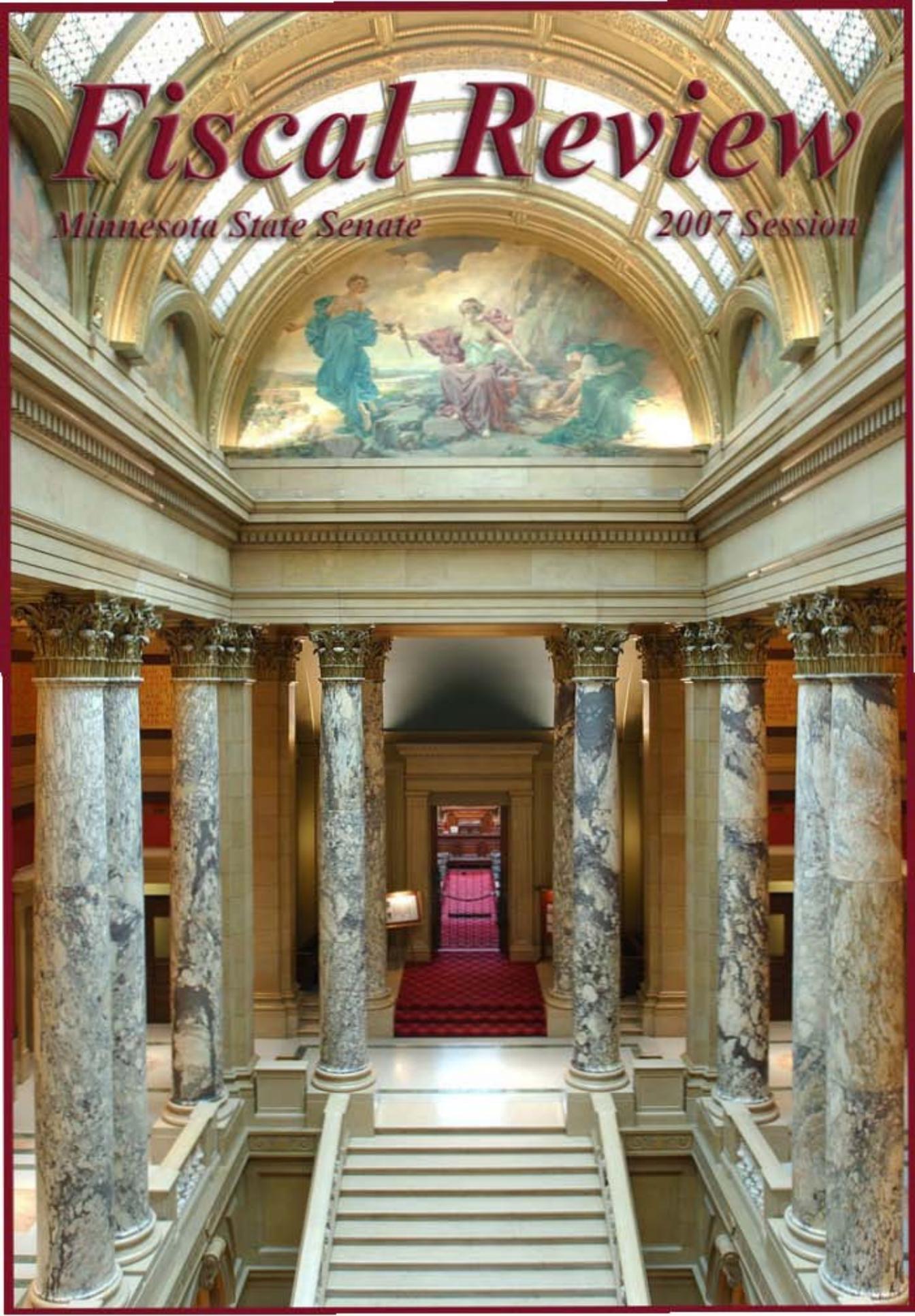


Fiscal Review

Minnesota State Senate

2007 Session



A

Fiscal Review

of the

2007 Legislative Session

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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 is required by the Minnesota State Constitution to be balanced. Budgetary funds generally reflect the operations of state but include only about 40 of the over 130 different state funds established in law.

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 legislative actions taken. Additional detail is available by consulting legislative budget tracking sheets at <http://www.senate.leg.state.mn.us> (click on “publications” and then “tracking spreadsheets”), 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 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 specified in session law and need to be renewed at the end of each biennium, or the time period otherwise specified in session law, in order to provide for an extension of 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 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.

Appropriations versus Spending

Amounts shown in the *Fiscal Review* for previous biennia reflect actual spending, while amounts shown for the current biennium (FY 2008-2009) reflect appropriation levels authorized by the Legislature for the current two-year budget. 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.

Various measures may be used to compare current budget decisions. The *Fiscal Review* reports current biennium relative to the prior biennial spending (e.g. FY 2008-2009 –v- FY 2006-2007); as well as to the February 2007 forecast “base.” In general, “base” spending for FY 2008-2009 refers to the amounts that would have been spent if direct appropriations for FY 2008 and FY 2009 were set at the same level as they were in FY 2007, and all open appropriations and forecasted entitlement programs were set at the amounts that would be needed to fund programs according the eligibility guidelines and formulas set in law for the previous biennium.

STATE BUDGET OVERVIEW AND HIGHLIGHTS

The Minnesota state budget for the FY 2008-2009 biennium totals \$55.3 billion for all funds, an increase of \$4.4 billion over FY 2006-2007; a two-year increase of 8.7 percent or about 4.63 percent annually. By comparison, the FY 2008-2009 budget for all funds is \$2.6 billion greater than the spending levels projected at the time of February 2007 State Budget Forecast, a two-year increase of 4.9 percent.

Table 1 All Funds Biennial Budget— FY 2008-2009 Comparison to FY 2006-2007 and Forecast <i>(dollars in millions)</i>					
	FY 2006-07	FY 2008-09 Forecast	FY 2008-09 Enacted	Changes from FY 2006-07	Changes to Forecast
General Fund	31,498	32,638	34,541	3,043	1,903
General Fund Transfers Out*	(1,180)	(1,284)	(1,325)	(145)	(41)
Other Funds	8,875	8,556	9,199	324	643
Federal Funds	11,693	12,841	12,880	1,187	39
Total Spending	50,886	52,751	55,295	4,409	2,544

* These amounts are appropriated from the General Fund for transfer to other funds.

As summarized in Table 1, \$34.5 billion of the \$55.4 billion of the state budget, or 62 percent, is appropriated from the General Fund. Federal Funds account for 23 percent (\$12.9 billion) with the remaining 15 percent of the budget being appropriated from a variety of special funds, such as funds used to pay for transportation and transit services, MNCare, and environment and natural resources programs.

ALL FUNDS BUDGET SUMMARY

Some budget areas are funded almost exclusively from the General Fund while other budget areas are funded largely through dedicated special funds (e.g. Transportation), or through a mix of General Fund and special funds (e.g. Health and Human services, Agriculture, Environment and Natural Resources). Education funding accounts for the largest share of General Fund spending, while health and human service programs account for the largest share of spending from all funds.

As summarized in Table 2, health and human services accounts for \$21.3 million of the \$55.3 million state budget, about 39 percent. While appropriations for this budget area from all funds increased by a total of \$2.8 billion over FY 2006-2007, the increase was \$449 million relative to the February forecast for FY 2008-2009. The larger increase relative to the previous biennium reflects February forecast projections of the increased funding levels needed to continue existing programs at the eligibility and benefit levels in place at the time of the forecast.

Budget Area	FY 2006-07	FY 2008-09 Forecast	FY 2008-09 Enacted	Changes from FY 2006-07	Changes to Forecast
E-12 Education	14,676	14,380	15,169	493	789
Higher Education	2,820	2,861	3,222	402	361
Health & Human Services	18,461	20,841	21,290	2,829	449
Agriculture & Veterans	296	384	418	122	34
Environment, Energy, Natural Resources*	1,417	1,344	1,525	108	182
Economic Development	1,237	1,089	1,165	(43)	98
Public Safety	1,380	1,287	1,407	27	120
Judiciary	713	711	773	60	62
Transportation	4,910	4,472	4,836	(74)	364
State Government	756	692	806	51	114
Tax Aids & Credits**	2,980	3,092	3,092	112	0
Debt Service	1,150	1,477	1,472	321	(6)
Capital Projects	0	21	21	21	0
Other	90	100	99	9	(1)
Total Spending	50,886	52,751	55,295	4,438	2,566

* Amounts reflect LCCMR appropriations for FY 2008; appropriations for FY 2009 have yet been made.

** PILT payment amounts of \$33.0 million each biennium are shown with Environment budget.

As also illustrated by Table 2, the February forecast projected funding declines for some other budget areas, such as education due to declining pupil counts and economic development programs reflecting that some of the funding for this budget area in FY 2006-2007 was appropriated on a one-time basis and was not included in the forecast base.

GENERAL FUND SUMMARY

The enacted General Fund budget for the FY 2008-2009 biennium provides for total appropriations of \$34.5 billion, an increase of \$3.0 billion or 9.7 percent over the previous biennium (FY 2006-2007). By comparison, the budget reflects an increase of \$1.9 billion, or 5.8 percent, over the February forecast base for FY 2008-2009. In addition, the spending amounts shown for FY 2006-2007 are \$19.9 million higher than forecasted due primarily to deficiency adjustments of \$10.3 million and one-time agency carry-forward totaling \$7.5 million.

As summarized in Table 3, the \$1.9 billion increase in appropriations relative to Forecast base included increases for most budget areas, including \$788.5 million for early childhood and K-12 Education and \$361.2 million for higher education. While the Legislature also approved increased appropriations for property tax aids and credits and for capital projects, that legislation was vetoed, resulting in no change for those two budget areas and a reduction in estimated debt service appropriations, relative to the February forecast.

Table 3
General Fund Biennial Budget by Budget Area
(dollars in thousands)

Budget Area	FY 2006-07 Spending*	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change: Budget - FY 06-07	Change: Budget - Fcst. Base
Early Childhood & K-12 Education	13,362,303	12,995,952	13,784,477	422,174	788,525
Higher Education	2,762,911	2,802,020	3,163,258	400,347	361,238
Health & Human Services**	8,242,104	9,459,654	9,727,277	1,485,173	267,623
Ag & Veterans	136,707	134,646	168,284	31,577	33,638
Environment, Energy, & Natural Resources	358,505	346,306	444,520	86,015	98,214
Economic Development	297,255	252,548	335,866	38,611	83,318
Public Safety	1,024,548	1,034,498	1,126,574	102,026	92,076
Judiciary	689,156	688,874	750,400	61,244	61,526
Transportation	216,139	224,964	249,402	33,263	24,438
State Government	569,937	549,122	656,096	86,159	106,974
Tax Aids and Credits	2,994,713	3,107,742	3,107,742	113,029	0
Debt Service	752,098	918,620	906,254	154,156	(12,366)
Capital Projects	0	20,500	20,500	20,500	0
Other	91,558	102,198	101,034	9,476	(1,164)
Total for Budget Area	31,497,942	32,637,644	34,541,684	3,043,750	1,904,040

* As adjusted by FY 2007 deficiency and other appropriation changes made by the 2007 Legislature.

** Health and Human Service amounts include \$32.7 million appropriated to a contingency account for purposes of reimbursing counties for loss of federal funds for targeted case management.

The enacted budget amounts in this report include both direct appropriations specified in budget bills, as well as changes to open and statutory appropriations (See Preface of this report for definitions).

