



Fiscal Year 2003 Budget Reductions: Legislative Proposals and Governor's Final Unallotments

Money Matters 03-03

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FY 2003 Budget Reductions – February 2003

The November 2002 budget forecast for the Minnesota's general fund projected a \$355.5 million deficit for the biennium ending June 30, 2003. The effect of the Minnesota Constitutional provision that allows short term borrowing only within a biennium is that the budget must be balanced at the end of a biennium.

Proposals

On January 14, 2003 the Governor recommended appropriation reductions, payment delays and transfers from other funds that would have a \$468 million effect on the FY 2003 general fund budget. The actions recommended by the Governor, plus balances already projected in the budget reserve would result in a budget reserve of \$136 million on June 30, 2003 (current law transfers any general fund balance on June 30, 2003 to the budget reserve).

The Senate passed a FY 2003 budget balancing bill (S.F. 79) that made \$384 million in general fund adjustments and resulted in a June 30, 2003 budget balance of \$52 million. The House passed a bill (H.F. 74) with a total budget effect that was the same as proposed by the Governor – general fund changes of \$468 million with a June 30, 2003 reserve of \$136 million. The House and Senate bills were referred to a conference committee to resolve the differences but that conference committee was unable to reach resolution by the deadline set by the Governor.

Unallotment

On February 7, 2003 the Governor announced the unallotment of general fund appropriations under authority in Minnesota Statutes section 16A.15. (for a discussion of the unallotment authority, see a House Research publication entitled "Unallotment, Executive Branch Authority to Reduce Spending to Avoid a Deficit" at www.house.leg.state.mn.us/hrd/pubs/unallot.pdf).

Chart 1 shows budget changes and budget reserve amounts in the initial Governor's recommendation, Senate and House positions as passed by those bodies, and in unallotment.

Chart 1: FY 2003 Budget Changes				
<i>Dollars in millions</i>				
	<u>Governor</u>	<u>Senate</u>	<u>House</u>	<u>Unallotment</u>
Projected Deficit	-355.5	-355.5	-355.5	-355.5
Proposed Budget Adjustments	468.2	384.1	468.2	331.64
Projected Reserve - 6/30/2003	23.9	23.9	23.9	23.9
Balance ^(a)	136.6	52.5	136.6	0.0

(a) Any balance on 6/30/2003 is added to the budget reserve.

Chart 2 shows the proposed budget changes and unallotment amounts categorized by House fiscal committee structure.

Chart 2: FY 2003 Budget Changes By Committee				
<i>Dollars in thousands</i>				
	<u>Gov</u>	<u>Senate</u>	<u>House</u>	<u>Unallotment</u>
	<u>FY 2003</u>	<u>FY 2003</u>	<u>FY 2003</u>	<u>FY 2003</u>
K-12 Education	-4,786	-4,787	-7,500	-21,186
Higher Education	-80,107	-60,107	-81,500	-50,307
Taxes ^(a)	-50,000	-50,000	-50,000	-1,596
Health & Human Services	-38,919	-53,038	-45,653	-25,993
Environment	-22,400	-15,865	-22,401	-16,993
Agriculture	-29,189	-3,182	-8,262	-22,789
Economic Development	-63,580	-17,446	-73,691	-67,880
Judiciary	-13,142	-6,194	-12,899	-18,058
Transportation	-148,365	-145,750	-148,365	-23,565
State Government	-10,101	-25,715	-12,600	-21,172
Capital Projects	-7,625	-2,018	-5,404	-12,101
Total	-468,213	-384,102	-468,275	-281,640

(a) The \$50 million shown in the first three columns will be accomplished administratively under unallotment and will bring the total general fund effect to \$332 million.

Appendix 1 (at the end of this document) provides the same information in more detail.

Summary of Major Items

The recommended FY 2003 changes included some substantial one-time amounts. Several of these amounts were not accessible through the unallotment process. In the Higher Education area, the Governor, Senate and House all would have transferred \$30 million from the Student Educational Loan Fund (SELF) to the state General Fund. SELF is a state fund established to provide loans to students and is capitalized by the sale of revenue bonds. Because this was a transfer into the general fund of an amount never appropriated from the general fund, it was not available through unallotment.

