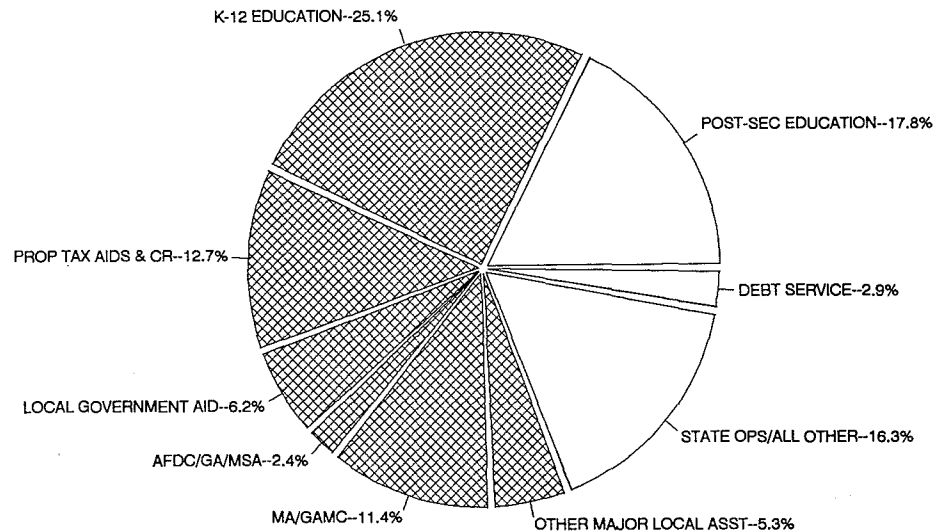
DEPARTMENT OF FINANCE  
JANUARY 25, 1989

# GENERAL FUND SPENDING 1990-91 GOVERNOR'S BUDGET

(\$ IN THOUSANDS)

1990-91 BIENNIUM  
\$13,308,093  
\$550,000 RESERVE

 PAYMENTS TO  
LOCAL GOVERNMENTS



## Major Spending Items

Aid to School Districts	\$ 3,346,001
Post-Secondary Education	2,362,440
Property Tax Aids & Credits	1,685,325
MA/GAMC	1,520,773
Local Government Aid	825,152
Income Maintenance (AFDC, GA, MSA)	315,913
Debt Service	379,625
<b>Subtotal</b>	<b>\$ 10,435,229</b>

## All Other Spending

State Agencies	1,236,716
State Institutions	685,324
Other Major Local Assistance	704,239
Legislative, Judicial, Const. Officers	266,585
<b>Subtotal-All Other Spending</b>	<b>\$ 2,892,864</b>

## TOTAL AUTHORIZED SPENDING

\$ 13,328,093

Less: Estimated Cancellations

(20,000)

## TOTAL ESTIMATED EXPENDITURES, FY 1990-91

\$ 13,308,093

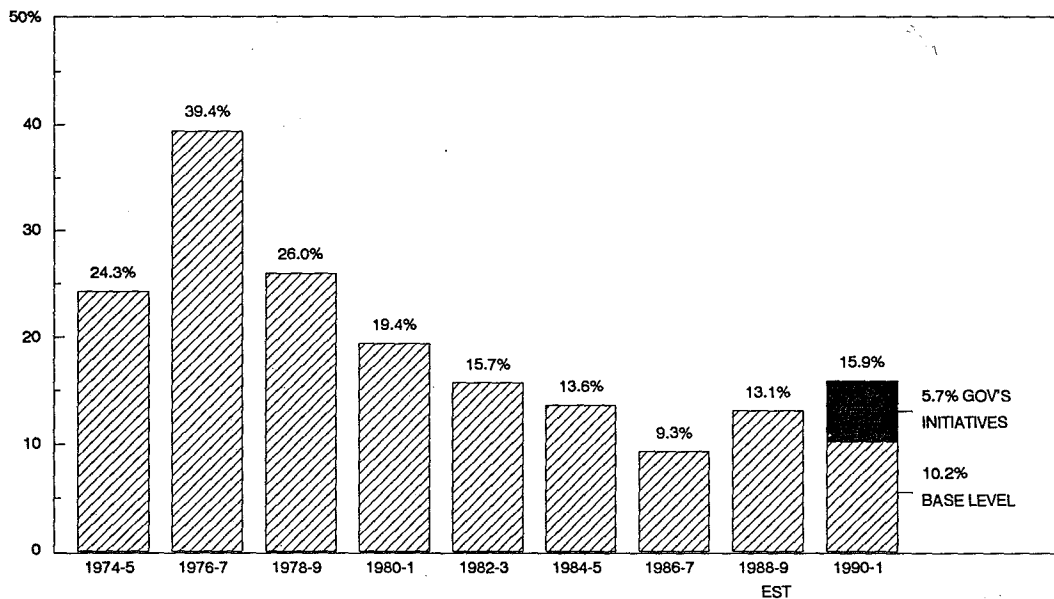
Preliminary estimates of expenditures by category.  
Governor's recommendations, January 25, 1989.