FY 2006-2007 Adjustments

The 2007 Legislature approved modest changes to the FY 2006-2007 budget to fund various deficiencies prior to the close of the biennium. In addition, two omnibus budget bills included language allowing agencies to carry-forward unspent FY 2006-2007 budget authority totaling \$7.5 million for technology purposes. The combination of these changes increased FY 2006-2007 spending by \$20.0 million, or less than 0.1 percent, from \$31.478 billion to \$31.498 billion, relative to the February forecast.

FY 2008-2009 Budget Balance

The February 2007 budget forecast projected a positive, unrestricted General Fund surplus of \$1.013 billion at the close of FY 2006-2007. That anticipated surplus, when combined with a previously enacted \$110 million cancellation from the tax relief account and \$1.040 billion of projected revenues in excess of spending for FY 2008-2009, brought available resources to \$2.163 billion. Projected spending amounts did not include estimates of the impact of inflation on continuing existing programs and service levels.

Table 4			
End-of-Session General Fund Balance, FY 2008-2009			
<i>(dollars in millions)</i>			
	FY 2008-2009 (Feb. Forecast)	FY 2008-2009 End-of- Session	Difference
Beginning Balance	2,126	2,106	(20)
Revenues	33,678	33,812	134
Expenditures	32,638	34,542	1,904
Reserves	1,003	1,003	0
Balance	2,163	373	(1,790)
<i>Estimated Inflation</i>	<i>1,020</i>		
<i>Difference</i>	<i>1,153</i>		

As shown in Table 4, the changes enacted during the 2007 legislative session to address FY 2007 deficiencies and for one-time carry-forward authority (see above) reduced the FY 2008-2009 beginning balance by \$20 million. The enacted General Fund budget for FY 2008-2009 provides for total appropriations of \$34.5 billion, \$1.904 billion more than the \$32.6 billion of projected spending in the February forecast. Budget Reserve and Cash Flow Account amounts are unchanged at \$653 million and \$350 million, respectively, for a total of \$1.003 billion of reserves or about 2.9 percent of biennial spending.

While the enacted budget of \$34.542 billion exceeds projected General Fund revenues of \$33.812 billion for FY 2008-2009, the balance carry-forward of \$2.106 billion from FY 2006-2007 when combined with revenue increases of \$134 million, leaves a positive, unallocated General Fund balance of \$373.0 million after reserves of \$1.003 billion.

General Fund revenues for FY 2008-2009 are expected to be \$1.602 billion, or 5.0 percent, more than FY 2006-2007. Relative to the February forecast, legislative changes were expected to increase revenues by \$134 million higher, or 0.4 percent. The February 2007 budget forecast had already incorporated revenue reductions estimated to be \$24.2 million in FY 2006-2007 and by \$1.2 million in FY 2006-2007 for legislation enacted early in the session to conform to various federal income tax code changes.

The \$134 million increase in revenues for FY 2008-2009 relative to prior law is largely attributable to an additional \$102.4 million that is expected to be generated through expanded tax compliance initiatives similar to those enacted in previous legislative sessions. Several omnibus budget bills also contained various non-tax revenue provisions amount to a net increase of \$31.0 million in non-tax revenues. Those revenue changes consisted largely of changes in the human services budget area, including additional state operated services collections (\$9.9 million), reimbursement of federal disproportionate share hospital payments (\$6.1 million unrestricted), increased transfers in from the state government special revenue fund (\$8.0 million). These non-tax revenue increases to the General Fund, along with modest changes in several other budget areas, were partially offset by a of \$9.1 million from General Fund as part of the construction code

consolidation in the economic development budget. No changes were enacted to General Fund tax revenues.

By FY 2010-2011 biennium, revenues of \$36.8 billion are expected to exceed spending \$35.7 billion, leaving a positive balance of \$1.6 billion after carry-forward of the \$373 balance from FY 2008-2009.

FY 2010-2011 Tails

The amounts allocated to ongoing programs are expected to increase the forecast base for the FY 2010-2011 planning period by \$1.790 billion, from \$33.908 billion to \$35.698 billion. As illustrated in Table 5, FY 2010-2011 revenues based on the February forecast, along with modest permanent revenue changes were enacted in 2007, are expected to yield General Fund revenues of \$36.843 billion in FY 2010-2011, or \$1.145 billion more than expected spending before any adjustment for inflation. Assuming these projections hold, the \$1.145 billion, when combined with carry-forward of the \$373 million positive balance from FY 2008-2009, result in positive tails balance of \$1.55 billion.

Table 5			
End-of-Session General Fund Balance, FY 2010-2011			
<i>(dollars in millions)</i>			
	FY 2008-2009 (Feb. Forecast)	FY 2008-2009 End-of- Session	Difference
Beginning Balance	3,166	1,409	(1,757)
Revenues	36,707	36,843	136
Expenditures	33,908	35,698	1,790
Reserves	1,003	1,003	0
Balance	4,962	1,550	(3,412)

HIGHLIGHTS BY BUDGET AREA

While General Fund budget decisions tend to receive the most attention during legislative sessions, programs in some budget areas are funded largely through special funds. Following is a summary of legislative changes in each of the budget areas; see the relevant chapters for greater detail on the funding make-up of the budget areas and the enacted budget.

E – 12 Education Budget

Forty percent of the state General Fund budget goes to support early childhood and primary and secondary education, the primary source of education funding along with local property taxes. The 2007 Legislature increased funding for E-12 education by \$788.5 million over the February forecast base for FY 2008-2009, which was forecasted to decline from the previous biennium. Most of the funding increase was allocated through two program areas, including \$329.5 million for special education and \$243.5 million for the general education formula increases. In addition, \$99.7 million of one-

time funding was provided for school technology and telecommunications access, and \$32.5 million was for expansion of all-day kindergarten programs. Funding for a variety of other education programs, such as reading intervention programs, math and science programs, school lunch, libraries, early childhood education and gifted and talented programs was also enhanced.

Higher Education

State funding for higher education comes almost exclusively from the state General Fund with appropriations totaling \$3.2 billion for FY 2008-2009. The 2007 Legislature increased funding for higher education by \$361.2 million over the forecast base, including \$174.6 million for the University of Minnesota and \$151.8 million for Minnesota State Colleges and Universities. The increase for the University of Minnesota included \$25.0 million to support the UM-Mayo Medical Genomics partnership. Funding increases for the State Colleges were intended to provide sufficient funding to hold tuition increases to no more than four percent each year for 2008 and 2009. Portions of the increased funding for both the University of Minnesota and the State Colleges was made contingent upon them meeting certain performance criteria.

Appropriations for the Office of Higher Education were increased \$22.5 million, including \$10.0 million for the new Achieve Scholarship program and increased funding for child care grants (\$2.5 million), state student financial aid grants (\$2.2 million over forecast), and other programs. Changes to the state grant formula are expected to increase state grant awards by almost \$22 million over two-years, including the reallocation of forecasted under-spending. Further, the Omnibus Higher Education Finance bill appropriated \$12 million for the state GI tuition program to be administered by the Department of Veterans Affairs.

Health and Human Services

The FY 2008-2009 All Funds budget for Health and Human Services totals \$21.3 billion, an increase of \$2.8 billion or 15.3 percent over FY 2006-2007 and an increase of \$449 million, or 2.2 percent, over the February forecast base for these programs. General Fund appropriations total \$9.7 billion, an increase of \$1.5 billion or 18.0 percent over FY 2006-2007 and \$267.6 million or 2.8 percent over the February forecast base. Almost 95 percent of this budget area is administered by the Department of Human Services.

Increased funding for MNCare account for much of the budget change in this area, including \$103 million for eliminating certain limited benefit sets and premiums, restore prior law rules regarding verification of income, expand income eligibility limits and make other changes. The 2007 Legislature also increased General Fund spending by \$96.4 million and Federal TANF Fund spending by \$25.7 million to make a variety of changes to the Minnesota Family Investment Program (MFIP).

General Fund appropriations were increased by \$105 million to provide cost-of-living adjustments (COLA) to long-term care providers. Nursing facility reimbursement rates will undergo a phased-in rebasing beginning in 2009. Finally, increased funding was provided for a variety of other programs, such as the Cover All Kids initiative, \$40 million to counties on a one-time basis to help offset federal funding losses for targeted

case management and county child support, \$29.6 million for mental health, and \$12.9 million to veterans homes for repairs and operations.

Environment, Energy and Natural Resources

The FY 2008-2009 enacted budget of \$1.5 billion for environment, energy and natural resources programs is \$108.3 million more than the previous biennium and \$181.5 million more than the February forecast base. Much of the increased appropriations were for expanded funding for renewable energy initiatives (\$34.7 million) and one-time appropriations for Clean Water Legacy activities (\$49.7 million, not including \$4.0 appropriated in the Agricultural budget area), as well as increased funding for all agencies in recognition of compensation pressures. The FY 2008-2009 budget also includes new funding for health tracking and bio-monitoring, additional funding for controlling the spread of invasive species, and increased appropriations for parks.

Agriculture and Veterans Affairs

Of the \$122.0 million increase in spending relative to the previous biennium for this budget area—which includes the Department’s of Agriculture, Veterans Affairs, and Military Affairs, as well as the Animal Health Board and Agricultural Utilization Research station--\$87.8 million is attributable to increased federal funds for the Department of Military Affairs. Another \$31.6 million is increased General Fund appropriations, including \$12.2 million for veterans assistance programs, \$5.8 million for renewable and bio-fuels initiatives, \$4.0 million of one-time funding for clean water programs, and \$6.6 million for various purposes to be administered by the Department of Military Affairs.

Economic Development

The FY 2008-2009 budget for economic development related programs—including those administered by the Department’s of Employment and Economic Development, Labor and Industry, Mediation Services, Housing Finance Agency, Historical Society, Arts Board and other agencies—totals \$1.2 billion, \$42.6 less than the previous biennium but \$98.0 million more than the February forecast base. Most of the \$98.0 million increase is attributable to increased General Fund appropriations of 83.3 million, including increased funding for economic development programs (\$41.2 million) and housing programs (\$35.7 million), as well as funding for all other agencies in recognition of compensation pressures and increased funding for the Historical Society and Arts Board. Much of the decline from the previous biennium is attributable to declining federal funds.

Judiciary

State courts, the Public Defender and related boards are funded almost exclusively from the General Fund. The 2007 Legislature increased FY 2008-2009 General Fund appropriations by \$61.5 million or 9.2 percent over the February forecast base, and by a similar amount over the previous biennium (\$61.2 million). Most of the increase was in recognition of compensation pressures. In addition, increases included \$2.0 million for civil legal services, \$3.2 million for three new appellate judges, \$5.0 million for seven new district judge positions, \$4.7 million for court services, and \$4.2 million for drug

courts. Funding increases for the Public Defender are expected to accommodate thirty-four new attorneys and support staff to address caseload increases.

Public Safety

The Department's of Public Safety (criminal justice programs), Corrections, Human Rights and related boards and agencies are funded largely from the General Fund. General Fund appropriations total \$1.1 billion for FY 2008-2009, \$92.1 million or 9.2 percent above the Forecast base for FY 2008-2009; \$102.1 million above the previous biennium. Of the \$92.1 million, \$57.2 million went to Corrections for various costs related to staffing of prisons and care of inmates, including \$5.0 to increase reimbursements to counties for housing short-term offenders. Another \$7.8 million was appropriated to Corrections expand offender reentry programs, extend sentence-to-serve work program, and other treatment and mentoring programs.

General Fund appropriations were also increased to the Department of Public Safety by \$24.9 million to support general compensation pressures, add 15 new forensic scientist positions, expand programs for crime victim services, the Gang and Drug Task Force, law enforcement emergency funds and patrol car technology upgrades, and to fund various new programs for children-at-risk. In addition, the Legislature authorized \$186 million of revenue bonds to be supported through increases in the 911 telephone fee (from 65 cents to 95 cents over four years) to operate and expand the Public Safety Radio System. Increases for other agencies were related primarily to compensation pressures with the Department of Human Rights also receiving \$1.5 million to develop an automated case management system.

