

Fiscal Review

Minnesota State Senate

2009 Session



A

Fiscal Review

of the

2009 Legislative Session

**Prepared by
Minnesota State Senate
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REPORT PREFACE

The *Fiscal Review* is an annual report of budget and fiscal policy actions taken by the Minnesota Legislature. The report covers all budgetary funds (All Funds), with special attention given to the General Fund, which must be in balance at the close of each biennium. Budgetary funds reflect the operating budget for the state but include every state fund; operating budget appropriations are generally not made from other funds established in law, such as pension funds, enterprise funds, and trust funds.

Minnesota operates on a two-year (biennial) budget enacted in odd-year legislative sessions; biennial budget revisions and major capital investments tend to be the focus of even-year legislative sessions. While most revenue and expenditure amounts are presented as biennial amounts, annual amounts may provide a more complete understanding of the timing of revenue and appropriations. Additional detail is available by consulting legislative budget tracking sheets at:

http://www.senate.leg.state.mn.us/departments/office_bio.php?office_id=1007

or by contacting the relevant Senate fiscal staff.

Appropriations Defined

Appropriations are authorizations made by the Legislature to spend money from the state treasury for the purposes established by law. The Minnesota Constitution prohibits the payment of money out of the treasury unless appropriated by the Legislature. The Governor may veto appropriations but cannot create appropriations.

Direct appropriations are authorizations to spend a specific dollar amount, usually for a limited time period such as one year or a biennium. Open appropriations, which are less common, authorize an open-ended spending level, such as a “sum-sufficient” to meet a defined need or formula. The amounts shown in the *Fiscal Review* for open appropriations reflect estimates of expected spending.

Most direct appropriations are established in session law and expire at the end of the biennium, or other specified time, and must be renewed every two years in order to continue spending authority. Statutory appropriations, on the other hand, are set in state statutes and provide ongoing authority to spend money from the treasury even if a biennial budget is not adopted. Statutory appropriations may authorize either a specific dollar amount or an open-ended amount.

Distinct from the various appropriation types, dedicated revenues and expenditures refer to streams of revenue that are dedicated to specific funding purposes. Amounts shown for authorized spending levels reflect estimates of the revenues to be generated and the allocation of those revenues established in law.

Further, it should be noted that significant portions of some state agency operations, such as the Departments of Administration and Finance, are funded through charges to the other state agencies. In other words, monies appropriated to an agency may be used to

purchase services from another state agency whose mission it is, in part, to provide for centralized operating functions. To fully describe budget activity while avoiding double-counting, budget totals are reported based on the agency to which funds are appropriated, but some *Fiscal Review* chapters also discuss agency activities that are supported through charges to other state agencies.

Appropriations versus Spending

Amounts shown in the *Fiscal Review* for the current biennium (FY 2010-2011) reflect appropriation levels authorized by the Legislature. Amounts shown for the next biennium, often referred to as appropriation “tails,” reflect estimates of future biennial spending, assuming current law programs are carried forward for another two years. This *Fiscal Review*, compares current biennial appropriations to those previously enacted for the previous (e.g. FY 2008-2009), as well as to the February 2009 Forecast “base.”

Scope of the 2009 Fiscal Review

The *Fiscal Review* generally summarizes the enacted budget, which is the budget approved by the Legislature and signed by the Governor, after vetoes. Vetoes are occasionally referenced when they are material to an enacted budget balance. In 2009, Chapter 179, which included various school aid payment changes and tax revenue increases that would have provided for a balanced budget, was adopted the last day of legislative session and subsequently vetoed by the Governor. The enacted budget for FY 2010-2011 was out of balance by \$2.7 billion. Following enactments, the Governor took action to unallot and defer various appropriations, as well as taking several administrative actions affecting revenues, to achieve budget balance. *This Fiscal Review primarily summarizes the enacted budget. Governor 2010 unallotments and other executive actions are summarized in a separate Fiscal Issue Brief available in conjunction with this Fiscal Review, and available separately at:*

<http://www.senate.leg.state.mn.us/departments/fiscalpol/reports/2010/IB%20FY2010-11%20Unallotments.pdf>

STATE BUDGET OVERVIEW AND HIGHLIGHTS

Adoption of a FY 2010-2011 biennial budget was the primary focus of the 2009 legislative session, particularly the adoption of a balanced General Fund budget in light of a \$4.6 billion projected deficit for FY 2010-2011. While the enacted budget included reductions to programs and agency operations in most budget areas relative to forecast, increased appropriations occurred in some areas due to the allocation of constitutionally dedicated sales tax revenues approved by voters in 2008, as well as to an increase of federal funds resulting from the American Recovery and Reinvestment Act (ARRA) of 2009. *Unallotments of General Fund appropriations and other actions taken by the Governor following legislative session and budget enactment are summarized in a separate Fiscal Issue Brief:*

<http://www.senate.leg.state.mn.us/departments/fiscalpol/reports/2010/IB%20FY2010-11%20Unallotments.pdf>

ALL FUNDS BUDGET SUMMARY

As summarized in Table 1, the FY 2010-2011 enacted¹ budget for all operating funds totals \$62.3 billion, an increase of 4.6 billion, or 8.0 percent, compared to the previous two-year budget of \$57.7 billion, and an increase of \$2.1 billion, or about 3.5 percent, relative to the February forecast. General Fund reductions amounted to \$1.7 billion relative to forecast, while there was a substantial increase in federal funds.

Table 1 All Funds Biennial Budget — FY 2010-2011 Comparison of FY 2010-11 Enacted to FY 2008-2009 and to Forecast <i>(dollars in millions)</i>					
	FY 2008-09	FY 2010-11 Forecast	FY 2010-11 Enacted	Change from FY 2008-09	Change from Forecast
General Fund	33,845	35,506	33,790	(56)	(1,716)
General Fund Transfers Out	(1,446)	(1,513)	(1,527)	(81)	(14)
Other Funds	10,566	9,688	10,299	(267)	611
<i>Dedicated Sales Tax Spending</i>	-	-	[397]	[397]	[397]
Federal Funds*	14,713	16,559	19,741	5,028	3,182
Total Spending	57,678	60,240	62,303	4,625	2,063

* Includes Federal TANF and Federal Fund spending; some federal monies are spent through other funds, such as highway funds.

The net increase in FY 2010-2011 appropriations is largely attributable to the increased federal funds and the initial allocation of dedicated sales tax revenues; together these

¹ The enacted budget reflects the budget provisions adopted by the Legislature and signed by the Governor. It does not include amounts that were line-item vetoed or unallotments made subsequent to budget enactment.

account for a \$5.3 billion increase from FY 2008-2009 to FY 2010-2011, and a \$3.8 billion increase compared to the February 2009 forecast. Without the increased federal funds and dedicated sales tax revenues, appropriations from all funds would be reduced \$0.7 billion from the previous biennium and \$1.7 billion compared to the forecast for FY 2010-2011. Table 2 summarizes all funds spending by budget area.

Budget Area	FY 2008-09	FY 2010-11 Forecast	FY 2010-11 Enacted	Change from FY 2008-09	Change from Forecast
E-12 Education	15,376	15,406	15,826	450	420
Higher Education	3,198	3,217	3,158	(41)	(59)
Health & Human Services	21,633	24,900	25,637	4,004	737
Agriculture & Veterans	546	553	556	10	3
Environment, Energy, Natural Resources	1,729	1,672	2,137	408	465
Economic Development	1,373	1,208	1,628	265	420
Public Safety & Judiciary	2,270	2,229	2,267	(4)	38
Transportation	5,791	5,318	5,333	(458)	15
State Government	858	788	801	(56)	14
Property Tax Aids & Credits	3,028	3,420	3,422	374	2
Debt Service	1,715	1,389	1,389	(326)	0
Capital Projects	31	30	30	(1)	0
Other	92	110	119	27	9
Total Spending	57,678	60,240	62,303	4,626	2,063

GENERAL FUND SUMMARY

Reductions to the General Fund budget for FY 2010-2011, which accounts for about 60 percent of the total operating budget, account for \$1.7 billion of the budget reductions relative to forecast. The enacted General Fund budget for FY 2010-2011 provided for revenues of \$30.9 billion and spending of \$33.8 billion and a projected deficit of \$2.7 billion after taking into account a positive carryforward of \$188 million from FY 2008-2009. The budget adopted by the Legislature would have provided for a positive General Fund balance of \$56 million, including the provisions of Chapter 179—tax revenue increases of \$958 million and K-12 education aid and property tax recognition shifts of \$1.775 billion. Chapter 179 was adopted by the Legislature on May 18, 2009, (the last day of session) and vetoed by the Governor on May 21, 2009, leaving the \$2.7 billion shortfall. While the Governor took steps to eliminate the remaining \$2.7 billion shortfall through unallotments and other executive actions following the end of session, this Fiscal Review summarizes the enacted budget prior to unallotments.

FY 2010-2011 Biennial Budget

As summarized in Table 3, the enacted budget for FY 2010-2011, prior to any unallotment actions taken by the Governor, provided for revenues of \$30.925 billion and spending of \$33.790 billion; the projected budget balance was a negative \$2.676 billion

after a carryforward from FY 2009. Revenues for FY 2010-2011 are expected to be \$225 million, or 0.7 percent, more than forecast in February and \$1.213 billion, or 3.8 percent, less than for the previous biennium (FY 2008-2009). General fund spending, prior to any unallotments, is projected to be \$1.717 billion, or 4.8 percent, less than the February forecast and \$56 million, or 0.2 percent, less than FY 2008-2009.

Table 3
FY 2010-2011 General Fund Budget
Comparison of the Enacted Budget to Forecast and Prior Biennium
(Dollars in Millions)

	General Fund Total Dollars				Dollar Change for Enacted Budget	
	Col. A FY 2008-09	Col. B February Forecast FY 2010-11	Col. C <i>FY 2010-11 Legislative End-of-Session**</i>	Col. D Enacted for FY 2010-11	(Col. D – A) Change from Prior Biennium	(Col. D – B) Change from Forecast
Balance Forward*	2,245	586	538	538	(1,707)	(48)
Revenues	32,138	30,700	31,883	30,925	(1,213)	225
Total Resources	34,383	31,286	32,421	31,463	(2,920)	177
Spending	33,845	35,506	32,015	33,790	(55)	(1,716)
Budget Reserve	0	0	0	0	0	0
Cash Flow Account	350	350	350	350	0	0
Balance (after reserves)	188	(4,570)	56	(2,676)		

* Balance forward includes the ending balance plus the reserves carried forward. The \$48 million change in balance forward compared to forecast reflects adjustments made to the FY 2008-2009 budget (see below).

** Legislative end-of-session reflects all enacted budget bills, budget bills adopted as of the end of session (May 18) but not yet acted on by the Governor, and post-session corrections to budget tracking.

Of the \$1.716 billion reduction relative to forecast, \$785 million is offset federal fiscal stabilization funds; net of these onetime federal funds, spending reductions to General Fund programs totaled \$931 million, including \$381 million due to the Governor's veto of the FY 2011 appropriation for the General Assistance Medical Care (GAMC) program. The enacted budget reduced the FY 2010-2011 projected budget deficit from \$4.570 billion to \$2.676 billion.

FY 2010-2011 Revenue Changes by Type

As summarized in Table 4, enacted General Fund revenues total \$30.9 billion for FY 2010-2011, and increase of \$225 million relative to the February forecast. Compared to the previous biennium, revenues of \$32.1 billion, FY 2010-2011 revenues are down \$1.2 billion.

Of the \$225 million increase in FY 2010-2011 revenues relative to the February forecast, \$64 million is attributable to increased tax revenues, including \$41.5 million expected from increased tax compliance efforts and the remainder from actions taken to conform Minnesota's tax laws to changes in the federal tax code. In order to achieve the \$41.5 million from increased tax collection efforts, appropriations to the Department of Revenue were increased by \$10.4 million for FY 2010-11. After these changes, FY 2010-11 tax revenues are \$1.093 billion, or 3.7 percent, lower than the previous biennium and \$64 million, or 0.2 percent, more than projected in the February forecast.

Table 4
General Fund Revenue Changes - FY 2010-2011
Comparison of the Enacted Budget to Forecast and Prior Biennium
(Dollars in Millions)

	Total General Fund Revenues by Type				Dollar Change for Enacted Budget	
	Col. A FY 2008-2009	Col. B February Forecast FY 2010-2011	Col. C FY 2010-11 Legislative End-of- Session	Col. D Enacted for FY 2010-11	(Col. D – A) Change from Prior Biennium	(Col. D – B) Change from Forecast
Tax Revenues*	29,631	28,475	29,496	28,538	(1,093)	64
Non-Tax Revenues	1,559	1,430	1,563	1,563	4	132
Dedicated Revenue	163	165	171	171	8	6
Transfers In	738*	581	604	604	(134)	23
Prior Year Adjusts.	47	50	50	50	3	0
Total Revenues	32,138	30,700	31,884	30,926	(1,212)	225

* Differs from MMB reports in that \$77.9 million of transfers into the General Fund as a result of the Governor's December 2009 unallotments are shown as FY 2008-09 spending changes rather than transfers.

Nontax revenues are expected to be \$132 million more than forecast in February, including \$66 million due to new or adjusted fees and \$64 million due to changes in certain Department of Human Services administered revenues. Transfers from nongeneral funds into the General Fund were increased by \$23 million for FY 2010-2011.

FY 2010-2011 Spending Changes by Budget Area

Table 5 summarizes FY 2010-2011 spending by budget area. The budget enacted for FY 2010-2011 totals \$33.790 billion, \$1.716 billion less than forecast in February and \$55 million less than for the previous biennium. Enacted spending is lower than forecast for all budget areas except debt service and tax aids and credits and state government. Reductions to four budget areas—E-12 Education, Higher Education, Health and Human Services, and Public Safety—were fully or partially offset by temporary federal stimulus funding. Net of federal fiscal stabilization funds, General Fund spending is \$931 below forecast.

Of the net reductions of \$1.716 billion, \$930 million reflects reductions in Health and Human Services programs, a 9.1 percent reduction to this budget area before taking into

account \$150 million of federal fiscal stabilization funds. Of the \$930 million, \$381 million is due to the Governor's line item veto of the GAMC program in FY 2011.

Table 5
Spending Changes by Budget Area- FY 2010-2011 General Fund Budget
Comparison of the Enacted Budget to Forecast and Prior Biennium
(Dollars in Millions)

	General Fund Total Dollars				Dollar Change for Enacted Budget	
	Col. A <u>FY 2008-09</u>	Col. B February Forecast <u>FY 2010-11</u>	Col. C <i>FY 2010-11 Legislative End-of-Session**</i>	Col. D** Enacted for <u>FY 2010-11</u>	(Col. D – A) Change from Prior Biennium	(Col. D – B) Change from Forecast
E-12 Education*	13,777	13,894	11,619	13,394	(383)	(500)
Higher Education	3,096	3,157	2,956	2,956	(140)	(201)
Property Tax Aids & Credits	3,044	3,435	3,438	3,438	394	2
Health & Human Services	8,997	10,192	9,262	9,262	265	(930)
Agriculture & Veterans	273	259	251	251	(23)	(8)
Environment, Energy & Nat Resources	451	378	360	361	(90)	(16)
Economic Development	406	284	267	266	(139)	(16)
Public Safety & Judiciary	1,876	1,867	1,814	1,814	(62)	(53)
Transportation	257	212	194	194	(62)	(18)
State Government	681	623	627	627	(54)	4
Debt Service	862	1,066	1,078	1,078	215	11
Capital Projects	31	30	30	30	(1)	0
Other	93	110	119	119	26	9
Total Spending	33,845	35,506	32,015	33,790	(55)	(1,716)

*Includes spending changes resulting from shifts in the timing of education payments and unallotments of education aids. ** In addition to amounts shown, \$500 million restored E-12 Education from Federal Fund with one-time federal stimulus funds; \$138 million was restored Higher Education programs; \$110 million restored to Health and Human Service programs; and \$38 million restored to Public Safety programs.

General Fund reductions to K-12 education programs (\$500 million) and higher education programs (\$201 million) also account for significant portions of the \$1.716 billion of reductions relative to forecast. The \$500 million reduction to school aids was a onetime reduction that was fully offset by a onetime appropriation of federal stimulus funds for the same purposes. Of the \$201 million of FY 2010-2011 reductions to higher education programs, \$138 million was offset with onetime federal stimulus funds for a net reduction of \$63 million in FY 2010-2011. The higher education reductions, however, carry forward as a permanent \$131 million reduction in FY 2012-2013. More detail on the enacted budget changes in each of the budget areas is included below.

Use of Federal Funds to Help Balance the State General Fund

The American Recovery and Reinvestment Act (ARRA) of 2009 provided for a variety of additional federal assistance to Minnesota, including additional federal funds to be distributed through existing federal program formulas and funds to be allocated through competitive grant processes. While states were a major recipient of many of these funds, substantial amounts of ARRA funds were also to be distributed directly to, or awarded through competitive applications, local units of government, nonprofit service agencies, private entities or other parties. More information is available at www.recovery.mn.

The most recent available information is that formula-based funds would provide an estimated \$4.7 billion of onetime assistance to Minnesota; additional funds may be awarded from competitive programs. Of the \$4.7 billion, only a portion is or was available to assist in balancing the state General Fund budget because many of the funding streams are either pass-through funds, meaning the state has no real say in how the funds are redistributed, such as to local school districts or other entities. Other funds are dedicated to various non-General Fund purposes, such as transportation projects or unemployment insurance benefits. Further, most of the temporary federal funds that were available for offsetting General Fund budget gaps also required the state to meet certain maintenance-of-effort (MOE) requirements as a condition for receiving the funds. The following table summarizes the two primary federal funds programs that contributed to General Fund balance.

<i>(\$'s in Thousands)</i>	FY 2009	FY 2010	FY 2011	Total
Federal Medical Assistance Matching (FMAP), Medicaid*	464,000	862,000	497,000	1,823,000
Fiscal Stabilization Funds	30,546	785,943	0	816,489
Total	494,546	1,647,943	497,000	2,639,489

* Amounts based on February 2009 forecast estimates.

All the ARRA funds, whether used to achieve General Fund balance or other programs, were temporary (one-time) funds that are not expected be available to fund state programs in the future.

Federal Fiscal Stabilization Funds Summary

Under the ARRA, all states were eligible for Fiscal Stabilization Funds to help minimize state government budget reductions and related job losses. Minnesota was eligible to receive \$816.5 million in such funds, of which 82.8 percent, or \$667.9 million, was required to be spent on education and 18.2 percent, or \$148.6 million, on education or other general state programs. As summarized below, Minnesota allocated all of these funds toward deficit reduction in four budget areas.

<i>(\$'s in Thousands)</i>	FY 2009	FY 2010	FY 2011	Total
K-12 Education		500,000	0	500,000
Higher Education Institutions*	30,546	137,943	0	168,489
Health & Human Services		110,000	0	110,000
Public Safety		38,000	0	38,000
Total	30,546	785,943	0	816,489

* ARRA specified that the funds be directed to higher education 'institutions,' meaning the University of Minnesota and Minnesota State Colleges and Universities, rather than Office of Higher Education programs.

These onetime federal funds were deposited into an account in the state's Federal Fund and were appropriated from that fund to support General Fund programs, thereby resulting in onetime savings in the General Fund to help balance the General Fund budget. Because ARRA required that the education funds be used first to restore funding levels in K-12 and higher education to the greater of FY 2008 or FY 2009 levels, the first \$30.546 million was appropriated to the U of M and MNSCU to restore funding for those institutions to the FY 2008 levels. ARRA also specified that FY 2008 or FY 2009 funding levels be maintained for each of state fiscal years 2009, 2010, and 2011, in sequential order. As a result, Minnesota's allocation of federal fiscal stabilization funds will be fully used in FY 2010 to offset or partially offset General Fund reductions. Of the \$668.5 million allocated to K-12 education and higher education institutions, \$667.9 million is from the 82.8 percent required to be spent on those funding areas and \$0.6 million is from the 18.2 percent allocated for general purposes, including education.

Adjustments made to the FY 2009 Budget

The 2009 Legislature made several changes to the FY 2009 budget to address deficiencies in certain programs, to appropriate funds needed to accommodate state oversight of the federal stimulus funds, and for disaster assistance. As summarized in Table 6, the FY 2009 revenue and spending changes together lower the estimated FY 2008-2009 ending balance by \$48.3 million, from \$236.2 million to \$187.9 million.

Table 6		
FY 2008-2009 General Fund Budget Changes		
2009 Legislative Session		
<i>(\$'s in Thousands)</i>		
		<u>FY 2009</u>
Projected Budget Balance, 02/09		\$236,194
Revenue Change Items <i>(Negative Amounts Reduced Budget Balance)</i>		
Ch. 12 – Federal Tax Conformity*		(14,795)
Ch. 13 – DHS SOS County Share Collections**		1,600
Ch. 37 – Delay Required Land Sales***		(2,600)
Ch. 79 - Reduce Human Service Payments		(1,182)
Total Revenue Changes		(\$16,977)
Spending Change Items <i>(Positive Amounts Reduced Budget Balance)</i>		
Ch. 13 – DHS SOS MN Sex Offender Program**		16,000
Ch. 13 – FEMA Disaster Assistance Match		1,060
Ch. 93 – Disaster Assistance****		10,653
Ch. 151 – DOT Greater MN Transit*****		2,500
Ch. 177 – MMB Federal Stimulus Oversight		700
Ch. 177 – OSA Federal Stimulus Oversight		384
Total Spending Changes		\$31,297
Net General Fund Changes		\$48,274
Revised Balance, End of Session		\$187,920

* Includes various tax conformity changes; ** The county's share equals 10 percent of spending, which comes back to the state General Fund as a revenue; *** Delayed the required land sales to FY 2010-11, resulting in a net zero change over the three years; **** Includes funding for a variety of different disaster relief efforts related to flooding in Northwestern MN; ***** A portion of FY 2011 base appropriation was paid in FY 2009 instead to address cash flow, funding shortages for certain rural transit providers in the near term.

General Fund Budget Tails — FY 2012-2013 Biennium

For FY 2012-2013, revenues are estimated to be \$34.4 billion with spending of \$37.5 billion assuming no General Assistance Medical Care (GAMC) program, and estimated

structural imbalance of \$3.1 billion compared to the \$5.1 billion projected in the February forecast. As summarized in column D of Table 7, a portion of the revenue and spending changes enacted for FY 2010-2011 were expected to carry forward as permanent changes in revenues and spending. Of the \$162 million in ongoing revenue increases, \$67 million was due to increased tax compliance efforts, while \$74 million was attributable to new or adjusted fees or other nontax revenues.

<p style="text-align: center;">Table 7 General Fund Budget—FY 2012-2013 Planning Estimates Comparison of the Enacted Budget to Forecast <i>(Dollars in Millions)</i></p>				
	General Fund Totals			
	Col. A	Col. B	Col. C	Col. D
	February Forecast FY 2012-13	<i>FY 2010-11 Legislative End-of-Session*</i>	Enacted for FY 2010-11	Dollar Change from Forecast for the <u>Enacted Budget</u>
Balance Forward*	350	406	350	
Revenues	34,244	35,437	34,406	162
Total Resources	34,594	35,843	34,756	162
Spending	39,377	38,241	37,511	(1,816)**
Budget Reserve	0	0	0	0
Cash Flow Account	350	350	350	0
Balance	(5,133)	(2,748)	(3,105)**	1,978

* EOS amounts have been adjusted to incorporate forecast corrections and budget tracking adjustments to reflect all legislative actions and Governor vetoes as of the close of session on May 18, 2009.

** The Governor vetoed the FY 2011 appropriation for general assistance medical care (GAMC) but the GAMC program language remains in law; the projected planning estimate balance of negative \$3.1 billion assumes no GAMC program in the tails. If the February forecast estimate for GAMC in FY 2012-13 is included, the projected change in spending would be \$977 million and the projected balance would be negative \$3.994 billion.

Of the \$1.816 billion of spending change shown in Table 6, \$977 million reflects permanent reductions made to General Fund programs, while \$889 reflects the value of the GAMC program. The Governor vetoed the FY 2011 appropriation for this program. The program remains in law and a full \$1.8 billion of reductions will be realized only if no funding for GAMC is restored.

HIGHLIGHTS BY BUDGET AREA

The following summaries highlight the changes made in each budget area relative to the budget projections in the February 2009 state budget forecast. The overall budgets and budget changes are discussed more fully in the relevant chapters.

State Tax Revenues

State tax revenues for the General Fund are projected to total \$28.5 billion, largely unchanged from forecast. Adjustments to prior law tax revenues totaled \$64.0 million, attributable mostly to additional tax compliance efforts and provisions conforming Minnesota tax laws to recently enacted federal tax law changes. Non-tax revenues bring total General Fund revenues to \$30.9 billion for FY 2010-2011.

E – 12 Education Budget

State appropriations from All Funds for Early Childhood through Secondary Education total \$15.286 billion for the FY 2010-2011 biennium, of which \$13.394 billion, or 85 percent, is from the General Fund. While General Fund appropriations were reduced by \$500 million, those reductions were fully replaced by an appropriation of \$500 million, for the same program purposes, from the temporary federal fiscal stabilization funds made available to Minnesota as part of the ARRA. In addition, ARRA also provided over \$400 million of federal funds for various passthrough programs that flow to school districts through state accounts.

Higher Education Budget

The overall operating budget for Higher Education totals \$3.158 billion for FY 2010-2011, of which \$2.956 billion, or 94 percent, is from the General Fund. Relative to the February 2009 state budget forecast, General Fund appropriations for FY 2010-2011 are \$200.6 million lower, while overall spending is \$59.4 million lower. While the General Fund reductions to higher education systems for FY 2010-2011 were partially offset by \$137.9 million of federal fiscal stabilization funds, \$131 million of the reductions carry forward as permanent. These amounts reflect state sources only and do not include tuition and other public and private funds flowing directly to the higher education systems, such as federal research funds, endowments, and charitable contributions.

Health & Human Services Budget

The overall budget for Health and Human Services totals \$25.637 billion for FY 2010-2011, of which \$9.262 billion is from the General Fund. The General Fund budget is \$929.9 million lower than projected in February 2009, while the overall budget is \$736.7 million more than anticipated in the February 2009 forecast. The difference is almost exclusively attributable to an expected increase of \$1.559 billion in federal funds, most of which is due to a temporary increase in federal medical assistance participation (FMAP) rates, as well as \$110 million of temporary federal fiscal stabilization funds. General Fund reductions were made to a wide range of programs discussed in more detail in the relevant chapter.

Environment, Energy, & Natural Resources Budget

The overall budget for Environment, Energy, and Natural Resources totals \$2.137 billion for FY 2010-2011, of which \$361.5 million is from the General Fund. The General Fund budget is \$16.4 million lower than projected in February 2009 reflecting various adjustments made to the enacted budget to help balance the General Fund. In contrast, the overall budget is \$465.1 million more than anticipated in the February 2009 forecast. The overall increase in spending is almost exclusively due to two factors: \$255.6 million in increased spending related to the initial appropriations supported by the dedicated sales tax revenues approved by voters in 2008; and \$167.8 million in increased spending as a result of the federal ARRA funds.

Agriculture & Veterans Affairs Budget

Appropriations for Agriculture, Veterans, and Military programs total \$555.8 million from all operating funds for FY 2010-2011, including state operating funds for veteran homes. Appropriations from the General Fund total \$250.6 million for FY 2010-2011, which is \$8.0 million less than was forecast in February 2009. Most of the General Fund reductions reflect lower funding for programs operated by the Department of Agriculture. Increased funding was made available for some programs from the constitutionally dedicated sales tax revenues approved by voters in 2008, including \$9.0 million from the Clean Water Fund and \$2.0 million from the Outdoor Heritage Fund.

Economic Development and Housing Budget

The overall budget for Economic Development and Housing totals \$1.628 billion for FY 2010-2011, of which \$266.7 million is from the General Fund. General Fund appropriations are \$17.3 million lower than projected in February 2009, reflecting various adjustments made to the enacted budget to help balance the General Fund. In contrast, the overall budget is \$419.7 million more anticipated in the February 2009 forecast. The overall increase in spending is due largely to increased federal ARRA funds (\$292.1 million) and increased spending related to the initial appropriations supported by the dedicated sales tax revenues approved by voters in 2008 (\$111.7 million). General Fund reductions were partially offset by increased spending from the Workforce Development Fund.

Public Safety & Judiciary Budget

Appropriations for Public Safety programs and Judiciary operations are \$2.286 billion from all operating funds for FY 2010-2011, of which \$1.814 billion, or 79 percent, is from the General Fund. While General Fund appropriations are \$52.5 million lower than was forecast in February 2009, \$38 million was offset by temporary federal fiscal stabilization funds. Adjustments to General Fund nontax revenues, including increases in fees collected by the courts and certain fund transfers, totaled \$42.4 million for FY 2010-2011.

Transportation Budget

The overall budget for Transportation and Transit programs totals \$5.551 billion for FY 2010-2011, of which only a small portion, \$194.3 million, is from the General Fund. The General Fund budget is \$17.3 million lower than projected in February 2009; the reductions are attributable to reduced appropriations for transit program operations statewide in an effort to help balance the state General Fund budget. The overall budget is \$37.7 million more than anticipated in the February 2009 forecast, but \$351.1 million lower for FY 2008-2009. While non-General Fund spending increased due to federal stimulus funds, spending is also heavily influenced by changes in anticipated levels of dedicated revenues, which the February 2009 budget forecast projected would be lower than anticipated when dedicated revenues were increased during the 2008 legislative session. Further, Trunk Highway Fund spending is expected to be \$391.8 million lower in FY 2010-2011 than the previous biennium due primarily to the temporary infusion of federal funds in 2008 to rebuild the I-35W bridge over the Mississippi River in Minneapolis.

State Government Budget

The overall budget for the state agencies funded by the State Government Budget totals \$801.4 million from all state operating funds for FY 2010-2011, of which \$627.1 million is from the General Fund. Further, because the state agencies funded in this budget area are often providing services to other state agencies, the activities of these agencies are also supported by an additional \$1.9 billion from various internal service and enterprise funds. While the operating budgets for most of these state agencies were reduced relative to February 2009 budget forecast levels, the approval of spending for several new technology systems results in an overall increase in appropriations. The operating budgets for many state agencies, however, are funded through the relevant budget areas, including the largest state agencies, such as the Departments of Human Services, Health, Education, Corrections, Public Safety, Transportation, and Natural Resources.

Tax Aids and Credits

Funding for various tax aids and credits that reduce property taxes and provide funding for local government operations totals \$3.439 billion for FY 2010-2011, of which over 99 percent is appropriated from the General Fund. While funding for these programs is \$373.4 million more than for the previous biennium (FY 2008-2009), appropriations for FY 2010-2011 are virtually unchanged relative to the February 2009 forecast. Reductions to various tax aid and credit programs were made through Governor unallotments subsequent to the legislative session and those changes are summarized in a separate Fiscal Issue Brief: <http://www.senate.leg.state.mn.us/departments/fiscalpol/reports/2010/IB%20FY2010-11%20Unallotments.pdf>

Dedicated Funds — 2008 Constitutional Amendment

The February 2008 state budget forecast estimated that the dedicated sales tax increase, approved by voters as an amendment to the Minnesota Constitution in 2008, would

generate \$481.0 million in FY 2010-2011. Legislative actions appropriated \$396.6 million of the estimated revenues for various purposes consistent with the requirements contained in the constitutional amendment, including: \$87.5 million from the Outdoor Heritage Fund; \$150.8 million from the Clean Water Fund; \$65.1 million from the Parks and Trails Fund; and \$93.2 million from the Arts and Cultural Heritage Fund. While these appropriations are summarized in a separate “Dedicated Funds” Chapter of this Fiscal Review for convenience, more detail on these various appropriations is also discussed in the relevant budget area chapters.