All three proposals would have cancelled \$4 million of tobacco prevention grants and transferred that amount to the general fund. All three proposals would also have transferred \$11 million from the Solid Waste Fund, \$15 million from the State Airports Fund and \$15 million from the Worker's Compensation Special Fund to the General Fund. These options were not available under unallotment.

All three proposals also cancelled \$130 million of general fund appropriations made in 2000 for

road projects and re-financed those projects with Trunk Highway Fund bonds. The refinancing would cost \$63 million in interest to be paid by the trunk highway fund over the next twenty years in addition to \$130 million in trunk highway dollars to replace the loss of general fund money. By using unallotment, the Governor reduced this appropriation by \$20 million but was not able to make any further reductions in that appropriation and could not authorize bonds to replace the general fund appropriations.

All three proposals and unallotment counted permanently delaying payment of certain sales tax refunds. Under current law, capital equipment used in manufacturing, mining, or electrical power generation is taxable at time of sale, but the buyer is eligible for a full refund. Buyers may apply for refunds twice each year, and are paid interest from the day the application is received. Capital equipment refunds total about \$200 million per year. Under this administrative change, \$50 million of refunds will be left unpaid at the end of each fiscal year.

FY 2004-05

The Governor's recommendations and Senate and House actions would have also affected base level appropriations for FY 2004 and 2005. Those changes are shown in chart 3. Unallotment affects FY 2003 only so there are no FY 2004-05 changes resulting from unallotment.

Chart 3: FY 2004-05 Recommended Changes				
<i>Dollars in thousands</i>				
	Gov	Senate*	House	Unallotment
	<u>FY 2004-05</u>	<u>FY 2004-05</u>	<u>FY 2004-05</u>	<u>FY 2004-05</u>
K-12 Education	-4,360	0	-14,002	0
Higher Education	-100,214	0	-103,000	0
Taxes	0	0	0	0
Health & Human Services	-170,367		-296,795	0
Environment	-36,992	0	-32,438	0
Agriculture	-4,752	0	0	0
Economic Development	-19,027	0	-19,204	0
Judiciary	-21,284	0	-21,670	0
Transportation	-5,230	0	-5,230	0
State Government	-18,224	-8,884	-18,882	0
Capital Projects	0	0	0	0
Total	-380,450	-8,884	-511,221	0

**The Senate bill had some FY 2004-05 effects in K-12 Education and in Health and Human Services but those were not tracked on spreadsheets.*

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Appendix: FY 2003 Final Unallotment Detail

February 24, 2003

Dollars in thousands

Note: Accounts are categorized by House Committees.

	FY 2003
	<u>Unallotment Final</u>
EDUCATION	
Magnet School Startup	-50.0
ABE Inflation - Reduce Growth	-1,622.0
Reduce Community Ed Reserves	-1,807.0
Reduce School Readiness Reserves	-791.0
Reduce ECFE Reserves	-769.0
CFL Base Reduction	-1,044.0
Teaching & Curriculum	-206.0
Telecommunications Access	-2,350.0
Childrens Museum	-55.0
Board of Teaching	-66.0
Children's Trust Fund Prevention	-796.0
Family Collaboration	-124.0
Student Organization	-158.0
AP/IB Teacher Summer Training	-543.0
Collaborative Urban Educator	-130.0
District Litigation Cost	-69.0
Best Practices Seminars	-1,275.0
Best Practices Special Projects	-589.0
GED Tests	-72.0
After School Enrichment Grants	-3,828.0
Way to Grow	-237.0
Youth Work Grants	-615.0
Violence Prevention Grants	-1,162.0
General Ed TIF Recoveries	-2,222.0
Special Ed Excess Cost Monitoring	-925.0
Special Ed Monitoring Adjustments	-356.0
Innovation Grants - Headstart	-500.0
Arts School Base Reduction	-130.0
Faribault Academies Base Reduction	-40.0
Total Education	-22,531.0
HIGHER EDUCATION	
MNCSU	-25,000.0
U of M	-25,000.0
HESO	-107.0
MN Library Info Network	-200.0
Total Higher Education	-50,307.0