Transportation

Chapter 143, the 2007 Omnibus Transportation Finance bill along with related statutory appropriations authorizes \$4.8 billion of spending for state and local road and bridge programs, transit operations, and aeronautics. This funding level is \$73.9 million less than the previous biennium and \$364.3 million less than the February forecast base for these programs. The spending reduction reflects revenue declines for dedicated funding sources—the gas tax, motor vehicle registration taxes, and motor vehicle sales taxes—even after accounting for the shift in revenues from the General Fund to other funds resulting from the 2006 voter approved constitutional amendment and a \$24.4 million increase in General Fund appropriations for transit and other programs. Prior to adoption of Chapter 143, the Legislature approved and the Governor vetoed an Omnibus Transportation Finance bill that would have increased funding for related programs through increases in the gas tax, registration tax and from other sources.

State Government

While the Omnibus State Government Finance bill funds various state agencies central to the operations of state government—such as the Department's of Finance, Revenue, Administration—many large state agencies are funded in the relevant budget areas, such as Human Services, Health, Corrections, and Public Safety. Of the \$114.0 million increase in appropriations for State Government Finance budgets, \$107.0 million is from the General Fund. Of that amount, \$18.7 million is in recognition of employee

compensation pressures, \$37.9 million is for technology improvements, and \$20.5 million is for the department of Revenue to hire the staff resources needed to expand its tax compliance efforts. These efforts are expected to increase General Fund revenue collections by \$102.4 million in FY 2008-2009 (also, see description of increased revenues above).

Tax Aids and Credits

FY 2008-2009 appropriations are expected to total \$3.1 billion for these programs, the same as the Forecast base. Appropriations for tax aids and credits, such as property tax refunds and local government aid, are expected to be \$112.5 million more than previous biennium. The changes is due entirely to changes in the estimated amounts to be expended under open-statutory appropriations, such as for market value credits, as well as the continuation of aid increases enacted by the 2006 Legislature. The 2007 Legislature adopted changes that would have increased funding for tax aids and credits above the amounts in the Forecast base but that legislation was vetoed.

Debt Service

The 2007 Legislature authorized increased bonding authority for the Rural Development Authority by \$30 million. While the Legislature also approved \$135 million of general obligation bonding authority and \$164 million of General Fund (cash) appropriations for various capital projects, as well as trunk highway fund supported bonding, those provisions were vetoed. Consequently, General Fund spending for debt service is expected to decline by \$12.4 million in FY 2008-2009 relative to the February forecast base because the base amounts assumed passage of a \$135 million increase in general obligation bonds.

STATE TAX REVENUES

The 2007 February forecast projected General Fund state tax revenues of \$31.3 billion for FY 2008-2009 and total state tax revenues of \$35.7 billion for the same period. No changes to the February forecast were enacted during the 2007 legislative session.

Table 1 summarizes state tax revenues for the General Fund as of the end of the 2007 legislative session. In FY 2008-2009, General Fund tax revenues total \$31.3 billion and account for 88 percent of all tax revenues. Individual income taxes account for 50 percent of General Fund tax revenues while sales taxes account for 30 percent. Chapter 148, the State Government Omnibus Finance Act, provides funding for a tax compliance initiative estimated to increase General Fund tax revenues by \$102.4 million in FY 2008-2009.

Table 1 - Tax Revenues General Fund Biennial by Tax Type <i>(dollars in thousands)</i>					
Tax Type	FY 2006-07 Revenues	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change: Budget - FY 06-07	Change: Budget - Fcst. Base
Individual Income	13,956,453	15,567,400	15,567,400	1,610,947	0
Corporate Income	2,239,527	2,208,900	2,208,900	(30,627)	0
Sales	8,982,977	9,432,268	9,432,268	449,291	0
Motor Vehicle Sales & Registration	492,342	318,101	318,101	(174,241)	0
Statewide Property	1,294,651	1,401,672	1,401,672	107,021	0
Estate	331,933	227,000	227,000	(104,933)	0
Alcohol	144,936	150,739	150,739	5,803	0
Cigarette and Tobacco	403,540	383,189	383,189	(20,351)	0
Taconite Occupation Tax	12,938	8,200	8,200	(4,738)	0
Mortgage Registry and Deed Transfer	561,587	445,700	445,700	(115,887)	0
Insurance Gross Earnings	559,828	582,200	582,200	22,372	0
Lawful Gambling	111,275	110,142	110,142	(1,133)	0
Medical Assistance Surcharges	413,334	424,294	424,294	10,960	0
Income Tax Reciprocity	120,283	140,155	140,155	19,872	0
Other: Fur Clothing Gross Receipts; Other Gross Earnings; Controlled Substance	504	531	531	27	0
Compliance Revenues*	0	0	102,400	102,400	102,400
Other Tax Refunds	(61,110)	(61,627)	(61,627)	(517)	0
TOTAL GENERAL FUND TAX	29,564,998	31,338,864	31,441,264	1,876,266	102,400

* See State Government Finance discussion of Chapter 148 tax compliance provisions.

As shown in Table 2, non-General Fund tax revenues are projected to total \$4.4 billion for FY 2008-2009. The majority of these revenues, \$2.7 billion or 61 percent, are generated by fuel taxes, the motor vehicle sales tax, and the motor vehicle registration tax and are deposited in the Highway User Tax Distribution Fund. The Health Care Access

Fund accounts for \$1.05 billion, or 24 percent, of other fund tax revenues from MinnesotaCare provider taxes and insurance premium taxes.

Tax Type	FY 2006-07 Revenues	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change: Budget - FY 06-07	Change: Budget - Fcst. Base
Sales	41,319	41,216	41,216	(103)	0
Fuels Taxes	1,304,583	1,320,467	1,320,467	15,884	0
Motor Vehicle Sales & Registration	1,537,958	1,669,722	1,669,722	131,764	0
Cigarette and Tobacco	61,573	61,600	61,600	27	0
Taconite Production Tax	45,302	45,068	45,068	(234)	0
Mortgage Registry and Deed	1,010	872	872	(138)	0
MnCare Provider Taxes	790,426	895,282	895,282	104,856	0
Insurance Gross Earnings	138,501	155,600	155,600	17,099	0
Lawful Gambling	116	114	114	(2)	0
Solid Waste Management Tax	88,823	94,933	94,933	6,110	0
Unemployment Insurance Tax	80,736	88,508	88,508	7,772	0
Airflight Property / Aircraft Reg.	23,422	28,212	28,212	4,790	0
Other Excise and All Other	6,101	6,100	6,100	(1)	0
TOTAL OTHER FUNDS TAX REVENUES	4,119,870	4,407,694	4,407,694	287,824	0

Federal Conformity for Tax Year 2006 Only

Prior to release of the February 2007 forecast, the Legislature adopted Chapter 1, conforming Minnesota's income tax to federal changes enacted since May 18, 2006. The conforming changes are in effect for tax year 2006 only. Because Minnesota uses federal taxable income as the starting point for determining state income tax liability, changes to federal taxable income are typically adopted by Minnesota. The following federal law changes were adopted for Minnesota income tax purposes for tax year 2006 only:

- The Heroes Earned Retirement Opportunities Act allowed military personnel to count tax-exempt combat pay as earned income for purposes of making tax-deductible contributions to individual retirement accounts.
- The Pension Protection Act of 2006 made a large number of changes to federal provisions governing employer-provided benefit and contribution plans, IRAs, and Keogh plans, and imposed limits on certain deductible charitable contributions.
- The Tax Relief and Health Care Act of 2006 extended several expiring tax deductions. The most significant extensions were the higher education tuition expense deduction of up to \$4,000 and the teacher classroom expense deduction of up to \$250.

Other Legislative Activity

The Legislature passed two Omnibus Tax Bills that were subsequently vetoed by the Governor.

- Chapter 81 proposed to modify property tax provisions, provide a homestead credit state refund, increase property tax refunds, create a school bond agricultural credit, and add an income tax bracket with a new top rate.
- Chapter 149 proposed various changes to Minnesota's income, corporate franchise, sales, and property taxes, including increased payments for local property tax aids and credits. A separate Fiscal Issues Brief provides a summary of specific provisions contained in Chapter 149. This document is available on the Senate Web site: www.senate.leg.state.mn/departments/fiscalpol/reports/index.php

For questions or more information related to this chapter, please contact Susan.Vonmosch@senate.mn

EARLY CHILDHOOD THROUGH SECONDARY EDUCATION

The 2007 Education Act, Chapter 146, appropriated \$13.8 billion from the General Fund in FY 2008-2009 for E-12 education programs as summarized in Table 1. General Fund appropriations account for \$13.8 billion, or 91 percent of the \$15.2 billion all-funds education budget for the FY 2008-2009 biennium.

Table 1 – E-12 Education Budget All Funds Biennial Spending by Agency & Fund <i>(dollars in thousands)</i>					
Agency	FY 2006-07 Spending*	FY 2008 09 Fcst. Base	FY 2008-09 Budget	Change: Budget – FY 2006-07	Change: Enacted Fcst. Base
Department of Education					
General Fund	13,327,074	12,960,774	13,746,755	419,681	785,981
General Fund Transfer Out	(67)	0	0	67	0
Special Revenue Fund	21,086	17,223	17,223	(3,863)	0
Endowment and Permanent School Fund	46,208	52,142	52,096	5,888	(46)
Federal Fund	1,238,716	1,307,902	1,307,902	69,186	0
Gift Fund	1,041	259	259	(782)	0
Total for Department of Education	14,634,058	14,338,300	15,124,235	490,177	785,935
Faribault Academies					
General Fund	21,934	21,932	23,703	1,769	1,771
Special Revenue Fund	3,591	3,865	3,865	274	0
Federal Fund	468	468	468	0	0
Gift Fund	59	66	66	7	0
Total for Faribault Academies	26,052	26,331	28,102	2,050	1,771
Center for Arts Education					
General Fund	13,295	13,246	14,019	724	773
Special Revenue Fund	2,383	1,803	1,803	(580)	0
Federal Fund	485	698	698	213	0
Gift Fund	90	0	0	(90)	0
Total for Center for Arts Education	16,253	15,747	16,520	267	773
TOTALS BY FUND					
General Fund	13,362,303	12,995,952	13,784,477	422,174	788,525
General Fund Transfer Out	(67)	0	0	67	0
Special Revenue Fund	27,060	22,891	22,891	(4,169)	0
Endowment and Permanent School Fund	46,208	52,142	52,096	5,888	(46)
Federal Fund	1,239,669	1,309,068	1,309,068	69,399	0
Maximum Effort School Loan Fund	0	0	0	0	0
Gift Fund	1,190	325	325	(865)	0
TOTAL FOR E-12 EDUCATION	14,676,363	14,380,378	15,168,857	492,494	788,479

* As adjusted by FY 2007 deficiency and other appropriation changes made by the 2007 Legislature.

The Legislature approved an E-12 Education Finance Bill that increased state aid appropriations by \$800 million over the February forecast. As summarized in Table 2, the Governor reduced that overall increase to \$788.5 million through line item vetoes. Of the approved amount, nearly 72.7 percent was allocated directly to school districts through the general education formula and increases to special education. The following text and tables summarize early childhood and K-12 education, which were reported separately in previous years. Property taxes in the FY 2008-2009 biennium remain flat and increase slightly in the FY 2010-2011 biennium as a result of the 2007 E-12 Education Finance Act.