TAX REVENUES

Declines in General Fund tax revenues; no tax rate changes relative to forecast.

The February 2009 forecast projected state General Fund tax revenues of \$28.5 billion for FY 2010-2011, \$4.4 billion lower than anticipated at the end of the 2008 session because of the downturn in the economy. Legislative actions in 2009 resulted in an estimated increase of \$63.6 million in General Fund tax revenue for FY 2010-2011.

As summarized in Table 1, the net increase of \$63.6 million included: \$41.5 million from enhanced tax compliance efforts in Chapter 101, and \$22 million from increased individual income and corporate franchise tax revenue related primarily to law changes conforming Minnesota to federal tax provisions.

Tax Type	FY 2008- 2009 Spending*	FY 2010- 2011 Forecast Base	FY 2010- 2011 Enacted Budget**	Change: Enacted - FY 2008- 2009	Change: Enacted - Fest. Base
Individual Income	14,967,429	14,909,400	14,929,643	(37,786)	20,243
Corporate Income & Bank Excise	1,672,566	1,175,100	1,176,855	(495,711)	1,755
Sales	8,948,449	8,484,951	8,485,005	(463,444)	54
Motor Vehicle Sales	293,156	92,112	92,112	(201,044)	0
Statewide Property	1,447,457	1,551,443	1,551,443	103,986	0
Estate	242,349	248,900	248,900	6,551	0
Alcohol Excise	148,585	153,080	153,080	4,495	0
Cigarettes and Tobacco Excise	360,639	369,413	369,413	8,774	0
Taconite	20,528	17,500	17,500	(3,028)	0
Mortgage Registry	210,288	176,300	176,300	(33,988)	0
Deed Transfer	147,014	119,400	119,400	(27,614)	0
Insurance Gross Earnings & Fire Marshall	567,690	563,500	563,500	(4,190)	0
Controlled Substance	1	2	2	1	0
Other Gross Earnings	97	100	100	3	0
Lawful Gambling	92,029	88,180	88,180	(3,849)	0
Medical Assistance Surcharges	429,951	450,319	450,319	20,368	0
Income Tax Reciprocity	144,930	138,510	138,510	(6,420)	0
Motor Vehicle Registration Tax	1,275	1,350	1,350	75	0
Fur Clothing Gross Receipts Tax	186	0	0	(186)	0
Compliance Revenues*	0	0	41,510	41,510	41,510
Other Tax Refunds	(63,220)	(64,967)	(64,967)	(1,747)	0
Total Tax Revenues – General Fund	29,631,399	28,474,593	28,538,155	(1,093,244)	63,562

* See State Government Finance discussion of Chapter 101 tax compliance provisions.

Most General fund tax changes enacted in 2009 were contained in two omnibus tax bills: Chapter 12, which conformed Minnesota's tax laws to the federal code provisions passed in late 2008 and modified provisions of the Green Acres provisions (see discussion in Tax Aids and Credits); and Chapter 88, which conformed Minnesota tax laws to the federal American Recovery and Reinvestment Tax Act and contained various changes to Minnesota's individual, corporate, and sales tax laws.

In addition to General Fund tax revenues as summarized in Table 2, Nongeneral Fund tax revenues are now expected to total \$5.5 billion for FY 2010-2011, a \$14.9 million increase relative to the February 2009 forecast.

Tax Type	FY 2008- 2009	FY 2010-11 Forecast Base	FY 2010-11 Enacted Budget**	Change: Enacted - FY 2008-09	Change: Enacted - Fcst. Base
Sales	44,467	527,402	527,402	482,935	0
Fuels Taxes	1,404,260	1,687,503	1,687,503	283,243	0
Motor Vehicle Sales and Registration	1,498,805	1,796,362	1,795,513	296,708	-849
Cigarette and Tobacco	61,600	61,600	61,600	0	0
Taconite Production Tax	58,336	60,524	60,524	2,188	0
Mortgage Registry and Deed	645	628	628	-17	0
MnCare Provider Taxes	890,708	970,600	970,600	79,892	0
Insurance Gross Earnings	128,957	148,500	148,500	19,543	0
Lawful Gambling	118	120	120	2	0
Solid Waste Management Tax	94,683	95,898	95,898	1,215	0
Unemployment Insurance Tax	85,200	88,392	104,164	18,964	15,772
Airflight Property / Aircraft Registration	30,501	28,840	28,840	(1,661)	0
Other Excise and All Other	6,039	6,130	6,130	91	0
Other Tax Refunds	(18,157)	(19,000)	(19,000)	(843)	0
Total Tax Revenues – Other Funds	4,286,162	5,453,499	5,468,422	1,182,260	14,923

Small tax revenue changes attributable to various federal conformity provisions.

Federal Conformity

Minnesota uses federal taxable income as the starting point for determining state income tax liability. Typically, Minnesota adopts federal changes to taxable income. Most of the federal law changes enacted through April 2009 were adopted for Minnesota tax purposes. The provisions of the federal tax code that were adopted by the state include the following (see Table 3):

- Heroes Earnings Assistance and Relief Tax Act of 2008, which generally provided relief to active duty members of the military by granting them flexibility in claiming the earned income credit and using tax advantage accounts, such as flexible spending accounts (FSAs) and individual retirement accounts (IRAs).
- The Heartland, Habitat, Harvest and Horticulture Act of 2008, which made

changes to certain conservation activities of farmers, and limited farm losses when the taxpayer has received federal farm subsidies.

- The Housing Assistance Tax Act of 2008, which made a number of changes to tax exempt bonds and real estate investment trusts designed to address America's housing problems.
- The Emergency Economic Stabilization Act of 2008, which extended a number of expiring tax provisions, made a number of changes designed to promote energy conservation, and enacted temporary disaster relief for taxpayers affected by federal declared natural disasters.
- The American Recovery and Reinvestment Act (ARRA) of 2009, the 2009 federal stimulus law, contains the following changes:
 - extends the increased Section 179 expensing amount and phase out thresholds to tax year 2009. Minnesota retains its current requirement that taxpayers add 80 percent of the expensing amount back to taxable income in the first tax year, and then subtract one-fifth of the amount added back each year of the five following tax years;
 - extends 50 percent bonus depreciation amounts to tax year 2009. Minnesota would retain its current requirement that taxpayers add 80 percent of the expensing amount back to taxable income in the first tax year, and then subtract one-fifth of the amount added back each year of the five following tax years;
 - extends the carry back period for 2008 net operating losses for businesses with gross receipts of \$15 million or less from two years to five years;
 - reduces the holding period for assets of S corporations that converted from C corporations from ten years to seven years, for tax years 2009 and 2010 only, allowing S corporations to sell assets held more than seven years without being taxed on built-in gains;
 - increases from 50 percent to 75 percent the exclusion for the gain on sale of qualified small business stock held for more than five years for stock acquired between February 18, 2009, and December 31, 2010;
 - extends the definition of qualified higher education expenses that can be paid from section 529 plans to include computer equipment and software for tax years 2009 and 2010 only;
 - increases the maximum amount of benefit that an employer may exclude from gross income for employee transit and vanpool expenses to equal the amount allowed to be excluded for employee parking expenses, for tax years 2009 and 2010 only;
 - removes the limitation on net operating loss carryforwards and use of built-in losses in the case of an ownership change for

manufacturing firms if the ownership change is required under a loan agreement or line of credit entered into with the Treasury Department under the Emergency Economic Stabilization Act of 2008;

- expands availability of industrial development bonds and tribal economic development bonds, modifies rules relating to interest expenses of financial institutions for tax-exempt income, and exempts private activity bond interest from alternative minimum taxable income (generally for bonds issued in 2009 and 2010); and
- reverses IRS Notice 2008-83, which allowed an acquiring bank to use the built-in losses of an acquired bank to reduce its taxable income without regard to the limits in section 382 of the Internal Revenue Code.

Chapter 12 creates a special account in the General Fund to offset the anticipated General Fund revenue gains from federal conformity in FY 2010-2011 and the losses in FY 2012-2013 from the bonus depreciation and section 179 expensing provision. An amount up to \$10.149 million will be deposited (expenditure) in the General Fund special account in FY 2011, and in FY 2012 this amount will be returned to the General Fund (savings).

Conforming to federal tax laws for both individual income and corporate franchise taxes increased General Fund revenues by \$22 million in FY 2010-2011. Minnesota, however, did not conform to other federal tax law changes that would have reduced state General Fund revenues. In Chapter 12, Minnesota did not conform to the following:

- an additional standard deduction for state and local property taxes for tax years 2008 and 2009;
- deduction for higher education tuition expenses for tax years 2008 and 2009;
- deduction for teacher classroom expenses for tax year 2009;
- allowing ordinary treatment for gain or loss from the sale or exchange of certain preferred stock by certain financial institutions; and
- extending the enhanced deduction for corporate donations of computer equipment for tax years 2008 and 2009.

In Chapter 88, Minnesota did not conform to the following:

- deferral of certain discharge of indebtedness income (repurchase January 1, 2009, to December 31, 2009);

- excluding from income up to \$2,400 of unemployment compensation for tax year 2009; and
- allowing deduction for sales tax on purchase of a new motor vehicle (December 17, 2009, to December 31, 2009).

Table 3 — Tax Revenues							
General Fund Tax Revenue Changes Compared to Forecast – Federal Conformity							
<i>(dollars in thousands)</i>							
Tax Provisions	FY 2009	FY 2010	FY 2011	FY 2010-2011	FY 2012	FY 2013	FY 2012-2013
Federal Conformity							
Ch. 12: The Heroes Earnings Assistance and Relief Tax Act of 2008 Individual Income Tax	90	65	75	140	80	65	145
Ch. 12: The Heartland, Habitat, Harvest and Horticulture Act of 2008 Individual Income Tax	(370)	(35)	450	415	470	390	860
Ch. 12: The Housing Assistance Tax Act of 2008 Individual Income Tax	(Negl.)	70	330	400	390	370	760
Corporate Franchise Tax	(15)	(35)	(20)	(55)	(Negl.)	(Negl.)	(Negl.)
Total	(15)	35	310	345	390	370	760
Ch. 12: The Emergency Economic Stabilization Act of 2008							
Individual Income Tax	(8,200)	10,070	6,950	17,020	7,190	6,470	13,660
Corporate Franchise Tax	(6,300)	(5,850)	(2,375)	(8,225)	(3,425)	(4,450)	(7,875)
Total	(14,500)	4,220	4,575	8,795	3,765	2,020	5,785
Ch. 88: American Recovery and Reinvestment Tax Act of 2009							
Individual Income Tax	0	(1,205)	3,555	2,350	(710)	(2,705)	(3,415)
Corporate Franchise Tax	0	3,275	6,760	10,035	(2,160)	(6,500)	(8,660)
Total	0	2,070	10,315	12,385	(2,870)	(9,205)	(12,075)
Federal Conformity							
Individual Income Tax	(8,480)	8,965	11,360	20,325	7,420	4,590	12,010
Corporate Franchise Tax	(6,315)	(2,610)	4,365	1,755	(5,585)	(10,950)	(16,535)
Total Federal Conformity	(14,795)	6,355	15,725	22,080	1,835	(6,360)	(4,525)

Small revenue changes resulted from various other tax code adjustments.

Other Tax Revenue Provisions

In addition to federal conformity, the omnibus tax acts Chapters 12 and 88 contain the following exemptions (see Tables 4 and 5):

- Sales tax exemption for construction materials to rebuild a meat processing facility in St. Charles that was destroyed by fire. This exemption impacts both the General Fund and the Natural Resources and Arts funds.
- Exemption from the Minneapolis downtown taxing area for property that is

zoned residential on which a restaurant with a wine license is operated. This exemption is authorized after August 1, 2012, and is contingent on the temporary collection and remittance to the state General Fund of the local tax collected between July 1, 2009, and July 31, 2012.

- Solid waste management tax exemption for the City of Red Wing’s waste-to-energy resource recovery facility. This exemption impacts both the General Fund and the Environment Fund.
- Exemption from the five percent motor vehicle rental fee for vehicles of a nonprofit organization that charge people or groups on an hourly basis to use the vehicle and use unstaffed self-service locations; provide vehicle maintenance, insurance and fuel; and do not provide discounts or lower rates for frequent use.

Table 4 — Tax Revenues						
General Fund Tax Revenue Changes Compared to Forecast						
<i>(dollars in thousands)</i>						
Tax Provisions	FY 2010	FY 2011	FY 2010-2011	FY 2012	FY 2013	FY 2012-2013
Individual Income Tax						
Income Tax Interaction with Property Tax Provisions	0	(82)	(82)	(138)	(84)	(222)
Sales & Use Tax						
Local Options Tax - Minneapolis Downtown Taxing Area Modification	39	42	81	42	Negl.	42
Exempt Construction Materials for Meat Processing Facility	0	0	0	(2,000)	0	(2,000)
Sales Tax Changes - Total	39	42	81	42	Negl.	42
Miscellaneous Taxes						
Solid Waste Management Tax Exemption for City-Owned Waste-to-Energy Facilities	(19)	(8)	(27)	(8)	(8)	(16)
Non-Tax Revenue						
DOR Technical Bill, Withholding Tax Liability Modifications	0	110	110	255	405	660
Total	20	62	82	151	313	464

Table 5 - Tax Revenue Non-General Fund Tax Revenue Changes Compared to Forecast (dollars in thousands)						
Tax Provisions	FY 2010	FY 2011	FY 2010- 2011	FY 2012	FY 2013	FY 2012- 2013
Environmental Fund						
Solid Waste Mgt. Tax Exemption for City-Owned Waste-to-Energy Facilities	(43)	(19)	(62)	(19)	(19)	(38)
Highway User Tax Distribution Fund						
Motor Vehicle Rental Fee Non Profit Car Sharing	0	0	0	(10)	(11)	(21)
Natural Resources and Arts						
Exempt Construction Materials for Meat Processing Facility				(100)	0	(100)
Total Non-General Fund Expenditures	(43)	(19)	(62)	(129)	(30)	(159)

*Tax revenue
increase bills voted.*

Summary of Vetoed Tax Bills

In the 2009 session, the Legislature passed two tax bills that the Governor vetoed. Chapter 77 would have raised \$992 million in tax and nontax revenues from a new fourth income tax bracket at nine percent; a surtax on certain interest income; increasing taxes on sales of alcoholic beverages; and new tax compliance revenue. The revenues raised would have financed additional spending for E-12 education, nursing homes, long-term care, and hospitals.

Chapter 179 would have generated \$2.7 million to balance the General Fund in FY 2010-2011. The mechanisms to raise this new revenue included:

- a new fourth income tax bracket at nine percent, starting at \$250,000 for married joint filers and corresponding incomes for other tax filers;
- a surtax on income from excessive interest rates;
- increased alcohol taxes from 2.5 percent to five percent;
- tax compliance revenues;
- a property tax recognition shift for E-12 education; and
- an E-12 education aid payment shift.

Appendix 1 provides a more extensive description of how school and payment shifts work and the shift provisions contained in Chapter 179.

The fiscal provisions of Chapter 179 are summarized in Tables 6 and 7.

	FY 2010	FY 2011	FY 2010- 2011	FY 2012	FY 2013	FY 2012- 2013
Revenue Changes						
New 4th Tier at 9.0% for MJ filers @250,000, Eff. TY2009	268,600	247,700	516,300	245,700	260,900	506,600
Surtax on Excess Interest Rate Charge	118,900	97,400	216,300	103,200	109,500	212,700
Alcohol Beverage Tax Rate Increase for Beer, Spirits, Malt Beverages: Excise Tax and Gross Receipts	134,100	152,000	286,100	156,700	160,900	317,600
Tax Compliance - Net Revenues*	4,677	9,303	13,980	9,303	9,303	18,606
Upfront Capital Equipment Exemption (1/1/10)	(32,440)	(42,740)	(75,180)	(11,940)	(7,580)	(19,520)
Subtotal			957,500			1,035,986
Expenditure Changes						
Property Tax Recognition Shift	572,738	31,610	604,348	56,716	60,270	116,986
E-12 Education Aid Payment Shift - 73/27	1,149,248	16,946	1,166,194	19,246	22,023	41,269
Advance Final Payment - SOD Districts	(7,286)	39	(7,247)	12	2	14
E-12 Payment Shift - Tax Aids & Credits Paid to Schools	11,631	(218)	11,413	(144)	(17)	(161)
Angel Investor Credits for High Tech. Businesses	0	0	0	0	(5,000)	(5,000)
Subtotal			1,774,708			153,108
Total			2,732,208			1,189,094
* Reflects net general fund gain after increased appropriations to fund increased compliance staff.						

Beverage Type	Present Law	Proposed Law	Increase
Distilled spirits	\$1.33/liter	\$2.46/liter	\$1.13/liter
Wine ≤ 14% alcohol	\$.08/liter	\$.22/liter	\$.14/liter
Wine > 14% and ≤ 21%	\$.25/liter	\$.39/liter	\$.14/liter
Wine > 21% and ≤ 24%	\$.48/liter	\$.62/liter	\$.14/liter
Wine > 24%	\$.93/liter	\$1.07/liter	\$.14/liter
Sparkling wine	\$.48/liter	\$.62/liter	\$.14/liter
Cider	\$.04/liter	\$.18/liter	\$.14/liter
Beer ≤ 3.2% alcohol	\$2.40/barrel	\$10.67/barrel	\$8.27/barrel
Beer > 3.2 % alcohol	\$4.60/barrel	\$12.87/barrel	\$8.27/barrel

For questions regarding this Chapter or for more information on the fiscal aspects of Tax Revenues, please contact susan.vonmosch@senate.mn.

EARLY CHILDHOOD THROUGH SECONDARY EDUCATION

\$15.8 billion appropriated for E-12 education; 84 percent from the General Fund.

The 2009 Omnibus Education Act, Chapter 96, appropriated \$13.4 billion from the General Fund in FY 2010-2011 for E-12 education programs as summarized in Table 1. General Fund appropriations account for 84 percent of the \$15.8 billion all-funds education budget for the FY 2010-2011 biennium. While Chapter 96 reduced General Fund appropriations by \$500 million for FY 2010-2011, relative to the February 2009 forecast, that reduction was fully offset by a one-time \$500 million appropriation of temporary federal fiscal stabilization funds. General Fund appropriations are \$383.4 million below the FY 2008-2009 biennium.

As summarized in Table 1, the All-Funds E-12 budget expanded by \$418.7 million relative to the February 2009 forecast, and was \$448.8 million larger than the FY 2008-2009 biennium. The growth is attributable to increased federal funds associated with the American Recovery and Reinvestment Act (ARRA) of 2009. The ARRA funds include \$500 million of fiscal stabilization funds used to offset the state aid reductions, as well as increased funding to local education agencies, primarily school districts, and charter schools.

Table 1 — Early Childhood & Secondary Education All Funds Biennial Spending by Agency & Fund (dollars in thousands)					
Agency	FY 2008- 2009 Spending*	FY 2010-11 Forecast Base	FY 2010-11 Enacted Budget**	Change: Enacted – FY 2008-2009	Change: Enacted - Fcst. Base
Department of Education					
General Fund	13,739,773	13,856,101	13,356,101	(383,672)	(500,000)
Special Revenue Fund	24,797	22,525	22,585	(2,212)	60
Endowment & Permanent School Fund	53,585	55,144	55,144	1,559	0
Federal Fund	1,511,190	1,426,905	2,336,095	824,905	909,190
Max Effort School Loan Fund	0	0	0	0	0
Gift Fund	267	100	100	(167)	0
Arts & Cultural Heritage Fund**	0	0	9,500	9,500	9,500
Total for Department of Education	15,329,612	15,360,775	15,779,525	449,913	418,750
Faribault Academies					
General Fund	23,692	23,824	23,824	132	0
Special Revenue Fund	5,433	5,031	5,031	(402)	0
Federal Fund	586	500	500	(86)	0
Gift Fund	298	98	98	(200)	0
Total for Faribault Academies	30,009	29,453	29,453	(556)	0
Center for Arts Education					
General Fund	14,010	14,174	14,174	164	0
Special Revenue Fund	2,162	1,763	1,763	(399)	0

Agency	FY 2008-2009 Spending*	FY 2010-11 Forecast Base	FY 2010-11 Enacted Budget**	Change: Enacted – FY 2008-2009	Change: Enacted - Fcst. Base
Federal Fund	546	214	214	(332)	0
Gift Fund	42	6	6	(36)	0
Arts & Cultural Heritage Fund	0	0	1,000	1,000	1,000
Total for Center for Arts Education	16,760	16,157	17,157	397	1,000
TOTALS BY FUND					
General Fund	13,777,475	13,894,099	13,394,099	(383,376)	(500,000)
Special Revenue Fund	32,392	29,319	29,379	(3,013)	60
Endowment & Permanent School Fund	53,585	55,144	55,144	1,559	0
Federal Fund	1,512,322	1,427,619	2,336,809	824,487	909,190
Max Effort School Loan Fund	0	0	0	0	0
Gift Fund	607	204	204	(403)	0
Arts & Cultural Heritage Fund	0	0	10,500	10,500	10,500
Total for Early Childhood & Secondary Education	15,376,381	15,406,385	15,826,135	449,754	419,750
* As adjusted by FY 2009 unallotments and changes made by the 2009 Legislature.					
**\$500,000 each year was appropriated to the Department of Administration on behalf of the Duluth Children's Museum and the Minnesota Children's Museum. Each museum is in the jurisdiction of the elementary and secondary education budget jurisdiction.					

\$500 million General Fund reduction fully offset by federal funds; no net change in general education aid relative to forecast.

E-12 Spending Changes

Despite a state deficit, and with the help of federal funding, the 2009 Legislature held state aid harmless and appropriated the February 2009 forecasted base for the FY 2010-2011 biennium. There were no changes to the basic formula allowance or adjustments to any education finance formulas that changed revenue to school districts. However, the general education program was reduced by \$500 million in General Fund state aid. This reduction was accomplished by reducing the amount of state General Fund state aid that was appropriated in FY 2010-2011 and substituting an increase of \$500 million in federal fiscal stabilization funds from ARRA. These ARRA funds, which are available only in FY 2010-2011, allowed the state to make a onetime reduction in General Fund expenditures to balance the state's budget without reducing revenues for school districts and charter schools. These reductions are displayed in Table 2.

Table 2 — Early Childhood & Secondary Education General Fund Changes Compared to Forecast (dollars in thousands)						
Change Item	FY 2010	FY 2011	FY 2010-2011	FY 2012	FY 2013	FY 2012-2013
Department of Education						
General Education Aid Conversion to Federal Stabilization Funds	(450,000)	(50,000)	(500,000)	0	0	0
Reading Corps	375	375	750	375	375	750
Math & Science Teacher Centers	750	0	750	0	0	0
Agency Operating Budget Reduction	(750)	(750)	(1,500)	(750)	(750)	(1,500)
Total Spending Changes	(449,625)	(50,375)	(500,000)	(375)	(375)	(750)

Selected changes to categorical aids; state agency operating reductions.

Table 2 also displays the additional categorical adjustments made by the Legislature in the 2009 session. For the 2010-2011 biennium, the Legislature made offsetting appropriation increases of \$1.5 million in categorical aids and reduced the Department of Education’s general operating budget by \$1.5 million. One-half of the increases, or \$375,000 each year of the biennium, are allocated to early childhood literacy programs. Up to \$1.4 million over the biennium is for leveraging federal and private funding to support AmeriCorp members serving in the Minnesota Reading Corps program. In addition, the Legislature approved \$750,000 for the math and science teacher centers in FY 2010 only. The teacher centers previously received \$1.5 million each year, as a onetime appropriation, in the FY 2008-2009 biennium.

Chapter 179 - Vetoed

In addition to Chapter 96, the Legislature also approved Chapter 179, which included tax revenue increases and adjustments to education aid payments. This legislation was vetoed by the Governor. Chapter 179 included an additional \$1.77 billion in budget savings for FY 2010-2011 from two separate E-12 accounting shifts, the aid payment shift and the property tax recognition shift. These shifts, which primarily produce onetime savings, also carried \$158 million in General Fund savings in the FY 2012-2013 biennium. The aid payment shift creates savings by adjusting the schedule of payments in which districts receive state aid, resulting in a portion of the current biennium aid entitlement being paid in the next biennium. The property tax recognition shift adjusts the year in which certain property tax revenues are recognized by districts and correspondingly adjusts state aid payments. In addition, Chapter 179 had appropriated \$7.3 million to make final aid payments to certain school districts to mitigate the shift effects on these districts and charter schools.

A portion of dedicated funds for Arts and Cultural Heritage appropriated to arts education and children's museums.

Arts And Cultural Heritage Fund

In each year of the biennium, \$4.25 million was appropriated from the Arts and Cultural Heritage Fund to the Department of Education for grants to the twelve Regional Library Systems. These grants are meant to provide educational opportunities in the arts, history, literary arts, and cultural heritage of Minnesota. The department may award grants to sponsor programs provided by regional libraries or to local arts and cultural heritage programs for programs in partnership with regional libraries.

In addition, \$300,000 in FY 2010 and \$700,000 in FY 2011 was appropriated to the Perpich Center for Arts Education. This money is for arts, arts education, and arts access, and to preserve Minnesota's history and cultural heritage. The Perpich Center serves approximately 300 11th and 12th grade students at its Golden Valley location. The school also assists districts statewide with their arts coursework, professional development, and programming.

The Minnesota Children's Museum and the Duluth Children's Museum also received money through the Arts and Cultural Heritage Fund. Each museum received \$250,000 in each year of the biennium. The funds were appropriated to the Department of Administration for a grant to each museum but because the museums are under the jurisdiction of the education budget division, the appropriations are summarized in this chapter. The director of each museum is required to submit an annual report to the Legislature describing how the museum used their funding for arts, arts education, and arts access and to preserve Minnesota's history and cultural heritage.

For questions regarding this Chapter or for more information on the fiscal aspects of Early Childhood through Secondary Education, please contact Shelby.McQuay@senate.mn or Eric.Nauman@senate.mn.

Higher Education

\$3.2 billion appropriated for Higher Education; 94 percent from the General Fund.

Chapter 95, the 2009 Omnibus Higher Education Budget Act, appropriated \$3.158 billion to support higher education for the FY 2010-2011 biennium. Of this amount, \$2.956 billion, or 94 percent, was from the General Fund. The \$3.158 billion from all funds reflects a reduction of \$62.5 million, or two percent, for FY 2010-2011 relative to the amount forecast in February 2009. Table 1 summarizes the all funds budget for higher education while Table 2 summarizes General Fund budget changes.

Agency	FY 2008-2009 Spending*	FY 2010- 2011 Fcst. Base	FY 2010- 11 Enacted Budget	Change: Enacted - FY 2008-09	Change: Enacted - Fcst. Base
Office of Higher Education					
General Fund	381,953	385,835	372,800	(9,153)	(13,035)
Federal Fund	10,602	10,215	10,215	(387)	
Special Revenue Fund	2,516	986	986	(1,530)	
Total for Office of Higher Education	395,071	397,036	384,001	(11,070)	(13,035)
Minnesota State Colleges & Universities					
General Fund	1,328,300	,363,194	1,280,130	(48,170)	(83,064)
Federal Fund	15,273	-	63,893	48,620	63,893
Total for MnSCU	1,343,573	1,363,194	1,344,023	450	(19,171)
University of Minnesota					
General Fund	1,386,764	1,405,184	1,300,728	(86,036)	(104,456)
Federal Fund	15,273		74,050	58,777	74,050
Health Care Access Fund	4,314	4,314	4,314		
Special Revenue Fund	44,500	44,500	44,500		
Environment & Natural Resources Fund	6,540		1,780	(4,760)	1,780
Parks & Trails Fund			400	400	400
Clean Water Fund			1,055	1,055	1,055
Total for University of Minnesota	1,457,391	1,453,998	1,426,827	(30,564)	(27,171)
Mayo Foundation					
General Fund	2,452	2,651	2,651	199	
Total for Mayo Foundation	2,452	2,651	2,651	199	-
TOTALS BY FUND					
General Fund	3,099,469	3,156,864	2,956,309	(143,160)	(200,555)
Federal Fund	41,148	10,215	148,158		
Health Care Access Fund	4,314	4,314	4,314		
Special Revenue Fund	47,016	45,486	45,486	(1,530)	
Environment & Natural Resources Fund	6,540		1,780	(4,760)	1,780
Parks & Trails Fund			400	400	400
Clean Water Fund			1,055	1,055	1,055
Total for Higher Education	3,198,487	3,216,879	3,157,502	(40,985)	(59,377)

* As adjusted by FY 2009 unallotments and changes made by the 2009 Legislature.

General Fund appropriations reduced for the U of M, MnSCU, and Office of Higher Education; reductions for the U of M and MnSCU partially offset with federal funds.

General Fund appropriations for the two higher education systems are \$187.5 million less than projected in the forecast for FY2010-2011 but those reductions were partially offset with \$137.9 million in one-time, federal fiscal stabilization money. While the net reduction to higher education systems is \$49.6 million, reductions are expected to continue forward at \$118.6 million in the following biennium. After considering appropriations from all funds, FY 2010-2011 appropriations to the University of Minnesota are \$30.4 million, or two percent, lower than forecast while appropriations to MnSCU are \$19.2 million, or one percent lower than forecast. Funding for the Office of Higher Education was reduced by three percent.

Change Item	FY 2010	FY 2011	FY 2010-11	FY 2012	FY 2013	FY 2012-13
Office of Higher Education						
Campus Compact (Eliminated)	(240)	(240)	(480)	(240)	(240)	(480)
Child Care Assistance Grants	500	500	1,000	500	500	1,000
Work Study	2,500	2,500	5,000	2,500	2,500	5,000
Achieve Scholarship Program	(5,150)	(5,150)	(10,300)	(5,150)	(5,150)	(10,300)
American Indian Scholarships	125	125	250	125	125	250
TEACH Program (Vetoed)	(250)	(250)	(500)	(250)	(250)	(500)
Emergency Grants for Students	150	150	300			
Veterinary Loan Forgiveness	225		225			
ICAP	250	250	500	250	250	500
Access to Rigorous Coursework	(400)	(400)	(800)	(400)	(400)	(800)
Midwest Higher Education Compact	5	5	10	5	5	10
Interstate Tuition Reciprocity	1,000	1,000	2,000	1,400	1,500	2,900
College Savings Program	(320)	(320)	(640)	(320)	(320)	(640)
Learning Network (Transfer to MnSCU)	(4,800)	(4,800)	(9,600)	(4,800)	(4,800)	(9,600)
Office of Higher Education Total	(6,405)	(6,630)	(13,035)	(6,380)	(6,280)	(12,660)
Minnesota State Colleges and Universities (MnSCU)						
Operations & Maintenance	(72,228)	(20,436)	(92,664)	(31,510)	(31,510)	(63,020)
Learning Network (Transfer from OHE)	4,800	4,800	9,600	4,800	4,800	9,600
MnSCU Total	(67,428)	(15,636)	(83,064)	(26,710)	(26,710)	(53,420)
University of Minnesota						
Operations & Maintenance and Special Appropriations	(79,175)	(25,281)	(104,456)	(32,590)	(32,590)	(65,180)
Total for Higher Education	(153,008)	(47,547)	(200,555)	(65,680)	(65,580)	(131,260)

OFFICE OF HIGHER EDUCATION

Chapter 95 appropriated \$375 million to the Office of Higher Education, including \$288 million for the State Grant Program, which provides need-based financial aid to students. Funding was increased for child care grants, American Indian scholarships, and the State Work Study Program as depicted in Table 2.