DEPARTMENT OF FINANCE  
JANUARY 25, 1989

## GENERAL FUND SPENDING

PERCENT CHANGE

PERCENT CHANGE

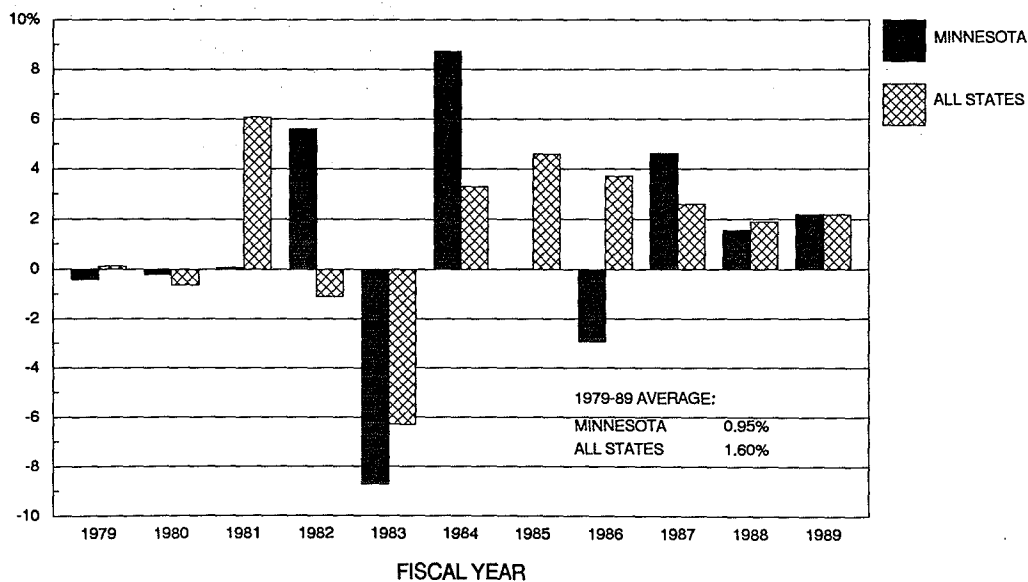


BIENNIUM

## MINNESOTA SPENDING vs ALL STATES AVERAGE

REAL ANNUAL BUDGET INCREASES, FY 1979-89

REAL PERCENT CHANGE



SOURCE: NASBO

State & local government implicit price deflator  
used to determine real changes.



## GOVERNOR'S 1990-91 BUDGET: RECOMMENDATIONS BY YEAR

	GOV'S REC F.Y. 1990	GOV'S REC F.Y. 1991	BIENNIAL TOTAL
<b>ACTUAL AND ESTIMATED RESOURCES</b>			
BEGINNING BALANCE	830,238	546,949	830,238
INDIVIDUAL INCOME TAX	2,700,100	2,899,600	5,599,700
SALES TAX-GENERAL	1,856,955	1,930,333	3,787,288
CORPORATE INCOME TAX	453,500	465,400	918,900
MOTOR VEHICLE EXCISE	239,713	246,603	486,317
OTHER NON-DEDICATED REVENUE	610,915	612,083	1,222,998
SUBTOTAL	5,861,183	6,154,019	12,015,202
DEDICATED REVENUE	477,277	494,462	971,739
TRANSFERS & OTHER	25,528	15,386	40,914
TOTAL RESOURCES	7,194,226	7,210,815	13,858,093
<b>EXPENDITURES</b>			
1. TRANSFER PAYMENTS			
AID TO SCHOOL DISTRICTS	1,652,920	1,693,081	3,346,001
POST-SECONDARY EDUC (STATE)	925,369	941,844	1,867,213
POST-SECONDARY EDUC (TUITION)	243,757	251,470	495,227
PROPERTY TAX AIDS & CREDITS	895,803	789,522	1,685,326
LOCAL GOVERNMENT AID (LGA)	403,576	421,576	825,152
OTHER MAJOR LOCAL ASSISTANCE	363,965	340,274	704,239
HEALTH CARE (MA, GAMC)	731,948	788,825	1,520,773
INCOME SUPPORT (AFDC, GA, MSA)	154,320	161,593	315,913
SUBTOTAL-TRANSFER PAYMENTS	5,371,659	5,388,184	10,759,843
2. STATE OPERATIONS			
STATE INSTITUTIONS	334,201	351,123	685,324
LEGIS., JUDICIAL, CONST. OFFICERS	133,224	133,361	266,585
STATE AGENCIES	606,604	630,112	1,236,716
SUBTOTAL-STATE OPERATIONS	1,074,029	1,114,596	2,188,625
3. OTHER			
DEBT SERVICE	211,590	168,035	379,625
ESTIMATED CANCELLATIONS	(10,000)	(10,000)	(20,000)
SUBTOTAL-OTHER	201,590	158,035	359,625
TOTAL EXPENDITURES & TRANSFERS	6,647,278	6,660,815	13,308,093
UNRESERVED FUND BALANCE	546,949	550,000	550,000
BUDGET RESERVE	550,000	550,000	550,000
ENDING BALANCE	(3,051)	0	0

(\$ IN THOUSANDS)

## GOVERNOR'S 1990-91 BUDGET: BIENNIAL COMPARISON

	1988-89 1-89 EST	1990-91 GOV'S REC	DIFFERENCE	PERCENT CHANGE
<b>ACTUAL AND ESTIMATED RESOURCES</b>				
BEGINNING BALANCE	477,485	830,238	352,753	73.9%
INDIVIDUAL INCOME TAX	4,766,818	5,599,700	832,882	17.5%
SALES TAX-GENERAL	3,435,560	3,787,288	351,728	10.2%
CORPORATE INCOME TAX	837,294	918,900	81,606	9.7%
MOTOR VEHICLE EXCISE	482,571	486,317	3,746	0.8%
OTHER NON-DEDICATED REVENUE	1,203,567	1,222,998	19,431	1.6%
SUBTOTAL	10,725,809	12,015,202	1,289,393	12.0%
DEDICATED REVENUE	941,687	971,739	30,052	3.2%
TRANSFERS & OTHER	59,168	40,914	(18,254)	-30.9%
<b>TOTAL RESOURCES</b>	<b>12,204,149</b>	<b>13,858,093</b>	<b>1,653,944</b>	<b>13.6%</b>
<b>EXPENDITURES</b>				
1. TRANSFER PAYMENTS				
AID TO SCHOOL DISTRICTS	3,068,099	3,346,001	277,903	9.1%
POST-SECONDARY EDUC (STATE)	1,700,758	1,867,213	166,455	9.8%
POST-SECONDARY EDUC (TUITION)	473,915	495,227	21,312	4.5%
PROPERTY TAX AIDS & CREDITS	1,484,268	1,685,326	201,058	13.5%
LOCAL GOVERNMENT AID (LGA)	649,484	825,152	175,669	27.0%
OTHER MAJOR LOCAL ASSISTANCE	559,176	704,239	145,062	25.9%
HEALTH CARE (MA, GAMC)	1,318,959	1,520,773	201,814	15.3%
INCOME SUPPORT (AFDC, GA, MSA)	273,100	315,913	42,813	15.7%
SUBTOTAL-TRANSFER PAYMENTS	9,527,758	10,759,843	1,232,085	12.9%
2. STATE OPERATIONS				
STATE INSTITUTIONS	527,784	685,324	157,540	23.6% *
LEGIS., JUDICIAL, CONST. OFFICERS	188,692	266,585	77,893	26.0% *
STATE AGENCIES	885,643	1,236,716	351,074	32.4% *
SUBTOTAL-STATE OPERATIONS	1,602,119	2,188,625	586,506	28.7% *
3. OTHER				
DEBT SERVICE	269,034	379,625	110,591	41.1%
ESTIMATED CANCELLATIONS	(25,000)	(20,000)	5,000	
SUBTOTAL-OTHER	244,034	359,625	115,591	47.4%
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>11,373,911</b>	<b>13,308,093</b>	<b>1,934,183</b>	<b>15.9% *</b>
UNRESERVED FUND BALANCE	830,238	550,000		
BUDGET RESERVE	550,000	550,000		
<b>ENDING BALANCE</b>	<b>280,238</b>	<b>0</b>		