Table 2 - E-12 Education Budget					
General Fund Biennial Spending by Agency					
<i>(dollars in thousands)</i>					
Agency	FY 2006-07 Spending	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change: Budget - FY 06-07	Change: Budget - Fcst. Base
Department of Education	13,327,074	12,960,774	13,746,755	419,681	785,981
Faribault Academies	21,934	21,932	23,703	1,769	1,771
Center for Arts Education	13,295	13,246	14,019	724	773
TOTAL E-12 EDUCATION	13,362,303	12,995,952	13,784,477	422,174	788,525

GENERAL EDUCATION

Basic Formula Allowance Increase

The 2007 Legislature appropriated \$243.5 million over the biennium to increase the basic formula allowance by two percent in FY 2008 and one percent in FY 2009, corresponding to a \$100 per adjusted marginal cost pupil unit (AMCPU) increase and an additional \$50 per AMCPU increase, respectively. The formula allowance for FY 2009 and later is \$5,124 per AMCPU.

All-Day Kindergarten

The Legislature appropriated \$32.5 million over the biennium to support statewide all-day kindergarten. Though participation in the program is not mandatory, each district will see an increase in the kindergarten pupil weight from 0.557 to 0.612 for fiscal year 2009 and later. Increases to pupil weights generate additional revenue to school districts when pupil counts are multiplied through the E-12 education formulas.

Gifted and Talented Revenue

As noted in Table 3, the Legislature provided an increase of \$5.4 million over the biennium to gifted and talented programs by raising the allowance to \$12 per AMCPU. In the 2005 session, the Legislature established a revenue stream for the gifted and talented program. Revenue from this program must be used to provide gifted and talented services to students. The Legislature appropriated \$4 times the district's AMCPUs in FY 2006 and \$9 times the district's AMCPUs in FY 2007.

Table 3 – E-12 Education Budget				
General Fund Changes Relative to Forecast				
<i>(dollars in thousands)</i>				
Change Item	FY 2008	FY 2009	FY 2008-2009 Biennium	FY 2010 2011 Biennium
Formula Allowance (2% & 1%)	93,454	150,091	243,545	315,829
All-Day Kindergarten Expansion	15,413	17,126	32,539	34,467
Gifted & Talented Program	2,565	2,842	5,407	5,684
Alternate Teacher Comp Aid/Levy Adjustment	0	0	0	(11,634)
Other General Education	3,113	3,599	6,712	6,190
Statewide Testing	5,000	5,000	10,000	10,000
AP/IB/Concurrent Enrollment	6,500	6,500	13,000	4,000
Reading Intervention Programs	2,000	2,000	4,000	2,000
Science and Math Programs/Grants	3,000	3,000	6,000	0
Special Education Revenue Programs	144,443	185,030	329,473	448,011
School Technology/Operating Capital Expenditures	38,145	52,676	90,821	0
Telecommunications Access	3,872	4,993	8,865	0
School Lunch	1,503	1,521	3,024	3,097
Libraries	1,959	6,065	8,024	12,994
Early Childhood & Family Education (ECFE)	2,620	2,938	5,558	5,746
Other Changes/Adjustments	6,383	13,502	19,885	(8,964)
Agency Operations	450	1,222	1,672	2,444
TOTAL E-12 EDUCATION	330,420	458,105	788,525	829,864

Equity Revenue

In FY 2007, districts with per pupil referendum revenue below the 95th percentile received additional equity revenue of \$46 times its AMCPUs. Districts above that 95th percentile were provided with half that amount. The 2007 Legislature eliminated the \$23 per pupil unit offset, allowing those school districts above the 95th percentile to receive the full \$46 allowance for FY 2008 and later. The total cost of this increase to the state was \$248,000, and carried a property tax levy increase of \$1.7 million for the biennium.

Alternative Teacher Compensation Revenue

There are many E-12 education programs where the revenue a school district spends for a specific program purpose is comprised of a mix of state aid and local property tax levies. Typically, for those programs, the state aid and levies added together equal the total revenue that the district receives for that specific program. Therefore, legislative adjustments made to the mix of state aid and property tax for a program can either save or increase state aid based on the direction of the adjustment. The Alternative Teacher Compensation Revenue Program is one such program.

In 2007, the Legislature made adjustments to the aid and levy portions of the basic Alternative Teacher Compensation Revenue Program, which was established by the 2005

Legislature. The changes saved \$5.5 million and \$6.1 million in state aid in FY 2010 and FY 2011, respectively. In FY 2006, the first year of the program, school district revenue for the program was comprised entirely of state aid. For FY 2007 and later, however, school district revenue for this program changed to a mix of state aid and levy. Specifically, districts with an approved program could receive state aid equal to 73.1 percent of the total alternative teacher compensation program revenue. This portion is the basic alternative teacher compensation aid. The remaining 26.9 percent of the total alternative teacher compensation program revenue was received by districts as a mix of state aid and levy, depending on the district's property wealth per pupil. The 2007 Legislature reduced the basic alternative teacher compensation state aid to 65 percent and increased the state aid/levy mix portion to 35 percent for FY 2010 and later. This change resulted in a \$12.2 million increase in property tax levies and is accompanied by a \$11.6 million state aid savings for the FY 2010-2011 biennium.

SPECIAL EDUCATION PROGRAMS

Since 2003, there has been a growing legislative concern about increased district spending on special education programs, while state funding for such programs has remained relatively fixed during that same period. In an effort to reduce the gap between special education costs and the state special education aid, which has become known as the "cap gap," the 2007 Legislature appropriated \$329.5 million in FY 2008-2009 and \$448.0 million in FY 2010-2011 for regular and excess costs of special education programs. This appropriation accounted for 41.8 percent of the biennial spending increases in the E-12 Education budget.

In the 2003 session, the Legislature removed the program growth factors on both the regular and special education programs. Since that time, expenditures for the special education programs that districts must provide under federal and state law have, on average, increased at a faster pace than the statewide funding appropriated for that purpose. As a result, districts have cross-subsidized these programs with funds from elsewhere in their budgets to provide programs at the required levels. The increased special education funding will reduce the amount of general education funding that must be cross-subsidized to pay for special education expenditures, and by doing so, general education dollars will be available for discretionary use by school districts across the state.

Of the \$329.5 million appropriation increase for special education programs, \$318.5 million is for the regular special education program to reinstate the program's growth factor to 4.6 percent. Reinstating the excess cost program growth factor to two percent cost \$3.5 million in the first year and \$5.3 million in the second year of the biennium.

In addition, the Legislature also changed the manner in which special education aid is calculated and paid to districts. Formerly, districts received special education aid using a calculation that relied on a two-year rolling lag system. This system was instituted decades ago to ensure a higher level of data accuracy. In more recent years, special education expenditures can fluctuate dramatically from year to year due to such policies

as open enrollment, making a two-year lag calculation moderately outdated. In 2007, the Governor recommended and the Legislature approved a reform to the special education payment system that allows districts to be paid based on current year data. It is expected that a current-year payment system will more accurately pay districts for special education services that are actually being provided in a given year.

In addition, intermediate districts, special education cooperatives, and districts were given an additional year to comply with the new tuition billing system created by 2005 legislation, if they served as an applicant agency for a group of school districts. These districts and cooperatives may continue to bill the resident school districts for the actual unreimbursed costs of serving pupils with a disability. There is no cost to the state in allowing for this additional year; however, the policy does have fiscal implications for involved parties.

STATE EDUCATION AGENCIES

Increases were provided to the Faribault Academies and the Center for Arts Education to reflect a three percent salary and benefit adjustment that was appropriated to all state agencies. The Department of Education received an adjustment of three percent as well. This increase was tracked within the overall department budget as shown in Table 1.

EDUCATION EXCELLENCE

Reading Intervention Programs

The Legislature approved \$2.0 million each year for reading intervention programs. Early childhood literacy programs received \$1.5 million each year, of which a portion was intended to leverage federal and private funding to support AmeriCorp members serving in the Minnesota Reading Corps Program, and \$500,000 each year was for Words Work grants. The base appropriation for early childhood literacy programs for FY 2010 and later is \$1.0 million. A grant of \$1.0 million was appropriated over the biennium to the St. Croix River Education District, a school district cooperative that provides educational and administrative services to its member districts. The funds must be used to deliver standardized research-based professional development in problem-solving, including response to intervention, scientifically-based reading instruction, and standards-aligned instruction and assessment, and be provided in districts throughout the state.

Raised Academic Achievement

The Legislature appropriated \$6.5 million each year to programs designed to raise academic achievement. Of this amount, \$2.5 million each year was for concurrent enrollment program aid. Raised Academic Achievement program language was amended to also include International Baccalaureate and Pre-Advanced Placement, as well as concurrent enrollment aid. Concurrent enrollment program aid was established, making districts eligible to receive \$150 per pupil enrolled in a concurrent enrollment course. The courses offered by the eligible district must be accredited by the National Alliance of Concurrent Enrollment Partnership.

Statewide Testing and Reporting

Increases to the testing program totaled \$10 million over the biennium and established a new base for future fiscal years. With the transition to the Minnesota Comprehensive Assessment II (MCA-II) from the Basic Standards Test (BST), there have been several additions to the statewide testing program, and the Department of Education developed testing alternatives for multiple subgroups of students. The increase will help support these alternative assessments and access for parents. In addition, the department also recognized the need for retests and developed a graduation-required assessment for diploma (GRAD).

SCIENCE AND MATH PROGRAMS

Math and Science Teacher Centers

\$1.5 million in onetime money was appropriated each year to teacher centers to provide professional development programs to train interested and highly qualified elementary, middle, and secondary teachers in the areas of math and science. Subsequent to the conclusion of the 2007 legislative session, the Department of Education received an additional \$500,000 grant from the National Governors Association to be used for the same purpose. However, this additional funding is not reflected in the tables.

Science, Technology, Engineering, and Math Initiative

In addition to the appropriation to the teacher centers, a grant of \$1.5 million each year was made available to the Science Museum of Minnesota for the statewide science, technology, engineering, and math initiative. One-half of each year's appropriation was for the teacher resource center and the remainder for the expansion and support of the middle school math and science initiative.

FACILITIES AND TECHNOLOGY

Safe Schools Levy

The 2007 Legislature authorized additional safe schools levy authority of \$3 per pupil and allowed school districts that are members of an intermediate school district to levy an additional \$10 per pupil. The additional \$10 per pupil must be allocated to the intermediate school district.

School Technology and Operating Capital Aid

The Legislature established onetime aid and appropriated \$90.8 million over the biennium, which totaled \$40 for FY 2008 and \$55 for FY 2009 times the district's AMCPU for that fiscal year. The aid was provided to districts to pay for necessities, such as telecommunications equipment, repair of buildings, and other classroom information management needs.

Telecommunications Access

The Legislature appropriated onetime money for telecommunications access aid. The increase for the biennium was \$8.9 million. The base for FY 2010-2011 is returned to \$3.8 million each year. The purpose of this increase was to provide districts with

onetime funding to address technology needs that often occur as onetime expenses to districts.

NUTRITION

The Legislature increased the school lunch appropriation by \$3.0 million for the biennium and increased the planning estimates in FY 2010-2011 by approximately the same amount. Previously, the 2005 Legislature increased the school lunch reimbursement from ten cents to 10.5 cents per lunch. This year, the Legislature passed an additional 1.5 cent increase, bringing the reimbursement to 12 cents per school lunch.