Language included in the bill creates the Minnesota Promise, which specifies that it is the policy of the Legislature to provide sufficient financial aid funding such that the combined financial aid a Minnesota resident undergraduate student from a low-income family receives from the federal and state government will cover the tuition and required fees to attend a public two-year college. The Office of Higher Education must disseminate promotional material about the policy.

The Minnesota Promise adopted.

State Grant Program

As shown in Table 3, the maximum tuition and fee charge amount that will be recognized in calculating the state grant award during the 2010-2011 biennium was increased for four-year programs from the FY 2008-2009 maximums. In addition, the formula allowance for living expenses and associated costs was increased by \$1,100, from \$5,900 to \$7,000.

Changes made to the state grant formula.

Table 3 — Higher Education Budget State Grant Tuition and Fee Maximums				
	2008-2009 Biennium		2010-2011 Biennium	
	FY 2008	FY 2009	FY 2010	FY 2011
Two-Year Programs	\$6,114	\$5,808	\$5,808	\$5,808
Four-Year Programs	\$9,838	\$9,838	\$10,488	\$10,488

Other Financial Aid and Academic Support Programs

The Achieve Scholarship Program, which has both a need and merit component, was modified by requiring that applicants be: Pell Grant eligible; enrolled full-time in the academic year immediately following graduation from high school; and have a 2.5 or higher GPA. The minimum scholarship is \$1,200. Students who complete at least one on-line course in high school can receive an additional \$150. Further, the Legislature:

Modifications made to the Achieve Scholarship and other academic support programs.

- appropriated \$225,000 to establish a large animal veterinarian loan forgiveness program for veterinarians who agree to practice in designated rural areas that are considered underserved.
- adopted language that encourages postsecondary institutions to establish summer bridge programs to prepare academically underprepared high school graduates for college-level coursework. The bridge program must not constitute more than the equivalent of one semester of full-time study in the semester following graduation from high school. Participants in the program

are eligible to receive a onetime grant. The program includes an evaluation component that requires participating institutions to submit data and information about the services provided and the program outcomes.

- specified that the 2008-2009 Intervention for College Attendance Program (ICAP) grantees be given priority in the selection of 2010-2011 grant recipients. ICAP provides outreach services to facilitate college attendance and retention of historically underserved students in grades six through 12 and the new requirement is intended to provide continuity in program services and facilitate evaluation of program outcomes. Renewed funding is contingent on the submission of data regarding the services provided to students.

MINNESOTA STATE COLLEGES AND UNIVERSITIES (MnSCU)

The Legislature appropriated \$1.344 billion to MnSCU for the 2010-2011 biennium, virtually the same amount as the previous biennium and \$19.2 million less than projected for FY 2010-2011. General Fund appropriations were \$83.1 million lower than compared to forecast. These reductions were partially offset with \$63.9 million appropriated to the MnSCU from federal fiscal stabilization funds, leaving a net reduction of \$19.2 million, or one percent relative to forecast. General Fund appropriation reductions are expected to be \$53.4 million for the next biennium after taking into account \$9.6 million of increased spending due to the transfer of responsibility for the Learning Network from OHE.

MnSCU General Fund appropriations reduced by one percent; larger reductions planned for FY 2012-2013.

This session, for the first time, the appropriations included a separate line item of \$47.3 million each year for the central office and shared services unit. The act contains several directives regarding the expenditure of MnSCU's state appropriation including that: the amount of money distributed to the campuses through the allocation model must be increased; expenditure reduction plans to achieve the 2012-2013 base must be submitted to the Legislature; and expenditures for technology initiatives, including technology infrastructure improvements, must not exceed \$40.0 million for the biennium ending June 30, 2011.

Tuition cap provisions adopted for MnSCU.

Chapter 177 amended tuition cap provisions in Chapter 95. After the tuition cap language applicable to each system was amended, the intention of the Legislature is that tuition increases for a Minnesota resident undergraduate student, attending a MnSCU campus, not exceed five percent per year for the biennium ending June 30, 2011. Federal stimulus money under this subdivision must be used to buy down the tuition increase in fiscal year 2010 to no more than three percent for a net increase of eight percent over the two years.

Administration of, and funding for, the Learning Network of Minnesota was transferred from the Office of Higher Education to MnSCU.

In addition to FY 2010-2011 appropriations, \$15.3 million of federal fiscal

stabilization funds were appropriated to the Minnesota State Colleges and Universities for FY 2009 to restore a portion of the Governor's FY 2009 unallotments made in December 2008; federal law required that federal fiscal stabilization funds be first used to restore FY 2009 funding for higher education systems to a minimum level.

UNIVERSITY OF MINNESOTA

The U of M General Fund appropriations reduced by two percent; larger reductions planned for FY 2012-2013.

The Legislature appropriated \$1.427 billion to the University of Minnesota for the FY 2010-2011 biennium. General Fund appropriations are \$104.5 million lower compared to forecast. These reductions were partially offset with \$74.1 million appropriated from federal fiscal stabilization funds, leaving a net reduction of \$27.2 million, or one percent, less than forecast after taking into account small increases in appropriations from other funds. General Fund reductions are expected to carryforward as a permanent reduction of \$65.2 million in FY 2012-2013 and the Board of Regents must submit an expenditure reduction plan for achieving the base to the Legislature.

Tuition cap provisions adopted for the U of M.

For the University of Minnesota, the Legislature intends that the net tuition increase for a Minnesota resident undergraduate student not exceed \$300 in fiscal year 2010 and \$450 in fiscal year 2011. Appropriations of federal stimulus money under this subdivision must be used towards accomplishing this goal.

Language was included in the bill prohibiting the Board of Regents from reducing funding for the University of Minnesota and Mayo Foundation Partnership, without consulting all parties to the partnership and the legislative committees responsible for higher education finance. The partnership received an appropriation of \$8 million each year of the biennium. Further, language was adopted authorizing the use of \$150,000 of revenue from the permanent university fund to support research at the Coleraine Minerals Research Laboratory.

In addition to FY 2010-2011 appropriations, \$15.3 million of federal fiscal stabilization funds were appropriated to the University of Minnesota for FY 2009 to restore a portion of the Governor's FY 2009 unallotments made in December 2008; federal law required that federal fiscal stabilization funds be first used to restore FY 2009 funding for higher education systems to a minimum level.

MAYO MEDICAL FOUNDATION

The Legislature appropriated \$2.7 million to the Mayo Medical Foundation to support the training of physicians. This amount reflects no reduction in funding for the Mayo Medical Foundation relative to forecast.

RELATED POLICY PROVISIONS

Other noteworthy policy provisions enacted in 2009 include:

- the creation of a training and licensure program for dental therapists;
- exemption of the Associate of Applied Science degree from MnSCU's 60-credit degree limit policy;
- a requirement that groups submitting Board of Trustee candidate names to the Governor also submit those names to the chairs and ranking minority members of the committees of the Legislature with primary oversight over higher education; and
- a requirement that students be notified of the potential impact that a criminal record may have on both their ability to gain employment in certain professions, and their eligibility to receive financial aid.

For questions regarding this Chapter or for more information on the fiscal aspects of Higher Education, please contact maja.weidmann@senate.mn. or dennis.albrecht@senate.mn

HEALTH AND HUMAN SERVICES

\$25.6 billion appropriated for Health and Human Services; \$930 million lower than forecast from the General Fund, and \$1.6 billion more from federal funds.

Chapter 79, the Omnibus Health and Human Services budget bill, as later amended by Chapter 173, increased the appropriations for the Health and Human Services programs from all operating funds by \$736.7 million relative to the February 2009 forecast. Reductions in General Fund appropriations of \$929.9 million were offset by increased federal fund appropriations of \$1.559 billion, a substantial portion of which was federal funding included in the American Recovery and Reinvestment Act (ARRA). In the Health Care Access Fund, appropriations were reduced \$5.3 million. The largest reductions in General Fund appropriations were achieved by reducing payments to health care providers and long-term care providers, and by imposing limits on dental services. The Governor's veto of the FY 2011 appropriation for General Assistance Medical Care Program (GAMC) resulted in a \$381.1 million General Fund reduction. Table 1 shows the General Fund changes by agency in the Health and Human Services budget.

Agency	FY 2008-2009 Spending	FY 2010-2011 Forecast Base	FY 2010-2011 Enacted Budget	Change: Enacted – FY 2008- 2009	Change: Enacted - Fcst. Base
Department of Human Services	8,824,550	10,038,737	9,117,824	293,274	(920,913)
Department of Health	160,521	142,022	133,250	(27,271)	(8,772)
Council on Disability Ombudsman for Mental Health & Mental Retardation	1,135	1,048	1,048	(87)	0
Ombudsperson for Families	3,239	3,310	3,310	71	0
Emergency Medical Services Board	520	530	530	10	0
	7,315	6,576	6,348	(967)	(228)
Total for Budget Area	8,997,280	10,192,223	9,262,310	265,030	(929,913)

\$921 million of General Fund reductions for DHS includes \$540 million adopted by the Legislature and \$381 million due to Governor's veto of GAMC for FY 2011.

Department of Human Services (DHS)

General Fund appropriations for DHS were reduced by \$920.9 million. Chapter 79 (amended by Chapter 173) included \$539.8 million in General Fund reductions. The Governor's veto of the GAMC program spending in FY 2011 resulted in an additional \$381.1 million reduction in General Fund appropriations. Among the reductions in the Health and Human Services budget were the following:

- Redesign of the personal care attendant (PCA) program and provider standards resulting in a \$24.0 million reduction in General Fund appropriations. These provisions established new eligibility requirements for PCA services, allowing DHS to require PCA service providers to document that they meet provider

standards, quality of care standards, and billing practice standards, and place some limits on when and where PCA services can be provided.

- \$18.0 million in reductions were achieved by limiting growth in the number of individuals who could receive services through disability waivers.
- Payments to long-term care providers were reduced, which resulted in General Fund appropriation reductions of \$61.7 million.
- Various reductions to health care providers produced General Fund appropriation reductions of \$62.6 million, including \$22.8 million that resulted from limits on dental services.
- The amount allocated to agency administration in the General Fund was reduced by \$15.7 million.

Funding for Health Department programs reduced \$8.8 million compared to forecast.

Department of Health

General Fund appropriations for the Department of Health were reduced by \$8.8 million (see Table 2). Appropriations for agency administration were reduced \$4.0 million, and \$5.2 million for local public health grants was delayed. Several initiatives in the Department of Health received new appropriations from the General Fund, including a behavioral risk factor survey, a colorectal cancer prevention pilot project, and a Perfluorinated Compounds Citizens Advisory Group.

Agency	FY 2010	FY 2011	FY 2010-2011	FY 2012	FY 2013	FY 2012-2013
Department of Human Services						
Reduce Administrative Operations	(7,867)	(7,867)	(15,734)	(7,867)	(7,867)	(15,734)
Lease Cost Reduction	(381)	(153)	(534)	0	0	0
SOS Use of ARRA Funds	(110,000)	0	(110,000)	0	0	0
Limit Retroactive Eligibility for CCAP	(118)	(186)	(304)	(184)	(182)	(366)
DWP Changes	11	0	11	0	0	0
Fraud Prevention Investigation	189	0	189	0	0	0
Revenue Recapture Appeals	65	50	115	50	50	100
Accelerate Federal Spending in CCDF	(5,244)	0	(5,244)	0	0	0
AA/RCA Funding Adjustment	2,412	5,371	7,783	0	0	0
AICW Carryforward	800	0	800	0	0	0
Group Residential Housing Program Modifications	(960)	(6,072)	(7,032)	(7,324)	(7,568)	(14,892)
Basic Sliding Fee Childcare Increases	257	257	514	0	0	0
CCDF ARRA Funds	(10,000)	(4,600)	(14,600)			0
MFIP ARRA Funds	(5,509)	(9,808)	(15,317)	(10,826)	(4,046)	(14,872)
Work Participation Cash Benefit	(342)	(1,519)	(1,861)	(2,393)	(2,431)	(4,824)
MFIP Caregiver Work Requirement Changes	(359)	(1,698)	(2,057)	(1,701)	(1,696)	(3,397)

Agency	FY 2010	FY 2011	FY 2010-2011	FY 2012	FY 2013	FY 2012-2013
Correct Base Level Adjustments	189	199	388	199	199	398
ARRM Provisions	87	169	256	107	39	146
CCAP Federal Improper Payments	100	100	200	100	100	200
FSET Revenue Enhancement	100	3,883	3,983	100	100	200
Temp. Reduction State Community Action Grants	(1,794)	(1,794)	(3,588)	0	0	0
Homeless and Runaway Youth	218	0	218	119	119	238
Supportive Housing	1,500	1,500	3,000	0	0	0
Modify Nursing Facility Level of Care Thresholds	2,788	(1,220)	1,568	(39,267)	(46,926)	(86,193)
PCA Redesign and Provider Standards	(4,242)	(19,767)	(24,009)	(28,972)	(31,701)	(60,673)
County MOE Task Force	350	0	350	0	0	0
Federal Compliance for HCBS Waivers	2,247	1,625	3,872	938	938	1,876
Limit Disabilities Waiver Growth	(1,558)	(16,483)	(18,041)	(25,710)	(29,128)	(54,838)
Limit Customized Living Service Rates	19	(1,425)	(1,406)	(3,811)	(6,406)	(10,217)
Nursing Facility Return to Community Initiative	44	(512)	(468)	(1,706)	(3,494)	(5,200)
Alt. Care Payment Limits for Low-Needs Recipients	(1,073)	(2,036)	(3,109)	(354)	0	(354)
Elderly Waiver Payment Limits for Low-Needs	(153)	(619)	(772)	(50)	0	(50)
Delay Nursing Facility Rebasing	0	(3,352)	(3,352)	(14,477)	(27,507)	(41,984)
Adult Foster Care Rate Ceiling at 95th Percentile	(1,341)	(1,851)	(3,192)	(2,094)	(2,094)	(4,188)
Nursing Home Moratorium Exception Extension	(600)	(1,000)	(1,600)	0	0	0
Delay APS Nursing Facility COLA	0	0	0	(4,720)	(10,998)	(15,718)
Reduce LTC Provider Rates	(25,421)	(36,272)	(61,693)	(43,300)	(46,602)	(89,902)
Change MA Single Bed Payment Policy	(1,247)	(2,239)	(3,486)	(2,688)	(2,853)	(5,541)
Simplify Planned Closure Rate Adjustment	(47)	(240)	(287)	(482)	(658)	(1,140)
Nursing Facility IGT	(16,200)	(16,100)	(32,300)	(16,000)	(15,900)	(31,900)
Eliminate or Delay Continuing Care Grants	(682)	(682)	(1,364)	(442)	(442)	(884)
Senior Nutrition Federal Spending	(500)	0	(500)	0	0	0
Children's Mental Health Residential Treatment	(1,747)	(2,664)	(4,411)	(1,646)	(906)	(2,552)
Reform Payment Method for CD Providers	(2,461)	(5,481)	(7,942)	(3,468)	(4,647)	(8,115)
Decrease County CD Share for Fed Compliance	671	376	1,047	0	0	0
Delay New Mental Health Services	(892)	(1,540)	(2,432)	(1,778)	(599)	(2,377)
MA Coverage for Asthma	61	52	113	0	0	0
Prohibit CTSS Simultaneous Treatment	(179)	(205)	(384)	(232)	(232)	(464)
Federal Compliance: Paris Implementation	152	25	177	(25)	(25)	(50)
Uniform Formulary Exception Development	18	0	18	0	0	0
Federal Medicare Changes	67	0	67	0	0	0
Federal Compliance Reasonable Limits	102	147	249	167	167	334
Basic Care 3% Reduction	(4,097)	(7,125)	(11,222)	(9,135)	(9,769)	(18,904)
Specialist Physician 5% Reduction	(10,547)	(17,609)	(28,156)	(21,865)	(23,237)	(45,102)
Add LPCC Mental Health Professional	30	89	119	131	164	295

Agency	FY 2010	FY 2011	FY 2010-2011	FY 2012	FY 2013	FY 2012-2013
Eliminate Patient Incentive Grants	(491)	(491)	(982)	(491)	(491)	(982)
MA Blended Rate for C-Sections or Births	(461)	(971)	(1,432)	(1,274)	(1,377)	(2,651)
Colorectal Cancer Prevention Pilot Project	28	20	48	0	0	0
CHIPRA Reauthorization Option State-Only Funded	(3,012)	(4,729)	(7,741)	(4,289)	(4,059)	(8,348)
Change Treatment of Self Employment Bus. Assets	0	(196)	(196)	(845)	(962)	(1,807)
Diagnostic Imaging Prior Authorization	(353)	(802)	(1,155)	(1,465)	(2,065)	(3,530)
Modify Anesthesia Coverage and Rates	(156)	(753)	(909)	(895)	(940)	(1,835)
SMRT Process Modifications	1,465	168	1,633	148	148	296
Limits on Dental Services	(5,990)	(16,790)	(22,780)	(19,923)	(21,243)	(41,166)
Reduce Improper Billing-Emergency Ambulance	(123)	(415)	(538)	(464)	(473)	(937)
MA Intensive Medical Therapy Pilot Project	(3)	(3)	(6)	(4)	(4)	(8)
Inpatient Hospital 1% Reduction	(3,446)	(6,090)	(9,536)	(8,011)	(8,755)	(16,766)
Modify 2011 Inpatient Hospital Rebasing	0	(5,093)	(5,093)	(48,830)	0	(48,830)
Health Care Provider Payment Delay	0	(23,438)	(23,438)	23,439	(27,156)	(3,717)
Inpatient Payment Delay	0	(15,937)	(15,937)	15,937	(6,666)	9,271
Federal Compliance Limit MERC	(51,643)	(36,018)	(87,661)	(38,600)	(43,058)	(81,658)
Reduce Pharmacy Reimbursements	(1,069)	(1,356)	(2,425)	(1,848)	(2,050)	(3,898)
State COBRA Premium Subsidy-ARRA	(6,124)	(2,583)	(8,707)	(459)	(112)	(571)
Modify MA Asset Reduction Policy	0	(3,383)	(3,383)	(8,639)	(9,090)	(17,729)
Eliminate Additional Renewal Notice Mailings	(186)	(186)	(372)	(186)	(186)	(372)
Regulation of Some Trusts and Transfers	0	(122)	(122)	(622)	(1,125)	(1,747)
Health Plan Withhold	(1,608)	(6,539)	(8,147)	(9,777)	(9,744)	(19,521)
Eliminate ATS Broker & RUCA Rate Enhancement	(2,467)	(2,321)	(4,788)	(2,277)	(2,268)	(4,545)
MNDHO Limits	(1,258)	(3,429)	(4,687)	(9,001)	(14,705)	(23,706)
SOS Operating Reduction-Technology Supports	(770)	(770)	(1,540)	(770)	(770)	(1,540)
CABHS As Core Safety Net Function	8,617	10,593	19,210	10,593	10,593	21,186
Restructure Anoka Regional Treatment Center & METO	0	(700)	(700)	(1,200)	(1,200)	(2,400)
Enhanced MA Rate for SOS Dental MSOP Growth & Base Funding	965	375	1,340	375	375	750
Restored	5,670	8,330	14,000	8,330	8,330	16,660
GAMC Veto	0	(381,081)	(381,081)	(429,594)	(459,066)	(888,660)
Tracking Discrepancies & Base Adjustments	0	891	891	361	361	722
Administrative FFP	(1,540)	(1,779)	(3,319)	(742)	(707)	(1,449)
Department of Human Services Total	(267,039)	(653,874)	(920,913)	(781,629)	(884,503)	(1,666,132)
Department of Health						
Behavioral Risk Factor Surveillance Survey	550	550	1,100	550	550	1,100
Uniform Formulary Exception Development	40	0	40	0	0	0
Tuberculosis Prevention and Control	50	50	100	0	0	0
Colorectal Cancer Prevention Pilot Project	234	100	334	0	0	0

Agency	FY 2010	FY 2011	FY 2010-2011	FY 2012	FY 2013	FY 2012-2013
Grant Elimination	(1,000)	(1,208)	(2,208)	(208)	0	(208)
Local Public Health Grants Payment Delay	0	(5,193)	(5,193)	5,193	0	5,193
Support Services for Families with Deaf Children	16	284	300	300	300	600
Pentachlorophenol Risk Assessment	55	0	55	0	0	0
PFC Citizens Advisory Group	20	0	20	0	0	0
Hennepin County Cancer Registry	100	0	100	0	0	0
Administrative Reduction	(2,000)	(2,000)	(4,000)	(2,000)	(2,000)	(4,000)
2007 & 2008 Session Law Corrections	290	290	580	290	290	580
Department of Health Total	(1,645)	(7,127)	(8,772)	4,125	(860)	3,265
Emergency Medical Services Board						
Medical Response Unit Pilot Program	550	0	550	0	0	0
Bill Drafting Discrepancy	(450)	0	(450)	0	0	0
Operating Budget Reduction	(164)	(164)	(328)	(164)	(164)	(328)
Emergency Medical Services Board Total	(64)	(164)	(228)	(164)	(164)	(328)
Total Spending Changes	(268,748)	(661,165)	(929,913)	(777,668)	(885,527)	(1,663,195)

Health-Related Boards, Emergency Medical Services Board, and Other Agencies

As shown in Table 3, the health-related boards, Emergency Medical Services Board, and other agencies in the Health and Human Services budget have little or no General Fund appropriations. The health-related boards received additional appropriations from the State Government Special Revenue Fund, which are primarily the result of changes in the activities regulated by those boards. General Fund appropriations for the Emergency Medical Services Board were reduced by \$228,000.

Agency	FY 2008-2009 Spending	FY 2010-2011 Forecast Base	FY 2010-2011 Enacted Budget	Change: Enacted - FY2008-09	Change: Enacted - Fcst. Base
Department of Human Services					
General Fund	8,824,550	10,038,737	9,117,824	293,274	(920,913)
General Fund Transfers Out	(277,042)	(241,020)	(234,125)	42,917	6,895
State Government Special Revenue Fund	1,078	1,130	1,130	52	0
Health Care Access Fund	749,110	1,023,349	1,013,658	264,548	(9,691)
Special Revenue Fund	781,831	598,479	599,479	(182,352)	1,000
Federal Fund	10,086,235	12,115,531	13,626,869	3,540,634	1,511,338
Federal TANF	421,897	411,019	425,406	3,509	14,387
Gift Fund	82	110	110	28	0
Endowment	3	4	4	1	0
Total for Department of Human Services	20,587,744	23,947,339	24,550,355	3,962,611	603,016

Agency	FY 2008-2009 Spending	FY 2010-2011 Forecast Base	FY 2010-2011 Enacted Budget	Change: Enacted - FY2008-09	Change: Enacted - Fest. Base
Department of Health					
General Fund	160,521	142,022	133,250	(27,271)	(8,772)
General Fund Transfers Out	(5,979)	0	0	5,979	0
Petroleum Tank Release Cleanup Fund	1	0	0	(1)	0
State Government Special Revenue Fund	88,506	87,220	91,978	3,472	4,758
Health Care Access Fund	37,731	75,423	80,076	42,345	4,653
Special Revenue Fund	112,140	78,427	78,427	(33,713)	0
Federal Fund	418,867	412,900	460,748	41,881	47,848
Federal TANF	23,337	23,466	23,466	129	0
Clean Water Fund	0	0	3,750	3,750	3,750
Medical Education Endowment Fund	163,284	91,182	172,335	9,051	81,153
Gift Fund	159	0	0	(159)	0
Total for Department of Health	998,567	910,640	1,044,030	45,463	133,390
Health-Related Boards					
General Fund	0	0	0	0	0
State Government Special Revenue Fund	28,632	27,787	28,339	(293)	552
Special Revenue Fund	548	428	428	(120)	0
Federal Fund	200	196	196	(4)	0
Total for Health-Related Boards	29,380	28,411	28,963	(417)	552
Council on Disability					
General Fund	1,135	1,048	1,048	(87)	0
Special Revenue Fund	425	317	317	(108)	0
Total for Council on Disability	1,560	1,365	1,365	(195)	0
Ombudsman for MH/MR					
General Fund	3,239	3,310	3,310	71	0
Special Revenue Fund	3	0	0	(3)	0
Total for Ombudsman for MH/MR	3,239	3,310	3,310	71	0
Ombudsperson for Families					
General Fund	520	530	530	10	0
Special Revenue Fund	323	0	0	(323)	0
Total for Ombudsperson for Families	843	530	530	(313)	0
Emergency Medical Services Board					
General Fund	7,315	6,576	6,348	(967)	(228)
State Government Special Revenue Fund	1,436	1,412	1,412	(24)	0
Special Revenue Fund	2,761	46	46	(2,715)	0
Federal Fund	351	620	620	269	0
Gift	1	2	2	1	0
Total for Emergency Medical Services Board	11,864	8,656	8,428	(3,436)	(228)
Totals by Fund					
General Fund	8,997,280	10,192,223	9,262,310	265,030	(929,913)
General Fund Transfers Out	(283,021)	(241,020)	(234,125)	48,896	6,895
Petroleum Tank Release Cleanup Fund	1	0	0	(1)	0
State Government Special Revenue Fund	119,652	117,549	122,859	3,207	5,310
Health Care Access Fund	786,841	1,098,772	1,093,734	306,893	(5,038)

Agency	FY 2008-2009 Spending	FY 2010-2011 Forecast Base	FY 2010-2011 Enacted Budget	Change: Enacted - FY2008-09	Change: Enacted - Fcst. Base
Special Revenue Fund	898,031	677,697	678,697	(219,334)	1,000
Federal Fund	10,505,653	12,529,247	14,088,433	3,582,780	1,559,186
Federal TANF	445,234	434,485	448,872	3,638	14,387
Clean Water Fund	0	0	3,750	3,750	3,750
Medical Education Endowment Fund	163,284	91,182	172,335	9,051	81,153
Gift Fund	242	112	112	(130)	0
Endowment	3	4	4	1	0
Total for All Funds	21,633,200	24,900,251	25,636,981	4,003,781	736,730

Various General Fund nontax revenue changes contributed to General Fund budget balance.

General Fund Revenue Changes

Various changes in programs administered by DHS produced additional General Fund revenue of \$86.0 million relative to the February 2009 forecast (see Table 4). Among these changes were \$32.7 million from a recovery of a targeted case management payment to counties; \$16.4 million in additional federal food support reimbursement resulting from changes in group residential housing programs; and \$18.7 million from the conversion of Child and Adolescent Behavioral Health Services (CABHS) to a core safety net function.

There was a \$6.0 million transfer to the General Fund from the State Government Special Revenue Fund for the health-related boards and a \$6.2 million transfer to the General Fund from the Emergency Medical Services Board's Longevity Award account (see Table 4).

Agency	FY 2010	FY 2011	FY 2010-2011	FY 2012	FY 2013	FY 2012-2013
Department of Human Services						
Transfer From HealthMatch Systems Account	3,054	0	3,054	0	0	0
Revenue Recapture Appeals	48	48	96	48	48	96
Recover TCM Temporary Payment	16,333	16,334	32,667	0	0	0
GRH Modifications-Fed Food Support Reimbursement	5,453	10,906	16,359	10,906	10,906	21,812
ARRM Provisions	70	70	140	70	70	140
FSET Revenue Enhancement	4,847	7,414	12,261	4,400	4,400	8,800
PCA Redesign and Provider Standards	90	90	180	(90)	(90)	(180)
Transfer CCDTF Admin Special Revenue Fund	750	0	750	0	0	0
Homestead/Estate Recovery	1,183	1,759	2,942	2,430	2,650	5,080
SOS Operating Reduction-Technology Supports	(70)	(70)	(140)	(70)	(70)	(140)
CABHS As Core Safety Net Function	8,423	10,281	18,704	10,281	10,281	20,562
Restructure Anoka Regional Treatment Center & METO	0	829	829	829	4,829	5,658
MSOP Growth & Base Funding Restored	567	833	1,400	833	833	1,666
Intergovernmental Transfer Realignment	(1,576)	(788)	(2,364)	0	0	0
DHS Administrative Reductions	(427)	(427)	(854)	(427)	(427)	(854)

Agency	FY 2010	FY 2011	FY 2010-2011	FY 2012	FY 2013	FY 2012-2013
Subtotal DHS General Fund Revenue Changes	38,745	47,279	86,024	29,210	33,430	62,640
Other General Fund Revenue Changes						
MDH-Support Svcs for Families with Deaf Children	0	360	360	360	360	720
Transfer From Health Related Boards SGSR Fund	0	6,000	6,000	0	0	0
Transfer From EMS Board Longevity Award Acct.	6,182	0	6,182	0	0	0
Subtotal Other General Fund Revenue Changes	6,182	6,360	12,542	360	360	720
Total General Fund Revenue Changes	44,927	53,639	98,566	29,570	33,790	63,360

For questions regarding this Chapter or for more information on the fiscal aspects of Health and Human Services, please contact dennis.albrecht@senate.mn

AGRICULTURE, VETERANS, AND MILITARY AFFAIRS

Funding for Agriculture and Veterans programs total \$556 million; 1.9% more than the previous biennium.

As summarized in Table 2 (next page), appropriations for the Agriculture and Veterans budget area total \$555.8 million from all funds for FY 2010-2011, a 1.9 percent increase over the previous biennium. General Fund appropriations decreased by \$22.6 million compared to the FY 2008-2009 biennium, which included onetime appropriations for clean water purposes. As part of the budget reductions made to alleviate the projected General Fund budget deficit, appropriations were reduced by \$8.0 million, or 3.1 percent, compared to forecast.

SPENDING CHANGE ITEMS	FY 2010	FY 2011	FY 2010-2011	FY 2012	FY 2013	FY 2012-2013
Department of Agriculture						
Protection Services Changes	(100)	(100)	(200)	(100)	(100)	(200)
Wolf & Elk Damage Compensation	50	50	100	50	50	100
Marketing & Development Reductions	(591)	(591)	(1,182)	(591)	(591)	(1,182)
One-time Ethanol Payment Reduction	(3,000)	(3,000)	(6,000)			
Livestock Investment Grants	1,000		1,000			
Dairy Development Reduction	(225)	(250)	(475)	(250)	(250)	(500)
Turf Seed Council Grant	50	50	100	50	50	100
Other Onetime Initiatives	135		135			
Administration Reductions	(100)	(100)	(200)	(100)	(100)	(200)
Line Item Veto-Organic Cost Share Grants		(100)	(100)	(100)	(100)	(200)
Department of Agriculture Total	2,781	(4,041)	(6,822)	(1,041)	(1,041)	(2,082)
Board of Animal Health						
Program and Administrative Reductions	(379)	(379)	(758)	(379)	(379)	(758)
Bovine TB Herd Buyout Increase	200	200	400	200	200	400
Board of Animal Health Total	(179)	(179)	(358)	(179)	(179)	(358)
Agriculture Utilization Research Institute						
General Fund Reduction	(217)	(217)	(434)	(217)	(217)	(434)
Department of Military Affairs						
Tuition Reimbursement Increase	3,000		3,000			
Department of Veterans Affairs						
Information Technologies Upgrade	500	500	1,000	500	500	1,000
Homeless Veterans Programs (MACV)	250	250	500	250	250	500
Change GI Bill Appropriation	(4,632)	(4,506)	(9,138)	(4,367)	(4,214)	(8,581)
Veteran Homes - Program Increase	1,797	2,040	3,837	2,040	2,040	4,080
Veteran Homes - Mental Health Programs	220	220	440	220	220	440
Department of Veterans Affairs Total	(1,865)	(1,496)	(3,361)	(1,357)	(1,204)	(2,561)
Total Appropriation Changes	(2,042)	(5,933)	(7,975)	(2,794)	(2,641)	(5,435)
General Fund Revenue Changes—Department of Veterans Affairs						
Medicare Part D Reimbursement	409	409	818	409	409	818

General Fund reductions made to Agriculture, Animal Health, and AURI programs.