\*FOR COMPARABILITY, \$126,102 DUE TO  
FUND CONSOLIDATIONS HAS BEEN SUBTRACTED  
IN CALCULATING PERCENT INCREASES.

(\$ IN THOUSANDS)

## GOVERNOR'S 1990-91 BUDGET: ANNUAL PERCENT CHANGE

	1-89 EST F.Y. 1989	GOV'S REC F.Y. 1990	PERCENT CHANGE	GOV'S REC F.Y. 1991	PERCENT CHANGE
<u>ACTUAL AND ESTIMATED RESOURCES</u>					
BEGINNING BALANCE	849,736	830,238	-2.3%	546,949	-34.1%
INDIVIDUAL INCOME TAX	2,301,994	2,700,100	17.3%	2,899,600	7.4%
SALES TAX-GENERAL	1,757,022	1,856,955	5.7%	1,930,333	4.0%
CORPORATE INCOME TAX	426,300	453,500	6.4%	465,400	2.6%
MOTOR VEHICLE EXCISE	246,291	239,713	-2.7%	246,603	2.9%
OTHER NON-DEDICATED REVENUE	617,000	610,915	-1.0%	612,083	0.2%
SUBTOTAL	5,348,607	5,861,183	9.6%	6,154,019	5.0%
DEDICATED REVENUE	481,451	477,277	-0.9%	494,462	3.6%
TRANSFERS & OTHER	27,350	25,528	-6.7%	15,386	-39.7%
TOTAL RESOURCES	6,707,143	7,194,226	7.3%	7,210,815	0.2%
<u>EXPENDITURES</u>					
1. TRANSFER PAYMENTS					
AID TO SCHOOL DISTRICTS	1,582,362	1,652,920	4.5%	1,693,081	2.4%
POST-SECONDARY EDUC (STATE)	874,982	925,369	5.8%	941,844	1.8%
POST-SECONDARY EDUC (TUITION)	244,300	243,757	-0.2%	251,470	3.2%
PROPERTY TAX AIDS & CREDITS	758,824	895,803	18.1%	789,522	-11.9%
LOCAL GOVERNMENT AID (LGA)	323,764	403,576	24.7%	421,576	4.5%
OTHER MAJOR LOCAL ASSISTANCE	325,474	363,965	11.8%	340,274	-6.5%
HEALTH CARE (MA, GAMC)	688,848	731,948	6.3%	788,825	7.8%
INCOME SUPPORT (AFDC, GA, MSA)	138,835	154,320	11.2%	161,593	4.7%
SUBTOTAL-TRANSFER PAYMENTS	4,937,389	5,371,659	8.8%	5,388,184	0.3%
2. STATE OPERATIONS					
STATE INSTITUTIONS	264,502	334,201	20.1% *	351,123	5.3% *
LEGIS., JUDICIAL, CONST. OFFICERS	101,921	133,224	25.3% *	133,361	-13.7% *
STATE AGENCIES	462,060	606,604	23.2% *	630,112	6.0% *
SUBTOTAL-STATE OPERATIONS	828,483	1,074,029	22.5% *	1,114,596	3.3% *
3. OTHER					
DEBT SERVICE	136,032	211,590	55.5%	168,035	-20.6%
ESTIMATED CANCELLATIONS	(25,000)	(10,000)		(10,000)	
SUBTOTAL-OTHER	111,032	201,590	81.6%	158,035	-21.6%
TOTAL EXPENDITURES & TRANSFERS	5,876,905	6,647,278	12.1% *	6,660,815	0.1% *
UNRESERVED FUND BALANCE	830,238	546,949		550,000	
BUDGET RESERVE	550,000	550,000		550,000	
ENDING BALANCE	280,238	(3,051)		0	

\*FOR COMPARABILITY, \$126,102 DUE TO  
FUND CONSOLIDATIONS HAS BEEN SUBTRACTED  
IN CALCULATING PERCENT INCREASES.

(\$ IN THOUSANDS)