EARLY CHILDHOOD AND LIFELONG LEARNING

Early Childhood and Family Education (ECFE)

The Legislature increased appropriations for ECFE equal to \$5.6 million over the biennium. This increase raised the ECFE allowance from \$112 to \$120 times the population of children younger than five residing in the district and returned the ECFE formula to the level that existed prior to the 2003 budget cuts. Program requirements for ECFE programs were altered somewhat, most notably by requiring that a district may not limit participation to school district residents. Districts were also required to submit a biennial plan addressing the requirements for approval by the Commissioner of Education prior to certifying a levy for the program.

After-School Community Learning Programs

A competitive statewide after-school community learning grant was established to provide grants to community or nonprofit organizations, political subdivisions, for-profit or nonprofit child care centers, and school-based programs that serve youth after school or during nonschool hours. The Legislature appropriated \$2.8 million in FY 2008 and \$2.6 million in FY 2009 for the grant program. As part of that appropriation, the commissioner may hire one full-time equivalent staff person to administer the grant program.

Adult Basic Education

Increases to the adult basic education program amounted to \$3.6 million in FY 2008-2009 and \$4.1 million in FY 2010-2011. The cost increase was attributed to an aid limit increase from \$21 to \$22 per prior year contact hour.

PROPERTY TAX LEVY IMPACTS

Many E-12 programs are funded through a mix of state aid and property taxes, such as the alternative teacher compensation and ECFE programs. Policy decisions that adjust the state aid/levy mix of these programs can result in an increase or a reduction to school district property tax levies. In the 2003 and 2005 budget sessions, the E-12 budget included adjustments to the state aid/levy mix in the general education program, which increased property taxes for most school districts.

In 2007, the Legislature made only limited policy decisions to increase property taxes for the current biennium. While some minor levy increases were included in the E-12 bill, Chapter 146 also included levy reductions to offset these increases resulting in a net school property tax change of zero on a statewide basis in FY 2009. For FY 2010 and FY 2011, school property taxes are projected to increase by \$13.5 million and \$15.9 million, respectively. Individual school districts may also seek approval of operating referenda that would increase property taxes.

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HIGHER EDUCATION

Chapter 144, the 2007 Omnibus Higher Education Budget Act, appropriated \$3.2 billion of state resources for higher education programs for the FY 2008-2009 biennium, an increase of \$361.2 million, or 12.6 percent, over the February forecast base for FY 2008-2009. As also summarized in Table 1, the appropriations are \$399.4 million, or 14.1 percent, over the previous biennium. Over 98 percent of state funding for higher education comes from the General Fund.

Table 1 - Higher Education Budget					
All Funds Biennial Spending by Agency and Fund					
<i>(dollars in thousands)</i>					
	FY 2006-07 Spending	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change: Budget - FY 2006-07	Change: Budget - Fcst. Base
Office of Higher Education*					
General Fund	346,500	354,362	388,842	42,342	34,480
Special Revenue Fund	4,108	738	738	(3,370)	0
Federal Fund	9,338	9,539	9,539	201	0
Total for the Office of Higher Education	359,946	364,639	399,119	39,173	34,480
Minnesota State Colleges & Universities – General Fund	1,202,888	1,204,388	1,356,180	153,292	151,792
University of Minnesota					
General Fund	1,210,770	1,241,180	1,415,784	205,014	174,604
Special Revenue Fund	39,620	44,500	44,500	4,880	0
Health Care Access Fund	4,314	4,314	4,314	0	0
Total for University of Minnesota	1,254,704	1,289,994	1,464,598	209,894	174,604
Mayo Foundation – General Fund	2,753	2,090	2,452	(301)	362
TOTALS BY FUND					
General Fund	2,762,911	2,802,020	3,163,258	400,347	361,238
Special Revenue Fund	43,728	45,238	45,238	1,490	(20)
Federal Fund	9,338	9,539	9,539	201	0
Health Care Access Fund	4,314	4,314	4,314	0	0
TOTAL HIGHER EDUCATION	2,820,291	2,861,111	3,222,349	402,038	361,218
* These amounts do not include \$3.9 million for FY 2008-2009 that will be transferred from the Department of Education to the Office of Higher Education, which will now administer the American Indian Scholarship Program; but do include \$12 million per biennium that was appropriated in the Higher Education budget for the Minnesota GI Bill, which will be administered by the Department of Veterans Affairs.					

Table 2 – Higher Education Budget				
General Fund Changes Relative to Forecast				
<i>(dollars in thousands)</i>				
Agency	FY 2008	FY 2009	FY 2008-2009 Biennium	FY 2010 2011 Biennium
Office of Higher Education (OHE)*				
Achieve Scholarship Program	3,000	7,000	10,000	20,000
Child Care Grants	1,250	1,250	2,500	2,500
College in the Schools	400	400	800	800
Learning Network of Minnesota	575	575	1,150	1,150
Minnesota GI Bill	6,000	6,000	12,000	12,000
Minitex	1,250	1,250	2,500	2,500
State Grant Program	2,744	(518)	2,226	(1,036)
TEACH Program	250	250	500	500
Other OHE Activities & Programs	1,488	1,316	2,804	2,685
Minnesota State Colleges and Universities				
Operations and Maintenance	64,689	87,103	151,792	174,206
University of Minnesota				
Operations and Maintenance and Special Appropriations	67,647	81,957	149,604	163,914
UM Mayo Partnership	25,000	0	25,000	16,000
Mayo Foundation				
Medical Student and Resident Education	157	205	362	561
TOTAL HIGHER EDUCATION	174,450	186,788	361,238	395,780
* These amounts do not include \$3.9 million for FY 2008-2009 that will be transferred from the Department of Education to the Office of Higher Education, which will now administer the American Indian Scholarship Program; but do include \$12 million per biennium that was appropriated in the Higher Education budget for the Minnesota GI Bill, which will be administered by the Department of Veterans Affairs.				

OFFICE OF HIGHER EDUCATION

Chapter 144 appropriated \$399.1 million to the Office of Higher Education, including \$291.7 million to the State Grant Program, as well as funding for two new financial aid programs and various programs to support students in the completion of their degrees. The amount appropriated was \$34.5 million, or 9.5 percent over the February forecasted base for FY 2008-2009.

State Grant Program

The Legislature appropriated \$291.7 million to the State Grant Program, the state's need-based financial aid program, approximately the same amount as was appropriated for the 2006-2007 biennium. However, because the February forecast projected \$46.7 million of underspending of the program's forecasted 2008-2009 biennial base, several enhancements were made to the state grant formula to make college more affordable for students and their families, including:

- As shows in Table 3, the maximum tuition and fee charge amount that will be recognized in calculating the state grant award during the 2008-2009 biennium was increased from the 2006-2007 values for students enrolled in four-year programs, and decreased for students enrolled in two-year programs.

	2006-2007 Biennium		2008-2009 Biennium	
	FY 2006	FY 2007	FY 2008	FY 2009
Two-year Programs	\$6,567	\$6,436	\$6,114	\$5,808
Four-year Programs	\$9,208	\$9,438	\$9,838	\$9,838

- The formula allowance for living expenses and associated costs was increased \$550, from \$5,350 to \$5,900.
- The portion of school costs assumed to be paid by the family when calculating the state grant amounts was reduced by four percent, resulting in larger grant awards for students.

In addition, the authority to use any surpluses in the program in the second year of the biennium to supplement state grant award amounts was extended for two years.

The impact of the enacted changes is displayed in Table 4.

	FY 2008	FY 2009	FY 2008-2009	FY 2010-2011
Program Components				
Forecast Base Appropriation	144,756	144,756	289,512	289,512
Projected Under Spending of Forecast Base	(23,932)	(22,802)	(46,734)	(45,604)
Increase 4-Year Tuition Maximum	3,970	3,850	7,820	7,700
Decrease 2-Year Tuition Maximum	(1,402)	(2,734)	(4,136)	(5,468)
Increase LME \$550 to \$5,900	17,600	17,600	35,200	35,200
Reduce Assigned Family Responsibility 4%	6,508	3,568	10,076	7,136
TOTAL SPENDING	147,500	144,238	291,738	288,476

Other Financial Aid Programs

The Legislature appropriated \$10.8 million to establish the Achieve Scholarship Program. The program will provide scholarships of \$1,200 to students who have a family adjusted

gross income of less than \$75,000, are Minnesota residents and United States citizens or eligible noncitizens, complete a college preparatory curriculum in high school, and fulfill other program requirements.

The appropriation also includes funding to increase the availability of college preparatory courses at high schools in remote regions of the state and college access programs, such as TRIO and Get Ready, and to improve academic counseling at high schools.

The Legislature appropriated \$12.0 million to establish the Minnesota GI Bill to provide postsecondary educational assistance to veterans who served on active duty on or after September 11, 2001. Benefits also are available to the spouses and children of deceased and severely disabled veterans. Under this program, the maximum amount of educational assistance for any eligible person who is a fulltime student is \$1,000 per semester or term of enrollment, \$2,000 per state fiscal year, and \$10,000 in a lifetime.

Base funding for child care grants for college students was increased by \$2.5 million, resulting in an increase in the maximum child care grant award from \$2,300 to \$2,600 for each eligible child per academic year. The legislation provides that students receiving a child care grant who withdraw from school to enter active military service are considered continuing students upon reenrollment, giving them priority over new applicants for child care funds.

Further, to encourage increased participation in the Minnesota College Savings Program, the Legislature increased the state match for income-eligible families participating in the program from \$300 to \$400.

Academic Support Programs

The Legislature increased base level funding for several programs that enhance a student's education. An additional \$2.0 million was appropriated to cover tuition reciprocity obligations, \$1.15 million for the Learning Network of Minnesota, and \$2.5 million for Minitex.

MINNESOTA STATE COLLEGES AND UNIVERSITIES

Chapter 144 appropriated \$1.4 billion for the FY 2008-2009 biennium to the Minnesota State Colleges and Universities, an increase of \$151.8 million or 12.6 percent over the FY 2008-2009 February forecasted base. The intent of the Legislature to reduce the cost of a college education for students and their families was demonstrated by the inclusion of language specifying an expectation that the MnSCU Board of Trustees hold tuition increases to no more than four percent per year for fiscal years 2008 and 2009.

The amounts appropriated included funding for the operation and maintenance of the system, including technology infrastructure improvements to deliver more online programs and services to students, and funding for initiatives to recruit students traditionally underrepresented in higher education and retain them through graduation.

Other initiatives the system chooses to undertake must be funded through internal reallocation of existing resources or enhanced productivity.

The Legislature specified funding for a variety of projects at MnSCU campuses, including community-based energy development pilot projects at Mesabi Range Community and Technical College, Minnesota West Community and Technical College, Riverland Community College, and Inver Hills Community College; a modular clean-room research and training facility at St. Paul

College; a pilot project at the Northeast Higher Education District to reestablish a technical education curriculum that will provide students attending area high schools access to state-of-the-art technical education opportunities; a study of student demand and employer need for higher education in the Mesabi Range region of northeastern Minnesota; and to provide on-site and Internet-based support for workforce development at Mesabi Range Community and Technical College.

Further, the MnSCU appropriation includes funding for the projected tuition revenue loss resulting from charging resident tuition rates to certain nonresident students at these campuses: Century College, Inver Hills Community College, Minneapolis Community and Technical College, Normandale Community College, Rochester Community and Technical College, Saint Paul College, and St. Cloud Technical College

One percent of the appropriation to MnSCU, or approximately \$13.6 million for the biennium, is contingent on the achievement of at least three of the following five performance goals:

- increasing by at least three percent the number of students who take college-level STEM (science, technology, engineering, and math) courses;
- increasing by at least two percent enrollment in courses at a center of excellence program;
- increasing by at least 700 the number of students trained on the use of electronic medical record technology;
- increasing by at least ten percent the number of students taking online courses or the number of online courses offered; and
- expanding by at least ten percent the use of “awards of excellence” or other initiatives that reward institutions, faculty, administrators, or staff for innovations designed to advance excellence and efficiency.