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	FY 2003 Unallotment Final
HEALTH & HUMAN SERVICES	
Human Services Base	-3,333.0
Administrative Savings Revenue Loss	1,333.0
Community Service Grant - Aging	-515.0
Adoption Assistance/Relative Custody Asst	-584.0
Targeted Alternative Care Allocation	-700.0
Criminal Justice Training Grant	-5.0
Fraud Prevention Investigation	-64.0
Fetal Alcohol Grant	-106.0
Foster and Adopt Grant	-55.0
Sail Grants	-28.0
Community Service Development	-39.0
Information and Assistance Grants	-38.0
Public Guardianship	-250.0
PMAP Administration County Grant	-200.0
Delay HCBS Payments	-934.0
New Autism Program	-562.0
Autism Program Revenue Loss	15.0
5% Hospital Rate Reduction	-1,968.0
ICF/MR Rate Adjustments	-199.0
Pharmacy Reduction AWP	-3,080.0
Chemical Dep Nonentitlement Grants	-268.0
Home Share Grant - Aging	-156.0
Health Dept Base	-675.0
Health - Various Grants & Studies	-213.0
Community Health Subsidy Grants	-3,174.0
Health Disp - Immunizations	-314.0
Health Disp Grants	-108.0
Lead Base Grants	-25.0
Family Planning	-56.0
Health Protection	-813.0
LTC Quality Demo Grant	-500.0
LTC Transition plan Grant	-500.0
WIC Grants Administration	-3,558.0
EMS Board	-45.0
Training Grants	-138.0
Anti-Terrorism	-62.0
Ombudsperson for Families	-9.0
Disability Council	-29.0
Ombudsperson MH/MR	-73.0

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Dollars in thousands

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	FY 2003
	<u>Unallotment Final</u>
Veterans Home Board Base	-124.0
CFL - Mn Economic Opportunity Grant	-3,169.0
CFL - Child Care Development Grants	-37.0
CFL - Child Care Facility Grants	-8.0
Total Health & Human Services	-25,366.0
ENVIRONMENT FINANCE	
PCA Base Reduction	-422.0
Cleanwater Partnership Grants	-994.0
County Feedlot Permit Program	-468.0
County Individual Sewage Treatment Grants	-17.0
Septic System Upgrades	-200.0
OEA Base	-409.0
OEA Project Implementation Grants	-1,447.0
Zoo	-270.0
DNR	-3,819.0
Taylor Falls Fire & Rescue	-25.0
Taconite Safe Harbor	-7.0
Metro Greenway Grants	-171.0
Taconite Mining Grants	-250.0
Aquatic Plant Restoration	-49.0
BWSR Base	-130.0
Grants	-7,015.0
Red River Program	-300.0
Total Environment	-15,993.0
ECONOMIC DEVELOPMENT	
Mn Technology	-1,071.0
DTED	-702.0
Blue Earth Rural Bus Advantage - DTED	-35.0
Mn Film Board Snobate Grants - DTED	-505.0
Mn Investment Fund - DTED	-2,314.0
Mn Investment Fund - Flood	-793.0
Job Skills and Pathways Grants	-2,260.0
Metro Econ Dvelopment Assn	-64.0
West Central Growth Alliance	-75.0
Cuyuna Range Tech Ctr	-150.0
Trade Development	-99.0
Tourism	-490.0

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February 24, 2003

Dollars in thousands

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	FY 2003 Unallotment Final
Capital Access	-190.0
Contaminated Site Cleanup Grants-DTED	-1,674.0
Housing Finance	-2,205.0
CFL - Emergency Services Grant	-127.0
Economic Security	-189.0
Youthbuild	-306.0
Youth Programs	-1,131.0
Historical Society	-1,066.0
Labor & Industry	-118.0
Commerce	-434.0
School Employee Insurance Study	-250.0
Residential Oil	-369.0
Mediation Services	-75.0
Mediation Services Coop Grants	-272.0
Barber Board	-6.0
Arts Board	-40.0
Arts Board Artist Assistance Grants	-344.0
Humanities Commission	-240.0
Accountancy Board	-24.0
Architecture Board	-29.0
Indian Affairs Council	-23.0
Black Minnesotans Council	-13.0
Chicano Latino Council	-13.0
Asian Pacific Council	-11.0
Workforce Development	-1,158.0
21st Century Minerals Fund	-49,000.0
Total Jobs & Economic Development	-67,865.0
TRANSPORTATION	
Sell State Plane	-750.0
2000 Road Projects	-20,000.0
Non Metro Transit	-200.0
Met Council Transit	-2,615.0
Total Transportation	-23,565.0
JUDICIARY FINANCE	
Supreme Court	-1,733.0 (a)
Court of Appeals	-50.0 (a)
District Courts	-3,844.0 (a)