## GOVERNOR'S 1990-91 BUDGET: PERCENT OF TOTAL

	1988-89 1-89 EST	PERCENT OF TOTAL	1990-91 GOV'S REC	PERCENT OF TOTAL
<b>ACTUAL AND ESTIMATED RESOURCES</b>				
BEGINNING BALANCE	477,485	3.9%	830,238	6.0%
INDIVIDUAL INCOME TAX	4,766,818	39.1%	5,599,700	40.4%
SALES TAX-GENERAL	3,435,560	28.2%	3,787,288	27.3%
CORPORATE INCOME TAX	837,294	6.9%	918,900	6.6%
MOTOR VEHICLE EXCISE	482,571	4.0%	486,317	3.5%
OTHER NON-DEDICATED REVENUE	1,203,567	9.9%	1,222,998	8.8%
SUBTOTAL	10,725,809	87.9%	12,015,202	86.7%
DEDICATED REVENUE	941,687	7.7%	971,739	7.0%
TRANSFERS & OTHER	59,168	0.5%	40,914	0.3%
<b>TOTAL RESOURCES</b>	<b>12,204,149</b>	<b>100.0%</b>	<b>13,858,093</b>	<b>100.0%</b>
<b>EXPENDITURES</b>				
<b>1. TRANSFER PAYMENTS</b>				
AID TO SCHOOL DISTRICTS	3,068,099	27.0%	3,346,001	25.1%
POST-SECONDARY EDUC (STATE)	1,700,758	15.0%	1,867,213	14.0%
POST-SECONDARY EDUC (TUITION)	473,915	4.2%	495,227	3.7%
PROPERTY TAX AIDS & CREDITS	1,484,268	13.0%	1,685,326	12.7%
LOCAL GOVERNMENT AID (LGA)	649,484	5.7%	825,152	6.2%
OTHER MAJOR LOCAL ASSISTANCE	559,176	4.9%	704,239	5.3%
HEALTH CARE (MA, GAMC)	1,318,959	11.6%	1,520,773	11.4%
INCOME SUPPORT (AFDC, GA, MSA)	273,100	2.4%	315,913	2.4%
SUBTOTAL-TRANSFER PAYMENTS	9,527,758	83.8%	10,759,843	80.9%
<b>2. STATE OPERATIONS</b>				
STATE INSTITUTIONS	527,784	4.6%	685,324	5.1%
LEGIS., JUDICIAL, CONST. OFFICERS	188,692	1.7%	266,585	2.0%
STATE AGENCIES	885,643	7.8%	1,236,716	9.3%
SUBTOTAL-STATE OPERATIONS	1,602,119	14.1%	2,188,625	16.4%
<b>3. OTHER</b>				
DEBT SERVICE	269,034	2.4%	379,625	2.9%
ESTIMATED CANCELLATIONS	(25,000)		(20,000)	
SUBTOTAL-OTHER	244,034	2.1%	359,625	2.7%
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>11,373,911</b>	<b>100.0%</b>	<b>13,308,093</b>	<b>100.0%</b>
UNRESERVED FUND BALANCE	830,238		550,000	
BUDGET RESERVE	550,000		550,000	
<b>ENDING BALANCE</b>	<b>280,238</b>		<b>0</b>	

(\$ IN THOUSANDS)

GENERAL FUND SUMMARY - LEGISLATIVE BILL FORMAT

	ACTUAL F.Y. 1988	1-89 EST F.Y. 1989	1-89 EST F.Y. 1988-89	GOV'S REC F.Y. 1990	GOV'S REC F.Y. 1991	GOV'S REC F.Y. 1990-91
<b>ACTUAL AND ESTIMATED RESOURCES</b>						
BALANCE FORWARD	477,485	849,736	477,485	830,238	546,949	830,238
PRIOR YEAR ADJUSTMENTS	16,803	10,000	26,803	10,000	10,000	20,000
ADJUSTED BALANCE FORWARD	494,288	859,736	504,288	840,238	556,949	850,238
NET NON-DEDICATED REVENUE	5,377,202	5,348,607	10,725,809	5,861,183	6,154,019	12,015,202
DEDICATED REVENUE	460,236	481,451	941,687	477,277	494,462	971,739
TRANSFERS FROM OTHER FUNDS	15,015	17,350	32,365	15,528	5,386	20,914
<b>TOTAL RESOURCES AVAILABLE</b>	<b>6,346,742</b>	<b>6,707,143</b>	<b>12,204,149</b>	<b>7,194,226</b>	<b>7,210,815</b>	<b>13,858,093</b>
<b>ACTUAL AND ESTIMATED EXPENDITURES</b>						
EDUCATION AIDS	1,485,737	1,582,181	3,067,918	1,652,920	1,693,081	3,346,001
POST-SECONDARY EDUCATION	825,776	874,482	1,700,258	925,369	941,844	1,867,213
HEALTH, HUMAN RES, CORRECTIONS	1,032,602	1,126,670	2,159,272	1,332,737	1,402,463	2,735,200
TRANSPORTATION/SEMI-STATE	90,329	96,673	187,002	99,959	94,268	194,227
STATE DEPARTMENTS	281,100	318,232	599,332	465,405	511,292	976,697
UNALLOTTED/BALANCE FORWARD	(777)	12,392	11,615	0	0	0
DEFICIENCIES	0	7,472	7,472	0	0	0
<b>TOTAL DIRECT EXPENDITURES</b>	<b>3,714,767</b>	<b>4,018,102</b>	<b>7,732,869</b>	<b>4,476,390</b>	<b>4,642,948</b>	<b>9,119,338</b>
AIDS,CREDITS,RETIREMENTS	1,119,506	1,159,402	2,278,908	1,367,312	1,283,722	2,651,034
DEDICATED REVENUE EXPENDITURES	460,236	481,451	941,687	477,277	494,462	971,739
CANCELLATION ADJUSTMENT	0	(25,000)	(25,000)	(10,000)	(10,000)	(20,000)
<b>TOTAL EXPENDITURES</b>	<b>5,294,509</b>	<b>5,633,954</b>	<b>10,928,463</b>	<b>6,310,980</b>	<b>6,411,132</b>	<b>12,722,111</b>
TRANSFERS TO OTHER FUNDS	202,497	242,950	445,448	336,298	249,684	585,982
<b>TOTAL EXPENDITURES AND TRANSFERS</b>	<b>5,497,006</b>	<b>5,876,905</b>	<b>11,373,911</b>	<b>6,647,278</b>	<b>6,660,815</b>	<b>13,308,093</b>
UNRESERVED FUND BALANCE	849,736	830,238	830,238	546,949	550,000	550,000
BUDGET RESERVE	265,000	550,000	550,000	550,000	550,000	550,000
APPROPRIATIONS CARRIED FORWARD	66,889	NA	NA	NA	NA	NA
<b>UNRESTRICTED BUDGETARY BALANCE</b>	<b>517,846</b>	<b>280,238</b>	<b>280,238</b>	<b>(3,051)</b>	<b>0</b>	<b>0</b>

(\$ in Thousands)