The Commissioner of Finance must verify that the goals have been met prior to releasing the money to MnSCU.

UNIVERSITY OF MINNESOTA

Chapter 144 appropriated \$1.5 billion for the FY 2008-2009 biennium to the University of Minnesota, an increase of \$174.6 million or 13.5 percent over the FY 2008-2009 February forecasted base.

The Legislature provided money for the operation and maintenance of the University of Minnesota system, including amounts to advance the University's efforts to sustain quality and competitiveness; funding for the University's "advancing education" initiatives; funding for an Ojibwe Indian language program on the Duluth campus; and funding to establish a Dakota language teacher training immersion program on the Twin Cities campus. Appropriations for the Agricultural Experiment Stations, Minnesota Extension Service, and several other "system specials" also were made.

To reduce the cost of a student's education at a University of Minnesota institution, funding was provided to establish banded tuition at the Morris, Crookston, and Duluth campuses, and for scholarships to students with a family income under \$150,000 a year. Banded tuition enables students to take additional credits beyond a level of 13 credits at no additional charge.

As was the case with the MnSCU appropriation, one percent of the operations and maintenance appropriation, or approximately \$12.6 million for the biennium, was made contingent on the achievement of at least three of the following five performance goals:

- increasing the financial support to pay the cost of attendance for students demonstrating financial need;
- maintaining or improving the University's rank in its national share of total research and development expenditures;
- increasing, by at least five percent, the number of degrees awarded in science, technology, engineering, mathematics, and health sciences disciplines;
- increasing, by at least five percent, the amount of financial support for renewable energy research; and
- increasing and improving the interaction and research activity beneficial to business and industry.

The Commissioner of Finance must verify that the goals have been met prior to releasing the money to the University.

\$25.0 million was appropriated for the direct and indirect expenses of the collaborative research partnership between the University of Minnesota and the Mayo Medical Foundation for research in biotechnology and medical genomics. For FY 2010 and FY 2011, the base funding for the initiative will be \$8.0 million in each year. An annual report on the expenditure of these funds must be submitted to the Governor and relevant legislative committees.

MAYO MEDICAL FOUNDATION

\$2.4 million, 17.3 percent above the FY 2008-2009 forecasted base, was appropriated to the Mayo Medical Foundation. The money appropriated is used to support medical students who are residents of Minnesota and to provide stipends to family practice medicine graduates completing their residency program.

RELATED POLICY PROVISIONS

The Legislature mandated several studies of state financial aid programs and an examination of college participation in the state. The Office of Higher Education must study:

- the various components of the State Grant Program and the feasibility of expanding eligibility for the program to graduate students pursuing degrees deemed important to the state's workforce needs;
- the ability of existing financial aid programs to meet the state's current and future projected workforce needs; and
- participation in postsecondary education by participant income and the persistence and graduation rates of state grant recipients compared to nonrecipients.

The Legislature's ongoing concern about student debt was demonstrated by the adoption of a series of initiatives to reduce the cost of textbooks and other academic materials. The initiatives entail collaborative efforts between student organizations and their respective systems to inform students about textbook costs and mechanisms for making textbooks more affordable. Additional provisions include: (1) directing the MnSCU board to adopt a policy to add the cost of textbooks and course materials to waivers of payment plans for tuition and fees and directing MnSCU to adopt a policy for setting a maximum number of credits for baccalaureate degrees at 120 credits and at 60 credits for associate degrees; (2) providing students information on personal financial management; and (3) prohibiting the marketing of credit cards to students at a postsecondary institution.

Statutory language was adopted to modify the University of Minnesota Board of Regents selection process. Under the new procedures, the Regent Candidate Advisory Council (RCAC) will recommend regent candidates to the joint legislative committee. The joint legislative committee consists of the members of the higher education budget and policy divisions in each house of the Legislature. Procedures for the joint committee to recommend candidates for consideration by the joint convention, along with the candidates recommended by the RCAC, were also established. The procedural changes adopted by the Legislature returned the regent selection process to one that more closely approximates the process delineated in the University's charter, a process that does not include the Governor.

After several years of ongoing revisions, statutory provisions addressing the regulation of private for-profit and not-for-profit postsecondary institutions in the state were adopted. Under the provisions adopted, the basis for determining the rules and regulations institutions must abide by to establish or retain eligibility to offer postsecondary courses and programs in the state are whether the institutions are degree-granting or nondegree-granting.

For questions or more information related to this chapter, please contact Dennis.Albrecht@senate.mn or Maja.Weidmann@senate.mn

HEALTH AND HUMAN SERVICES

Chapter 147, the 2007 Omnibus Health and Human Services Budget bill, provides for an enacted FY 2008-2009 biennial budget totaling \$21.4 billion from all funds for health and human service programs, including 9.7 billion from the General Fund, \$946.1 million from the Health Care Access fund, and \$9.9 billion of federal funds for health care, temporary assistance to needy families (TANF), and other programs. The \$21.4 billion all funds budget reflects an increase of \$2.9 billion or 15.7 percent over FY 2006-2007 and \$539.9 million or 2.6 percent over the February forecast base for these programs. General Fund appropriations of \$9.7 billion reflect an increase of \$1.5 billion or 18.0 percent over FY 2006-2007 and \$227.0 million or 2.4 percent over the February forecast base.

Agency/Fund	FY 2006-07 Spending*	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change: Budget - FY 2006-07	Change: Budget - Fcst. Base
Department of Human Services					
General Fund	8,025,910	9,275,959	9,462,593	1,436,683	186,634
General Fund Transfers Out	(234,372)	(166,363)	(166,363)	68,009	0
Endowment	2	2	11	9	9
Federal Fund	7,928,041	9,027,500	9,028,172	1,100,131	672
Federal TANF	410,205	468,388	498,797	88,592	30,409
Gift Fund	77	72	72	(5)	0
Health Care Access Fund	624,353	843,192	917,137	292,784	73,945
Special Revenue Fund	616,204	313,964	480,327	(135,877)	166,363
State Government Special Revenue	1,068	1,114	1,114	46	0
Dept. of Human Services Total	17,371,488	19,763,828	20,221,860	2,850,372	458,032
Department of Health					
General Fund	138,373	138,646	163,850	25,477	25,204
General Fund Transfers Out	(7,488)	0	0	7,488	0
Federal Fund	412,713	380,888	380,888	(31,825)	0
Federal TANF	12,000	12,000	23,151	11,151	11,151
Gift Fund	192	0	0	(192)	0
Health Care Access Fund	14,087	12,614	28,933	14,846	16,319
Medical Education & Research Fund	176,636	150,959	150,959	(25,677)	0
Remediation Fund	400	504	504	104	0
Special Revenue Fund	99,606	100,012	100,012	406	0
State Government Special Revenue Fund	66,960	75,090	86,618	19,658	11,528
Department of Health Total	913,479	870,713	934,915	21,436	64,202
Veterans Homes Board					
General Fund	66,298	75,530	88,390	22,092	12,860
General Fund Transfers Out	(66,298)	(75,530)	(88,390)	(22,092)	(12,860)
Federal Fund	481	0	0	(481)	0

Gift Fund	1,126	1,218	1,218	92	0
Special Revenue Fund	133,789	139,523	152,383	18,594	12,860
Veterans Home Board Total	135,396	140,741	153,601	18,205	12,860
Health Related Boards					
General Fund	7	0	0	(7)	0
Special Revenue Fund	260	418	418	158	0
State Government Special Revenue Fund	24,014	26,791	29,181	5,167	2,390
Health Boards Total	24,281	27,209	29,599	5,318	2,390
Emergency Medical Services Board					
General Fund	6,905	6,762	7,347	442	585
Special Revenue Fund	2,974	2,836	2,836	(138)	0
State Government Special Revenue Fund	1,154	1,192	1,391	237	199
Federal Fund	716	600	600	(116)	0
Gift	13	2	2	(11)	0
EMS Board Total	11,749	11,390	12,174	425	784
Council on Disability					
General Fund	1,018	0	1,336	318	1,336
Special Revenue Fund	290	0	0	(290)	0
Council on Disability Total	1,308	0	1,336	28	1,336
Ombudsman for MH/MR-General Fund	3,041	2,924	3,239	198	315
Ombudsperson for Families					
General Fund	551	490	520	(31)	30
Special Revenue Fund	209	384	384	175	0
Ombudsman for Families Total	760	874	904	144	30
TOTALS BY FUND					
General Fund	8,242,103	9,500,311	9,727,275	1,485,172	226,964
General Fund Transfers Out	(308,158)	(241,893)	(254,753)	53,405	(12,860)
Endowment	2	2	11	9	9
Federal Fund	8,341,951	9,408,988	9,409,660	1,067,709	672
Federal TANF	422,205	480,388	521,948	99,743	41,560
Gift Fund	1,408	1,292	1,292	(116)	0
Health Care Access Fund	638,440	855,806	946,070	307,630	90,264
Medical Education & Research Fund	176,636	150,959	150,959	(25,677)	0
Special Revenue Fund	853,332	557,137	736,360	(116,972)	179,223
State Government Special Revenue Fund	93,196	104,187	118,304	25,108	14,117
TOTAL FOR HEALTH & HUMAN SERVICES	18,461,115	20,817,177	21,357,126	2,896,011	539,949

* As adjusted by FY 2007 deficiency and other appropriation changes made by the 2007 Legislature.

Over 94.7 percent (\$20.2 billion) of the funding in this budget area is administered by DHS, largely for health care and continuing care programs. The Department of Health administers \$934.9 million, or 4.4 percent, with the remainder administered by the Veterans Home Board and various professional boards and smaller entities.

Agency	FY 2006-07 Spending*	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change: Budget - FY 06-07	Change: Budget - Fcst. Base
Department of Human Services	7,791,538	9,275,959	9,462,593	1,671,055	186,634
Department of Health	138,373	138,646	163,850	25,477	25,204
Veterans Homes Board	66,298	75,530	88,390	22,092	12,860
Emergency Medical Services Board	6,905	6,762	7,347	442	585
Council on Disability	1,018	0	1,336	318	1,336
Ombudsman for Mental Health & Mental Retardation	3,041	2,924	3,239	198	315
Ombudsperson for Families	551	490	520	(31)	30
TOTAL FOR HEALTH AND HUMAN SERVICES	8,007,724	9,500,311	9,727,275	1,719,551	226,964

* As adjusted by FY 2007 deficiency and other appropriation changes made by the 2007 Legislature.

DEPARTMENT OF HUMAN SERVICES

Chapter 147 appropriated \$20.2 billion from all funds for the Department of Human Services (DHS) for the 2008-2009 biennium, including: General Fund appropriations of \$9.5 billion; federal funds of \$9.5 billion, including Temporary Assistance to Needy Families (TANF); and Health Care Access Fund (HCAF) appropriations of \$917 million. These amounts include direct appropriations contained in Chapter 147 and statutory appropriations previously established in state and federal laws.

As shown on Table 1b, General Fund appropriations for the 2008-2009 biennium are \$1.4 billion, or 17.9 percent, more than the FY 2006-2007 biennium, and \$186 million, or 2.0 percent, more than the February forecasted amounts for FY 2008-2009. More than \$1.2 billion of the General Fund increase relative to the previous biennium is attributable to appropriation adjustments made to accommodate forecasted growth in health care and other formula driven benefit programs based on the eligibility criteria and benefit levels previously established in law.

The DHS appropriations reflect increased revenue of \$23.0 million, including increased State Operated Services collections of 9.8 million and a onetime contingent transfer from the HCAF of \$6.2 million to cover delays in the implementation of the HealthMatch computer eligibility system. Following is a program-by-program description of direct appropriations for the department and the changes relative to the February forecast base..