Department of Agriculture

The total FY 2010-2011 budget for the Department of Agriculture is \$153.9 million, which is almost unchanged from the previous biennium's spending of \$153.7 million. However, despite a General Fund reduction of \$6.8 million, the Department's FY 2010-2011 budget from all funds is \$8.6 million greater than forecast. The increase compared to forecast is mostly due to appropriations from the new constitutionally dedicated funds (Clean Water Fund and Outdoor Heritage Fund).

In Chapter 94, as summarized in Table 1 above, the Legislature made a number of small General Fund budget reductions throughout the agency totaling just over \$2.0 million for the biennium. There was also a onetime reduction in ethanol producer payments of \$6.0 million. New General Fund initiatives totaled just over \$1.3 million, including \$1.0 million for livestock investment grants.

The Legislature also increased several dedicated fees that will increase revenues and expenditures from the Agriculture Fund by \$4.4 million. The fee increases are for the pesticide program, dairy and food inspections, and fertilizer fees.

Board of Animal Health

The total FY 2010-2011 budget for the Board of Animal Health is \$14.4 million, a \$2.1 million decrease from the previous biennium. However, compared to the base budget, the board's budget is reduced by \$358,000 or 2.4 percent.

Agricultural Utilization Research Institute

The total FY 2010-2011 budget for the Agricultural Utilization Research Institute (AURI) is about \$5.8 million, which is a reduction of \$434,000, or 7.0 percent from the previous biennium and the base budget. AURI's entire state budget is from the General Fund.

Department of Military Affairs

The total FY 2010-2011 budget for the Department of Military Affairs is \$196.3 million, most of which comes from federal funds (\$151.4 million). The department saw an increase of over \$10.0 million in federal funds compared to the previous biennium. The Legislature increased General Fund appropriations by \$3.0 million to help fund an anticipated deficiency in its tuition reimbursement program.

Appropriations and federal funds increased for Military Affairs.

Table 2 — Agriculture and Veterans Budget
All Funds Biennial Spending by Agency & Fund
(dollars in thousands)

Agency	FY 2008-09 Spending*	FY 2010-11 Forecast Base	FY 2010-11 Enacted Budget**	Change: Enacted - FY 2008-09	Change: Enacted - Fcst. Base
Department of Agriculture					
General Fund	91,406	79,536	72,714	(18,692)	(6,822)
Agriculture Fund	36,606	36,736	41,156	4,550	4,420
Special Revenue Fund	7,149	7,948	7,948	799	
Remediation Fund	3,729	4,776	4,776	1,047	
Gift Fund	197	52	52	(145)	
Outdoor Heritage Fund			2,000	2,000	2,000
Clean Water Fund			8,960	8,960	8,960
Env & Nat Res Trust Fund	587			(587)	
Federal Fund	13,982	16,245	16,245	2,263	
Total for Department of Agriculture	153,656	145,293	153,851	195	8,558
Other Funds:					
Clean Water Revolving Fund	8,722	9,436	9,436	714	
Rural Finance Authority	848	1,000	1,000	152	
Miscellaneous Agency	838	402	402	(436)	
Board of Animal Health					
General Fund	13,155	10,836	10,478	(2,677)	(358)
Special Revenue Fund	890	760	760	(130)	
Federal Fund	2,461	3,136	3,136	675	
Total for Board of Animal Health	16,506	14,732	14,374	(2,132)	(358)
Agriculture Utilization Research Institute (AURI)					
General Fund—AURI Total	6,200	6,200	5,766	(434)	(434)
Department of Military Affairs					
General Fund	42,208	39,110	42,110	(98)	3,000
Special Revenue Fund	2,399	2,694	2,694	295	
Federal Fund	141,246	151,454	151,454	10,208	
Total for Military Affairs	185,853	193,258	196,258	10,405	3,000
Department of Veterans Affairs					
General Fund	120,268	122,916	119,555	(713)	(3,361)
General Fund Transfer Out	(88,040)	(83,312)	(87,589)	451	(4,277)
Special Revenue Fund	149,469	151,674	151,674	2,205	
Gift Fund	1,057	1,236	1,236	179	
Federal Fund	700	720	720	20	
Total for Department of Veterans Affairs	183,454	193,234	185,596	2,142	(7,638)
TOTALS BY FUND					
General Fund	273,237	258,598	250,623	(22,614)	(7,975)
General Fund Transfer Out	(88,040)	(83,312)	(87,589)	451	(4,277)
Remediation Fund	3,729	4,776	4,776	1,047	
Special Revenue Fund	159,907	163,076	163,076	3,169	

Agency	FY 2008-09 Spending*	FY 2010-11 Forecast Base	FY 2010-11 Enacted Budget**	Change: Enacted - FY 2008-09	Change: Enacted - Fcst. Base
Gift Fund	1,254	1,288	1,288	34	
Agriculture Fund	36,606	36,736	41,156	4,550	4,420
Clean Water Fund			8,960	8,960	8,960
Outdoor Heritage Fund			2,000	2,000	2,000
Env & Nat Res Trust Fund	587			(587)	
Federal Fund	158,389	171,555	171,555	13,166	
Total for Agriculture & Veterans	545,669	552,717	555,845	10,176	3,128
<i>Other Funds:</i>					
Clean Water Revolving Fund	8,722	9,436	9,436	714	
Rural Finance Authority	848	1,000	1,000	152	
Miscellaneous Agency	838	402	402	(436)	
* As adjusted by FY 2009 unallotments and changes made by the 2009 Legislature.					

Department of Veteran Affairs

The total FY 2010-2011 budget for the Department of Veterans Affairs is \$185.6 million, which is an increase of \$2.1 million over the previous biennium. The department's total General Fund budget was reduced by about \$3.4 million compared to forecast. The General Fund savings are due to a change in the funding for the G.I. Bill from a direct appropriation to an open appropriation. The new sum-sufficient open appropriation will cover actual cost of the program based on actual use of the G.I. Bill rather than appropriating funds based on anticipated use of the program, which has been lower than anticipated when first established. Consequently, there is no change to G.I. Bill program benefits. Some of the General Fund savings from the G.I. Bill were offset by a \$4.3 million funding increase funding for the Veterans' Homes in FY 2010-2011.

Savings from underutilization for G.I. Bill; increased funding for Veterans' Homes.

For questions regarding this Chapter or for more information on the fiscal aspects of Agriculture and Veterans Affairs, please contact Daniel Mueller@senate.mn.

ENVIRONMENT, ENERGY, AND NATURAL RESOURCES

Environment, Energy, and Natural Resources appropriations up 23.5 percent; increases due mostly to dedicated funding while General Funds reduced 4.3 percent.

Total appropriations for the Environment, Energy, and Natural Resources budget area are \$2.1 billion for FY 2010-2011, a 23.5 percent increase over the FY 2008-2009 biennium. The increase is due mainly to an increase in funds from the federal economic stimulus package, as well as the passage of the dedicated funding constitutional amendment in 2008. General Fund appropriations for the budget area decreased by 20.0 percent compared to the FY 2008-2009 biennium, which included onetime appropriations for clean water purposes. As part of the overall budget reductions to help meet the General Fund forecasted budget deficit, appropriations were reduced by \$16.4 million, or 4.3 percent compared to the forecast base budget

**Table 1 — Environment, Energy, and Natural Resources
General Fund Changes Compared to Forecast
(dollars in thousands)**

Change Item	FY 2010	FY 2011	FY 2010-2011	FY 2012	FY 2013	FY 2012-2013
Pollution Control Agency						
Agency Admin & Operations	(1,610)	(1,610)	(3,220)	(1,610)	(1,610)	(3,220)
County Feedlot Grant Program	(160)	(160)	(320)	(160)	(160)	(320)
River Watch Program	100	100	200			
SSTS Inventory Grants	350	350	700			
Compliance Grants	100		100			
Storm Water Management Rules	500		500			
Pollution Control Agency						
Total	(720)	(1,320)	(2,040)	(1,770)	(1,770)	(3,540)
Minnesota Zoo	(500)	(500)	(1,000)	(500)	(500)	(1,000)
Dept of Natural Resources						
PILT Increase for New Land Acquisition				157	157	314
Budget Reductions: Lands & Minerals	(1,877)	(1,877)	(3,754)	(1,877)	(1,877)	(3,754)
Supplemental Mineland Fee Replacement	680	680	1,360			
Budget Reductions: Waters Forest Management Acct	(610)	(610)	(1,220)	(610)	(610)	(1,220)
Activities	2,000	2,000	4,000			
Private Forest Landowners Assistance	(500)	(500)	(1,000)	(500)	(500)	(1,000)
Budget Reduction: Parks & Trails	(1,350)	(1,350)	(2,700)	(1,350)	(1,350)	(2,700)
Budget Reduction: Fish & Wildlife	(1,969)	(1,969)	(3,938)	(1,969)	(1,969)	(3,938)
Bovine TB Monitoring	539	539	1,078	(61)	(61)	(122)
Budget Reduction: Ecological Services	(300)	(300)	(600)	(300)	(300)	(600)

Change Item	FY 2010	FY 2011	FY 2010-2011	FY 2012	FY 2013	FY 2012-2013
Budget Reduction: Enforcement	(215)	(215)	(430)	(215)	(215)	(430)
Budget Reduction; Admin & Operations	(800)	(800)	(1,600)	(800)	(800)	(1,600)
Dept of Natural Resources Total	(4,402)	(4,402)	(8,804)	(7,525)	(7,525)	(15,050)
Metropolitan Council - Regional Parks	(240)	(240)	(480)	(240)	(240)	(480)
MN Conservation Corps Board of Water & Soil Resources	(20)	(20)	(40)	(20)	(20)	(40)
Agency Operations	(316)	(316)	(632)	(316)	(316)	(632)
Grant Programs	(1,723)	(1,723)	(3,446)	(1,723)	(1,723)	(3,446)
Local Board Funding	(30)	(30)	(60)	(30)	(30)	(60)
Wetland Protection	(300)	(300)	(600)	(300)	(300)	(600)
Feedlot Cost Share Grants	500	500	1,000	500	500	1,000
Board of Water & Soil Resources Total	(1,869)	(1,869)	(3,738)	(1,869)	(1,869)	(3,738)
Science Museum of Minnesota	(63)	(63)	(126)	(63)	(63)	(126)
Department of Commerce						
E-85/Ethanol Pump Grants	(750)		(750)			
Consumers Small Loan Regulation	1	1	2	1	1	2
Administrative Services Reduction	(411)	(411)	(822)	(411)	(411)	(822)
Investigation Cost Recovery	680	680	1,360	680	680	1,360
Dept of Commerce Total	(480)	270	(210)	270	270	540
Total Appropriation Changes	(8,294)	(8,144)	(16,438)	(11,717)	(11,717)	(23,434)

Table 2 — Environment, Energy, and Natural Resources						
General Fund Revenue Changes						
<i>(dollars in thousands)</i>						
Change Item	FY 2010	FY 2011	FY 2010-2011	FY 2012	FY 2013	FY 2012-2013
General Fund Revenue Changes						
Pollution Control Agency						
Moves Fines to Environmental Fund	(1,000)	(1,000)	(2,000)	(1,000)	(1,000)	(2,000)
Dept of Natural Resources						
Water Appropriation Fee Increase	500	500	1,000	500	500	1,000
Department of Commerce						
Investigation Cost Recovery	754	754	1,508	754	754	1,508
Transfer: Auto Theft Prevention Acct	500		500			
Debt Management & Settlement	20	5	25	5	5	10
Insurance Filing Fee	300	300	600	300	300	600
Internet Payday Lender License Fee	8	4	12	4	4	8
OES Cost Recovery Assessment	284	284	568	284	284	568
Total Revenue Changes	1,366	847	2,213	847	847	1,694

PCA appropriations total \$365 million; up \$624 for All Funds, but down \$2 million from the General Fund.

Pollution Control Agency

The total FY 2010-2011 budget for the Pollution Control Agency (PCA) is just under \$365 million, which is a 3.5 percent increase over the previous biennium and about \$62.4 million over the forecast base. Despite the PCA's General Fund reduction of slightly over \$2 million, the increase compared to the forecast base is mostly due to appropriations from the new constitutionally dedicated Clean Water Fund, increased spending in the Environmental Fund, and the receipt of federal stimulus funds.

In Chapter 37, the General Fund reductions to the agency were for administration and operations (\$3.2 million) and the county feedlot program (\$320,000). A portion of the reductions will be offset by \$4.7 million of fee increase and \$6.9 million of increased spending from the Environmental Fund for certain regulatory services. The Legislature also provided additional onetime General Fund appropriations of \$1.5 million for new grant programs and new rulemaking.

Minnesota Zoo

The total FY 2010-2011 budget for the Minnesota Zoo is \$43.6 million, which is an increase of \$460,000, or 3.1 percent from the previous biennium. While the Zoo's General Fund budget was reduced by \$1.0 million compared to the forecast base, this amount is mostly offset with a \$900,000 appropriation from the Arts and Cultural Heritage Fund, and a small increase (\$44,000) from the Natural Resources Fund.

Department of Natural Resources

The total FY 2010-2011 budget for the Department of Natural Resources (DNR) is \$834.7 million, which is an 11 percent increase over the previous biennium and almost \$140 million over the forecast base. Despite the DNR's General Fund reduction of slightly over \$8.8 million, the increase compared to the forecast base is mostly due to appropriations from the new constitutionally dedicated funds (Outdoor Heritage Fund, Clean Water Fund, and Parks and Trails Fund); increased appropriations from the Game and Fish Fund; and the receipt of federal stimulus funds.

In Chapter 37, the Legislature reduced General Fund appropriations to the DNR within all program areas for a total of \$8.8 million. Included in this amount was a reduction of \$3.9 million for fish and wildlife, a \$2.7 million reduction for parks and trails, and a \$1.6 million reduction for administration and operations. Additional onetime General Fund appropriations of \$4 million were provided for forest management activities to help offset an \$11 million reduction in forestry spending due to a loss of revenue from decreased timber sales. The Legislature also appropriated \$1.1 for bovine tuberculosis monitoring.

Increased appropriations from the Game and Fish Fund included: \$2.1 million for ecological classification and invasive species prevention in forests; \$1.0 million for various dedicated accounts tied to stamp and specific license purchases; \$300,000 for the continuation of the Let's Go Fishing program for seniors; \$240,000 for grey wolf control; and an estimated \$530,000 supported by revenue generated from the new voluntary walleye stamp. (Some of the appropriations from the Game and Fish Fund were contained in the Environment/Game and Fish Policy Bill, Chapter 176.)

Metropolitan Council – Regional Parks

The total budget for the Metropolitan Council – Regional Parks is \$47.2 million, which is more than twice the budget compared to the previous biennium. The Metropolitan Council – Regional Park's FY 2010-2011 budget is \$30.0 million over the forecast base, which is due mostly to new appropriations from the constitutionally dedicated Parks and Trails Fund. General Fund appropriations for regional parks were reduced by \$480,000, a six-percent reduction to its General Fund forecasted based budget.

Minnesota Conservation Corps

The total FY 2010-2011 budget for the Minnesota Conservation Corps (MCC) is \$1.9 million, a \$90,000 or 4.5 percent reduction from the previous biennium. Additionally, the MCC is designated to work with the Board of Water and Soil Resources to complete \$1 million of contracted work under the Board's Clean Water Fund appropriation.

Board of Water and Soil Resources

The total FY 2010-2011 budget for the Board of Water and Soil Resources (BWSR) is \$88.9 million, which is a 32 percent increase over the previous biennium, and almost \$46.6 million over the forecast base. Despite BWSR's General Fund reduction of \$3.7 million, the increase compared to the forecast base is mostly due to appropriations from the new constitutionally dedicated funds (Outdoor Heritage Fund and Clean Water Fund).

In chapter 37, the Legislature reduced the total General Fund appropriations by \$3.7 million. Of this amount, \$3.4 million was reduced from local grant programs. The remaining amount was reduced from operations (\$632,000), wetland protection (\$600,000), and local board grants (\$60,000). An additional \$1.0 million was appropriated for feedlot cost-share grants.

Science Museum of Minnesota

The total FY 2010-2011 budget for the Science Museum of Minnesota is almost \$3.6 million, or about a 35 percent increase from the previous biennium. While the Science Museum's General Fund budget was reduced by five percent (\$126,000), the museum also received an appropriation of \$900,000 from the new constitutionally dedicated Arts and Cultural Heritage Fund.

Public Utilities Commission

Total FY 2010-2011 appropriations for the Public Utilities Commission (PUC) increased by almost \$1.2 million, or 7.7 percent over the previous biennium, but remained unchanged compared to the February forecast base. The PUC is authorized to recover their operation costs through assessments on utility companies.

Department of Commerce

The total budget for the Department of Commerce for the 2010-2011 biennium is \$733.3 million, of which \$585.8 million are energy-related federal funds. There were almost \$1.6 million in General Fund reductions, including a \$750,000 reduction in the E-85 pump grant program and an \$822,000 reduction in administrative services.

Chapter 37 incorporated the emerging industry of debt settlement services providers and required them to meet certain criteria and to register with the department, resulting in a \$25,000 increase in General Fund revenues for the FY 2010-2011 biennium. Chapter 37 also changed business practices of the Market Assurance Division of the Department of Commerce by moving examinations and investigations of insurance companies “in house,” and ending the current practice of using private contractors. This change increased General Fund revenues by \$1.5 million, and resulted in a net gain of \$148,000 for the FY 2010-2011 biennium. In addition, the Legislature clarified that Internet payday lenders are required to register with the department, resulting in a General Fund revenue increase of \$12,000 for the FY 2010-2011 biennium. Finally, Chapter 37 raised some insurance filing fees, resulting in an increase in General Fund revenues by \$600,000 for the FY 2010-2011 biennium.

ARRA Federal Stimulus – Energy Programs

As part of Minnesota’s share of federal stimulus dollars under the American Recovery and Reinvestment Act (ARRA), the Department of Commerce’s Office of Energy Security will receive approximately \$196.8 million for energy-related programs and home weatherization grants for low-income households. The following table summarizes the allocations from Chapter 138.

Table 3 — Environment, Energy & Natural Resources Summary of Chapter 138 – ARRA Funding for Energy Programs <i>(amounts in thousands)</i>			
Program	Category	Description	Amount
Weatherization Assistance Energy Assistance Block Grants	Energy Efficiency	Residential/Low-Income Weatherization Assistance	131,937
	Energy Efficiency	Block Grants to Local Governments State Grants for School & Local Govt.	6,386 4,258
State Energy Program	Energy Efficiency	State Grants for School & Local Govt.	8,750
		State Building Improvements & Retrofits	6,922
		Residential Energy Efficiency Grants	9,500
		Commercial/Business Shared Savings Grants	5,000
		Training & Workforce Development	2,500
	Renewable Energy	Energy Technology Transfer Center	500
		Residential Renewable & Geothermal Rebates	5,000
	Local Government Solar Energy Projects	3,000	
Totals		Local Government & School Buildings Renewable Grants	6,500
		Emerging Renewable Energy Industries Grants	2,000
		Commercial/Industrial Grants for Renewable Energy & Efficiency	4,500
		Weatherization Assistance	131,937
		Energy Assistance Block Grants	10,644
		State Energy Program	54,172
		Grand Total:	196,753

Table 4 — Environment, Energy & Natural Resources All Funds Biennial Spending by Agency & Fund <i>(dollars in thousands)</i>					
Agency	FY 2008- 2009 Spending*	FY 2010- 2011 Forecast Base	FY 2010- 2011 Enacted Budget	Change: Enacted - FY 2008-2009	Change: Enacted - Fest. Base
Pollution Control Agency					
General Fund	53,392	22,982	20,942	(32,450)	(2,040)
Environmental Fund	130,747	122,340	129,198	(1,549)	6,858
Remediation Fund	75,905	78,668	78,668	2,763	
Special Revenue Fund	39,374	32,299	32,299	(7,075)	
State Govt Special Revenue Fund	99	100	100	1	
Gift Fund	2,781	2,060	2,060	(721)	

Agency	FY 2008-2009 Spending*	FY 2010-2011 Forecast Base	FY 2010-2011 Enacted Budget	Change: Enacted - FY 2008-2009	Change: Enacted - Fest. Base
Clean Water Fund			51,161	51,161	51,161
Env & Nat Res Trust Fund	957		425	(532)	425
Federal Fund	47,612	44,090	44,210	(3,402)	120
Federal Stimulus Funds	1,650		5,899	4,249	5,899
Total Pollution Control Agency	352,517	302,539	364,962	12,445	62,423
<i>Other Funds:</i>					
<i>Great Lakes Protection Account (LCCMR)</i>					
	86		66	(20)	66
<i>Clean Water Revolving Fund</i>	7,448	7,448	7,448		
Minnesota Zoo					
General Fund	14,193	14,136	13,136	(1,057)	(1,000)
Special Revenue Fund	22,631	24,847	24,847	2,216	
Natural Resources Fund	275	276	320	45	44
Arts & Cultural Heritage Fund			900	900	900
Gift Fund	6,084	5,340	5,340	(744)	
Total for Minnesota Zoo	43,183	44,599	44,543	1,360	(56)
Department of Natural Resources					
General Fund	257,232	239,986	231,182	(26,050)	(8,804)
Natural Resources Fund	163,228	164,536	161,582	(1,646)	(2,954)
Game & Fish Fund	193,136	193,256	197,561	4,425	4,305
Special Revenue Fund	42,142	41,386	41,386	(756)	
Remediation Fund	2,911	863	863	(2,048)	
Permanent School Fund	604	406	406	(198)	
Gift Fund	3,979	3,678	3,678	(301)	
Clean Water Fund			14,525	14,525	14,525
Outdoor Heritage Fund			75,769	75,769	75,769
Parks and Trails Fund			36,901	36,901	36,901
Env & Nat Res Trust Fund	44,540		15,148	(29,392)	15,148
Minnesota Future Resources Fund	221			(221)	
Federal Fund	43,249	50,642	51,222	7,973	580
Federal Stimulus Funds	500		4,500	4,000	4,500
Total for Department of Natural Resources	751,742	694,753	834,723	82,981	139,970
<i>Other: Reinvest in Minnesota</i>	9,948	9,948	9,948		
Metropolitan Council - Regional Parks					
General Fund	8,000	8,100	7,620	(380)	(480)
Natural Resources Fund	9,440	9,140	10,140	700	1,000
Clean Water Fund			400	400	400
Parks and Trails Fund			27,781	27,781	27,781
Env & Nat Res Trust Fund	2,500		1,290	(1,210)	1,290
Total for Metro Council - Regional Parks	19,940	17,240	47,231	27,291	29,991
Minnesota Conservation Corps					
General Fund	1,000	950	910	(90)	(40)
Natural Resources Fund	980	980	980		
Total for MN Conservation Corps	1,980	1,930	1,890	(90)	(40)

Agency	FY 2008-2009 Spending*	FY 2010-2011 Forecast Base	FY 2010-2011 Enacted Budget	Change: Enacted - FY 2008-2009	Change: Enacted - Fest. Base
Board of Water & Soil Resources					
General Fund	54,367	34,699	30,961	(23,406)	(3,738)
Special Revenue Fund	5,892	4,340	4,340	(1,552)	
Clean Water Fund			38,224	38,224	38,224
Outdoor Heritage Fund			9,058	9,058	9,058
Env & Nat Res Trust Fund	2,430		3,007	577	3,007
Federal Fund	4,627	3,294	3,294	(1,333)	
Total for BWSR	67,316	42,333	88,884	21,568	46,551
Science Museum of Minnesota					
General Fund	2,500	2,500	2,374	(126)	(126)
Arts & Cultural Heritage Fund			900	900	900
Env & Nat Res Trust Fund	150		300	150	300
Total for Science Museum	2,650	2,500	3,574	924	1,074
Legislative-Citizens Commission on Minnesota Resources					
Env & Nat Res Trust Fund	1,763		1,254	(509)	1,254
Public Utilities Commission					
General Fund	10,780	10,866	10,866	86	
Special Revenue Fund	4,436	5,522	5,522	1,086	
Total for Public Utilities Commission	15,216	16,388	16,388	1,172	
Department of Commerce					
General Fund	49,390	43,676	43,466	(5,924)	10)
Special Revenue Fund	65,381	63,871	67,829	2,448	3,958
Petroleum Tank Release Cleanup Fund	23,264	32,540	32,540	9,276	
Worker's Compensation Special Fund	1,663	1,670	1,670	7	
State Govt Special Revenue Fund	210			(210)	
Gift Fund		6	6	6	
Env & Nat Res Trust Fund	613		2,000	1,387	2,000
Federal Fund	313,750	407,600	407,600	93,850	
Federal Stimulus Funds	18,617		178,199	159,582	178,199
Total for Department of Commerce	472,888	549,363	733,310	260,422	183,947
<i>Other: Telecom Access MN Fund</i>	<i>600</i>	<i>600</i>	<i>1,200</i>	<i>600</i>	<i>600</i>
Totals by Fund					
General Fund	450,854	377,895	361,457	(89,397)	(16,438)
Environmental Fund	130,747	122,340	129,198	(1,549)	6,858
Remediation Fund	78,816	79,531	79,531	715	
Special Revenue Fund	179,856	172,265	176,223	(3,633)	3,958
State Govt Special Revenue Fund	309	100	100	(209)	
Natural Resources Fund	173,923	174,932	173,022	(901)	(1,910)
Game & Fish Fund	193,136	193,256	197,561	4,425	4,305
Gift Fund	12,844	11,084	11,084	(1,760)	
Permanent School Fund	604	406	406	(198)	

Agency	FY 2008-2009 Spending*	FY 2010-2011 Forecast Base	FY 2010-2011 Enacted Budget	Change: Enacted - FY 2008-2009	Change: Enacted - Fcst. Base
Petroleum Tank Release Cleanup Fund	23,264	32,540	32,540	9,276	
Worker's Compensation Special Fund	1,663	1,670	1,670	7	
Clean Water Fund			104,30	104,310	104,310
Outdoor Heritage Fund			84,827	84,827	84,827
Parks and Trails Fund			64,682	64,682	64,682
Arts & Cultural Heritage Fund			1,800	1,800	1,800
Env & Nat Res Trust Fund	52,953		23,424	(29,529)	23,424
Minnesota Future Resources Fund	221			(221)	
Federal Fund	409,238	505,626	506,326	97,088	700
Federal Stimulus Funds	20,767		188,598	167,831	188,598
Total for Environment & Energy	1,729,195	1,671,645	2,136,759	407,564	465,114
<i>Other Funds:</i>					
<i>Great Lakes Protection Account (LCCMR)</i>	86		66	(20)	66
<i>Clean Water Revolving Fund</i>	7,448	7,448	7,448		
<i>Reinvest in Minnesota</i>	9,948	9,948	9,948		
<i>Telecom Access MN Fund</i>	600	600	1,200	600	600
* As adjusted by FY 2009 unallotments and changes made by the 2009 Legislature.					

For questions regarding this Chapter or for more information on the fiscal aspects of Environment, Energy, and Natural Resources, please contact daniel.mueller@senate.mn

ECONOMIC DEVELOPMENT AND HOUSING

\$1.6 billion approved for Economic Development and Housing programs; up 21.9% from forecast for All Funds, but General Fund reduced 6%.

Chapter 78, the 2009 Omnibus Economic Development Budget Act, appropriated \$1.6 billion from All Funds for state agencies and programs for the FY 2010-2011 biennium, a reduction of \$265 million, or 21.9 percent, from the 2009 February forecast. Of that amount, the Legislature appropriated \$266.7 million from the General Fund, a reduction of \$17.3 million, or six percent, relative to the February forecast. While the \$266.7 million also reflects a reduction of \$14.4 million relative to the previous biennium, much of this difference is attributable to onetime funding provided in the FY 2008-2009 biennium. In addition, the Legislature appropriated \$104 million from the Workforce Development Fund, an increase of \$10.8 million, or 12 percent, over the February forecast.

Table 1 summarizes the General Fund budget by agency for the FY 2010-2011 biennium relative to the February forecast. Unless otherwise noted, the budget changes in this review are in comparison to the 2009 February forecast.

Agency	FY 2008-2009 Spending**	FY 2010-2011 Forecast Base	FY 2010-11 Enacted Budget	Change: Enacted - FY 2008-2009	Change: Enacted - Fcst. Base
Employment & Economic Development	156,004	86,520	80,960	(75,044)	(5,560)
Public Facilities Authority	200	200	186	(14)	(14)
Explore Minnesota Tourism*	24,920	22,202	20,209	(4,711)	(1,993)
Housing Finance Agency	132,557	89,916	86,768	(45,789)	(3,148)
Accountancy Board	1,001	1,010	1,010	9	0
Arch, Eng, Surveyors, Landscape, Geo.	1,614	1,630	1,630	16	0
Barbers Board	396	376	381	(15)	5
Combative Sports Commission	130	160	160	30	0
Cosmetologists Examiners	1,182	1,122	1,342	160	220
Labor and Industry	1,968	1,960	1,760	(208)	(200)
Mediation Services	3,597	3,670	3,366	3,366	(304)
Historical Society*	50,559	48,974	45,958	(4,601)	(3,016)
Public Broadcasting*	14,821	3,910	4,030	(10,791)	120
Arts Board	20,443	20,674	17,248	(3,195)	(3,426)
Humanities Commission	500	500	500	0	0
Region 3 Occupation Tax-Open	1,164	1,164	1,164	0	0
Totals	411,056	283,988	266,672	(140,787)	(17,316)
*Enacted budgets included the Governor's Vetoes					
**Includes Governor's unallotments and spending reductions					

*General Fund
reduction of 6% for
Employment and
Economic
Development;
increased
appropriations
from Workforce
Development
Fund.*

Department of Employment and Economic Development

In the FY 2010-2011 biennium, the total budget for the Department of Employment and Economic Development (DEED) was \$838.5 million. Of that amount, the Legislature appropriated \$81 million from the General Fund, a reduction of \$5.6 million, or six percent. Further, the Legislature appropriated \$102 million from the Workforce Development Fund, an increase of \$10.3 million, or 11 percent.

DEED administers community development programs to support Minnesota business creation, expansion, relocation, and retention to increase jobs and economic opportunities in the state. Of the total amount appropriated for employment and economic development in the FY 2010-2011 biennium, \$18 million went to business and community development programs. Most of the appropriation supports continuing programs, while a portion is new funding. Some of the appropriations are highlighted below:

- \$500,000 each year from the General Fund for a grant to the BioBusiness Alliance of Minnesota to fund biobusiness development programs, such as the statewide Destination 2025 plan.
- Up to \$3 million in FY 2010 from the Minnesota Investment Fund for a loan to an aircraft manufacturing and assembly company for equipment to establish an aircraft completion center at the Minneapolis-St. Paul International Airport. The center must create at least 200 manufacturing jobs within 24 months of receiving the loan, and create not less than 500 new manufacturing jobs over a five-year period.
- \$500,000 each year from the General Fund for a grant to Enterprise Minnesota for the Small Business Growth Acceleration Program, which offers personalized business consulting services to small and medium-sized manufacturing companies in Minnesota. Both program eligibility and funding requirements were modified to allow for larger companies to participate with matching fund requirements based on the size of the company.

In addition to General Fund appropriations, up to \$10 million was appropriated from the Minnesota Minerals 21st Century Fund for a grant or a

forgivable loan to a windmill blade manufacturer to be located at a facility within the taconite relief area.