GENERAL FUND SUMMARY - LEGISLATIVE BILL FORMAT

	ACTUAL F.Y. 1988	1-89 EST F.Y. 1989	1-89 EST F.Y. 1988-89	GOV'S REC F.Y. 1990	GOV'S REC F.Y. 1991	GOV'S REC F.Y. 1990-91
PRIOR YEAR ADJUSTMENTS	16,803	10,000	26,803	10,000	10,000	20,000
<u>NET NON-DEDICATED REVENUE</u>						
INDIVIDUAL INCOME	2,625,287	2,418,600	5,043,887	2,838,500	3,033,500	5,872,000
PROPERTY TAX REFUNDS	(160,463)	(116,606)	(277,069)	(138,400)	(133,900)	(272,300)
SUBTOTAL-INDIVIDUAL INCOME	2,464,824	2,301,994	4,766,818	2,700,100	2,899,600	5,599,700
CORPORATE INCOME/BANK EXCISE	410,994	426,300	837,294	453,500	465,400	918,900
SALES TAX-GENERAL	1,678,538	1,757,022	3,435,560	1,856,955	1,930,333	3,787,288
MOTOR VEHICLE EXCISE	236,280	246,291	482,571	239,713	246,603	486,317
INHERITANCE, ESTATE, GIFT	13,629	16,530	30,159	13,018	13,011	26,029
LIQUOR, WINE, BEER	55,753	56,784	112,537	56,815	56,688	113,503
CIGARETTE & TOBACCO PRODUCTS	116,085	98,867	214,951	128,095	126,319	254,414
IRON ORE OCCUPATION	999	400	1,399	140	100	240
TACONITE OCCUPATION	5,356	2,600	7,956	2,500	2,900	5,400
ROYALTY TAXES	2,438	2,722	5,160	1,225	0	1,225
DEED & MORTGAGE REGISTRATION	2	0	2	0	0	0
INSURANCE GROSS EARN & FIRE MARSH	127,441	120,500	247,941	126,600	131,300	257,900
TELEPHONE & TELEGRAPH GROSS EARN	100,125	93,341	193,465	49,268	33,284	82,551
OTHER GROSS EARNINGS	1,453	1,650	3,104	851	52	903
OTHER EXCISE TAXES	616	0	616	0	0	0
LEGALIZED GAMBLING TAXES	21,446	23,002	44,449	64,618	65,518	130,136
DEPARTMENTAL EARNINGS	44,771	45,000	89,771	72,284	73,706	145,990
INVESTMENT INCOME	54,467	79,000	133,467	60,000	55,000	115,000
INCOME TAX RECIPROCITY	18,421	21,725	40,146	16,380	17,618	33,998
OTHER NON-DEDICATED REVENUE	40,935	36,000	76,935	36,000	53,428	89,428
NOV-DEC REVENUE VARIANCE	0	35,700	35,700	0	0	0
ALL OTHER REFUNDS	(17,368)	(16,820)	(34,189)	(16,879)	(16,840)	(33,719)
TOTAL NET NON-DEDICATED REVENUE	5,377,202	5,348,607	10,725,809	5,861,183	6,154,019	12,015,202

(\$ in Thousands)

GENERAL FUND SUMMARY - LEGISLATIVE BILL FORMAT

	ACTUAL F.Y. 1988	1-89 EST F.Y. 1989	1-89 EST F.Y. 1988-89	GOV'S REC F.Y. 1990	GOV'S REC F.Y. 1991	GOV'S REC F.Y. 1990-91
<u>DEDICATED REVENUE</u>						
STATE UNIVERSITY BOARD	68,440	73,951	142,391	74,281	78,878	153,159
STATE COMMUNITY COLLEGE SYSTEM	33,205	38,058	71,263	36,572	40,669	77,241
UNIVERSITY OF MN	127,970	132,291	260,261	132,904	131,923	264,827
MA-COUNTY REIMBURSEMENT	55,049	61,817	116,866	64,781	69,542	134,323
GAMC-COUNTY REIMBURSEMENT	8,159	8,988	17,147	8,463	9,051	17,515
HUMAN SVCS-MA ACCT HOSP RECPTS	159,232	155,046	314,278	148,523	147,819	296,342
ALL OTHER DEDICATED REV	8,181	11,300	19,481	11,753	16,579	28,332
<b>TOTAL DEDICATED REVENUE</b>	<b>460,236</b>	<b>481,451</b>	<b>941,687</b>	<b>477,277</b>	<b>494,462</b>	<b>971,739</b>
<u>TRANSFERS FROM OTHER FUNDS</u>						
SPECIAL REVENUE FUNDS	4,027	4,445	8,473	4,459	4,474	8,934
ALL OTHER TRANSFERS	76	211	287	111	111	222
REPAY OF REVOLVING FUND LOANS	2,089	1,403	3,492	843	801	1,643
NEW LEGISLATION TRANSFERS	8,823	9,276	18,099	10,115	0	10,115
1988 SESSION TRANSFERS	0	2,015	2,015	0	0	0
<b>TOTAL TRANSFERS FM OTHER FUNDS</b>	<b>15,015</b>	<b>17,350</b>	<b>32,365</b>	<b>15,528</b>	<b>5,386</b>	<b>20,914</b>

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(\$ in Thousands)