Agency Management

The Legislature appropriated \$114.7 million for agency management activities, including about \$96.2 million from the General Fund. Changes included \$2.0 million in new spending to align the state's child foster care background study activities with new

federal requirements. Additionally, \$1.7 million was appropriated on a onetime basis to carry forward technology spending from the 2006-2007 biennium to the 2008-2009 biennium. Finally, the Legislature made a reduction of \$544,000 and with this money established a pay-for-performance withhold initiative. In order for the department to receive these funds, the agency must demonstrate that MinnesotaCare determinations are being processed within 30 days or less of the date of application and that the State Operated Services division has initiated a separate treatment program for sex offenders between the ages of 18 and 24. If the department fails to meet these goals, these funds are deposited in the Health Improvement Account and are available to the Legislature until spent.

Children and Economic Assistant Grants

Nearly \$1.45 billion was appropriated for this activity, of which \$1.07 billion is was from the General Fund and nearly \$378 million came from the TANF Fund. This funding level represents a \$96.4 million General Fund increase and a \$25.7 million increase in TANF spending from the FY 2008-2009 base level. The two largest changes were onetime appropriations to provide counties with temporary relief from federal funding cuts. Counties received \$7.3 million in FY 2008 for the loss of federal child support funding and \$32.6 for the loss of federal matching funds for targeted case management. Other significant General Fund changes included \$2.1 million for the permanent continuation of MFIP benefits for legal noncitizens, a onetime appropriation of \$1.0 million to provide performance incentive grants to child care providers, \$4.1 million to reduce child care program premiums, and \$5.4 million for increased caseloads in the Adoption Assistance program.

The Legislature also made significant changes to the Minnesota Family Investment Program (MFIP), the state's TANF program, in order to meet new federal TANF work requirements. Many of these changes required General Fund dollars, including \$327,000 for FY 2008-2009 and \$10.3 million for FY 2010-2011 for a \$75 monthly work participation bonus for families leaving MFIP. Based on the policy changes made by the Legislature, the state will be in compliance with the federal work requirements by FY 2010. Compliance ensures that the state's maintenance of effort for TANF remains at its current levels and will save the General Fund \$20.8 million in FY 2010-2011.

Of the TANF funds appropriated for this area, a sizable amount was used to restore cuts made to the MFIP program as a result of the 2003 legislative session, including \$12.7 million to repeal the \$125 MFIP SSI penalty, \$852,000 to eliminate the MFIP 20 hour work requirement for postsecondary education plans, and \$104,000 to allow certain refugees to directly enroll in MFIP rather than the Diversionary Work Program (DWP). Also a number of initiatives were funded to compliment the state's effort to meet federal work participation program targets, including \$5.0 million to fund integrated services projects for MFIP families and a \$4.0 million onetime increase for MFIP consolidated service grants appropriation to support the administrative work of counties. The Governor line-item vetoed two TANF appropriations that were designed to help the state meet the federal work participation guideline; \$1.5 million for Office of Higher Education work study grants for MFIP participants; and \$3.0 million for an MFIP car

loan program. The Governor also line-item vetoed a FY 2009 appropriation of \$7.3 million for an MFIP work support grant program. Funding of \$4.4 million for the program was left intact in FY 2008.

Table 3 – Health and Human Services				
General Fund Changes Relative to Forecast				
<i>(dollars in thousands)</i>				
Agency/Change Item	FY 2008	FY 2009	FY 2008-2009 Biennium	FY 2010-2011 Biennium
Department of Human Services				
MFIP for Legal Non-Citizens Continuation	916	1,143	2,059	2,348
MFIP/DWP Work Participation Bonus	0	327	327	10,344
TANF Refinancing for GF MFIP Items	(69)	(603)	(672)	(6,637)
Reduce Child Care Co-payments	1,744	2,417	4,161	4,746
County Child Support Funding Loss	7,333	0	7,333	0
Adoption Assistance/Relative Custody Asst.	1,437	4,311	5,748	(1,456)
County Case Management Funding Loss	32,667	0	32,667	0
Long-Term Homelessness Implementation	2,500	500	3,000	0
Delay HealthMatch	(2,616)	(21,858)	(24,474)	(11,148)
MN Health Care Program Outreach	1,425	9,289	10,714	31,119
Cover All Kids-Transitional MA	0	3,657	3,657	18,217
Extension of Critical Access Dental Program	4,198	5,016	9,214	12,993
Delay Expanded Autism Services	(1,438)	(2,772)	(4,210)	(5,544)
Long-Term Care Payment Increase	22,847	65,752	88,599	141,259
Nursing Home Rebasing	0	5,676	5,676	16,583
Nursing Facility Rate Increase - Sprinklers	2,500	0	2,500	0
Mental Health Initiative	12,038	17,603	29,641	36,575
Compensation Adjustment	8,009	16,262	24,271	32,524
DHS-Other	15,533	19,382	34,915	(17,368)
DHS Total	109,024	126,102	235,126	264,555
Administrative Federal Participation Fund	(3,350)	(4,685)	(8,035)	(8,939)
Department of Human Services Total	105,674	121,417	227,091	255,616
Department of Health				
FQHC Subsidies	1,500	1,500	3,000	3,000
MERC Federal Compliance	6,250	6,250	12,500	4,000
Public Health Laboratory Operations	558	681	1,239	1,362
Pandemic Flu Preparedness	4,085	0	4,085	0
Compensation Adjustment	391	794	1,185	1,588
Department of Health - Other	2,575	820	3,395	1,932
Department of Health Total	15,359	10,045	25,404	11,882
Veteran's Homes Board				
Repair and Betterments	3,250	3,250	6,500	0
Maintain Current Service Levels	544	790	1,334	1,580
Compensation Adjustment	1,675	3,401	5,076	6,802
Veteran's Homes Board - Other	(50)	0	(50)	0
Veterans Nursing Home Board Total	5,419	7,441	12,860	8,382

Health Related Boards	0	0	0	0
EMS Board	369	415	784	30
Council On Disability	812	524	1,336	1,048
Mental Health/Mental Retardation Ombuds.	122	193	315	386
Ombudsperson for Families	10	20	30	40
TOTAL SPENDING CHANGES	254,217	278,958	533,175	553,264
Revenue Changes				
DHS Departmental Earnings	(28)	(28)	(56)	0
DHS SOS Collections	3,017	6,793	9,810	13,586
DHS Other Non-Dedicated Revenue	6,131	985	7,116	0
DHS Transfer in from Health Care Access Fund	0	6,178	6,178	0
MDH Transfer in from SGSR Account	7,200	0	7,200	0
EMS Board Transfer in from SGSR Account	800	0	800	0
TOTAL REVENUE CHANGES	17,120	13,928	31,048	13,586
NET HEALTH AND HUMAN SERVICES (SPENDING – REVENUE CHANGES)	237,097	265,030	502,127	539,678

Children and Economic Assistance Management

Appropriations programs in children and economic assistance management totaled \$93.5, including \$90.4 million from the General Fund, \$711,000 from the HCAF, and \$2.4 million from TANF. General Fund spending was increased \$2.6 million from the FY 2008-2009 forecast base for the administration of the program changes discussed in the prior section.

Health Care Grants

Nearly \$5.0 billion of the \$9.5 billion DHS budget is for health care grants, including \$4.17 billion from the General Fund for Medical Assistance (MA) basic health care, General Assistance Medical Care (GAMC), and other health care assistance programs. Another \$851 million is from the HCAF for MinnesotaCare, a \$103 million increase for MinnesotaCare relative to the forecast base.

The increased appropriations for MinnesotaCare were among the most significant changes passed by the Legislature and restored several cuts made to the program in 2003. Of the \$103 million increase:

- \$12.7 million is to eliminate the MinnesotaCare limited benefit set for adults without children resulting in an equivalent benefit set to the one offered for families with children;
- \$4.3 million to eliminate the MinnesotaCare premium schedule that existed prior to 2003;

- \$27.9 million to restore previous program rules regarding verification of income and employer subsidized insurance;
- \$11.5 million to expand income eligibility for adults without children to 200 percent of Federal Poverty Guidelines (FPG) for FY 2008 and to 215 percent of FPG for FY 2009 and beyond;
- \$1.0 million to eliminate the add-back of depreciation for purposes of calculating income for MinnesotaCare eligibility,
- \$2.2 million for elimination of the employer subsidized insurance barrier for students and a temporary waiver of MinnesotaCare premiums for deactivated military members and their families for FY 2009 and FY 2010; and
- \$12.9 million for enrollment outreach, of which \$11.3 million was to fund the increased MinnesotaCare participation anticipated to result from the financial incentives to be provided to clinics and nonprofit organizations that enroll eligible participants. The Governor vetoed \$1.2 million of this initiative that would have funded an outreach media campaign.

Further, the computer programming required to accommodate these changes is expected to delay by five-months the implementation of HealthMatch, a new health care eligibility system being designed to match beneficiaries with the health care program that best suits their needs. The delay is estimated to reduce General Fund spending \$24.4 million and increase HCAF spending by \$24.3 million due HealthMatch relative to the February forecast because the forecast assumed that HealthMatch would result in certain individuals and families currently enrolled in MinnesotaCare, which is funded from HCAF and has a less generous benefit set, instead being enrolled in MA or GAMC, which are funded by the General Fund and have a more generous benefit set. A onetime, contingent transfer of \$6.2 million from the HCAF to the General Fund is to cover the cost of an additional month's delay in the programs implementation.

The General Fund budget for health care grants was reduced by a net of \$5.3 million relative to the February forecast for FY 2008-2009 through a combination of:

- new spending items, including \$9.5 million for the MA and GAMC outreach activities, \$9.2 million to extend a program that provides enhanced reimbursements to dentists who see a disproportionate share of MA patients, \$3.7 million for a new Transitional MA program for children, \$1.1 million for a 25 percent rate increase for services provided at community family planning clinics, and \$928,000 to lower pharmacy co-payments for MA and GAMC enrollees from \$12 to \$7 a month;
- budget reductions, including a \$24.4 million savings from the HealthMatch delay (see above), \$4.2 million for the elimination of an expanded autism benefit that had not yet gone into effect; a onetime \$5.3 million savings from delaying the

implementation of an MA foster care treatment benefit, and \$1.2 million for the elimination of an insurance stop-loss fund and onetime new revenue; and

- onetime revenue of \$6.1 million resulting from the state maximizing its share of federal disproportionate share hospital payments.

The new Transitional MA program for children will provide an additional year of health care coverage for children who are deemed ineligible because of household income. Once found ineligible because of income, children will automatically receive an additional two months of coverage through MA. Simultaneously, these children will be evaluated for MinnesotaCare eligibility and, if found eligible, be enrolled in the program at the end of their additional time on MA. The program will become effective on January 1, 2009. General Fund costs will grow from \$3.7 million in FY 2008-2009 to \$18.2 million in FY 2010-2011, and the MinnesotaCare portion of the initiative will increase HCAF spending by \$1.3 million in FY 2008-2009 and \$31.2 million in FY 2010-2011.

Health Care Management

The 2007 Legislature provided \$112.2 million for Health Care Management activities in FY 2008-2009, including \$65.0 million from the General Fund and over \$47.2 million from the HCAF. General Fund spending is \$8.6 million more than the FY 2008-2009 forecast base. The increased appropriations are to provide administrative support for the health care program changes discussed previously in this section.