DEED also administers workforce development programs to support Minnesota businesses, workers, and communities by providing employment and training services to businesses; adults with disabilities, mental illness, or those who are experiencing workplace transitions; and youth. Workforce development programs received a General Fund appropriation of \$60.2 million and a Workforce Development Fund appropriation of \$32.8 million for the FY 2010-2011 biennium. Most of the appropriations support continuing programs, but many program budgets were reduced. Some of the appropriation changes include:

- \$4.6 million each year from the General Fund for the Minnesota Jobs Skills Partnership Program (MJSP), a reduction of \$4.5 million, or 33 percent. The MSJP acts as a catalyst between businesses and educational institutions to develop cooperative training projects for new jobs, retention, and skills upgrades for current employees.
- \$8.8 million each year from the General Fund for the Minnesota Vocational Rehabilitation Program, a reduction of \$442,000, or two percent. Vocational rehabilitation is a comprehensive statewide program that assists persons with significant disabilities to seek, gain, and retain employment.
- \$5.6 million each year from the General Fund and \$6.8 each year from the Workforce Development Fund for extended employment services for persons with severe disabilities. While the General Fund appropriation remained the same, the Workforce Development Fund appropriation was reduced by \$180,000, or one percent. Extended employment services are offered through a statewide network of community rehabilitation programs and provide ongoing support for persons working in a variety of employment settings.
- \$1.6 million each year from the General Fund for grants to programs that provide employment support services to persons with mental illness, a reduction of \$80,000, or two percent. The grants may be

used for special projects for young people with mental illness transitioning from school to work and for people with serious mental illness receiving services through a mental health court or civil commitment court.

- \$1.2 million each year from the Workforce Development Fund for grants to the Minneapolis Summer Youth Employment Program to fund up to 500 jobs for youth each summer. Of the appropriation, \$300,000 each year is for a grant to the Learn-to-Earn summer youth employment program. This is a reduction of \$200,000, or ten percent to the Minneapolis program, and \$50,000, or eight percent to the Learn-to-Earn program. In addition, \$558,000 was appropriated each year from the Workforce Development Fund for grants to fund summer youth employment in St. Paul, a reduction of \$84,000, or seven percent.

All Funds increased primarily due to targeted federal stimulus funding, and newly dedicated funding through the Arts and Cultural Heritage Fund.

Stimulus Funding and Unemployment Insurance

DEED received funding through the American Recovery and Reinvestment Act (ARRA) of 2009 for unemployed and dislocated workers. Chapter 78 appropriated \$1 million each year from the reserve funds allocated under ARRA for adult and displaced worker programs for on-the-job training for eligible persons in counties with high unemployment. In addition, Chapter 1 enabled Minnesota to accept special state emergency unemployment insurance benefits for individuals who were not eligible for the federal extension. Chapter 78 also modified existing law to allow certain workers who elect to be voluntarily laid off in order to prevent the layoff of other employees to collect unemployment benefits.

Temporary increase of Workforce Development Fee.

Workforce Development Fund

Chapter 78 temporarily raised the Workforce Development Fee from .10 percent to .12 percent of taxable wages from July 1, 2009, until June 30, 2011, which is estimated to raise \$15.5 million in the FY 2010-2011 biennium. The fee is charged to Minnesota employers for the purpose of supporting employment and training programs for workers who have permanently lost their jobs.

Table 2 summarizes the General Fund budget by agency and program for the FY 2010-2011 biennium relative to the February forecast.

Table 2- Economic Development Budget			
General Fund Changes Relative to Forecast			
<i>(dollars in thousands)</i>			
Agency/Change Item	Forecast FY 2010-11	Changes FY 2010-11	Changes FY 2012-2013
Employment and Economic Development			
BioBusiness Alliance		1,000	1,000
Business Development	3,196	(86)	(86)
Metro Econ Development Association	310	(100)	(100)
Women Venture	500	(100)	(100)
Minnesota Inventors Congress	170	(40)	(40)
Community Development Block Grants-State Match	840	(184)	(184)
Contaminated Site Grants	2,980		
Small Business Assistance	972	(144)	(144)
Entrepreneurs & Small Business Grants	378	(378)	(378)
Office of Science and Technology		400	
Small Business Innovation and Research	200		
Small Business Development Centers	1,138		
Small Business Growth-MN Enterprise Inc.		1,000	
JOB ZONES and Business Finance	1,200	(200)	(200)
Rural Policy and Development Center	500	(500)	(500)
Minnesota Trade Office	3,000	(170)	(170)
Northern Connections	500	(200)	(200)
Lifetrack Resources	200		
Twin Cities RISE!	910	(210)	(210)
Jobskills Partnership-Administration	1,142	(34)	(34)
Jobskills Partnership-Grants	12,468	(4,452)	(4,452)
Youthbuild	150	(150)	(150)
State Services for the Blind	12,250	(278)	(278)
Extended Employment Center for Deaf	300	(10)	(10)
Extended Employment Program	11,254		
Lutheran Social Services Debt Counseling Initiative		150	
MN Diversified Industries Grant		350	350
Mentally Ill Support Employment	3,306	(80)	(80)
Independent Living Services	4,880	(120)	(120)
State Rehabilitation Services	18,042	(442)	(442)
Advocating Change Together	300		
General Support Services	5,434	(582)	(582)
Public Facilities Authority	200	(14)	(14)
Explore Minnesota Tourism			
Marketing of the State Base Budget	20,252	(1,918)	(1,918)
Film Board Budget	650		
Jobs Production Program*	1,300	(650)	(1,300)
Jobs Production Program Increase*		575	
Housing Finance Agency			
Affordable Rental Investment and Preservation	17,992	(350)	
Family Homeless Prevention and Assistance	14,930		
Housing Challenge Program	19,244	(7,248)	(3,248)

Agency/Change Item	Forecast FY 2010-11	Changes FY 2010-11	Changes FY 2012-2013
Urban Indian Housing Program	360		
Tribal Indian Housing Program	2,430		
Rental Assistance for Mentally Ill	5,276		
Homeownership, Education, Counseling and Training	1,730		
Homeownership Assistance Fund	1,770	(50)	
Rehabilitation Loan Program	8,574		
Nonprofit Capacity Building Program	500		
Housing Trust Fund	17,110	4,500	
Accountancy Board	1,010		
Arch, Eng, Surveyors, Landscapers, Geoscience & Interior Design	1,630		
Barbers Board	376	5	
Combative Sports Commission	160		(160)
Cosmetologists Board	1,122	220	180
Labor and Industry			
Labor Standards and Apprenticeship	1,960	(200)	(200)
Mediation Services Bureau	3,670	(304)	(304)
Historical Society			
Education and Outreach Program	27,724	(1,780)	(1,780)
Preservation and Access Program	20,792	(1,386)	(1,386)
Fiscal Agent/Pass Through Grants*	458	150	150
Public Broadcasting			
Public Television	2,722		
Public Radio*	1,154	120	120
Twin Cities Regional Cable Channel	34		
Arts Board			
Operations and Services	1,302		
Grant Programs	13,454	(2,424)	(2,424)
Regional Arts Councils	5,918	(1,002)	(1,002)
Region 3 Occupation Tax Grant	1,164		
Humanities Commission	500		
Total General Fund Spending Changes	283,988	(17,316)	(20,396)

*Changes include the Governor's Vetoes

Department of Labor and Industry

In the FY 2010-2011 biennium, the total budget for the Department of Labor and Industry (DLI) was \$276.9 million. Of that amount, the Legislature appropriated \$1.8 million from the General Fund, a reduction of \$200,000 or ten percent. Further, the Legislature appropriated \$2 million from the Workforce Development Fund, an increase of \$500,000, or 32 percent. DLI oversees Minnesota OSHA and construction codes, labor standards, and apprenticeship compliance.

Public Facilities Authority

The Legislature appropriated \$186,000 from the General Fund for the FY 2010-2011 biennium to the Public Facilities Authority (PFA), a reduction of \$14,000, or seven percent. The PFA also received funding through the

American Recovery and Reinvestment Act of 2009, which supported clean water, drinking water, and green infrastructure projects.

General Fund reductions for most agencies and same programs.

Minnesota Housing Finance Agency

The Legislature appropriated \$86.8 million from the General Fund to the Minnesota Housing Finance Agency (Minnesota Housing) for the FY 2010-2011 biennium, a reduction of \$3.1 million, or three percent. Minnesota Housing administers programs that provide affordable housing, rental assistance for the mentally ill, family homeless prevention and assistance, home ownership assistance, and housing rehabilitation assistance. Chapter 78 modified the state’s mortgage foreclosure process by allowing the owner of a homestead property to postpone a foreclosure sale for five months. Postponement will automatically reduce the mortgagor’s redemption period to five weeks; therefore the overall foreclosure period stays the same.

Commerce Boards and Commissions

The Board of Accountancy received \$1 million; the Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience, and Interior Design received \$1.6 million; and the Combative Sports Commission received \$160,000 from the General Fund for the FY 2010-2011 biennium. All three enacted budgets are the same as the amount of the February forecast base. In Chapter 78, the Board of Barbers and Cosmetologist Examiners was split to form two separate boards. The new Barbers Examiners Board received \$381,000, a \$5,000 or one percent reduction and the new Cosmetologists Examiners Board received \$1.3 million, a \$220,000 or two percent increase. The appropriations to these agencies are fully offset by licensing and regulatory fees assessed to relevant professionals.

Table 3 summarizes the General Fund revenue changes for the FY 2010-2011 biennium. The newly separated Barbers Examiners Board and Cosmetologists Examiners Board raised fee collections and licensing fees. In addition, \$5 million was transferred from the Workforce Development Fund to the General Fund.

Table - Economic Development Budget General Fund Revenue Changes (dollars in thousands)			
Agency/Change Item	FY 2009	FY 2010	FY 2010-2011
Employment and Economic Development			
Workforce Development Fund Transfer	2,500	2,500	5,000
Barbers Board			
Licensing Provisions Fee Increases	22	22	44
Cosmetologists Board			
Fee Collection and Cost Recovery Increase	90	90	180
Licensing Provisions Fee Increases	150	300	450
Total General Fund Revenue Changes	2,762	2,912	5,674

Bureau of Mediation Services

The Legislature appropriated \$3.4 million from the General Fund to the Bureau of Mediation Services (BMS) for the FY 2010-2011 biennium, a reduction of \$304,000 or eight percent. BMS provides support with labor-management relations, including assisting parties resolve collective bargaining disputes.

Explore Minnesota Tourism

The Legislature appropriated \$20.2 million from the General Fund to Explore Minnesota Tourism for the FY 2010-2011 biennium, a reduction of \$2 million, or nine percent. Of that amount \$325,000 each year was for the Minnesota Film and TV Board. The Legislature appropriated \$1.2 million each year for the Films Jobs Production Program; however, the Governor vetoed funding for the second year.

Minnesota Historical Society

Chapter 78 appropriated \$46 million from the General Fund to the Minnesota Historical Society for the FY 2010-2011 biennium, a reduction of \$3 million, or six percent. The Historical Society also received \$22 million in new funding through the Arts and Cultural Heritage Fund for the FY 2010-2011 biennium. The new funding will be distributed to local, county, regional, and other historical or cultural organizations through a competitive grant process. In addition, the Historical Society received funding for programs and partnerships that protect and enhance access to history and cultural heritage.

Increased funding for Arts and Cultural programs from the dedicated revenues approved by voters in 2008.

Arts Board

Chapter 78 appropriated \$17.2 million from the General Fund to the Arts Board for the FY 2010-2011 biennium, a reduction of \$3.4 million, or 17 percent. The Arts Board also received \$43.3 million in new funding through the Arts and Cultural Heritage Fund for the FY 2010-2011 biennium. The new funding will be used to support Minnesota artists and art organizations, to instill the arts in community and public life, for arts education, and for events and activities that represent the diverse ethnic and cultural arts traditions represented in the state.

Public Broadcasting

Chapter 78 appropriated \$4 million from the General Fund to Public Broadcasting for the FY 2010-2011 biennium, an increase of \$120,000 or three percent. Public broadcasting also received \$11.6 million in new funding through the Arts and Cultural Heritage Fund for the FY 2010-2011 biennium. The new funding supports public television and radio production and acquisition grants. In addition, Minnesota Public Radio received an appropriation to create new programming and events, expand regional news service, amplify Minnesota culture to a new regional and national audience, and document the state's history through the Minnesota Audio Archives.

Humanities Commission

Chapter 78 appropriated \$500,000 from the General Fund to the Humanities Commission for the FY 2010-2011 biennium, which is the same amount as the February forecast. The Humanities Commission also received \$2.1 million in new funding through the Arts and Cultural Heritage Fund for the FY 2010-2011 biennium. The Humanities Commission may distribute the new funding through a competitive grants process for programs that advance its mission and for museums and organizations that celebrate the ethnic identities of Minnesotans.

Table 4 summarizes the All Funds spending by agency and fund for both the FY 2008-2009 and FY 2010-2011 biennium.

Table 4 - Economic Development Budget Biennial Spending by Agency - All funds (dollars in thousands)					
Agency	FY 2008-2009 Spending**	FY 2010-2011 Forecast Base	FY 2010-11 Enacted Budget	Change: Enacted - FY 2008-2009	Change: Enacted Fcst. Base
Employment & Economic Development					
General Fund	156,004	86,520	80,960	(75,044)	(5,560)
Special Revenue Fund	67,698	50,911	66,225	(1,473)	15,314
Workforce Development Fund	98,687	91,734	102,006	3,319	10,272
Petroleum Tank Release Cleanup Fund	16,395	12,400	12,400	(3,995)	0
Health Care Access Fund	1,000	0	0	(1,000)	0
Remediation Fund	2,137	1,400	1,400	(737)	0
Federal Funds	469,131	497,279	497,279	28,148	0
Federal ARRA Stimulus Funds	45,617	0	77,627	32,010	77,627
Gift Funds	2,569	643	643	(1,926)	0
Total for Employment & Economic Dev	859,238	740,887	838,540	(20,698)	97,653
Public Facilities Authority					
General Fund	200	200	186	(14)	(14)
Clean Water Fund			32,700	32,700	32,700
Special Revenue Fund	150	16	0	(150)	(16)
Federal ARRA Stimulus Funds	31,000	0	76,141	45,141	76,141
Total for Public Facilities Authority	31,350	216	109,027	77,677	108,811
Other Statutory Funds	739,011	515,461	515,461	(223,550)	0
Explore Minnesota Tourism*					
General Fund	24,920	22,202	20,209	(4,711)	(1,993)
Special Revenue Fund	2,866	3,122	3,122	256	0
Federal Funds	212	144	144	(68)	0
Total for Explore Minnesota Tourism	27,998	25,468	23,475	(4,523)	(1,993)
Housing Finance Agency					
General Fund	132,557	89,916	86,768	(45,789)	(3,148)
General Fund Transfer Out	(132,557)	(89,916)	(86,768)	45,789	3,148

Agency	FY 2008-2009 Spending**	FY 2010-2011 Forecast Base	FY 2010-11 Enacted Budget	Change: Enacted - FY 2008-2009	Change: Enacted Fcst. Base
Federal ARRA Stimulus Funds	0	0	138,025	138,025	138,025
Total for Housing Finance Agency	0	0	138,025	138,025	138,025
Other Statutory Funds	581,913	489,632	489,632	(92,281)	0
Accountancy Board					
General Fund	1,001	1,010	1,010	9	0
Special Revenue Fund	105	0	0	(105)	0
Total for Accountancy Board	1,106	1,010	1,010	(96)	0
Total for Arch, Eng, Surveyors, Landscape, Geo. - General Fund	1,614	1,630	1,630	16	0
Total for Board of Barber Examiners - General Fund	396	376	381	(15)	5
Combative Sports Commission					
General Fund	130	160	160	30	0
Special Revenue Fund	178	312	312	134	0
Total Combative Sports Comm.	308	472	472	164	0
Total for Board of Cosmetologist Examiners - General Fund	1,182	1,122	1,342	160	220
Labor and Industry					
General Fund	1,968	1,960	1,760	(208)	(200)
Workforce Development Fund	1,488	1,558	2,058	570	500
State Government Special Revenue Fund	51,739	57,355	60,637	8,898	3,282
Special Revenue Fund	11,230	10,230	10,946	(284)	716
Workers Compensation Special Fund	187,713	191,446	191,446	3,733	0
Federal Funds	10,248	10,026	10,026	(222)	0
Total for Labor and Industry	264,386	272,575	276,873	12,487	4,298
Mediation Services					
General Fund	3,597	3,670	3,366	3,366	(304)
Special Revenue Fund	60	44	44	3,366	0
Total for Mediation Services	3,657	3,714	3,410	6,732	(304)
Workers' Compensation Court of Appeals - Special Fund	3,259	3,406	3,406	3,366	0
Historical Society*					
General Fund	50,559	48,974	45,958	(4,601)	(3,016)
Arts and Cultural Heritage Fund	0	0	22,000	22,000	22,000
Special Revenue Fund	1,909	1,880	1,880	(29)	0
Total for Historical Society	52,468	50,854	69,838	17,370	18,984
Other Statutory Funds	33,607	33,636	33,636	29	0
Public Broadcasting*					
General Fund	14,821	3,910	4,030	(10,791)	120
Arts and Cultural Heritage Fund	0	0	11,600	11,600	11,600
Total for Public Broadcasting	14,821	3,910	15,630	809	11,720
Arts Board					
General Fund	20,443	20,674	17,248	(3,195)	(3,426)
Arts and Cultural Heritage Fund	0	0	43,300	43,300	43,300
Special Revenue Fund	15	6	6	(9)	0
Federal Funds	1,463	1,552	1,552	89	0
Federal ARRA Stimulus Funds	0	0	316	316	316

Agency	FY 2008-2009 Spending**	FY 2010-2011 Forecast Base	FY 2010-11 Enacted Budget	Change: Enacted - FY 2008-2009	Change: Enacted Fcst. Base
Gift Funds	92	100	100	8	0
Total for Arts Board	22,013	22,332	62,522	40,509	40,190
Humanities Commission					
General Fund	500	500	500	0	0
Arts and Cultural Heritage Fund	0	0	2,100	2,100	2,100
Total for Humanities Commission	500	500	2,600	2,100	2,100
Iron Range Resources & Rehab Board					
Iron Range Resources & Rehab Fund	75,839	67,788	67,788	(8,051)	0
Economic Protection Trust Fund	13,197	12,164	12,164	(1,033)	0
Total for Iron Range Resources & Rehab Board	89,036	79,952	79,952	(9,084)	0
Region 3 Occupation Tax-Open					
General Fund - Open	1,164	1,164	1,164	0	0
General Fund Transfers Out	(1,164)	(1,164)	(1,164)	0	0
Total for Region 3 Occupation Tax	0	0	0	0	0
TOTALS BY FUND					
General Fund	409,892	282,824	265,508	(140,787)	(17,316)
General Fund - Open	1,164	1,164	1,164	0	0
General Fund Transfers Out	(133,721)	(91,080)	(87,932)	45,789	3,148
Arts and Cultural Heritage Fund	0	0	79,000	79,000	79,000
Gift Funds	2,661	743	743	(1,918)	0
State Government Special Revenue	51,739	57,355	60,637	8,898	3,282
Special Revenue Fund	84,211	66,521	82,535	1,706	16,014
Workforce Development Fund	100,175	93,292	104,064	3,889	10,772
Workers' Compensation Special Revenue Fund	190,972	194,852	194,852	7,099	0
Clean Water Fund	0	0	32,700	32,700	32,700
Remediation Fund	2,137	1,400	1,400	(737)	0
Petroleum Tank Release Cleanup Fund	16,395	12,400	12,400	(3,995)	0
Health Care Access Fund	1,000	0	0	(1,000)	0
Federal Funds	481,054	509,001	509,001	27,947	0
Federal ARRA Stimulus Funds	76,617	0	292,109	215,492	292,109
Iron Range Resources & Rehabilitation Fund	75,839	67,788	67,788	(8,051)	0
Economic Protection Trust Fund	13,197	12,164	12,164	(1,033)	0
Total of All Funds	1,373,332	1,208,424	1,628,133	264,999	419,709
<i>Other Statutory Funds</i>	1,354,531	1,038,729	1,038,729	(315,802)	0
<i>Totals with Statutory Funds</i>	2,727,863	2,247,153	2,666,862	(50,803)	419,709
*Enacted budgets included the Governor's Vetoes					
**Includes Governor's FY 2009 unallotments and spending reductions					

For questions regarding this Chapter or for more information on the fiscal aspects of Economic Development, please contact darlene.sliwa@senate.mn or david.jensen@senate.mn

PUBLIC SAFETY AND JUDICIARY

\$2.3 billion appropriated for Public Safety General Fund appropriations and the Judiciary; 2.9% less than forecast and 3.3% less than previous biennium.

The FY 2010-2011 budget for public safety and judiciary appropriations total \$2.267 billion, most of which is appropriated from the General Fund. Chapter 83, the Public Safety and Judiciary Finance Bill, appropriated \$1.814 billion from the General Fund for the judiciary and the state departments, agencies, and boards under the jurisdiction of the public safety and the judiciary budget divisions. As summarized in the table below, General Fund appropriations are \$52.9 million, or 2.9 percent below the FY 2010-2011 forecast base, and \$62.3 million, or 3.3 percent below FY 2008-2009. The reduction was partially offset with \$38 million of federal stabilization funds, all of which was appropriated to the Institutions Division of the Department of Corrections. In addition, fees collected by the judiciary were increased by \$42.4 million to help mitigate budget reductions.

Agency	FY 2008-09 Spending	FY2010-11 Forecast Base	FY 2010-2011 Enacted Budget	Change: Enacted - FY 2006-2007	Change Enacted - Fcst Base
Supreme Court	89,579	87,984	86,951	(2,628)	(1,033)
Appeals Court	20,156	20,740	20,570	414	(170)
District Courts	498,297	504,232	500,232	1,935	(4,000)
Tax Court	1,619	1,650	1,636	17	(14)
Uniform Laws Commission	110	104	102	(8)	(2)
Board of Judicial Standards	922	920	912	(10)	(8)
Board of Public Defense	134,376	136,416	132,056	(2,320)	(4,360)
Public Safety	189,855	169,760	160,926	(28,929)	(8,834)
Private Detective Board	261	264	246	(15)	(18)
Human Rights	8,268	7,168	7,048	(1,220)	(120)
Corrections *	931,671	936,495	902,212	(29,459)	(34,283)
Sentencing Guidelines	1,282	1,218	1,208	(74)	(10)
Total for Public Safety	1,876,396	1,866,951	1,814,099	(62,297)	(52,852)

* Includes \$53,000 appropriated in chapter 126, the state claims bill.

With the exceptions of the Departments of Public Safety and Corrections, nongeneral fund appropriations are modest. Major nongeneral fund expenditures in the Department of Public Safety include \$137 million from the State Government Special Revenue Fund for the Public Safety Radio System and federal support for Bureau of Criminal Apprehension (BCA) efforts. At the Department of Corrections, internal revenue streams such as telephone, canteen,

bed rental, and prison industry receipts flow through the Special Revenue Fund and are used to offset facility costs. Federal funding is available for certain activities, such as chemical dependency treatment, adult basic education and the state criminal alien assistance program.

Supreme Court

The Legislature appropriated 62.8 million from the General Fund to the Supreme Court for operations, and an additional \$24.2 million to Civil Legal Services, which provides legal representation to low-income people who could not otherwise afford an attorney. This reduced the Supreme Court budget by \$833,000 from the FY 2010-2011 forecast, or 1.4 percent. The Civil Legal Services budget was reduced by \$200,000, or 0.9 percent below its forecast base budget.

Court of Appeals

The Legislature appropriated \$20.6 million from the General Fund to the Court of Appeals, a reduction of \$170,000, or 0.09 percent, from its base budget.

District Courts

The Legislature appropriated \$500.2 million from the General Fund to the District Courts, a reduction of \$4 million, or 0.8 percent, from its base budget.

Agency Change Item	FY 2010	FY 2011	FY 2010-2011	FY 2012	FY 2013	FY 2012-2013
Judiciary						
Supreme Court	(416)	(417)	(833)	(740)	(740)	(1,480)
Civil Legal Services	(100)	(100)	(200)	(100)	(100)	(200)
Court of Appeals	(85)	(85)	(170)	(85)	(85)	(170)
District Courts	(2,000)	(2,000)	(4,000)	(2,000)	(2,000)	(4,000)
Tax Court	(7)	(7)	(14)	(7)	(7)	(14)
Uniform Laws	(1)	(1)	(2)	(1)	(1)	(2)
Board of Judicial Standards	(4)	(4)	(8)	(4)	(4)	(8)
Board of Public Defense	(2,000)	(2,000)	(4,000)	(2,000)	(2,000)	(4,000)
Dept of Public Safety						
Homeland Security Transfer Out to SR	(604)	(604)	(1,208)	(604)	(604)	(1,208)
Bureau of Criminal Apprehension						
Operating Reduction	(495)	(495)	(990)	(495)	(495)	(990)
Transfer Out to THF	(1,568)	(1,568)	(3,136)	(1,568)	(1,568)	(3,136)
Gambling and Alcohol	(50)	(50)	(100)	(50)	(50)	(100)
Justice Programs	(1,700)	(1,700)	(3,400)	(1,700)	(1,700)	(3,400)
Total Department of Public Safety	(4,417)	(4,417)	(8,834)	(4,417)	(4,417)	(8,834)
Private Detective Board	(9)	(9)	(18)	(9)	(9)	(18)
Human Rights Department	(60)	(60)	(120)	(60)	(60)	(120)
Dept of Corrections - Institutions						
Cost Increases	6,591	6,590	13,181	6,590	6,590	13,180
Short-Term Offenders to DOC	3,151	5,756	8,907	4,845	4,845	9,690

Agency Change Item	FY 2010	FY 2011	FY 2010-2011	FY 2012	FY 2013	FY 2012-2013
Institutional Efficiencies Reduction	(2,850)	(2,850)	(5,700)	(2,850)	(2,850)	(5,700)
Savings 90-Release Violator Cap	(975)	(2,606)	(3,581)	(3,367)	(3,560)	(6,927)
Corrections - Community Services						
Reduction	(1,000)	(1,000)	(2,000)	(1,000)	(1,000)	(2,000)
Eliminate 3 Pass-Through Programs	(768)	(768)	(1,536)	(768)	(768)	(1,536)
County Relief for Short-Term Offenders	0	(1,607)	(1,607)	(1,607)	(1,607)	(3,214)
Corrections Operational Services						
Reduction	(2,000)	(2,000)	(4,000)	(2,000)	(2,000)	(4,000)
Corrections Claims Bill (Chapter 126)	(53)	0	(53)	0	0	0
Total Department of Corrections	(35,904)	1,515	(34,389)	(13,630)	(13,824)	(27,454)
Sentencing Guidelines						
Reduction	(5)	(5)	(10)	(5)	(5)	(10)
Total Public Safety Budget	(45,008)	(7,590)	(52,598)	(23,058)	(23,252)	(46,310)

Board of Public Defense

The Legislature appropriated \$132.1 million from the General Fund to the Board of Public Defense, a reduction of \$4.0 million, or three percent, from its base budget. To offset this budget reduction, the Legislature authorized the Supreme Court to increase the attorney registration fee by up to \$75. The Legislature created a public defender fee account in the special revenue fund and appropriated all money in the fund to the Board of Public Defense.

Department of Public Safety

Six programs administered by the Department of Public Safety are funded by the public safety budget, and the remainder is funded by the transportation budget. The Legislature appropriated \$160.9 million from the General Fund for the public safety programs under the jurisdiction of the criminal justice committees of the Legislature, a reduction of \$5.7 million, or 3.5 percent below the department's FY 2000-2011 base budget.

Office of Homeland Security and Emergency Management

The Legislature appropriated \$3.8 million from the General Fund to the Office of Homeland Security and Emergency Management, a reduction of \$1.2 million from its base budget. To offset this General Fund reduction, the Legislature authorized the transfer of \$1.2 million from the Special Revenue Fund to fund hazardous material and chemical assessment teams.

Bureau of Criminal Apprehension (BCA)

The Legislature appropriated \$82.8 million from the General Fund to the BCA, a reduction of \$4.1 million, or 4.8 percent of its base budget. Of this amount, \$990,000 was a reduction to the agency's General Fund appropriation. The remainder, \$3.1 million, reflects a funding transfer for the forensic scientist laboratory driving while impaired enforcement program from the General Fund to the Trunk Highway Fund.

General Fund reductions for most agencies.

State Fire Marshal

The Legislature appropriated \$16.3 million from the Special Revenue Fund to the Fire Marshal. This appropriation reflects a \$250,000 increase to firefighter training grants. In addition, \$200,000 was transferred from the fire safety account in the Special Revenue Fund to the General Fund.

Gambling and Alcohol Enforcement

The Legislature appropriated \$3.270 million from the General Fund to the Office of Gambling and Alcohol Enforcement, a reduction of \$100,000, or three percent of its base budget. In addition, the Legislature transferred \$1.5 million from the alcohol enforcement account in the Special Revenue Fund to the General Fund.

Office of Justice Programs

The Legislature appropriated \$71 million from the General Fund to the Office of Justice Programs, a reduction of \$3.4 million, or 4.6 percent from its base budget.

Public Safety Radio System (ARMER)

The Legislature appropriated \$136.7 million from the State Government Special Revenue Fund to operate and expand the Public Safety Radio System, an increase of \$14.9 million. The appropriation is supported by 911 service fees assessed on all telephone lines. The appropriation funds public safety answering points; medical resource communication centers; ARMER debt service; Metropolitan Council debt service; ARMER state operating costs; ARMER improvements and interoperability planning; the Next Generation Internet Protocol network; and grants to local governments to assist with the transition to the ARMER system.

Peace Officer's Standards and Training (POST) Board

The Legislature appropriated \$8.0 million from the Special Revenue Fund to the POST Board, a reduction of \$632,000, or 7.3 percent from its base budget. Under Minnesota law, this reduction from the Special Revenue Fund transfers into the General Fund.

Department of Human Rights

The Legislature appropriated \$7.048 million from the General Fund the Department of Human Rights, a reduction of \$120,000, or 1.7 percent from its base budget.

Department of Corrections

The Legislature appropriated \$902.2 million from the General Fund to the Department of Corrections, a reduction of \$34.3 million from the department's FY 2010-2011 base budget.

*General Fund
reductions partially
offset by federal
stimulus funds.*

The Legislature reduced the institution's division appropriation by \$25.2 million. This reduction was offset with \$38 million in American Recovery and Reinvestment Act (ARRA) funds to the division. The Legislature also returned jurisdiction of short-term offenders (offenders with less than six months to serve)

to the department. Previously, short-term offenders were housed in county correctional facilities. In addition, the Legislature imposed a 90-day reincarceration cap on first-time supervised release violators.

The Legislature reduced appropriations for the community services division by \$5.1 million. Of this amount, \$2.0 million was a general cut to the division and \$1.5 million was savings realized by eliminating grants to counties for day reporting centers, restorative justice, and eight-day juvenile hold facilities. The remaining \$1.6 million represents costs associated with returning the jurisdiction of short-term offenders to the state.

The Legislature reduced the department's operations support division by \$4.0 million.

Sentencing Guidelines Commission

The Legislature appropriated \$1.208 million from the General Fund to the Sentencing Guidelines Commission, a reduction of \$10,000, or 0.9 percent of its base budget.