GENERAL FUND SUMMARY - LEGISLATIVE BILL FORMAT

	ACTUAL F.Y. 1988	1-89 EST F.Y. 1989	1-89 EST F.Y. 1988-89	GOV'S REC F.Y. 1990	GOV'S REC F.Y. 1991	GOV'S REC F.Y. 1990-91
<u>EDUCATION AIDS</u>						
GENERAL EDUCATION	868,077	1,147,625	2,015,702	1,178,133	1,236,037	2,414,170
PUBLIC TRANSPORTATION	95,735	86,328	182,063	94,456	100,047	194,503
SPECIAL PROGRAMS	189,170	185,841	375,011	187,167	135,897	323,064
COMMUNITY & FAMILY EDUCATION	13,430	17,270	30,700	25,204	28,755	53,959
EDUCATION FACILITIES/EQUIPMENT	1,928	34,316	36,244	72,676	83,680	156,356
EDUC ORGANIZATION/COOPERATION	316	1,184	1,500	2,316	3,933	6,249
ACCESS TO EXCELLENCE	1,145	2,307	3,452	13,859	24,355	38,214
OTHER EDUCATIONAL PROGRAMS	29,978	30,598	60,576	34,139	35,477	69,616
PUBLIC LIBRARIES	5,117	5,196	10,313	6,048	6,349	12,397
EDUCATION AGENCY SERVICES	8,898	9,672	18,570	11,349	11,294	22,643
DISCONTINUED/NONRECURRING 88-89	250,891	37,397	288,288	0	0	0
EDUCATION, DEPT OF	19,231	21,353	40,584	23,965	23,649	47,614
ARTS SCHOOL & RESOURCE CENTER	1,821	3,094	4,915	3,608	3,608	7,216
<b>TOTAL EDUCATION AIDS</b>	<b>1,485,737</b>	<b>1,582,181</b>	<b>3,067,918</b>	<b>1,652,920</b>	<b>1,693,081</b>	<b>3,346,001</b>
<u>POST-SECONDARY EDUCATION</u>						
HIGHER EDUC COORD BOARD	78,798	77,826	156,624	85,497	91,231	176,728
STATE UNIVERSITY BOARD	134,453	151,548	286,001	164,491	169,856	334,347
COMMUNITY COLLEGE BOARD	67,445	76,523	143,968	87,489	93,824	181,313
BD ON VO-TECH EDUCATION	155,934	164,435	320,369	167,762	167,065	334,827
UNIVERSITY OF MINNESOTA	388,312	403,241	791,553	419,221	418,959	838,180
MAYO MEDICAL SCHOOL	834	909	1,743	909	909	1,818
<b>TOTAL POST-SECONDARY EDUC</b>	<b>825,776</b>	<b>874,482</b>	<b>1,700,258</b>	<b>925,369</b>	<b>941,844</b>	<b>1,867,213</b>

(\$ in Thousands)



GENERAL FUND SUMMARY - LEGISLATIVE BILL FORMAT

	ACTUAL F.Y. 1988	1-89 EST F.Y. 1989	1-89 EST F.Y. 1988-89	GOV'S REC F.Y. 1990	GOV'S REC F.Y. 1991	GOV'S REC F.Y. 1990-91
<u>HEALTH, HUMAN RES, CORRECTIONS</u>						
HUMAN SERVICES, DEPT OF	867,736	949,579	1,817,315	1,099,703	1,165,415	2,265,118
MH/MR OMBUDSMAN	464	810	1,274	821	821	1,642
JOBS & TRAINING, DEPT OF	33,811	35,551	69,362	37,486	36,002	73,488
CORRECTIONS, DEPT OF	98,011	103,433	201,444	124,295	124,191	248,486
SENTENCING GUIDELINES COMM	202	213	415	218	218	436
OMBUDSMAN FOR CORRECTIONS	340	353	693	369	364	733
HEALTH, DEPT OF	31,841	35,974	67,815	46,574	49,859	96,433
HAZARDOUS SUBST INJURY BD	190	472	662	469	500	969
VETERANS HOMES *	7	125	132	22,642	24,933	47,575
ADDICTION/STRESS RESEARCH INST	0	160	160	160	160	320
<u>TOTAL HEALTH, HUMAN RES, CORR</u>	<u>1,032,602</u>	<u>1,126,670</u>	<u>2,159,272</u>	<u>1,332,737</u>	<u>1,402,463</u>	<u>2,735,200</u>

\*VETERANS HOMES BUDGETED IN SPECIAL  
REVENUE FUND IN F.Y.1988 (\$13,871),  
AND F.Y.1989 (\$16,879).

(\$ in Thousands)

GENERAL FUND SUMMARY - LEGISLATIVE BILL FORMAT

	ACTUAL F.Y. 1988	1-89 EST F.Y. 1989	1-89 EST F.Y. 1988-89	GOV'S REC F.Y. 1990	GOV'S REC F.Y. 1991	GOV'S REC F.Y. 1990-91
<u>TRANSPORTATION/SEMI-STATE</u>						
TRANSPORTATION, DEPT OF	5,178	4,970	10,148	16,838	12,983	29,821
REGIONAL TRANSIT BOARD	14,770	14,525	29,295	0	0	0
PUBLIC SAFETY, DEPT OF	19,774	22,700	42,474	26,105	22,918	49,023
AGRICULTURE, DEPT OF	13,229	13,490	26,719	11,893	11,647	23,540
WATER & SOIL RESOURCES BD	1,210	4,243	5,453	6,717	7,788	14,505
ANIMAL HEALTH BOARD	1,648	1,855	3,503	1,865	1,845	3,710
COMMERCE, DEPT OF	10,318	9,697	20,015	9,965	10,002	19,967
ABSTRACTORS, BD OF	3	4	7	9	8	17
ACCOUNTANCY, BD OF	316	352	668	358	358	716
ARCHITECTURE/ENG, BD OF	358	372	730	411	403	814
BARBERS EXAMINERS, BD OF	131	143	274	127	127	254
BOXING, BD OF	52	57	109	59	59	118
PUBLIC UTIL COMM	1,803	1,946	3,749	2,064	2,054	4,118
PUBLIC SERVICE, DEPT OF	6,059	6,385	12,444	6,617	6,621	13,238
MINN RACING COMMISSION	827	925	1,752	932	935	1,867
CHARITABLE GAMBLING CNTRL BD	675	113	788	Department of Revenue		
ETHICAL PRACTICES BOARD	234	234	468	277	276	553
MN MUNICIPAL BOARD	237	248	485	252	253	505
MN/WISC BOUNDARY AREA COMM	91	99	190	108	112	220
UNIFORM LAWS COMM	14	14	28	16	16	32
VOYAGEURS NATL PARK ADV COMM	66	71	137	71	71	142
HISTORICAL SOCIETY	9,680	10,404	20,084	11,286	11,803	23,089
STATE ARTS BOARD	3,016	3,170	6,186	3,264	3,264	6,528
HORTICULTURAL SOCIETY	67	67	134	68	68	136
ACADEMY OF SCIENCE	28	28	56	28	28	56
SCIENCE MUSEUM OF MN	515	521	1,036	588	588	1,176
MILITARY ORDER OF PURPLE HEARTS	0	10	10	10	10	20
VETS OF FOREIGN WARS	30	30	60	31	31	62
<u>TOTAL TRANSPORTATION/SEMI-STATE</u>	<u>90,329</u>	<u>96,673</u>	<u>187,002</u>	<u>99,959</u>	<u>94,268</u>	<u>194,227</u>