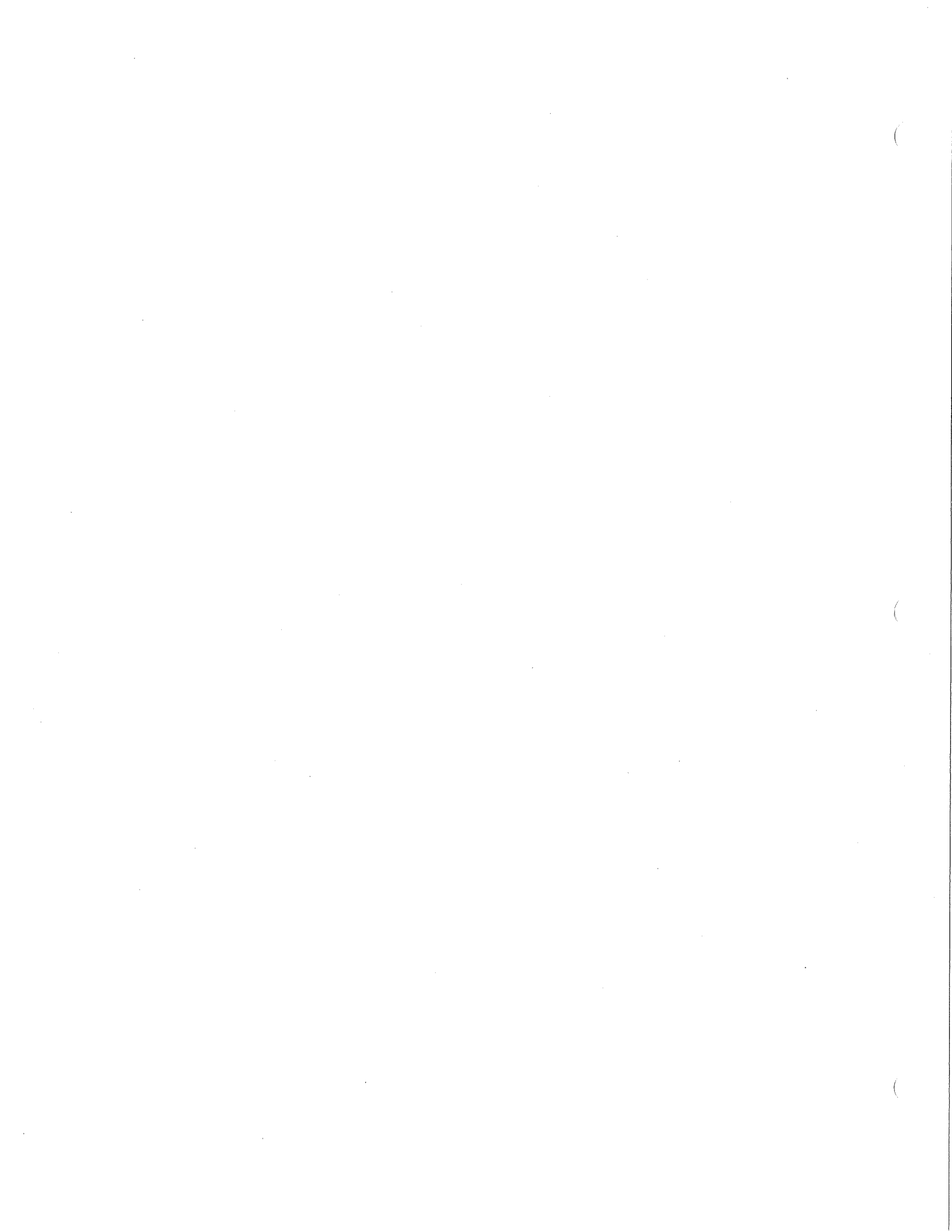
Appendix: FY 2003 Final Unallotment Detail**February 24, 2003**