Revenue Adjustments	FY 2010	FY 2011	FY 2010- 2011	FY 2012	FY 2013	FY 2012- 2013
Transfers to the General Fund						
Alcohol Enforcement Account	750	750	1,500	500	500	1,000
Fire Safety Account	100	100	200	100	100	200
MINNCOR Revolving Fund	1,000	1,000	2,000	0	0	0
POST Board Reduction Adjustment	316	316	632	316	316	632
Total Transfers to the General Fund	2,166	2,166	4,332	916	916	1,832
Fines and Fees						
Improved Fine Collection Efforts by Courts	(286)	3,776	3,490	1493	(553)	940
Parking Surcharge (\$4 to \$12)	2,992	3,600	6,592	3600	3,600	7,200
Civil Court Filing Fee (\$240 to \$310)	8,148	9,937	18,085	9937	9,937	19,874
Conciliation Court Filing Fee (\$50 to \$65)	691	832	1,523	832	832	1,664
Appellate Court Filing Fee (\$500 to \$550)	46	56	102	56	56	112
Motion Fee (\$55 to \$100)	1,457	1,755	3,212	1755	1,755	3,510
Subpoenas (\$12 to \$16)	10	12	22	12	12	24
Judgment Transcripts (\$30 to \$40)	178	214	392	214	214	428
Deposit of Wills (\$20 to \$27)	8	10	18	10	10	20
Executions (\$40 to \$55)	576	694	1,270	694	694	1,388
Trust Reports (\$40 to \$55)	20	24	44	24	24	48
Jury Trial Demand Fee (\$75 to \$100)	122	147	269	147	147	294
Certified and Uncertified Copy Fee (\$10 to \$14 / \$5 to \$8)	455	548	1,003	548	548	1,096
Chapter 169 Diversion Criminal/Traffic Surcharge (\$75)	2,606	3,140	5,746	3140	3,140	6,280
Public Defender Co-Pay (\$28 to \$75)	295	360	655	360	360	720

Revenue Adjustments	FY 2010	FY 2011	FY 2010-2011	FY 2012	FY 2013	FY 2012-2013
Child Restraint Fines	5	5	10	5	5	10
Total Fines and Fees	17,323	25,110	42,433	22,827	20,781	43,608
Grand Total General Fund Revenue Adjustments	19,489	27,276	46,765	23,743	21,697	45,440

Fee increases used to mitigate General Fund budget reductions.

Fines, Fees, Surcharges and Transfers

To help balance the General Fund and mitigate reductions to the judiciary, the Legislature increased judicial fines, fees, and surcharges by \$42.4 million, and approved \$4.3 million in transfers to the General Fund from other funds, for a total General Fund adjustment of \$46.8 million.

Agency	FY 2008-2009 Spending	FY 2010-2011 Fest Base	FY 2010-2011 Enacted Budget	Change: Enacted - FY2008-09	Change: Enacted - Fest Base
Supreme Court					
General Fund	89,579	87,984	86,951	(2,628)	(1,033)
Special Revenue Fund	3,082	2,938	2,938	(144)	0
Federal Funds	10,357	10,851	10,851	494	0
Gift Fund	206	184	184	(22)	0
Total Supreme Court	103,224	101,957	100,924	(2,300)	(1,033)
Appeals Court					
General Fund	20,156	20,740	20,570	414	(170)
Federal Funds	30	0	0	(30)	0
Total Appeals Court	20,186	20,740	20,570	384	(170)
District Courts					
General Fund	498,297	504,232	500,232	1,935	(4,000)
Special Revenue Fund	763	366	366	(397)	0
Federal Funds	1,996	1,980	1,980	(16)	0
Gift Fund	81	0	0	(81)	0
Total District Courts	501,137	506,578	502,578	1,441	(4,000)
Tax Court					
General Fund	1,619	1,650	1,636	17	(14)
Special Revenue Fund	4	0	0	(4)	0
Total Tax Court	1,623	1,650	1,636	13	(14)
Uniform Laws Commission					
General Fund	110	104	102	(8)	(2)
Board of Judicial Standards					
General Fund	910	920	912	2	(8)
Special Revenue Fund	12	0	0	(12)	0
Total Board of Judicial Standards	922	920	912	(10)	(8)
Public Defense Board					
General Fund	134,376	136,056	132,056	(2,320)	(4,000)
Special Revenue Fund	47	0	2,671	2,624	2,671
Gift Fund	388	360	360	(28)	0

Agency	FY2008-2009 Spending	FY 2010-2011 Fest Base	FY 2010-2011 Enacted Budget	Change: Enacted - FY2008-09	Change: Enacted - Fest Base
Total Public Defense Board	134,811	136,416	135,087	276	(1,329)
Legal Professions Board					
Special Revenue Fund	10,625	10,830	10,830	205	0
Public Safety					
General Fund	189,855	169,760	160,926	(28,929)	(8,834)
State Government Special Revenue Fund	74,225	118,900	136,909	62,684	18,009
Trunk Highway Fund	740	746	3,882	3,142	3,136
Federal Funds	233,939	167,651	175,589	(58,350)	7,938
American Recovery & Reinvestment Act	469	0	18,249	17,780	18,249
Gift Fund	71	8	8	(63)	0
Total Public Safety	499,299	457,065	495,563	(3,736)	38,498
POST Board					
Special Revenue Fund	9,451	8,656	8,024	(1,427)	(632)
Private Detective Board					
General Fund	261	264	246	(15)	(18)
Special Revenue Fund	10	0	0	(10)	0
Total Private Detective Board	271	264	246	(25)	(18)
Human Rights					
General Fund	8,268	7,168	7,048	(1,220)	(120)
Special Revenue	379	276	276	(103)	0
Federal Funds	8	0	0	(8)	0
Total Human Rights	8,655	7,444	7,324	(1,331)	(120)
Corrections					
General Fund *	931,671	936,495	902,212	(29,459)	(34,283)
Special Revenue Fund	37,871	30,562	30,562	(7,309)	0
Federal Funds	9,113	7,577	10,882	1,769	3,305
American Recovery & Reinvestment Act	0	0	38,000	38,000	38,000
Gift Fund	39	30	30	(9)	0
Total Corrections	978,694	974,664	981,686	2,992	7,022
Sentencing Guidelines					
General Fund	1,282	1,218	1,208	(74)	(10)
Special Revenue Fund	3	0	0	(3)	0
Gift Fund	36	0	0	(36)	0
Total Sentencing Guidelines	1,321	1,218	1,208	(113)	(10)
TOTALS BY FUND					
General Fund	1,876,384	1,866,591	1,814,099	(62,285)	(52,492)
State Government Special Revenue Fund	74,225	118,900	136,909	62,684	18,009
Special Revenue Fund	62,247	53,628	55,667	(6,580)	2,039
Trunk Highway Fund	740	746	3,882	3,142	3,136
Federal Funds	255,443	188,059	255,551	(56,141)	67,492
Gift Fund	821	582	582	(239)	0
Total for Public Safety & Judiciary	2,270,329	2,228,506	2,266,690	(3,639)	38,184
<i>DPS Special Revenue Fund**</i>	<i>164,804</i>	<i>210,815</i>	<i>192,318</i>	<i>27,514</i>	<i>(18,497)</i>
*Includes \$53,000 appropriation in Chapter 126, the State Claims Bill.					
**Fund statements produced by MMB did not allocate Department of Public Safety Special Revenue Fund spending between Transportation and Public Safety budget areas. This is total Special Revenue Fund spending for the Department of Public Safety, most of which is in the transportation budget jurisdiction and is also shown in that budget area.					

Administrative Penalties

Administrative penalty programs enforce local ordinances through an administrative system that is separate and distinct from the court system. Approximately 100 local jurisdictions had established such systems by 2009, arguing that they preferred to deal with low-level traffic violations at the local level. Because administrative penalty systems operated outside the state uniform citation system established in Minnesota Statutes, section 169.99, the \$75 state criminal and traffic surcharge did not apply. As the number of administrative penalty programs grew and their structure varied from jurisdiction to jurisdiction, the 2009 Legislature decided to officially sanction the concept. Chapter 158 clarifies the legal parameters and establishes uniform penalties for such systems.

Under the law, a county board or city council may adopt a resolution establishing an administrative penalty system for the following violations:

- speeding by no more than nine miles per hour over the limit;
- failure to obey a stop sign; and
- operating a vehicle in violation of certain safety and equipment regulations.

The Commissioner of Public Safety must, in consultation with law enforcement representatives, create a uniform administrative citation for use statewide. Only licensed peace officers have the authority to issue an administrative citation. Each jurisdiction with an administrative penalty system must provide for a neutral third party to hear and rule on challenges to citations.

Chapter 158 establishes a uniform administrative fine of \$60. If the citation is issued by local law enforcement, the fine allocation is \$40 to the local government and \$20 to the state treasury; if issued by the state patrol, the allocation is \$20 to the local government and \$40 to the state treasury. The state criminal and traffic surcharge does not apply to administrative citations. A violation resulting in an administrative citation is not recorded on the violator's driving record and does not constitute grounds for revocation or suspension of the violator's driver's license.

Finally, the state auditor must, on an annual basis, collect and disseminate information concerning administrative fines collected by local units of government.

For questions regarding this Chapter or for more information on the fiscal aspects of Public Safety and Judiciary, please contact chris.turner@senate.mn

TRANSPORTATION

\$5.3 billion appropriated for transportation; four percent from the General Fund.

The 2009 Legislature authorized \$5.3 billion for transportation-related spending for the 2010-2011 biennium, including \$4.3 billion directly appropriated in Chapter 36, the Omnibus Transportation Finance Bill. The total appropriations reflect a decrease of \$458 million, or eight percent, from FY 2008-2009 biennial spending, and an increase of \$15 million, or 0.3 percent, over the February forecast base. The majority of funding for transportation programs comes from dedicated funding sources, with only four percent from the General Fund.

Table 1 - Transportation Biennial Spending by Agency and Fund - All Funds FY 2010-11 <i>(dollars in thousands)</i>					
Agency	FY 2008-2009 Spending*	FY 2010-2011 Forecast Base	FY 2010-2011 Enacted Budget	Change: Enacted - FY 2008- 2009	Change: Enacted - Fest. Base
Dept of Transportation:					
General Fund	63,866	38,428	33,882	(29,984)	(4,546)
General Fund (TR OUT)	(15,000)	0		15,000	0
Trunk Highway Fund**	2,854,556	2,303,203	2,322,603	(531,953)	19,400
State Airports Fund	37,599	40,354	42,604	5,005	2,250
County State Aid Highway Fund	894,360	1,043,061	1,043,063	148,703	2
Municipal State Aid Street Fund	243,685	282,227	282,229	38,544	2
Special Revenue Fund	115,973	96,290	96,290	(19,683)	0
State Government Special Revenue Fund	12,725	2,641	2,641	(10,084)	0
Highway User Tax Distribution Fund	370	388	388	18	0
Transit Assistance Fund	14,847	30,954	36,589	21,742	5,635
Federal Fund	577,399	613,921	613,921	36,522	0
Federal Fund - ARRA	195,000	0	10,000	(185,000)	10,000
Total for Dept. of Transportation	4,995,380	4,451,467	4,484,210	(511,170)	32,743
Metropolitan Council Transit:					
General Fund	176,770	157,234	144,470	(32,300)	(12,764)
Transit Assistance Fund	236,518	268,827	281,435	44,917	12,608
Total for Met Council Transit	413,288	426,061	425,905	12,617	(156)
Dept of Public Safety:					
General Fund	16,071	15,918	15,918	(153)	0
General Fund (TR OUT)	(1,584)	(1,584)	(1,584)	0	0
Trunk Highway Fund	164,801	171,728	171,978	7,177	250
Highway User Tax Distribution Fund	14,558	19,126	19,126	4,568	0
Special Revenue Fund***	164,804	210,815	192,318	27,514	(18,497)
State Government Special Revenue Fund	3,218	3,088	3,088	(130)	0
Gift Fund	193	202	202	9	0
Environmental Fund	136	138	138	2	0
Federal Fund	19,866	21,020	21,424	1,558	404

Agency	FY 2008-2009 Spending*	FY 2010-2011 Forecast Base	FY 2010-2011 Enacted Budget	Change: Enacted - FY 2008-2009	Change: Enacted - Fcst. Base
Total for Dept of Public Safety	381,936	395,826	396,480	14,544	654
Total Transportation Spending	5,790,731	5,317,979	5,332,723	(458,008)	14,744
TOTALS BY FUND:					
General Fund	256,707	211,580	194,280	(62,437)	(17,310)
General Fund (TR OUT)	(16,584)	(1,584)	(1,584)	15,000	0
Trunk Highway Fund**	3,019,357	2,474,931	2,494,581	(524,776)	19,650
State Airports Fund	37,599	40,354	42,604	5,005	2,250
County State Aid Highway Fund	894,360	1,043,061	1,043,063	148,703	2
Municipal State Aid Street Fund	243,685	282,227	282,229	38,544	2
Special Revenue Fund***	280,777	307,105	288,608	7,831	(18,497)
Highway User Tax Distribution Fund	14,928	19,514	19,514	4,586	0
Federal Fund	792,265	634,941	645,345	(146,920)	10,404
Transit Assistance Fund	251,365	299,781	318,024	66,659	18,243
State Government Special Revenue Fund	15,943	5,729	5,729	(10,214)	0
Gift Fund	193	202	202	9	0
Environmental Fund	136	138	138	2	0
Total For Transportation:	5,790,731	5,317,979	5,332,723	(458,008)	14,744
* As adjusted by Governor unallotments and appropriation changes made by the 2009 Legislature					
** Does not include transfers to the Debt Service Fund: \$111,172 in FY 2008-2009 and \$244,103 in FY 2010-2011					
***MMB consolidated fund statements did not allocate DPS Special Revenue Fund (SRF) spending between transportation and public safety budget areas, so these amounts reflect total SRF spending for the Department of Public Safety, including some nontransportation programs.					

As shown in Table 1, of the \$5.3 billion in total appropriations for FY 2010-2011, \$4.5 billion is appropriated to the Minnesota Department of Transportation (MnDOT); \$426 million to the Metropolitan Council for metro-area transit operations, including bus transit and rail transit; and \$396.5 million to the Department of Public Safety (DPS) for the State Patrol, Driver and Vehicle Services, and other transportation-related programs. *See the Public Safety Budget chapter for discussion of DPS criminal justice program funding.*

General Fund base appropriations reduced for metro and rural transit programs.

As summarized in Table 2, General Fund appropriations totaled \$194.3 million for the 2010-2011 biennium, a decrease of \$62.4 million, or 24 percent, from the 2008-2009 biennium. This decrease is largely due to a number of onetime General Fund appropriations made only in FY 2008-2009, including a \$15 million transfer in FY 2008 from the General Fund to the State Airports Fund and a \$20 million appropriation in FY 2008 for metropolitan transit operations. The General Fund spending decrease also included biennial base reductions of \$14.8 million to metro and Greater Minnesota transit programs, as part of the Legislature's overall biennial budget deficit plan.

Table 2 - Transportation Budget General Fund Spending by Agency FY 2010-11 <i>(dollars in thousands)</i>					
Agency	FY 2008-09 Spending*	FY 2010-11 Forecast Base	FY 2010- 2011 Enacted Budget**	Change: Enacted - FY 2008-09	Change: Enacted - Fcst. Base
Dept of Transportation (DOT)					
Multimodal	43,269	38,298	33,752	(9,517)	(4,546)
State Roads	3,585	18	18	(3,567)	0
Local Roads	2,500	0	0	(2,500)	0
General Support and Services	112	112	112	0	0
State Airports Fund (TR OUT)	15,000	0	0	(15,000)	0
January 2009 Governor Unallotment	(600)	0	0	600	0
Dept. of Transportation Total	63,866	38,428	33,882	(29,984)	(4,546)
Metropolitan Council					
Met Council Transit	166,777	146,648	133,884	(32,893)	(12,764)
Met Council Rail	10,593	10,586	10,586	(7)	0
January 2009 Governor Unallotment	(600)	0	0	600	0
Metropolitan Council Total	176,770	157,234	144,470	(32,300)	(12,764)
Department of Public Safety					
Admin and Related Services	7,940	8,034	8,034	94	0
State Patrol	6,547	6,300	6,300	(247)	0
Trunk Highway Fund (TR OUT)	1,584	1,584	1,584	0	0
Dept. of Public Safety Total	16,071	15,918	15,918	(153)	0
Total for Transportation Budget	256,707	211,580	194,270	(62,437)	(17,310)

MINNESOTA DEPARTMENT OF TRANSPORTATION (MnDOT)

MnDOT received \$4.5 billion in total appropriations for the 2010-2011 biennium, a decrease of \$511 million, or 10.2 percent, from 2008-2009 biennial spending. This decrease is largely due to the onetime FY 2009 federal stimulus transportation funds appropriated to MnDOT from the Trunk Highway Fund and the Federal Fund, authorized by Chapter 9.

Of MnDOT's total appropriations, 52 percent (\$2.3 billion) is from the Trunk Highway Fund, which receives revenues from the motor fuels tax, vehicle registration tax, and motor vehicle sales tax. The Trunk Highway Fund also receives federal highway aid for road construction. For the 2010-2011 biennium, the federal highway aid is estimated to be \$772 million, or approximately 33 percent of MnDOT's total Trunk Highway Fund appropriation. The current federal transportation authorization act, Safe Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) will expire on September 30, 2009, and Congress has not yet acted on either an extension of SAFETEA-LU funding or a new authorization act. For budgeting purposes, base federal highway aid after the expiration of SAFETEA-LU is projected to be equal to FY 2009 receipts.

Lower-than-projected receipts from dedicated road user taxes led to reductions in state road appropriations for FY 2010-2011.

State Roads

Of the \$2.3 billion of total Trunk Highway Fund spending by MnDOT in FY 2010-2011, approximately \$1.2 billion, or 52 percent, is appropriated for state road construction, engineering, and design. This is an increase of \$48 million, or four percent, from the 2008-2009 biennium.

Although the 2008 Legislature increased the tax rates for the motor fuels tax and vehicle registration tax, which are dedicated to state and local roads, these revenue sources continued to underperform relative to forecast. In order to maintain a positive Trunk Highway Fund balance at the end of FY 2011, Chapter 36 included a reduction of \$155 million from FY 2010-2011 base appropriations. The majority of this reduction, \$120 million, was made to the state road construction program appropriation, with smaller amounts from infrastructure operations and maintenance (\$17 million), infrastructure investment and support (\$14 million), and department support (\$3 million).

Local Roads

The FY 2010-2011 MnDOT budget includes appropriations of \$1.0 billion for county state-aid roads and \$282 million for municipal state-aid roads, which reflect increases of 17 percent and 16 percent, respectively, over 2008-2009 biennial appropriations. These increases reflect the continuing impact of Chapter 152, enacted by the 2008 Legislature, which increased state transportation user fees, a portion of which are dedicated to the state-aid local road system. MnDOT's Office of State Aid apportions these funds to all 87 counties, and to cities with a population of 5,000 or greater, according to statutory distribution formulas.

Chapter 36 increased the percentage of Municipal State-Aid Street (MSAS) Fund apportionment money to be used for MnDOT administrative purposes, from 1.5 percent to two percent. This change does not affect overall expenditures from the MSAS Fund, but shifts \$1.4 million in FY 2010-2011 from the municipal state aid construction appropriation to the statutory administrative appropriation. A similar administrative increase was enacted for the County State-Aid Highway Fund in 2005.

Greater Minnesota Transit

The Legislature appropriated \$68.6 million in state funds to MnDOT for assistance to locally run transit services outside of the seven-county metropolitan area. This is an increase of \$12 million, or 21 percent, over spending in FY 2008-2009. The majority of these funds, 53 percent, are statutorily appropriated from the Transit Assistance Fund, which receives a portion of the motor vehicle sales tax (MVST) to pay for both Greater Minnesota and metropolitan transit operations. The remainder of state funding for transit comes from the General Fund.

MnDOT's Greater Minnesota transit assistance program faced an operating shortage of \$2.5 million in FY 2009. To address this, Chapter 36 shifted \$2.5 million of the program's FY 2011 appropriation to be paid out in FY 2009.

However, this added to an existing \$5 million program deficit in FY 2010-2011, which was due to both a decline in projected MVST revenues and to a General Fund spending reduction authorized by the Legislature as part of overall biennial budget reduction measures.

The resulting operating deficit for FY 2010-2011 was resolved through an acceleration of MVST revenue percentages to the Transit Assistance Fund, an additional 1.25 percent of total MVST revenues in FY 2010 and 0.25 percent in FY 2011, not to exceed a biennial total of \$6.25 million. In addition, Chapter 36 allowed the carryforward of any remaining FY 2009 General Fund appropriation for Greater Minnesota transit to FY 2010-2011.

Commuter and Passenger Rail

Chapter 36 appropriated \$1.0 million from the General Fund in FY 2010-2011 for costs related to the development of commuter and passenger rail lines and for completion of the comprehensive statewide freight and passenger rail plan mandated by the 2008 Legislature. This is an ongoing appropriation.

Aeronautics

Chapter 36 made a onetime appropriation from the State Airports Fund of \$2.25 million in FY 2010 for airport development and assistance grants. This onetime appropriation is intended to restore funding for some airport grant projects that were delayed due to the FY 2009 reduction. As part of the 2008 Legislature's FY 2009 deficit reduction program, \$15 million was transferred from the State Airports Fund to the General Fund, and a corresponding reduction was made to MnDOT's FY 2009 appropriation for airport development and assistance.

METROPOLITAN COUNCIL - TRANSIT

The Metropolitan Council will receive \$426 million in total appropriations for the 2010-2011 biennium for metropolitan transit operations. This is an increase of about \$12.6 million, or three percent, over 2008-2009 spending. The FY 2010-2011 General Fund appropriation shows a decrease of \$32.3 million, or 18 percent, from the 2008-2009 biennium, but the majority of this decrease is due to a onetime appropriation of \$20 million in FY 2008.

Of the FY 2010-2011 General Fund appropriation to the Metropolitan Council, \$133.9 million is for operation of the metropolitan area bus system and \$10.6 million is for rail operations, for both the Hiawatha Light Rail Transit Line and the Northstar Commuter Rail Line, which is due to begin operations in late 2009. In addition, the Metropolitan Council will receive an increase of \$44.9 million, or 19 percent, in dedicated MVST revenues over FY 2008-2009.

\$76 million metro transit operating deficit for FY 2010-2011 was resolved through legislation and internal Met Council budget actions.

In spite of the increase in total state appropriations, Metropolitan Council transit faced an operating budget deficit of \$63 million for FY 2010-2011, largely due to declines from forecast in projected MVST revenues dedicated to transit operations. This projected deficit was increased by a \$13 million reduction in the Metropolitan Council's biennial General Fund appropriation, authorized by the Legislature as part of overall budget reduction measures.

The resulting \$76 million deficit was addressed both through legislative action in Chapter 36 and agency actions to resolve \$33 million through internal budget shifts, efficiencies, and use of reserves. Due to its receipt of federal economic stimulus funds for transit capital projects, the Met Council was also able to shift \$18 million in planned capital assistance funding to its transit operating budget.

The legislative measures included an acceleration of the percentage of MVST revenues dedicated to metro transit operations, up to \$6.0 million in FY 2010 and up to \$6.75 million in FY 2011. In addition, the Legislature authorized the council to transfer to its transit operating fund up to 50 percent of revenues in calendar years 2009-2011 from its Livable Communities Demonstration Account and Tax Base Revitalization Account, and up to 75 percent of revenues from the Right-of-Way Acquisition Loan Fund. At the time of passage of Chapter 36, these transfers were projected to total \$27 million during FY 2010-2011, if approved by the Metropolitan Council.

DEPARTMENT OF PUBLIC SAFETY

The Department of Public Safety will receive \$396.5 million in total appropriations for the 2010-2011 biennium for transportation-related activities. The appropriation is an increase of \$14.5 million, or 3.8 percent, over the previous biennium.

Appropriation increases to DPS for FY 2010-2011 include \$250,000 to the State Patrol's Office of Pupil Transportation Safety, created by the Legislature in 2008. In addition, the 2009 Legislature passed Chapter 165, making it a primary offense to not wear a seatbelt in any seating position in a vehicle. With passage of this legislation, Minnesota is projected to receive \$3.4 million in federal incentive safety funds in FY 2010.

There was no change to public safety spending from the Special Revenue Fund for transportation-related programs.

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA)

As part of 2009's federal economic stimulus package, Minnesota received \$620 million in formula funds for transportation-related projects, including \$510 million for state and local road construction. The majority of ARRA funds were appropriated in FY 2009, with only \$10 million in airport development funds appropriated in FY 2010.

Minnesota received \$620 million in federal stimulus dollars for transportation, 82% of which is for state and local road projects.

The 2009 Legislature openly appropriated ARRA funds to the Department of Transportation in Chapter 9, including any subsequent funds from competitive grants not yet awarded or from redistribution of state formula grants. ARRA funds awarded to Metropolitan Council transit programs or local units of government required no appropriation authorization by the Legislature.

ARRA contained three transportation-related awards based on federal funding formulas:

- Federal Highway Administration Apportionment Grants: \$360 million for state road and bridge projects and \$150 million for local projects;
- Federal Transit Administration Capital Assistance: \$73 million in urbanized formula grants, and \$19 million in nonurbanized grants; and
- Grants-in-Aid for Airports: \$20 million for airport development projects selected by the Federal Aviation Administration in conjunction with MnDOT's Office of Aeronautics.

In addition, Minnesota is eligible for several other competitive grant programs authorized by ARRA, including grant funding for Minnesota's share of a high-speed passenger rail corridor between Chicago and the Twin Cities.

For questions regarding this Chapter or for more information on the fiscal aspects of Transportation, please contact krista.boyd@senate.mn.

STATE GOVERNMENT FINANCE

The State Government Omnibus Finance Act (Laws 2009, Chapter 101) contained direct and open General Fund appropriations for the Legislature, constitutional officers, and administrative state agencies totaling \$627.1 million for FY 2010-2011. Table 1 summarizes the State Government Finance General Fund budget.

Agency	FY 2008-2009 Spending*	FY 2010-2011 Forecast Base	FY 2010-2011 Enacted Budget	Change: Enacted - FY 2008-09	Change: Enacted - Forecasted Base
Legislature	146,924	139,396	135,240	(11,684)	(4,156)
Governor's Office	7,143	7,402	7,180	37	(222)
State Auditor	18,596	18,356	19,036	440	680
Attorney General	51,545	48,450	46,316	(5,229)	(2,134)
Secretary of State	12,254	12,435	11,819	(435)	(616)
Campaign Finance and Public Disclosure Board	1,448	1,470	1,496	48	26
Public Subsidy - Campaign Finance	3,725	3,850	3,620	(105)	(230)
State Board of Investments	302	302	302	0	0
Office of Administrative Hearings	659	580	680	21	100
Office of Enterprise Technology	23,112	12,122	11,516	(11,596)	(606)
Department of Administration Capitol Area Architectural and Planning Board	44,906	39,335	40,789	(4,117)	1,454
	801	746	708	(93)	(38)
MN Management & Budget (MMB)	41,036	41,090	48,030	6,994	6,940
Department of Revenue	251,003	254,144	257,955	6,952	3,811
MN Amateur Sports Commission	608	440	540	(68)	100
Target Center Appropriation	1,500	1,500	0	(1,500)	(1,500)
Councils	2,834	2,858	2,778	(56)	(80)
Contingent Accounts	434	500	1,250	816	750
Tort Claims	322	322	322	0	0
MN State Retirement	5,241	4,751	4,751	(490)	0
Local Pension Aids	55,395	55,254	55,254	(141)	0
Misc. Open General Fund	11,498	(22,446)	(22,446)	(33,944)	0
Total Expenditures:	681,286	622,857	627,136	(54,150)	4,279
*FY 2009 appropriations to State Auditor and MMB were increased by a total of \$1.084 million for federal stimulus oversight & reporting.					

Savings from reductions to most agency operating budgets; increases for technology and tax compliance.

As summarized in Table 2, agency operating budget appropriations were reduced by \$16.8 million from the forecast for FY 2010-2011. These reductions, when combined with the increased funding for technology projects, increased tax compliance, and ARRA oversight, resulted in a net General Fund increase in spending. \$41.5 million of the new General Fund revenue is expected to come from new tax compliance initiatives in the Department of Revenue.

Change Item	FY 2009	FY 2010	FY 2011	FY 2010-2011	FY 2012 - 2013
Spending Changes					
Technology Enhancements		5,123	5,118	10,241	26,584
Agency Operating Budget Reductions		(8,096)	(8,660)	(16,756)	(16,793)
Increased Tax Compliance (ARRA) Federal Stimulus Oversight & Reporting	1,084	1,946		1,946	13,790
Various Grant Reductions		(757)	(757)	(1,514)	(1,514)
Total Spending Changes	1,084	1,683	2,596	4,279	22,067
Revenue Changes & Transfers					
Increased Tax Compliance		13,750	27,760	41,510	55,520
State Auditor Fee Offsets		346	334	680	0
Secretary of State Fee Change		66	73	139	199
Office of Grants Management Offset		125	125	250	250
Facilities Repair Account Transfer		3,500		3,500	
Tax Increment Account Transfer		1,000		1,000	
Total Revenue Changes & Transfers		18,787	28,292	47,079	55,969
<i>Net Changes</i>	<i>1,084</i>	<i>(17,104)</i>	<i>(25,696)</i>	<i>(42,800)</i>	<i>(33,902)</i>

Reductions to budgets for the Legislature and Constitutional Offices.

LEGISLATURE

The Legislature approved \$135.2 million from the General Fund for its own operations, including \$44.5 million for the Senate; \$59.9 million for the House of Representatives; and \$31.2 million for the joint legislative offices under the direction of the Legislative Coordinating Commission (LCC). Overall, these appropriations reflect an \$11.0 million reduction from the appropriation for FY 2008-2009 and a \$3.4 million cut to the forecasted funding levels for FY 2010-2011.

Chapter 172 included first-time appropriations to LCC for the operation of advisory groups, Web sites, and other administrative activities related to the constitutionally dedicated funds appropriated for outdoor heritage, clean water, parks and trails, and arts and cultural heritage purposes. These appropriations for FY 2010-2011 included \$705,000 from the Outdoor Heritage Fund; \$20,000 from the Arts and Cultural Heritage Fund; \$25,000 from the Clean Water Fund; and \$15,000 from the Parks and Trails Fund.

Reductions to budget for the Legislature and constitutional offices.

CONSTITUTIONAL OFFICES

Governor

The Governor's office received an appropriation of \$7.2 million from the General Fund for FY 2010-2011, a three-percent reduction from forecast. As in the past, the Governor's office plans to use funds obtained from interagency agreements to support functions of the office in Washington, D.C. and for certain personnel costs in the Governor's office. Chapter 101, article 1, section 4, limits the total amount of funding received from other agencies under interagency agreements to \$702,000 for FY 2010-2011. This section also requires notification to the Legislature of these agreements.

State Auditor

The State Auditor's office received a direct General Fund appropriation of \$19 million for the biennium, which is a 3.7 percent increase relative to the forecast for FY 2010-2011. This appropriation includes \$680,000 intended to provide for audit and oversight functions related to additional federal stimulus funds.

Attorney General's Office

The FY 2010-2011 direct appropriations approved for the Attorney General's office totaled \$53.8 million, \$46.3 million of which is a direct appropriation from the General Fund. This appropriation is \$2.1 million, or 4.4 percent less than forecast for FY 2010-2011. The appropriation in Chapter 101 included an operating budget reduction of \$2.4 million for FY 2010-2011.

In addition, Chapter 101 created the False Claims Act, which allows for public and private prosecution of certain false claims presented to the state. This law includes specific responsibilities and authority for the Attorney General's office regarding lawsuits filed under the False Claims Act, and provides a statutory appropriation of a portion of the recoveries made under the act to the Attorney General's office for its responsibilities under the Act.