(\$ in Thousands)

GENERAL FUND SUMMARY - LEGISLATIVE BILL FORMAT

	ACTUAL F.Y. 1988	1-89 EST F.Y. 1989	1-89 EST F.Y. 1988-89	GOV'S REC F.Y. 1990	GOV'S REC F.Y. 1991	GOV'S REC F.Y. 1990-91
<u>STATE DEPARTMENTS</u>						
LEGISLATURE	33,550	41,603	75,153	62,933	43,379	106,312
SUPREME COURT	6,140	7,485	13,625	9,835	10,165	20,000
COURT OF APPEALS	3,481	3,832	7,313	4,135	3,971	8,106
DISTRICT COURTS	17,643	19,819	37,462	20,354	50,704	71,058
JUDICIAL STNDS, CMSN ON	200	220	420	166	166	332
BD OF PUBLIC DEFENSE	2,275	2,771	5,046	2,748	2,748	5,496
GOVERNOR'S OFFICE	2,432	2,510	4,942	2,510	2,510	5,020
Lt. GOVERNOR	288	288	576	348	348	696
JOBS POLICY OFFICE	0	115	115	0	0	0
SECRETARY OF STATE *	0	0	0	2,660	2,905	5,565
STATE AUDITOR	506	582	1,088	582	582	1,164
STATE TREASURER	531	545	1,076	572	572	1,144
ATTORNEY GENERAL	16,365	16,958	33,323	17,255	17,260	34,515
INVESTMENT BOARD	1,643	1,708	3,351	1,727	1,727	3,454
ADMINISTRATION, DEPT OF	15,761	16,049	31,810	19,394	18,160	37,554
CAAPB	406	619	1,025	226	206	432
FINANCE, DEPT OF	8,056	8,176	16,232	8,896	8,888	17,784
EMPLOYEE RELATIONS, DEPT OF	6,615	7,969	14,584	10,957	10,267	21,224
REVENUE, DEPT OF	50,589	57,953	108,542	67,305	71,201	138,506
TAX COURT OF APPEALS	412	427	839	438	438	876
NATURAL RESOURCES, DEPT OF	57,263	61,843	119,106	68,218	70,074	138,292
IRRRB-GREATER MINN CORP	3,083	917	4,000	0	0	0

\*SECRETARY OF STATE BUDGETED IN  
SPECIAL REVENUE FUND IN F.Y. 1988  
(\$2,423) AND F.Y. 1989 (\$2,948).

(\$ in Thousands)

GENERAL FUND SUMMARY - LEGISLATIVE BILL FORMAT

	ACTUAL F.Y. 1988	1-89 EST F.Y. 1989	1-89 EST F.Y. 1988-89	GOV'S REC F.Y. 1990	GOV'S REC F.Y. 1991	GOV'S REC F.Y. 1990-91
ZOOLOGICAL GARDEN	transfer	transfer	0	5,783	5,633	11,416
WATER RESOURCES BD	34	agric.	34	0	0	0
POLLUTION CONTROL AGENCY	6,167	8,491	14,658	18,671	20,828	39,499
WASTE MGMT BOARD	1,922	477	2,399	0	0	0
TRADE & ECONOMIC DEVELOPMENT	22,898	28,260	51,158	50,820	50,882	101,702
STATE PLANNING AGENCY	5,154	4,961	10,115	17,165	17,537	34,702
LABOR & INDUSTRY	3,333	3,387	6,720	6,072	6,106	12,178
MEDIATION SERVICES	1,600	1,700	3,300	1,805	1,810	3,615
PUBLIC EMPLOYEE RELATIONS BD	60	64	124	65	65	130
MILITARY AFFAIRS, DEPT OF	6,628	8,955	15,583	10,364	10,879	21,243
VETERANS AFFAIRS, DEPT OF	2,533	2,454	4,987	2,728	2,728	5,456
HUMAN RIGHTS, DEPT OF	2,623	2,787	5,410	3,281	3,161	6,442
INDIAN AFFAIRS	321	328	649	353	333	686
CNCL FOR SPANISH SPKG PEOPLE	146	171	317	168	148	316
CNCL ON BLACK MINNESOTANS	145	170	315	181	161	342
CNCL ASIAN-PACIFIC, MINN	128	155	283	163	143	306
CNCL ON DISABILITY	425	514	939	586	566	1,152
CONTINGENT ACCOUNTS	0	475	475	1,500	0	1,500
TORT CLAIMS	42	564	606	303	303	606
FINANCE NON-OPERATING	118	753	871	753	753	1,506
HOUSING FINANCE	9,527	9,677	19,203	19,685	9,685	29,370
INDIRECT COST RECEIPTS	(9,942)	(8,500)	(18,442)	(8,800)	(9,000)	(17,800)
SALARY SUPPLEMENT	NA	NA	NA	32,500	72,300	104,800
TOTAL STATE DEPARTMENTS	281,100	318,232	599,332	465,405	511,292	976,697

(\$ in Thousands)