Dollars in thousands

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	FY 2003 Unallotment Final
Uniform Laws Commission	-2.0
Public Defense	-1,537.0
Public Safety Department	-1,823.0
CrimNet Local Planning Grants	-2,500.0
Criminal Gang Strike Force	-39.0
Grants to Battered Women Programs	-56.0
Body Armor Reimbursement	-50.0
Anti-Terrorism Equipment Grant	-1,522.0
Anti-Terrorism Training Grant	-2,170.0
Private Detective Board	-6.0
Human Rights Dept	-146.0
Corrections Dept	-1,729.0
CCA Carry Forward	-1,075.0
Corrections Ombudsman	-7.0
Sentencing Guidelines Commission	-20.0
Total Judiciary	-18,309.0
STATE GOVERNMENT FINANCE	
Legislature	-2,335.0 (a)
Legislative Audit Commission	-226.0 (a)
Governor's Office	-162.0
State Auditor	-390.0
Attorney General	-1,038.0
Secretary of State	-291.0
Campaign Finance Board	-25.0
Investment Board	-90.0
Office of Strategic Planning	-338.0
Administration	-460.0
Legislative Television	-418.0
Voting Equipment Grant	-950.0
State Band	-0.3
CAAP Board	-6.0
Cancel remaining 95 Korean War Memorial	-17.0
Finance	-629.0
State Treasurer - DOF	-65.0
DOER	-305.0
Revenue	-1,810.0
Amateur Sports Commission	-25.0
Military Affairs	-261.0
Youth Camp	-40.0

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Dollars in thousands	
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	FY 2003
	<u>Unallotment Final</u>
Veterans Affairs	-72.0
Vinland Center Grant	-120.0
Gambling Control Board	-89.0
Racing Commission	-16.0
Employee Insurance Trust Fund	-11,000.0
Total State Government	-21,178.3
TAXES	
TIF Grants	-1,596.0
CAPITAL PROJECTS - Cancellations	
Pre 1999 cancellations	-8,491.5
Capital projects - 2000	-2,996.7
Capital projects - 2001	-20.8
Capital projects - 2002	-591.6
Total Capital Projects	-12,100.7
AGRICULTURE FINANCE	
Agriculture Dept	-829.0
Ethanol	-20,109.0
County Fair Grants	-357.0
Sustainable Ag Demo Grants	-161.0
Woody Crop Grants	-55.0
Value Added Livestock Grants	-204.0
Beaver Damage Control	-45.0
Organic Cost Share	-39.0
Animal Health Board	-103.0
AURI	-887.0
Total Agriculture	-22,789.0
Grand Total	-281,600.0
<i>(a) Voluntary Cancellations</i>	



Senate State Government Budget Division - FY 03 Budget Unallotment (MS 16A.152, Subd. 4)