Secretary of State

Chapter 101 provided \$11.8 million in General Fund direct appropriations for the Secretary of State for FY 2010-2011. This amount represents a \$616,000 reduction from forecast for FY 2010-2011, or a five-percent reduction.

Chapter 101 also extended the temporary surcharge on certain filing fees to continue funding for technology upgrades during FY 2010-2011. The revenues from these fees are estimated to be \$2 million for FY 2010-2011, and are deposited in the Uniform Commercial Code account in the Special Revenue Fund, which is statutorily appropriated to the Secretary of State.

STATE AGENCIES

Office of Enterprise Technology

The FY 2010-2011 total budget for the Office of Enterprise Technology (OET) is \$196 million. The direct General Fund portion of the budget is \$11.7 million for FY 2010-2011. The OET is also supported by the Enterprise Technology Revolving Fund, which receives state agency reimbursements for services provided to the state and local government agencies. The OET assesses charge-backs to agencies for computing services; telecommunication services; enterprise application development; establishing information technology (IT) standards; and the OET's internal security, planning and management operations. The estimated spending from the Enterprise Technology Revolving Fund for FY 2010-2011 is \$184 million.

Chapter 101 also provides OET with \$11.7 million of funding to continue the creation of a statewide electronic licensing system. Each state agency is required to collect a temporary surcharge of ten percent of the existing fee for licenses administered by the agency, which must be no less than \$5 and no more than \$150 for each business, commercial, professional or occupational license. The surcharge may be collected for up to six years between July 1, 2009, and June 30, 2015.

Department of Administration

The Department of Administration budget totals \$216.3 million for FY 2010-2011, including \$40.8 million from the General Fund, an increase of \$1.5 million, or 3.8 percent, compared to forecast.

Over 80 percent of Department of Administration functions are funded from non-General Fund appropriations, consisting primarily of internal service and enterprise funds. Internal service funds are established with deposits of fees charged primarily to state agencies for support services, such as insurance, fleet management, consulting, sale of office supplies, mail services, and the leasing of facilities under the custodial control of the Department of Administration. Enterprise funds are generated through fees charged to governmental entities, citizens, and businesses through the state bookstore, surplus property sales, and cooperative purchasing of products and services. Other funding is from Special Revenue Fund fees for geospatial information services, parking, and the state employee commuter van service; and federal funds to the Council on Developmental Disabilities and the System of Technology to Achieve Results Program.

Changes made relative to forecasted spending for FY 2010-2011 include \$1.2 million in operating budget reductions spread among various offices and functions of the Department of Administrations. These reductions were offset by increases for several specific purposes, including:

- \$1.0 million to increase the in-lieu-of rent appropriation for plant management.
- \$1.4 million for the development of the Real Property management system.

- \$125,000 was provided to the Office of Grants Management for the administration of oversight of grants made to the state. The office is required to recover this amount by making deductions of no more than 2.5 percent of any grant administered by the state.

Chapter 101 established a new Minnesota Geospatial Information Office to assume the responsibilities and functions of the Land Management Information Center, which was abolished. The new office will provide coordination and guidance for state and local government using geospatial information systems (GIS) to inform decision-making processes.

General operating reductions for MMB; targeted increases for improving interest controls.

Minnesota Management and Budget

The Departments of Finance and Employee Relations were merged in Chapter 148. FY 2010-2011 is the first biennial budget cycle that includes both of the former state agencies within the new agency, known as the Department of Management and Budget.

The budget for the Department of Management and Budget for FY 2010-2011 totals \$56.4 million, \$41 million of which was directly appropriated from the General Fund. This change represents a 0.4 percent decrease from the directly appropriated General Fund base budget for the biennium.

Chapter 101 provided \$2.1 million of operating budget reductions for the Department of Management and Budget by making five percent cuts to the operating budgets for the Accounting Services, Information Systems, Human Resource Management, and Agency Administration divisions of the department. These cuts were offset by two appropriations related to oversight functions: \$500,000 was appropriated in FY 2010 for federal stimulus funds reporting and oversight, and \$1.4 million was appropriated in FY 2010-2011 for financial oversight and assistance related to capital investment.

New state accounting and integrated tax system funded through lease-purchase agreements.

Chapter 101 also provided authorization for Management and Budget to enter into lease-purchase agreements for technology system projects. \$7.1 million was statutorily appropriated for FY 2010-2011 for this purpose, with an additional \$10.1 million appropriated in statute in each succeeding fiscal year until 2019.

Department of Revenue

The Department of Revenue budget totals \$280.1 million for FY 2010-2011, including direct General Fund appropriations of \$258 million, which is \$7 million, or 1.5 percent more than forecast for FY 2010-2011. The increase in direct appropriations includes \$10.4 million increase for new tax compliance initiatives. The increased efforts are expected to yield \$41.5 million in new revenues in FY 2010-2011, resulting in a net General Fund gain of \$31.1 million. In addition, the direct General Fund appropriation for the operating budget for the Department of Revenue was reduced by \$8.3 million for FY 2010-2011. Further, \$1.7 million was appropriated from the General Fund in FY 2010-2011 for additional work on an

integrated tax system to consolidate common functions and make improvements to the integration of data from all tax systems.

Office of Administrative Hearings

The Office of Administrative Hearings (OAH) has an overall budget of \$19.7 million for FY 2010-2011, funded mainly by the Workers' Compensation Special Fund and revolving fund revenues. \$14.8 million for FY 2010-2011 is from the Workers' Compensation Special Fund, and \$4.6 million is from the Special Revenue Fund, funded by charges to other state agencies and local governments for administrative law hearings.

Racing Commission

Chapter 101 provided a \$1.8 million appropriation for the Racing Commission from the racing and card playing accounts in the Special Revenue Fund. The revenue from this appropriation is derived from racetrack, racing, and occupational license fees.

Amateur Sports Commission

Chapter 101 appropriated \$540,000 for the Amateur Sports Commission, which was \$100,000 more than forecast for FY 2010-2011. The increase partially restores the \$300,000 reduction in FY 2008-2009. That reduction was made in anticipation of expected lease revenues for the commission from land to be leased to a private developer at the National Sports Center in Blaine. To date, no lease revenue has been received.

Chapter 101 also eliminated payments to the City of Minneapolis to support the Target Center consistent with the fulfillment of the state's commitment to make such payments, saving \$1.5 million for the biennium.

Councils

Chapter 101 reduced the FY 2010-2011 operating budgets for three of the four minority councils established in state law: (1) the Council on Black Minnesotans received a 5.1 percent decrease to \$632,000; (2) the Chicano/Latino Affairs Council received a 5.1 percent decrease to \$596,000; and (3) the Council on Asian-Pacific Minnesotans received a 4.8 percent decrease to \$550,000. The Minnesota Indian Affairs Council received a five percent budget reduction of \$50,000 that was offset by an additional appropriation of \$64,000 for managing Indian burial sites, for a net increase of \$14,000 in the council's budget.

Extensions of Budget Authority

Chapter 101 also extended budget authority for FY 2010-2011 to the following agencies and programs.

- An estimated \$60 million for various **Public Retirement Funds** programs, including open appropriations estimated to be: (1) \$3.8 million for legislative plans; (2) \$925,000 for constitutional officer plans; (3) \$18,000 for the

Minneapolis Employees Retirement Fund to reduce unfunded liabilities; and (4) \$37.3 million to reduce the unfunded liabilities of the Minneapolis and St. Paul Teachers' Retirement Funds.

- \$56.9 million for **State Lottery** operations. Total lottery sales for FY 2010-2011 are estimated to be \$924.4 million. Over 25 percent, or \$243.9 million, will be paid to the state General Fund, Environment and Natural Resources Fund, Game and Fish Fund, and the Natural Resources Fund.
- \$1.5 million of direct General Fund appropriations for the **Campaign Finance and Public Disclosure Board**, an increase of \$26,000 from the base budget for FY 2010-2011. The board administers the \$3.6 million Campaign Finance Public Subsidy Program, consisting of a statutory General Fund appropriation of \$1.0 million, along with all funds collected through the campaign finance income tax check-off.
- \$5.9 million from the lawful gambling regulation account in the Special Revenue Fund to the **Gambling Control Board**.
- \$746,000 for the **Capitol Area Architectural and Planning Board**, a reduction of \$38,000, or 5.1 percent, from the forecast for FY 2010-2011.
- \$302,000 for the **State Board of Investment** operations. This amount provides for the board's operating costs related to the investment of General Fund treasurer's cash. The remainder of the board's \$5.2 million budget for FY 2010-2011 comes from statutorily appropriated fees assessed against the assets of the funds the board invests.
- \$322,000 for **Tort Claims** to cover tort claims made against the state.
- \$2.25 million for **Contingent Accounts**, including \$1.25 million from the General Fund, \$800,000 from the State Government Special Revenue Fund, and \$200,000 from the Workers' Compensation Special Revenue Fund to support eligible and unexpected spending needs in those funds. \$750,000 of the General Fund amount is a special appropriation to cover potential state matching requirements for federal stimulus money.

PENSIONS

Chapter 169 contained the primary pension legislation enacted by the 2009 Legislature. Chapter 169 contains numerous technical provisions and several sections of significance to particular individuals.

Major items included in Chapter 169 include the dissolution of the Post Retirement Investment Fund and changes to disability benefit provisions in the state employees retirement plan. The dissolution of the Post Retirement Investment Fund combined

the assets of underlying separate retirement plans (including the state employees retirement plan) with the respective assets included in the Post Retirement Fund after the funding ratio in the Post Retirement Fund fell below 80 percent. Included in this change was a prospective adjustment of the cost-of-living increase payment mechanism, which will limit the potential annual amount of the increase to 2.5 percent after the retired member of the plan has been retired for at least one year.

Disability provisions for the correctional state employees plan and the state patrol retirement plan were changed to more precisely specify the kinds of disabilities that would qualify for a duty (work-related) disability or a regular (nonwork-related) disability. The time limit for applying for a disability pension was also changed to provide an 18 month deadline after leaving employment for members of all state plans.

Agency/Fund	FY 2008- 2009 Spending	FY 2010- 2011 Fcst. Base	FY 2010- 2011 Enacted Budget	Change: Enacted - FY 2008- 2009	Change: Enacted - Fcst. Base
Legislature					
General Fund	146,924	139,396	135,240	(11,684)	(4,156)
Health Care Access Fund	356	356	356	0	0
Special Revenue Fund	50	0	0	(50)	0
Federal Fund	7	0	0	(7)	0
Outdoor Heritage Fund	0	0	705	705	705
Arts & Cultural Heritage Fund	0	0	20	20	20
Clean Water Fund	0	0	25	25	25
Parks & Trails Fund	0	0	15	15	15
Gift Fund	95	0	0	(95)	0
Total for Legislature	147,432	139,752	136,361	(11,071)	(3,391)
Governors Office					
General Fund	7,143	7,402	7,180	37	(222)
Special Revenue Fund	964	658	2,062	1,098	1,404
Total for Governors Office	8,107	8,060	9,242	1,135	1,182
State Auditor					
General Fund	18,596	18,356	19,036	440	680
Special Revenue Fund	327	129	129	(198)	0
Total for State Auditor	18,923	18,485	19,165	242	680
<i>Non-CFS Statutory Funds State Auditor</i>					
<i>General Fund - dedicated</i>	<i>1,288</i>	<i>1,332</i>	<i>1,332</i>	<i>44</i>	<i>0</i>
Attorney General					
General Fund	51,545	48,450	46,316	(5,229)	(2,134)
State Government Special Revenue Fund	4,314	3,654	3,654	(660)	0

Agency/Fund	FY 2008-2009 Spending	FY 2010-2011 Fcst. Base	FY 2010-2011 Enacted Budget	Change: Enacted - FY 2008- 2009	Change: Enacted - Fcst. Base
Special Revenue Fund	440	302	302	(138)	0
Federal Fund	2,444	2,765	2,765	321	0
Environmental Fund	157	290	290	133	0
Remediation Fund	378	500	500	122	0
Total for Attorney General	59,278	55,961	53,827	(5,451)	(2,134)
<i>Non-CFS Statutory Funds Attorney General</i>					
<i>General Fund - dedicated</i>	<i>16,207</i>	<i>15,930</i>	<i>15,930</i>	<i>(277)</i>	<i>0</i>
<i>State Government Special Revenue Fund</i>	<i>1,402</i>	<i>1,402</i>	<i>1,402</i>	<i>0</i>	<i>0</i>
Total Non-CFS for Attorney General	17,609	17,332	17,332	(277)	0
Secretary of State					
General Fund	12,254	12,435	11,819	(435)	(616)
General Fund Transfer Out	(352)		0	352	0
Special Revenue Fund	11,588	3,390	5,344	(6,244)	1,954
Gift Fund	399	0	0	(399)	0
Total Secretary of State	23,490	15,825	17,163	(6,327)	1,338
Campaign Finance & Public Disclosure Board					
General Fund	1,448	1,470	1,496	48	26
Special Revenue Fund	1,865	5,540	5,540	3,675	0
Total Campaign Finance & Public Disclosure Board	3,313	7,010	7,036	3,723	26
Campaign Financing Check-off Subsidy					
General Fund	3,725	3,850	3,620	(105)	(230)
General Fund Transfer Out	(3,725)	(3,850)	(3,620)	105	230
Investment Board					
General Fund	302	302	302	0	0
Special Revenue Fund	4,900	4,938	4,938	38	0
Total Investment Board	5,202	5,240	5,240	38	0
Administrative Hearings					
General Fund	659	580	680	21	100
Special Revenue Fund	4	0	0	(4)	0
Workers Compensation Special Fund	14,347	14,500	14,500	153	0
Total Administrative Hearings	15,010	15,080	15,180	170	100
<i>Non-CFS Statutory Funds Administrative Hearings</i>					
<i>Administrative Hearings</i>	<i>4,271</i>	<i>4,567</i>	<i>4,567</i>	<i>296</i>	<i>0</i>
Office of Enterprise Technology (OET)					
General Fund	23,112	12,122	11,516	(11,596)	(606)
Special Revenue Fund	9,215	0	11,700	2,485	11,700
Total Office of Enterprise Technology	32,327	12,122	23,216	(9,111)	11,094
<i>Non-CFS Statutory Funds Office of Enterprise Technology</i>					
<i>Internal Service Funds / Enterprise Funds</i>	<i>169,170</i>	<i>184,332</i>	<i>184,332</i>	<i>15,162</i>	<i>0</i>
Dept of Administration					
General Fund	44,906	39,335	40,789	(4,117)	1,454

Agency/Fund	FY 2008-2009 Spending	FY 2010-2011 Fcst. Base	FY 2010-2011 Enacted Budget	Change: Enacted - FY 2008- 2009	Change: Enacted - Fcst. Base
General Fund Transfer Out	(40)			40	0
Special Revenue Fund	61,378	76,988	77,238	15,860	250
Federal Fund	4,952	3,145	3,175	(1,777)	30
Gift Fund	217	10	10	(207)	0
Total for Dept of Administration	111,413	119,478	121,212	9,799	1,734
Non-CFS Statutory Funds Administration					
Dept					
<i>Internal Service Funds / Enterprise Funds</i>	203,274	216,337	216,337	13,063	0
Capitol Area Architect & Planning Board					
General Fund	801	746	708	(93)	(38)
Special Revenue Fund	46	4	4	(42)	0
Total for Capitol Area Architect & Planning Board	847	750	712	(135)	(38)
MN Management & Budget (MMB)					
General Fund	41,036	41,090	48,030	6,994	6,940
General Fund Transfer Out (MAPS Replacement)			(7,094)	(7,094)	(7,094)
Special Revenue Fund	31,225	15,416	15,416	(15,809)	0
Total for MMB	72,261	56,506	56,352	(15,909)	(154)
MMB Non-Operating					
General Fund	48,904	8,654	8,654	(40,250)	0
General Fund Transfer Out	(10,924)	(8,654)	(8,654)	2,270	0
Federal Fund	8,132	8,132	8,132	0	0
Total for MMB Non-Operating	46,112	8,132	8,132	(37,980)	0
Indirect Costs – General Fund	(37,406)	(31,100)	(31,100)	6,306	0
Non-CFS Statutory Funds - MMB					
<i>State Employees Insurance Fund</i>	1,273,113	1,470,494	1,470,494	197,381	0
<i>Miscellaneous Special Agency</i>	48,056	50,633	50,633	2,577	0
<i>Management Analysis</i>	4,271	4,378	4,378	107	0
Total Non-CFS for MMB	1,321,169	1,525,505	1,521,127	199,958	0
Revenue Dept					
General Fund	251,003	254,144	257,955	6,952	3,811
General Fund Transfer Out (Integrated Tax System)			(1,708)	(1,708)	(1,708)
Health Care Access Fund	3,357	3,510	3,510	153	0
Special Revenue Fund	12,298	15,449	15,449	3,151	0
State Airports Fund	1	2	2	1	0
Highway Users Tax Distribution Fund	4,322	4,366	4,366	44	0
Environmental Fund	600	606	586	(14)	(20)
Total for Revenue Dept	271,581	278,077	280,160	8,579	2,083
Amateur Sports Commission					
General Fund	2,108	1,940	540	(1,568)	(1,400)
Total for Amateur Sports	2,108	1,940	540	(1,568)	(1,400)
Council on Black Minnesotans					
General Fund	658	666	632	(26)	(34)
Special Revenue Fund	259	0	0	(259)	0

Agency/Fund	FY 2008-2009 Spending	FY 2010-2011 Fcst. Base	FY 2010-2011 Enacted Budget	Change: Enacted - FY 2008- 2009	Change: Enacted - Fcst. Base
Gift Fund	25	24	24	(1)	0
Total for Council on Black Minnesotans	917	666	632	(285)	(34)
Chicano Latino Affairs Council					
General Fund	622	628	596	(26)	(32)
Special Revenue Fund	43	0	0	(43)	0
Gift Fund	8	0	0	(8)	0
Total for Chicano Latino Affairs Council	673	628	596	(77)	(32)
Asian-Pacific MN Council					
General Fund	578	578	550	(28)	(28)
Special Revenue Fund	61	28	28	(33)	0
Gift Fund	5	8	8	3	0
Total for Asian-Pacific MN Council	644	614	586	(58)	(28)
MN Indian Affairs Council					
General Fund	976	986	1,000	24	14
Special Revenue Fund	17	0	0	(17)	0
Arts & Cultural Heritage Fund	0	0	1,900	1,900	1,900
Federal Fund	84	120	120	36	0
Total for MN Indian Affairs Council	1,077	1,106	3,020	1,943	1,914
Gambling Control Board - Special Revenue Fund	5,809	5,880	5,880	71	0
Racing Commission - Special Revenue Fund	3,841	3,836	3,836	(5)	0
Contingent Accounts					
General Fund	434	500	1,250	816	750
State Government Special Revenue Fund	750	800	800	50	0
Trunk Highway Fund	400	400	400	0	0
Highway Users Tax Distribution Fund	125	250	250	125	0
Workers Compensation Special Fund	100	200	200	100	0
Total for Contingent Accounts	1,809	2,150	2,900	1,091	750
Tort Claims					
General Fund	322	322	322	0	0
Trunk Highway Fund	1,200	1,200	1,200	0	0
Total for Tort Claims	1,522	1,522	1,522	0	0
MN State Retirement System - General Fund					
	5,241	4,751	4,751	(490)	0
Local Pension Aids - General Fund	55,395	55,254	55,254	(141)	0
TOTALS BY FUND - Consolidated Fund Statement					
General Fund	681,286	622,857	627,136	(54,150)	4,279
General Fund Transfer Out	(15,041)	(12,504)	(21,076)	(6,035)	(8,572)
Health Care Access Fund	3,713	3,866	3,866	153	0
Special Revenue Fund	144,330	132,558	147,866	3,536	15,308
Federal Fund	15,619	14,162	14,192	(1,427)	30
Outdoor Heritage Fund	0	0	705	705	705
Arts & Cultural Heritage Fund	0	0	1,920	1,920	1,920
Clean Water Fund	0	0	25	25	25

Agency/Fund	FY 2008-2009 Spending	FY 2010-2011 Fcst. Base	FY 2010-2011 Enacted Budget	Change: Enacted - FY 2008- 2009	Change: Enacted - Fcst. Base
Parks & Trails Fund	0	0	15	15	15
Gift Fund	749	42	42	(707)	0
State Government Special Revenue Fund	5,064	4,454	4,454	(610)	0
Environmental Fund	757	896	876	119	(20)
Remediation Fund	378	500	500	122	0
Trunk Highway Fund	1,600	1,600	1,600	0	0
Highway Users Tax Distribution Fund	4,447	4,616	4,616	169	0
Workers Compensation Special Fund	14,447	14,700	14,700	253	0
State Airports Fund	1	2	2	1	0
TOTAL CFS STATE GOVERNMENT	857,754	787,749	801,439	(56,315)	13,690
<i>Non-Consolidated Fund Statement</i>					
<i>General Fund (dedicated)</i>	17,495	17,262	17,262	(233)	0
<i>State Government Special Revenue Fund</i>	1,402	1,402	1,402	0	0
<i>Administrative Hearings</i>	4,271	4,567	4,567	296	0
<i>Internal Service Funds / Enterprise Funds</i>	372,444	400,669	400,669	28,225	0
<i>State Employee Insurance</i>	1,273,113	1,470,494	1,470,494	197,381	0
<i>Management Analysis</i>	4,271	4,378	4,378	107	0
<i>Miscellaneous Agency</i>	48,056	50,633	50,633	2,577	0
TOTAL Non-CFS STATE GOVT.	1,721,052	1,949,405	1,949,405	228,353	0
TOTAL (CFS + Non-CFS) STATE GOVT.	2,578,806	2,737,154	2,750,844	172,038	13,690

For questions regarding this Chapter or for more information on the fiscal aspects of State Government Finance, please contact tom.bottern@senate.mn or kevin.lundeen@senate.mn

TAX AIDS AND CREDITS

\$3.4 billion projected spending for Tax Aids and Credits greater than previous biennium, but virtually unchanged relative to forecast.

State General Fund spending for tax aids and credits will total \$3.422 billion for the 2010-2011 biennium, a net increase of \$2.15 million over the February Forecast base. The \$2.15 million increase reflects several modest changes in tax aids and credits in Chapter 88, the Omnibus Tax Policy Bill. Table 1 summarizes General Fund tax and aid spending for FY 2010-2011.

The amounts in Table 1 exclude the impact of the Governor's June 2009 decision to unallot \$368 million from tax aids and credits in FY 2010-2011, \$300 million of which came from payments of aids to local governments. *The fiscal impacts of the Governor's unallotments are analyzed in a separate Fiscal Issues Brief:* <http://www.senate.leg.state.mn.us/departments/fiscalpol/reports/2010/IB%20FY2010-11%20Unallotments.pdf>

Fund/Program	FY 2008-2009 Spending*	FY 2010-2011 Forecast Base	FY 2010-11 Enacted Budget	Change: Enacted - FY 2008-09	Change: Enacted - Fcst. Base
General Fund					
Property Tax Refunds	851,711	986,873	986,873	135,162	0
City Aid	915,270	1,062,979	1,062,979	147,709	0
County Program Aid	367,303	460,218	460,218	92,915	0
Market Value Homestead Credit	581,782	578,076	578,076	-3,706	0
Other Tax Aids and Credits	327,753	347,249	349,399	21,646	2,150
General Fund Total	3,043,819	3,435,395	3,437,545	393,726	2,150
Health Care Access Fund					
Tax Refund Interest (Open)	876	900	900	24	0
Special Revenue Fund					
Aid to Local Government	592	628	628	36	0
TOTALS BY FUND					
General Fund	3,043,819	3,435,395	3,437,545	393,726	2,150
General Fund Transfers Out	(17,115)	(17,004)	(17,004)	111	0
Health Care Access Fund	876	900	900	24	0
Special Revenue Fund	592	628	628	36	0
Total - All Funds	3,028,172	3,419,919	3,422,069	373,897	2,150
* As adjusted by FY 2009 unallotments and changes made by the 2009 Legislature.					

Tax Aids and Credit amounts do not include unallotments made to enacted budget; see separate Fiscal Issue Brief.

and have a household income of less than \$60,000. In the case of a married couple, both spouses must be at least 65 years of age when the first tax deferral is granted. Chapter 88 changes the age requirement for married couples: only one spouse must be at least 65 years old, and the other spouse must be at least 62 years old. Seven new senior couples are expected to qualify based on this change at a cost of \$25,000 in FY 2011 and \$30,000 each year in FY 2012 and 2013. Table 2 illustrates the fiscal impact of individual provisions.

Table 2 - Tax Aids and Credits						
General Fund Changes Compared to Forecast						
<i>(dollars in thousands)</i>						
Tax Provisions	FY 2010	FY 2011	FY 2010-2011	FY 2012	FY 2013	FY 2012-2013
Property Tax Refunds						
Senior Property Tax Deferral: Removes Marriage Penalty if One Spouse is Age 65	0	25	25	30	30	60
Local Aids						
County Program Aid Appropriation to Beltrami County for Red Lake Band of Chippewa	500	0	500	0	0	0
Property Taxes						
Modify Bovine Tuberculosis Zone State-Paid Property Tax Credits	\$0	(\$100)	(\$100)	(\$100)	(\$100)	(\$200)
Flood-Damaged Property Tax Abatements	\$0	\$0	\$0	\$960	\$960	\$1,920
Class Rate Reduction for Lakeshore / Riparian Property used to Provide Marina Services	0	*	*	*	*	*
Wind Production Tax: Additional Expenditure to Offset the Loss of School District Revenue	0	0	0	310	370	680
Property Tax Administration						
Local Government Units Authorized to Issue Emergency Debt Certificates	*	*	*	*	*	*
Special Levy for Costs of Confining Sex Offenders	0	59	59	59	0	59
Special Levy for Costs of Operating and Maintaining New County Facilities	0	38	38	76	0	76
Tax Forfeited Land Proceeds for Pine County	0	(5)	(5)	0	0	0
Metropolitan Council Transit Bonds, PTR Impact	0	0	0	0	120	120
Other Appropriations						
Appropriation to DNR for Mining Reclamation Permits	680	680	1,360	0	0	0
Repeal Taconite Reduction from General Education Aid	244	29	273	288	967	1,255
Subtotal	1,424	726	2,150	1,623	2,347	3,970
Transfers						
Transfer to Special Account	0	10,149	10,149			
Transfer from Special Account to General Fund				(10,149)	0	(10,149)
Total General Fund Tax Expenditures	1,424	10,875	12,299	(8,526)	2,347	(6,179)
* Unknown						

No changes to LGA formula; special adjustments for two cities.

Local Aids

Chapter 88 provides one-time payments from within the Local Government Aid (LGA) appropriation for two cities:

(1) Coon Rapids will receive an increase in the city aid base of \$225,000 for aids payable in 2010 only. Coon Rapids was specifically designated for a \$450,000 payment in calendar year 2008, the last payment of a ten-year loan from the city to the state for a bridge reconstruction project. Half of this last payment was lost through the Governor's December 2008 unallotment.

(2) St. Paul will receive an increase in the city aid base of \$25,000 for aids payable in 2010 only to compensate members of the St. Paul Growers Association for crop damage from a June 2008 hail storm.

Language states that these payments cannot be reduced through aid reduction or any future unallotment. The adjustments are funded from within the appropriations for LGA and do not change state appropriations.

Chapter 88 also provided a onetime County Program Aid increase of \$500,000 to Beltrami County in FY 2010, to be distributed to the governing body of the Red Lake Band of Chippewa for implementing the Connections to Success and Increasing Adoptions Act of 2008. Language specifies that this payment cannot be reduced through aid reduction or any future unallotment.

PROPERTY TAXES CHANGES

Green Acres and Rural Preserves

Chapter 12 modified the eligibility requirements for the Green Acres program and established a new program called Rural Preserves for rural land that no longer qualifies for Green Acres. Land that is enrolled in conservation programs such as the federal Conservation Reserve Enhancement Program or the Reinvest in Minnesota program will generally be eligible for Green Acres property tax treatment. Land that is classified as rural vacant land will be allowed to remain in the Green Acres program until January 1, 2013. After January 1, 2013, rural vacant land that no longer qualifies for Green Acres treatment may be enrolled in the new Rural Preserves Property Tax program. In order to qualify, the property must be at least ten acres and must have an approved conservation management plan. The land must be subject to a covenant and enrolled for at least ten years. Property owners are required to notify the assessor five years before terminating the covenant. Upon termination, the owner is subject to repayment of three years of property tax benefits. Rural vacant land that no longer qualifies for Green Acres can be withdrawn from the program until May 1, 2010, without payment of back taxes.

Adjustments made to Green Acres program.

*Various changes
to property tax
laws.*

Bovine Tuberculosis Zone State-Paid Property Tax Credits

Chapter 88 modified the definitions that apply to the Bovine Tuberculosis Zone Property Tax Credit that was initially enacted in 2008 to assist livestock owners who suffered losses due to bovine tuberculosis eradication procedures. The “zone” means the modified accredited zone designed by the Board of Animal Health, rather than the “proposed zone.” The reference to “located within” means that the herd was kept in the area for at least part of calendar years 2006, 2007, or 2008; current law was limited to 2007. A definition of “animal” was added to mean cattle, bison, goats, and farmed cervidae.

The application of the Bovine Tuberculosis Property Tax Credit to rural vacant land as well as agricultural land was also clarified. The amount of the credit will be determined as the greater of \$5.00 per acre on the first 160 acres of property on which the herd had been located, or an amount equal to \$5.00 per acre, multiplied by five acres, multiplied by the highest number of animals tested on the property for bovine tuberculosis in 2006, 2007, or 2008. The amount of the credit may not exceed the property tax payable on the land upon which the herd had been located, excluding tax attributed to residential structures. Combined impact of these changes is a cost savings of \$100,000 per year beginning in FY 2011.

Flood-Damaged Property Tax Abatements

Tax abatements are provided to newly-constructed residential structures in cities with damage caused by the March 2009 flood in the Red River Valley. To qualify for the abatement, property must be located in Moorhead, Dilworth, East Grand Forks, or Breckenridge, and construction must occur between January 1, 2009, and December 31, 2010. For single family units, the abatement is limited to the tax on the first \$200,000 of market value. For multiple family units, the abatement is limited to the tax on the first \$20,000 of market value per residential unit. The Commissioner of Revenue will reimburse local jurisdictions at an estimated cost of \$960,000 per year in FY 2012 and 2013.

Wind Energy Production Tax

Chapter 88 modifies the formula for distributing revenues from the Wind Energy Production Tax for FY 2011 and thereafter. Eighty percent of the revenues are distributed to the county and 20 percent are distributed to the city or township. School districts will no longer receive these revenues. Under current law, the distribution is 80 percent to the county, 14 percent to the city or township, and six percent to the school district. The elimination of these payments to school districts results in a corresponding increase in state education aids at a cost of \$680,000 in the 2012-2013 biennium.

Class Rate Reduction for Certain Marina Property

Chapter 88 reduced the class rate for certain lakeshore and riparian property used to provide marina services. Under current law, marinas are classified as “3a commercial property,” with a tax rate of 1.5 percent for the first \$150,000 of market value and 2.0 percent for values that exceed \$150,000. Such property is

also subject to the commercial portion of the state general property tax levy. Under Chapter 88, marinas that are accessible to the public for recreational use are instead classified as seasonal recreational property (class 4c) with a tax rate of 1.0 percent for the first \$500,000 of market value and 1.25 percent for values in excess of \$500,000. Such properties will now be subject to the seasonal recreation portion of the state general property tax levy. The new 4c classification is limited to six acres of land and no more than 800 feet of shoreline. The number of properties meeting these criteria and changing from a class 3a to class 4c is unknown.