GENERAL FUND SUMMARY - LEGISLATIVE BILL FORMAT

	ACTUAL F.Y. 1988	1-89 EST F.Y. 1989	1-89 EST F.Y. 1988-89	GOV'S REC F.Y. 1990	GOV'S REC F.Y. 1991	GOV'S REC F.Y. 1990-91
<b>TOTAL UNALLOTTED/BALANCE FWD</b>	<b>(777)</b>	<b>12,392</b>	<b>11,615</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>DEFICIENCIES</b>				<b>0</b>	<b>0</b>	<b>0</b>
STATE UNIVERSITY SYSTEM	0	500	500	0	0	0
DEPT. OF EDUCATION	0	181	181	0	0	0
HUMAN RESOURCES	0	1,093	1,093	0	0	0
SEMI-STATE AGENCIES	0	439	439	0	0	0
STATE DEPARTMENTS	0	5,259	5,259	0	0	0
<b>TOTAL DEFICIENCIES</b>	<b>0</b>	<b>7,472</b>	<b>7,472</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>AIDS AND CREDITS</b>						
PROPERTY TAX REFUNDS	Shown as Income Tax Reduction			Shown as Income Tax Reduction		
AGRICULTURAL CREDIT	117,363	105,307	222,670	100,967	7,132	108,099
AID TO LOCAL GOVERNMENT	325,720	323,764	649,484	403,576	421,576	825,152
INC. MAINT. TAX DISPARITY	0	10,639	10,639	0	0	0
ATTACHED MACHINERY AID	3,218	3,218	6,436	3,218	3,218	6,436
HOMESTEAD CREDIT	600,000	613,856	1,213,856	634,015	46,097	680,112
TRANSITION AID	0	0	0	0	647,357	647,357
SUPPL HMSTD & TAC REIMB	911	911	1,822	906	906	1,813
AID TO POLICE AND FIRE	35,151	38,281	73,432	41,000	43,700	84,700
RTB LEVY REDUCTION	1,944	2,156	4,100	2,372	2,600	4,972
WETLANDS CREDIT & REIMB	645	613	1,258	37	0	37
NATIVE PRAIRIE CREDIT & REIMB	157	148	305	8	0	8
DISASTER CREDIT	0	49	49	4	0	4
AGRIC PRESERVATION CREDIT	159	9	168	0	0	0
PAYMENT IN LIEU TAXES-DNR	4,545	4,535	9,080	4,535	4,535	9,071
ENTERPRISE ZONE CREDIT	1,046	1,066	2,112	54	0	54
ENTERP ZONE - BORDER CTY	0	100	100	850	1,050	1,900
SMALL BUSINESS CREDIT	0	20,753	20,753	1,294	0	1,294

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	ACTUAL F.Y. 1988	1-89 EST F.Y. 1989	1-89 EST F.Y. 1988-89	GOV'S REC F.Y. 1990	GOV'S REC F.Y. 1991	GOV'S REC F.Y. 1990-91
INC. MAINT. INCENT. FD.	0	0	0	0	1,000	1,000
DISPARITY AID	0	0	0	62,395	65,356	127,751
BORDER CITY DISPARITY AID	0	0	0	1,683	1,806	3,489
PROPERTY TAX RELIEF	0	0	0	74,000	0	74,000
TOTAL AIDS AND CREDITS	1,090,859	1,125,404	2,216,263	1,330,915	1,246,334	2,577,248
TOTAL OPEN AND STANDING	1,524	5,493	7,017	5,209	5,616	10,825
<u>RETIREMENTS</u>						
LEGISLATORS RETIREMENT	611	2,161	2,772	2,258	2,371	4,629
JUDGES RETIREMENT	2,650	2,875	5,525	5,500	5,900	11,400
CONST. OFFICERS RETIREMENT	99	157	256	168	180	348
MSRS-SUPPL BENEFITS	20	23	43	11	11	34
PERA FROM PERA SUPPL	15	15	30	14	13	27
MPLS PENSION REIMBURSEMENT	10,271	10,612	20,883	10,415	10,475	20,890
LOCAL POLICE/FIRE AMMORTIZ.	8,053	7,543	15,596	7,517	7,517	15,033
PRE-1973 RETIREES	5,404	5,119	10,523	5,300	5,300	10,600
TOTAL RETIREMENTS	27,123	28,504	55,627	31,189	31,773	62,961
<u>DEDICATED REVENUE EXPENDITURE</u>						
STATE UNIVERSITY BOARD	68,440	73,951	142,391	74,281	78,878	153,159
STATE COMMUNITY COLLEGE SYSTEM	33,205	38,058	71,263	36,572	40,669	77,241
UNIVERSITY OF MN	127,970	132,291	260,261	132,904	131,923	264,827
MA-COUNTY REIMBURSEMENT	55,049	61,817	116,866	64,781	69,542	134,323
GAMC-COUNTY REIMBURSEMENT	8,159	8,988	17,147	8,463	9,051	17,515
HUMAN SVCS-MA ACCT HOSP RECPTS	159,232	155,046	314,278	148,523	147,819	296,342
ALL OTHER DEDICATED REV	8,181	11,300	19,481	11,753	16,579	28,332
TOTAL DEDICATED REVENUE EXP.	460,236	481,451	941,687	477,277	494,462	971,739
TOTAL CANCELLATION ADJUSTMENT	0	(25,000)	(25,000)	(10,000)	(10,000)	(20,000)

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	ACTUAL F.Y. 1988	1-89 EST F.Y. 1989	1-89 EST F.Y. 1988-89	GOV'S REC F.Y. 1990	GOV'S REC F.Y. 1991	GOV'S REC F.Y. 1990-91
<u>TRANSFERS TO OTHER FUNDS</u>						
DEBT SERVICE	133,002	122,998	256,000	211,590	168,035	379,625
CAPITAL PROJECT TRANSFERS	0	13,034	13,034	0	0	0
REGION 3 - TRNSF FROM OCCUPATION T	290	324	614	360	380	740
MOTOR VEH EXCISE TAX TRANSFER	11,668	86,888	98,556	121,942	75,051	196,993
GREATER MINN CORP	15,000	0	15,000	0	0	0
ALL OTHER TRANSFERS	42,537	19,707	62,244	2,406	6,218	8,624
<u>TOTAL TRANSFERS TO OTHER FUNDS</u>	<u>202,497</u>	<u>242,950</u>	<u>445,448</u>	<u>336,298</u>	<u>249,684</u>	<u>585,982</u>
<u>RESERVE/APPROP. CARRIED FORWARD</u>						
APPROPRIATED RESERVE	265,000	550,000	550,000	550,000	550,000	550,000
APPROP. CARRIED FORWARD	66,889	NA	NA	NA	NA	NA
<u>TOTAL RESERVE/APPROP CARRIED FWD</u>	<u>331,889</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>