actual dollars

	Governor Orig Rec FY 03	Governor Unallot FY 03	Difference Unallot/Orig FY 03
Legislature			
reduction operating	2,335,000	2,335,000	
Legislative Auditor operating	226,000	226,000	
total	2,561,000	2,561,000	
Secretary of State			
reduction operating	291,000	291,000	
total	291,000	291,000	
Governor's Office			
reduction operating	162,000	162,000	
total	162,000	162,000	
State Auditor			
reduction operating	390,000	390,000	
total	390,000	390,000	
Attorney General			
reduction operating	1,038,000	1,038,000	
total	1,038,000	1,038,000	
MN Planning			
reduction operating	338,000	338,000	
total	338,000	338,000	
Administration			
reduction operating	460,000	460,000	
Legislative Television	418,100	418,100	
Voter Equipment Grant	950,289	950,289	
State Band	300	300	
total	1,828,689	1,828,689	
Finance			
reduction operating	574,000	629,000	55,000
State Treasurer reduction	65,000	65,000	
total	639,000	694,000	55,000
Employee Relations			
reduction operating	305,000	305,000	
total	305,000	305,000	
Revenue			
reduction operating	1,776,000	1,776,000	
taxpayer assistance grants	34,138	34,138	
total	1,810,138	1,810,138	
Amateur Sports Commission			
reduction operating	25,000	25,000	
total	25,000	25,000	
Military Affairs			
reduction operating	261,000	261,000	
national guard youth camp	40,000	40,000	
total	301,000	301,000	
Campaign Fin & Pub Disc Bd			
reduction operating	25,000	25,000	
total	25,000	25,000	
Investment Board			
reduction operating	90,000	90,000	
total	90,000	90,000	
Capitol Area Arch & Plan Bd			
reduction operating	6,000	6,000	
Cancel remain 95 Korean War Mem		17,000	17,000
total	6,000	23,000	17,000
Veterans Affairs			
reduction operating	72,000	72,000	
Vinland Center grant	114,000	114,000	
total	186,000	186,000	
Lawful Gambling Control Bd			
reduction operating	89,000	89,000	
total	89,000	89,000	
Racing Commission			
reduction operating	16,000	16,000	
total	16,000	16,000	
Supreme Court			
reduction operating	1,291,000	1,291,000	
civil legal services grants	442,000	442,000	
total	1,733,000	1,733,000	
Court of Appeals			
reduction operating	321,000	321,000	
total	321,000	321,000	

Senate State Government Budget Division - FY 03 Budget Unallotment (MS 16A.152, Subd. 4)

actual dollars

	Governor Orig Rec FY 03	Governor Unallot FY 03	Difference Unallot/Orig FY 03
District Courts			
reduction operating	3,844,000	3,844,000	
total	3,844,000	3,844,000	
Human Rights			
reduction operating	146,000	146,000	
total	146,000	146,000	
Uniforms Laws Commission			
reduction operating	2,000	2,000	
total	2,000	2,000	
Private Detective Board			
reduction operating	6,000	6,000	
total	6,000	6,000	
Public Safety * see below			
reduction operating	1,823,000	1,823,000	
battered women program grants	56,000	56,000	
criminal gang strike force	39,000	39,000	
Crimnet local planning	2,500,000	2,500,000	
Body Armor Reimb		50,000	50,000
Anti-Terrorism Training Grant		1,000,000	1,000,000
Anti-Terrorism Equip Grant		2,170,000	2,170,000
total	4,418,000	7,638,000	3,220,000
Commerce			
reduction operating	434,000	434,000	
School Emp Health Ins Plan Study		250,000	250,000
Residential Oil ** see below		369,000	369,000
total	434,000	1,053,000	619,000
Board of Accountancy			
reduction operating	24,000	24,000	
total	24,000	24,000	
Architecture, Engineering Bd			
reduction operating	29,000	29,000	
total	29,000	29,000	
Board of Barbers			
reduction operating	6,000	6,000	
total	6,000	6,000	
Black Minnesotans Council			
reduction operating	13,000	13,000	
total	13,000	13,000	
Chicano-Latino Affairs Council			
reduction operating	13,000	13,000	
total	13,000	13,000	
Asian-Pacific Minnesotans			
reduction operating	11,000	11,000	
total	11,000	11,000	
Indian Affairs Council			
reduction operating	23,000	23,000	
total	23,000	23,000	
total general fund reductions	21,123,827	25,034,827	3,911,000
Revenues:			
Employee Relations			
Employee Insurance Trust Fund *** see below		11,000,000	11,000,000
transfer to General Fund			
total general fund revenue		11,000,000	11,000,000
reductions general fund	21,123,827	25,034,827	3,911,000
revenue general fund		11,000,000	11,000,000
total general fund	21,123,827	36,034,827	14,911,000

* includes entire Public Safety reduction (a portion of the agency is under the jurisdiction of Transportation Budget Division)

** weatherization/LIHEAP under jurisdiction of Environment, Agriculture & Economic Development Budget Division

*** Governor recommends transfer to Finance of up to same amount for distribution to agencies to meet budget reduction targets for FY 2003