PROPERTY TAX ADMINISTRATION

Special Levies

Chapter 88 provided for several special levies outside of levy limits. It added a special levy to pay for the state share of the costs of confining sex offenders undergoing the civil commitment process to the extent the state does not fund its share of these costs. The Department of Revenue estimates that 42 counties have expenses of approximately \$1.5 million that would be levied through this provision. This would increase the property tax burden, and the impact on state-paid property tax refunds is estimated to cost \$59,000 per year in FY 2011 and 2012.

It also added a special levy for counties to pay the first year of maintenance and operating costs for new public safety and court facilities that were funded prior to the imposition of levy limits in 2008. This amount is rolled into the county's levy limit base in subsequent years. It is anticipated that two counties would use this provision. This would increase property taxes paid and the impact on state-paid property tax refunds are estimated to increase by \$38,000 per year in FY 2011 and 2012.

Use of Tax-Forfeited Land Proceeds for Pine County

Chapter 88 authorized Pine County to use a portion of the proceeds from the sale or rental of tax-forfeited land to replace all or a portion of their County Program Aid or Market Value Credit reimbursement cuts or unallotments. The county board must adopt a resolution within six months of the actual aid or credit reimbursement loss to transfer funds from the county's tax-forfeited fund to the county's General Fund. The amount of the transfer cannot exceed the aid or credit reimbursement loss. This authority expires December 31, 2010.

The Governor's unallotments of December 19, 2008, reduced Pine County's County Program Aid by \$256,842; its Market Value Credit reimbursements were not reduced. It is estimated that about \$125,000 in tax-forfeited land proceeds will be transferred to the county General Fund. This will lower property taxes in the county and reduce state-paid property tax refunds by an estimated \$5,000 in FY 2010.

Metropolitan Council Transit Bonds

The Public Finance Article of Chapter 88 authorized the Metropolitan Council to issue \$34.2 million of transit bonds or other obligations to pay for regional transit capital expenditures in FY 2011 and 2012. Debt service on these bonds would be financed with increased property tax levies in the seven-county metropolitan area, increasing property taxes paid. State-paid property tax refunds would be increased by \$120,000 in FY 2013.

Emergency Debt Certificates

Chapter 88 authorized the issuance of emergency debt certificates by statutory or home rule charter cities, towns, or counties. The local jurisdiction's governing body, by resolution, may authorize and sell certificates of indebtedness anytime during a fiscal year in which receipts of the local government are reasonably expected to be reduced below the amount provided in the local government's budget when the final property tax levy is certified, and the receipts are insufficient to meet the expenses for the fiscal year. The certificates must mature within two years or less from the end of the fiscal year in which they are issued. The maximum principle amount of the certificates is limited to the expected reduction in receipts, plus the cost of issuance. Receipts are defined to include amounts from taxes, previously certified state-aid payments, state reimbursement payment for property tax credits, and any other source. The governing body is authorized to levy taxes for payment of the debt service on the certificates; the certificates would not be included in the net debt limit of the local government. A local government that uses emergency debt certificates is prohibited from using special levy authority for amounts funded with the certificates. The number of local governments that would choose to authorize the use of emergency debt certificates and the fiscal impact of this provision is unknown.

OTHER APPROPRIATIONS AND TRANSFERS**Appropriation to the Department of Natural Resources for Mining Reclamation Permits**

Chapter 88 appropriated \$680,000 in both FY 2010 and 2011 from the General Fund to the Commissioner of Natural Resources to pay for the costs associated with issuing mining permits. This chapter also repealed \$.0075 per ton mine reclamation fee on taconite iron ore contained in Chapter 37, article 1, section 31, which was intended to generate an amount equal to this appropriation.

Repeal Taconite Reduction from General Education Aid

Chapter 88 repealed an offset against state aids for school districts that received taconite product tax proceeds. Instead, the taconite aid will be distributed to the cities and towns within the school districts. This change increases the amount of school district state aid received by these school districts. General Fund spending will increase by \$273,000 in the 2010-2011 biennium and \$1.255 million in the 2012-2013 biennium.

Various studies and reports authorized.

Transfer

To balance the costs of federal conformity across biennia, Chapter 88 directed the Commissioner of Revenue to deposit up to \$10.149 million in additional revenues received in FY 2010 and 2011 into a special account. These funds are then transferred back to the General Fund in FY 2012. For additional information, see the federal conformity discussion in the Tax Revenues Chapter

Studies and Reports

Chapter 88 required a number of studies and /or reports, including:

- The Commissioner of Revenue, in consultation with the Commissioner of Agriculture, is required to study the property tax treatment of properties used for horse breeding and horse boarding under current law. A report to the Senate and House of Representatives Tax Committees is required by February 2, 2010.
- The metropolitan area fiscal disparities administrative auditor is required to study the feasibility of basing the fiscal disparities calculations on current year tax rates rather than previous year tax rates. A report to the Senate and House of Representatives Tax Committees is required by February 1, 2011.
- The Commissioner of Revenue, in consultation with the Commissioner of the Pollution Control Agency, is required to study the process used to determine the eligibility of personal property in use at an electric generation facility for a property tax exemption as pollution control equipment.
- Requires the drainage working group, facilitated by the Board of Soil and Water Resources, to study the condition of riparian buffer areas across the state, including recommendations for incentives to promote and preserve the buffer areas. A report to the Senate and House of Representatives Tax Committees is required by March 1, 2010.
- Imposes an 18-month moratorium on the implementation of new or increased maintenance of effort or matching fund requirements. Requires the Commissioner of Human Services, in consultation with representatives from county organizations and organizations representing recipients of human services, and the Commissioner of Revenue, to develop a proposal for transitioning from the current human services maintenance of efforts and matching fund requirements to a new consolidated local property tax contribution across all mandated health and human services. The report to the Governor and the Legislature is due by February 1, 2010.

For questions regarding this Chapter or for more information on the fiscal aspects of Tax Aids and Credits, please contact susan.vonmosch@senate.mn

CAPITAL INVESTMENT

\$276 million authorized for capital improvement projects, including for disaster relief.

Chapter 93, the 2009 Capital Investment Act, authorized \$276.4 million of funding for capital improvement projects and flood, tornado, and fire relief assistance. Of this amount, \$213.4 million are general obligation bonds for capital projects to be paid from the General Fund; \$35 million are user-financed bonds to be paid by the Minnesota Rural Finance Authority; and \$10.0 million are Trunk Highway Fund bonds for road projects. In addition, a total of \$18.0 million was authorized for disaster relief payment purposes, including \$10.7 million appropriated from the General Fund; \$4.4 million from general obligation bond proceeds; \$2.7 million of trunk highway bonds; and \$200,000 of cash from the trunk highway fund.

Chapter 93, as passed by the Legislature, appropriated \$361.4 million for a wide variety of specific and general capital improvement projects, including the disaster relief funding. The Governor vetoed \$85.1 million of the projects, resulting in \$276 million of projects approved.

Table 1 depicts the general capital improvement projects by agency, general purposes, and dollar amounts in Chapter 93, article 1. Table 2 shows the projects and dollar amounts in Chapter 93, articles 2, 3, and 4, for the flood, tornado, and fire relief funding. Table 3 contains the biennial spending information on debt from the various state funds.

Table 1 CAPITAL INVESTMENTS 2009 (dollars in thousands)		
AGENCY AND PROJECT	Fund	Chapter 93 Article I
AMATEUR SPORTS COMMISSION		
Asset Preservation		1,000
Amateur Sports Commission Total	Bond	1,000
BOARD OF WATER AND SOIL RESOURCES (BOWSR)		
Reinvest In Minnesota Conservation Easements Reserves		500
BOWSR Total	Bond	500
CORRECTIONS DEPARTMENT		
Department-wide Asset Preservation		4,000
Corrections Total	Bond	4,000
EMPLOYMENT & ECONOMIC DEVELOPMENT DEPARTMENT		
Olmsted County Energy Plant Steam line to Rochester Community College		5,000
St. Louis County Infrastructure/Redevelopment		750
Employment & Economic Development Total	Bond	5,750
HOUSING FINANCE AGENCY		
Public Housing		2,000
Housing Finance Agency Total	Bond	2,000
HUMAN SERVICES DEPARTMENT		

AGENCY AND PROJECT	Fund	Chapter 93 Article I
System-wide Asset Preservation/Safety/Security		2,000
Human Services Total	Bond	2,000
METROPOLITAN COUNCIL		
Minneapolis Northtown Rail Yard Bridge		1,000
St. Paul to Minneapolis Central Corridor		8,500
Transit Capital Improvement Program		12,500
Veterans Victory Memorial Parkway in Minneapolis		600
Metropolitan Council Total	Bond	22,600
MILITARY AFFAIRS		
Asset Preservation		3,602
Military Affairs Total	Bond	3,602
MINNESOTA HISTORICAL SOCIETY		
Asset Preservation		2,165
Minnesota Historical Society Total	Bond	2,165
MINNESOTA STATE COLLEGES AND UNIVERSITIES		
Higher Education Asset Preservation and Replacement		40,000
Minnesota State Colleges and Universities Total	Bond	40,000
MINNESOTA ZOOLOGICAL GARDENS		
Asset Preservation		3,000
Minnesota Zoological Gardens Total	Bond	3,000
NATURAL RESOURCES DEPARTMENT		
Asset Preservation		1,000
Flood Hazard Mitigation Grants		50,000
St. Paul Upper Landing Shoreline Protection		3,800
Natural Resources Total	Bond	54,800
RURAL FINANCE AUTHORITY		
Loans and Financial Assistance to Farmers		35,000
Rural Finance Authority Total	UF	35,000
TRANSPORTATION DEPARTMENT		
Alexandria Airport equipment and facilities		2,000
Bigfork Airport Runways		1,700
Commuter and Passenger Rail Corridors Program		26,000
Duluth Airport Terminal Facilities		4,900
Local Bridges Including Staples Project	TF	10,000
Minnesota Valley Railroad Track Rehabilitation		4,000
Port Development Assistance		3,000
Transportation Department Total	Bond	51,600
UNIVERSITY OF MINNESOTA		
Higher Education Asset Preservation and Replacement(HEAPR)		25,000
National Solar Testing & Certification Laboratory - Minneapolis Campus		2,150
West Central Research and Outreach - Solar Thermal Demo - Morris Campus		350
University of Minnesota Total	Bond	27,500
VETERANS AFFAIRS DEPARTMENT		
Asset Preservation		1,000
Veterans Cemeteries		1,500
Veterans Affairs Department Total	Bond	2,500
MANAGEMENT AND BUDGET		
Bond Sale Expenses		343

AGENCY AND PROJECT	Fund	Chapter 93 Article I
Management and Budget Total	Bond	343
SUMMARY, CHAPTER 93, ARTICLE I		
Total Projects Authorized		258,360
General Obligation Bonds	Bond	213,360
General Obligations Bonds - State Transportation Fund	TF	10,000
General Obligation Bonds-User Financed	GO/UF	35,000
Chapters 93, Article 1, Totals	Total	258,360

*Various projects
approved statewide.*

General Capital Improvement Projects

Significant capital investments authorized include:

- \$82.7 million for the state’s general building repair and maintenance efforts, with \$17.7 million for asset preservation projects in eight agencies. Furthermore, the Minnesota State Colleges and Universities received \$40 million and the University of Minnesota received \$25 million for asset preservation and replacement on their various campuses.
- \$7.5 million for energy-related projects, with \$5 million to utilize energy efficient steam at the Rochester Community and Technical College, and \$2.5 million for solar testing and demonstration projects at two University of Minnesota campuses.
- \$8.5 million for the continued funding of various activities to construct the Central Corridor light rail transit line that will connect downtown St. Paul to downtown Minneapolis.
- \$12.5 million for nine transitway projects in the Metropolitan area, including the St. Paul Union Depot, consisting of park-and-rides; busways; environmental work; rail transit; passenger facilities; and to acquire land, structures, and rehabilitation of multimodal transit centers.
- \$26 million to implement capital improvements and betterments for intercity passenger rail projects identified in the statewide freight and passenger rail plan, scheduled to be completed in calendar year 2009. This appropriation funds various engineering, environmental analysis and mitigation, land acquisition, and construction costs.

- \$35 million to the Rural Finance Authority to purchase interest or make direct agricultural loans to farmers for the beginning farmer program, loan restructuring, agricultural improvement program, and the livestock improvement loan program. Loan repayments to the Rural Finance Authority must recover the principle and interest costs of the bonds.
- \$50 million for the state share of flood hazard mitigation grants to local governments to plan and implement effective mitigation methods to prevent or alleviate flood damage.
- \$8.6 million for airport capital improvements in three cities for towers, equipment, runway construction, and pre-sign of new terminal facilities.
- \$10 million for the ongoing replacement, rehabilitation and reconstruction of local bridges that are outdated or present safety issues. The cost of these bonds is paid from the state transportation fund.

Table 1 details the general capital improvement projects by agency, purpose, and dollar amounts in Chapter 93, article 1, for the regular bonding projects.

Emergency and Disaster Assistance

In the 2009 legislative session, the emergency and disaster assistance appropriations of \$17.9 million were made through the Capital Investment Committee. These funds are to offset the cost to agencies, local governments, and individuals for flood, tornado, and fire expenses. Of this total, \$17,613 is for flood relief expenses, and \$350,000 is for tornado relief expenses. The fire relief expenses are to be determined for fiscal years 2010 and 2011 for the St. Charles School District. These relief efforts are funded by a combination of bonding dollars and operating funds.

Table 2 details the agency appropriation, the area for the relief funding, the source of the funds, and the dollar amount for each purpose. These amounts and language are in Chapter 93, articles 2, 3, and 4.

Table 2 FLOODING, TORNADO AND FIRE DISASTER RELIEF 2009 <i>(dollars in thousands)</i>		
AGENCY AND PROJECTS	Fund	Chapter 93, Articles 2, 3, 4
EDUCATION		
Enrollment, Facilities, Operating, Transportation Aids - Flood Relief	GF	173
Declining Pupil Aid, St. Charles Fire Relief(Aid Payment) Article 4	To Be Determined	
Education Department Total		173
EMPLOYMENT AND ECONOMIC DEVELOPMENT		
Hugo Tornado Relief Cleanup Funds - Article 3	GF	350
Minnesota Investment Fund Flood Relief Loans	GF	200

AGENCY AND PROJECTS	Fund	Chapter 93, Articles 2, 3, 4
Employment and Economic Development Total		550
HOUSING FINANCE AGENCY		
Housing Challenge Program Flood Relief Loans	GF	2,700
Housing Finance Agency Total		2,700
HUMAN SERVICES		
Medical Assistance Payments to Providers for Flood Relief Costs	GF	200
Human Services Total		200
PUBLIC SAFETY		
State Match for Federal Assistance - Individual Flood Relief	GF	26
State Match for Federal Assistance - Flood Relief	GF	5,254
State Match for Federal Assistance - Flood Relief	Bond	3,900
Public Safety Total		9,180
TRANSPORTATION		
Operations and Maintenance - Flood Relief	THF	200
Trunk Highway and Bridge Damage Repairs - Flood Relief	THF Bonds	2,700
Transportation Totals		2,900
REVENUE		
Aid to Cities Payments - Flood Relief	GF	250
Revenue Department Total		250
WATER AND SOIL RESOURCES BOARD		
Water Management Control Cost Share - Flood Relief	GF	1,000
Red River Valley Basin Commission - Flood Relief	GF	500
Reinvest In Minnesota Conservation Easements - Flood Relief	Bond	500
Water and Soil Resources Board Total		2,000
MINNESOTA MANAGEMENT AND BUDGET		
Bond Sale Expense	Bond	5
Bond Sale Expense	THF-Bonds	5
Minnesota Management and Budget Total		10
SUMMARY CHAPTER 93, DISASTER RELIEF		
Total Projects Authorized		17,963
General Obligation Bonds	Bond	4,405
Trunk Highway Fund Bonds	THF-Bonds	2,705
General Fund	GF	10,653
Trunk Highway Fund	THF	200
Chapter 93, Articles 2, 3, and 4 Total		17,963

State Government Debt Service Costs

Minnesota's Management and Budget is the state agency primarily responsible for borrowing money to finance capital projects and managing debt. The Commissioner of Management and Budget can issue general obligation bonds, general obligation trunk highway bonds, and 911 emergency revenue bonds. Most bond issuances are general obligation bonds repaid by General Fund appropriations.

*Increase in
General Fund
appropriations
for debt service to
new bonding
authorizations.*

As shown in Table 3, the February 2009 forecast for the debt service to be paid from the General Fund was \$1.066 billion. With the passage of these capital improvement authorizations, the debt service is increased by \$1.5 million in fiscal

year 2010 and \$9.4 million in fiscal year 2011, for a total of \$1.077 billion to be transferred from the General Fund to the state bond fund to pay principal and interest on outstanding general obligation bonds for the biennium.

Other state government entities that can issue bonds are the Agricultural and Economic Development Authority, Higher Education Facilities Authority Revenue Bonds, Housing Finance Authority Revenue Bonds, Iron Range Resources and Rehabilitation Agency, the Office of Higher Education, Public Facilities Authority Revenue Bonds, State Armory Building Commission, and the State Colleges and Universities Revenue Bonds. Table 3 shows the proposed spending by fund from the debt service fund for interest expense and principal to pay off the bonds that have been issued.

Table 3					
Biennial Spending From the Debt Service Fund					
<i>(dollars in thousands)</i>					
Totals by Fund	FY 2008-09 Spending	FY 2010-11 Fcst. Base	FY 2010-11 Enacted Budget	Change: Enacted - FY 2008-09	Change: Enacted - Fcst. Base
Agricultural Fund	64	59	59	(5)	0
Building Fund	1,851	736	736	(1,115)	0
Debt Service Fund:					
Receipts - Net	698,293	91,571	91,710	(606,583)	139
Budget Balance	216,826	208,677	210,531	(6,295)	1,854
Game & Fish Fund	5	0	0	(5)	0
General Fund	862,051	1,066,530	1,077,540	215,489	11,010
Maximum School Loan Fund	3,789	3,700	3,700	(89)	0
Natural Resources Fund	20	18	18	(2)	0
Rural Farm Administration Fund	21,433	14,171	14,171	(7,262)	0
Special Revenue Fund	567	598	598	31	0
Trunk Highway Fund	111,712	239,599	224,103	112,391	(15,496)
Total Spending	1,916,611	1,625,659	1,623,166	(293,445)	(2,493)

For questions regarding this Chapter or for more information on the fiscal aspects of Capital Investment, please contact david.jensen@senate.mn

DEDICATED FUNDS – 2008 CONSTITUTIONAL AMENDMENT

Note: This Chapter summarizes all actions taken to make the inaugural appropriations of the dedicated sales tax revenues approved by voters in 2008. The appropriations are also highlighted in the relevant budget area chapters.

Minnesota voters approved a constitutional amendment in the November 2008 election that increased the state’s sales tax by three-eighths of one percent starting in fiscal year 2010. The revenue from the sales tax increase must be spent “*to protect our drinking water sources; to protect, enhance, and restore our wetlands, prairies, forests, and fish, game, and wildlife habitat; to preserve our arts and cultural heritage; to support our parks and trails; and to protect, enhance, and restore our lakes, rivers, streams, and groundwater.*” The amendment also stated that “*The dedicated money under this section must supplement traditional sources of funding for these purposes and may not be used as a substitute.*” The dedicated sales tax authority is for 20 years.

The following table shows the constitutional funds and the anticipated revenue for those funds.

Estimated Revenues from Constitutional Amendment Adopted in 2008 (dollars in thousands)				
Fund	Percent	FY 2010	FY 2011	FY 2010-11
Outdoor Heritage Fund	33.00%	77,247	81,486	158,733
Clean Water Fund	33.00%	77,247	81,486	158,733
Parks & Trails Fund	14.25%	33,357	35,187	68,544
Arts & Cultural Heritage Fund	19.75%	46,232	48,768	95,000
Total	100.00%	234,083	246,927	481,010

Chapter 172 provided for the initial appropriations from the constitutionally dedicated funds. The Legislature appropriated money from the Outdoor Heritage Fund based on recommendations from the Lessard Outdoor Heritage Council, which is a council of citizens and legislators that was created to oversee the Outdoor Heritage Fund. The council made recommendations for FY 2010, along with a portion of the 2011 appropriations, and will have additional recommendations for the 2010 Legislature for the remaining FY 2011 appropriations. The Legislature made two-year appropriations from the other three dedicated funds.

Chapter 172 - Appropriations
Constitutional Dedicated Funding: by Fund, by Agency
(dollars in thousands)

<u>Fund, Agency</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2010-11</u>
Outdoor Heritage Fund*			
<u>Department of Natural Resources</u>			
Prairie Acquisition & Restoration	14,213	-	14,213
Forests for the Future/Easements	18,000	18,000	36,000
Wetlands Acquisition & Restoration	11,478	-	11,478
Fish, Game & Wildlife Habitat	13,903	-	13,903
<u>Administration, Other</u>	<u>175</u>	<u>-</u>	<u>175</u>
Total for Department of Natural Resources	57,769	18,000	75,769
<u>Board of Water & Soil Resources</u>			
Wetlands Acquisition & Restoration	9,058	-	9,058
<u>Department of Agriculture</u>			
Forest Protection/Invasive Species	2,000	-	2,000
<u>Legislative Coordinating Commission</u>			
Administration, Web Site	705	-	705
Total Outdoor Heritage Fund	69,532	18,000	87,532
Clean Water Fund*			
<u>Pollution Control Agency</u>			
Nonpoint Source Protection & Preservation	2,850	400	3,250
Point Source Protection	1,500	3,169	4,669
Assessment, Monitoring & TMDL			
Development	17,496	16,996	34,492
Ground & Drinking Water Protection	1,125	6,125	7,250
Education & Public Engagement	100	150	250
<u>Research & Tool Development</u>	<u>905</u>	<u>345</u>	<u>1,250</u>
Total for Pollution Control Agency	23,976	27,185	51,161
<u>Department of Natural Resources</u>			
Nonpoint Source Protection & Preservation	500	500	1,000
Assessment, Monitoring & TMDL			
Development	2,290	3,510	5,800
Ground & Drinking Water Protection	600	525	1,125
<u>Research & Tool Development</u>	<u>3,300</u>	<u>3,300</u>	<u>6,600</u>
Total for Department of Natural Resources	6,690	7,835	14,525
<u>Metropolitan Council</u>			
Water Supply Planning	400	-	400
<u>Board of Water & Soil Resources</u>			
Nonpoint Source Protection & Preservation	17,705	18,519	36,224
<u>Wellhead Protection Areas</u>	<u>1,000</u>	<u>1,000</u>	<u>2,000</u>
Total for Board of Water & Soil Resources	18,705	19,519	38,224
<u>Department of Agriculture</u>			
AgBMP Loan Program	2,000	2,500	4,500
Assessment, Monitoring & TMDL			
Development	720	350	1,070
Ground & Drinking Water Protection	375	750	1,125
<u>Research & Tool Development</u>	<u>695</u>	<u>1,570</u>	<u>2,265</u>
Total for Department of Agriculture	3,790	5,170	8,960

<u>Fund, Agency</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2010-11</u>
<u>Public Facilities Authority</u>			
Wastewater and Point Source Grants & Loans	13,441	19,259	32,700
<u>Department of Health</u>			
Ground & Drinking Water Protection	1,645	2,105	3,750
<u>University of Minnesota</u>			
Research & Tool Development	750	305	1,055
<u>Legislative Coordinating Commission</u>			
Public Information Web Site	25	-	25
Total Clean Water Fund	69,422	81,378	150,800
Parks & Trails Fund*			
<u>Department of Natural Resources</u>			
State Parks, Recreation Areas, and Trails	12,641	15,140	27,781
Regional Parks and Trails Grants	3,470	4,300	7,770
Solar Project Grants	500	600	1,100
<u>Parks Framework & Inventory</u>	<u>250</u>	<u>-</u>	<u>250</u>
Total for Department of Natural Resources	16,861	20,040	36,901
<u>Metropolitan Council - Regional Parks</u>			
Metro Parks and Trails Grants	12,641	15,140	27,781
<u>University of Minnesota</u>			
Parks Framework & Inventory	400	-	400
<u>Legislative Coordinating Commission</u>			
Public Information Web Site	15	-	15
Total Parks & Trails Fund	29,917	35,180	65,097
Arts & Cultural Heritage Fund*			
<u>Arts Board</u>			
Arts & Arts Access Initiatives	16,775	16,775	33,550
Arts Education Collaborations	3,245	3,245	6,490
Arts in Cultural Heritage	1,080	1,080	2,160
<u>Fiscal Oversight & Accountability</u>	<u>550</u>	<u>550</u>	<u>1,100</u>
Total for Arts Board	21,650	21,650	43,300
<u>Historical Society</u>			
Statewide History Programs & Projects	3,000	4,750	7,750
Statewide Historic & Cultural Grants	2,250	4,500	6,750
Assistance to Local Historical Societies	2,000	3,000	5,000
<u>Exhibit on Regional, Local & Cultural Diversity</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total for Historical Society	9,750	12,250	22,000
<u>Department of Administration: Fiscal Agent</u>			
Public Television	2,800	3,500	6,300
Minnesota Public Radio	1,150	1,500	2,650
Assoc. of MN Public Education Radio Stations	1,150	1,500	2,650
Minnesota Zoos	450	450	900
Minnesota Children's Museum	250	250	500
Duluth Children's Museum	250	250	500
<u>Science Museum of Minnesota</u>	<u>450</u>	<u>450</u>	<u>900</u>
Total for Dept. of Administration	6,500	7,900	14,400
<u>Minnesota Center for the Humanities</u>			
Program Development	300	300	600
Council on Asian Pacific Minnesotans	125	125	250

<u>Fund, Agency</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2010-11</u>
Council on Black Minnesotans	125	125	250
Indian Affairs Council	125	125	250
Chicano/Latino Affairs Council	125	125	250
<u>Civics Education</u>	<u>250</u>	<u>250</u>	<u>500</u>
Total for MN Center for the Humanities	1,050	1,050	2,100
<u>Perpich Center for Arts Education</u>			
Arts, Arts Education, and Arts Access	300	700	1,000
<u>Department of Education</u>			
Minnesota Regional Library Systems	4,250	4,250	8,500
<u>Indian Affairs Council</u>			
Dakota and Ojibwe Language Preservation	700	700	1,400
<u>Dakota and Ojibwe Immersion Programs</u>	<u>250</u>	<u>250</u>	<u>500</u>
Total for Indian Affairs Council	950	950	1,900
<u>Legislative Coordinating Commission</u>			
Public Information Web Site	20	-	20
Total Arts & Cultural Heritage Fund	44,470	48,750	93,220

APPENDIX A

How Education Aid Shift Works

Aid Payment Shift

Minnesota school districts and charter schools operate on a fiscal year that is identical to that of the state, which begins on July 1 and ends on June 30. Districts and charter schools receive state aid payments from the state on a statutorily determined payment schedule with 23 payments per year. The first payment is July 15 and each subsequent payment is approximately every two weeks thereafter. The final payment is June 20.

For any given fiscal year, the total of the aid formulas that are in law is called the entitlement. The entitlement represents the aid that each district and charter school is entitled to receive for that fiscal year. However, not all of that aid is actually appropriated or paid to districts and charter schools in the year for which the entitlement is generated. Instead, the aid entitlement from the various state formulas and grants that each district and charter school is eligible to receive is actually paid over two fiscal years. Generally, the majority of school entitlements are paid in the year in which the entitlement is generated. This portion of the entitlement is called the current year aid percentage. A smaller portion of the entitlement is paid to schools in the fiscal year after it is generated; this portion of the entitlement is called the prior year aid percentage.

Therefore, for any given fiscal year, the actual dollar amount that is paid to schools is the sum of a percentage of the formulas in effect for the current fiscal year added to the a percentage of the formulas in effective for the prior fiscal year. Under current law, the current year aid percentage is 90 percent and the prior year aid percentage is ten percent. The sum of the current and prior year aid percentages must always equal 100 percent.

In Chapter 179, the Legislature recommended changing the 90/10 current/prior year aid percentage allocation to a 73/27 current/prior year aid percentage allocation. This adjustment, effective in FY 2010, would have saved the General Fund \$1.149 billion by delaying state payments to schools. Had it become law, the 23 payments to districts in FY 2010 would have been comprised of a ten percent prior year aid percentage and a 73 percent current year aid percentage, reducing the 90 percent current year percentage to 73 percent. The 17 percent difference would then have been passed into FY 2011 as an increase to the prior year aid percentage. In FY 2011, the payments to districts and charter schools would have been comprised of a 27 percent prior year aid percentage and a 73 percent current year aid percentage.

This type of adjustment is called an aid payment shift. It does not reduce the amount of money that schools are entitled to receive because it makes no permanent changes to state school formulas. However, it does create a onetime delay in payments (generating savings for the state General Fund) and adjusts the mix of current/prior year aid payment percentages. Had Chapter 179 been enacted, in the first year of the shift, schools may have experienced a cash flow issue as the reduced 17 percent allocation was integrated into the payment schedule during the course of the year. School districts have the authority to borrow in anticipation of delayed state aid, and they often exercise this authority even during nonshifted years.

Property Tax Recognition Shift

Property taxes in the state of Minnesota are paid twice per year in the months of May and October. The dates on which these two payments fall are in two separate fiscal years. The May payment falls at the end of the current fiscal year and the October payment falls four months after the beginning of the subsequent fiscal year. Under current law and current school district accounting rules, although the payments are made at the end of a fiscal year, school districts must recognize most revenue from property taxes paid in May in the subsequent fiscal year.

A property tax recognition shift requires school districts to recognize the May property tax revenue payments early, in the first fiscal year in which the levies are actually paid. This early recognition of property tax provides school districts with an increase in revenue. As a second step, an equal amount of aid is subtracted from each school district to offset the increased levies. As a result, the revenue effect on districts is neutral but the aid subtraction creates savings for the state budget.

Chapter 179 used a property tax recognition shift to help balance the state budget, and this component of the bill would have saved \$604 million in the FY 2010-2011 biennium. Because property taxes continue to grow over time, this growth, relative to the forecasted base, is also shifted in subsequent fiscal years. Therefore, the property tax recognition shift would have saved an additional \$116.9 million in the FY 2012-2013 biennium.

Advance Final Payment

When shifts are used to help balance the state budget, the state essentially trades a state budget shortfall for school district cash flow. This process adjusts the schedule in which districts are paid to create onetime savings for the state. However, some school districts and charter schools are experiencing budget challenges themselves; a second mechanism is employed to avoid creating an unnecessary hardship for these districts and charters. This process, called an advance final payment, allows districts and charter schools that are in statutory operating debt in the prior fiscal year to receive a portion of its aid that would have

been shifted. Essentially, with certain limitations, it reduces the shift for districts and charter schools that were in statutory operating debt in the previous year.

Statutory Shift-Buy Back

The 2004 Legislature established a law to require the shifts to be automatically bought back when there is a positive unrestricted General Fund balance. This mechanism was used during FY 2005 and 2006 to fully buy back the E-12 shifts that helped balance the budget by the 2002 and 2003 Legislatures. After the budget returned to surplus, the Department of Finance allocated the funds necessary to restore the E-12 aid payment shifts to 90/10 and to return the property tax recognition shift to its prior schedule. This buyback of the earlier shift allows a future Legislature to consider shifting again to help balance the state's budget without having to enact legislation to buy it back. The automatic shift buy-back statute remains in effect. This automatic shift buy-back language does not apply to unallotments and deferrals of school aids, which are not permanent changes to law.