Continuing Care Grants

The Legislature appropriated \$3.49 billion from all sources for continuing care grants, mostly from the General Fund but also including \$1.5 million from the HCAF, \$300,000 from TANF, and \$3.5 million from the Lottery Prize Fund. General Fund appropriations increased \$105.0 million from the FY 2008-2009 forecast base, including \$88.2 million for a long-term care provider cost of living adjustment (COLA). The COLA for providers, other than nursing facilities, was set at a two percent increase in FY 2008 and another two percent for FY 2009. Nursing facilities received a 1.87 percent COLA in FY 2008 only. Instead of COLA in 2009, the Legislature provided for a phased-in rebasing of nursing facility reimbursement rates beginning FY 2009 at a cost of \$5.7 million. (See highlighted discussion below of these provider rate increases and rebasing.)

In addition, \$2.5 million was appropriated, in FY 2008 only, for a rate increase to offset the cost of updating nursing facility sprinkler systems, and \$4.3 million was appropriated on a onetime basis for repayment forgiveness for five counties that overspent state funds for disability services. The Governor later line-item vetoed this appropriation. The final significant appropriation in this area was \$28.9 million for a mental health system transformation initiative. This item was actually a compilation of initiatives to improve the access and quality of publicly funded mental health services, including the adoption of a consistent mental health benefit set across public programs; implementation of an intensive mental health outpatient benefit; the creation of integrated health care networks for the mentally ill; and targeting grant funds to support the mental health delivery system.

Provider Rate Increases and Nursing Facility Rate Rebasings

The Legislature authorized rate increases for nursing facilities, intermediate care facilities for persons with mental retardation (ICFs/MR), and a variety of community-based services and programs.

ICFs/MR and community-based providers are eligible to receive two percent rate increases effective October 1, 2008, and July 1, 2009. Seventy-five percent of the new money available to each provider must be used for employee compensation, including wages and benefits, with half of the new money specifically reserved for an equal hourly percentage wage increase for all eligible employees.

Nursing facilities are eligible to receive a 1.87 percent rate increase on October 1, 2007, subject to the requirements noted above regarding employee compensation. Another rate increase of .13 percent was set aside for a quality-related rate add-on for high-quality facilities. The add-on is a variable that will range from zero to .3 percent.

In addition, the Legislature approved a new, cost-based reimbursement system for nursing facilities, and ordered that the system be phased in over eight years. Beginning October 1, 2008, a facility will receive 13 percent of the rate determined under the new system and 87 percent of the rate determined under the current methodology. The percentage of the rate based on the new system will grow over time so that on October 1, 2015, the entire rate will be based on the new system. Rates will be rebased to reflect current costs on October 1, 2016, and every two years after that date.

The Legislature appropriated \$93.9 million for provider rate increases and rebasing.

Continuing Care Grant Management

Over \$40.0 million was appropriated by the 2007 Legislature for the Continuing Care Management area, of which \$39.1 million is from the General Fund. This amount represents a \$5.4 million increase from the base budget for FY 2008-2009. The bulk of this increase is related to administration of the mental health initiative.

State-Operated Services

The Legislature provided over \$532.8 million from the General Fund for State-Operated Services, including regional treatment centers, psychiatric hospitals, sexual psychopath treatment programs, and state-staffed community-based group homes. This appropriation was more than \$16.9 million above the FY 2008-2009 base. The new spending resulted from the state employee compensation adjustment discussed elsewhere in this report.

MINNESOTA DEPARTMENT OF HEALTH

The Legislature appropriated over \$302.5 million for the Minnesota Department of Health (MDH) for the current biennium. This included \$163.9 million from the General Fund; just over \$86.6 million from the State Government Special Revenue (SGSR) Fund; \$28.9 million from the HCAF; and over \$23.2 million from TANF. These totals represent a \$64.8 million increase in funding over the FY2008-2009 base level.

Agency Programs

The following is a program-by-program description of direct appropriations for the department.

Community and Family Health Promotion

Over \$115.2 million was appropriated from all sources for health promotion activities, including \$87.9 million from the General Fund. This represents an increase \$1.8 million above the FY 2008-2009 General Fund base level.

The modest increase in General Fund spending was primarily the result of two new items, a \$1.0 million appropriation for a fetal alcohol spectrum disorders program and the partial restoration of suicide prevention grants at a funding level of \$480,000. The new spending was offset by a \$440,000 reduction that cut in half funding for Minnesota ENABL, MDH's abstinence program. There was also an \$8.8 million TANF appropriation to increase spending for the department's nurse home visiting program.

Policy Quality and Compliance

Policy Quality and Compliance activities received \$71.1 million from all sources, including \$27.1 million from the SGSR, \$20.8 million from the HCAF, and \$23.2 million from the General Fund. The total appropriation from all sources represents a \$32.7 million increase from the FY 2008-2009 base level, with a General Fund increase of \$15.9 million.

The General Fund increase included a \$3.0 million appropriation for grants to Federally Qualified Health Centers (FQHCs) and an appropriation of \$12.5 million to replace lost federal funds for Medical Education Research Cost (MERC) payments to hospitals. From the HCAF, \$14 million was appropriated on a onetime basis for electronic medical record grants and loans for clinics and hospitals, and \$600,000 of onetime money was provided for a health care access survey.

Health Protection

The Legislature appropriated \$81.5 million from all sources for the current biennium for this activity. Nearly \$25.7 million of this amount came from the General Fund with the remaining \$55.8 million from the SGSR fund. The total appropriation represented a \$15.8 million increase, of which \$7.5 million was an increase in General Fund spending. New General Fund spending in this area included \$1.2 million for increased lease costs of the public health laboratory, a \$976,000 increase for home lead abatement, and \$4.1 million of onetime spending to prepare for the threat of pandemic influenza. Of the SGSR appropriation, \$2.8 million was provided for a deaf and hard-of-hearing newborn screening program and \$4.2 million was to expand the department's newborn screening program. Both of these appropriations were offset by increases in the existing newborn screening fee charged to hospitals.

Office of Minority and Multicultural Health

More than \$15.7 million was appropriated for this program area, of which \$10.1 million was from the General Fund and \$5.7 million from TANF. This appropriation represents a \$95,000 increase from the General Fund base level funding.

Administrative Support Services

The Legislature appropriated just over \$19.0 million for administrative support services, including \$17.0 million from the General Fund and \$2.0 million from the SGSR fund. This represents a \$79,000 increase in General Fund spending and a \$2.0 million increase in SGSR from the current biennium's base level. The most significant new spending item was \$2.0 million of onetime SGSR funding for an upgrade of the department's disease surveillance computer system. The 2007 Legislature also transferred \$7.2 million from the department's SGSR account to the General Fund.

HEALTH-RELATED REGULATORY BOARDS AND SMALLER ENTITIES

Regulatory Boards

The Legislature made available almost \$29.2 million in SGSR funds to operate the boards that regulate a broad variety of health-related service providers. This amount represents a \$2.4 million increase from base level funding and is derived from fees collected from regulated providers. Six of the 14 boards, the Board of Chiropractic Medicine, the Board of Dentistry, the Board of Physical Therapy, the Board of Psychology, the Board of Pharmacy, and the Board of Veterinary Medicine, received operating increases totaling \$408,000 to cover increased expenses. All 14 boards received a total of \$775,000 for staff compensation increases. Four boards, the Board of Dietetics and Nutrition, the Board of Marriage and Family Therapists, the Board of Optometry, and the Board of Podiatry, received a total of \$51,000 for staff retirement payouts. Also, the Board of Medical Practice was appropriated \$500,000 on a onetime basis for increased legal costs. The Board of Nursing received \$771,000 for increased staffing to address higher workloads, and the Board of Pharmacy received \$346,000 to increase its facility inspection activities.

Veterans Nursing Homes Board

The 2007 Legislature made available from the General Fund \$88.4 million to the board for the FY 2008-2009 biennium to operate veterans homes in Minneapolis, Hastings, Silver Bay, Fergus Falls, and Luverne. This represents a \$12.9 million increase from the board's FY 2008-2009 base-level funding. This increase resulted from a \$6.5 million onetime appropriation for repair and betterments, a \$1.3 million appropriation to fund an agency shortfall, and \$5.1 million for staff compensation increases.

Emergency Medical Services Regulatory Board

Just over \$8.7 million was appropriated for the Emergency Medical Services Regulatory Board, which regulates and supports statewide emergency medical care. This amount represents a \$2.3 million General Fund increase from the FY 2008-2009 base. The increase resulted in part from making a previously open and standing appropriation of \$1.8 million into a direct appropriation. This appropriation, which funds the board's longevity awards, was reduced from \$1.8 million to \$1.4 million. The board also received \$100,000 to fund a state medical director position and a onetime appropriation of \$800,000 for regional program grants.

Council on Disability

The 2007 Legislature appropriated \$1.3 million from the General Fund for the council. This represents a 100 percent increase from the FY 2008-2009 base in funding because funding for the agency was scheduled to sunset at the end of FY 2007. The Legislature appropriated \$1.0 million to maintain the agency's previous funding and also appropriated an additional \$300,000 in onetime funds for assistive technology grants to the disabled.

Ombudsman for Mental Health and Mental Retardation

More than \$3.2 million was provided from the General Fund to operate this office. This represents a \$315,000 increase from the FY 2008-2009 base. The increase came from a \$185,000 appropriation to maintain current service levels and \$130,000 to increase staff compensation.

Ombudsperson for Families

The Legislature provided \$520,000 for this agency from the General Fund. The appropriation was a \$30,000 increase over the FY 2008-2009 base level. The increase was entirely due to providing increased compensation for the office's employees.

For questions or more information related to this chapter, please contact David.Godfrey@senate.mn

AGRICULTURE AND VETERANS

Total appropriations for the Agriculture and Veterans budget areas are \$417.8 million from all funds, a 40.7 percent increase compared to the previous biennium. General Fund appropriations increased by 23.1 percent, from about \$136.7 million in FY 2006-2007 to \$168.3 million in the 2008-2009 biennium. As illustrated by Table 1, General Fund changes reflect a net increase of \$33.6 million when compared to the February forecast base for FY 2008-2009.

Table 1 - Agriculture and Veterans All Funds Biennial Spending by Agency and Fund <i>(dollars in thousands)</i>					
Agency	FY 2006-07 Spending	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change: Budget – FY 2006-07	Change: Budget – Fcst. Base
Dept. of Agriculture					
General Fund	79,791	75,140	89,712	9,921	14,572
General Fund Transfers Out	(1,157)	0	0	1,157	0
Agricultural Fund	38,153	35,200	35,566	(2,587)	366
Special Revenue Fund	6,230	6,963	6,963	733	0
Remediation Fund	3,612	5,501	5,501	1,889	0
Gift Fund	211	92	92	(119)	0
Federal Fund	11,022	12,074	12,074	1,052	0
Dept. of Agriculture Total	137,862	134,970	149,908	12,046	14,938
Animal Health Board					
General Fund	7,266	5,922	7,029	(237)	1,107
Special Revenue Fund	218	102	102	(116)	0
Federal Fund	4,498	4,172	4,172	(326)	0
Animal Health Board Total	11,982	10,196	11,303	(679)	1,107
Agriculture Utilization Research Institute					
General Fund	3,200	3,200	6,200	3,000	3,000
Agriculture Utilization Research Institute Total	3,200	3,200	6,200	3,000	3,000
Dept. of Military Affairs					
General Fund	33,965	35,854	40,593	6,628	4,739
Special Revenue Fund	1,937	2,395	2,395	458	0
Federal Fund	92,876	180,633	180,633	87,757	0
Dept. of Military Affairs Total	128,778	218,882	223,621	94,843	4,739
Dept. of Veterans Affairs					
General Fund	12,485	14,530	24,750	12,265	10,220
Special Revenue Fund	726	1,145	1,145	419	0
Gift Fund	5	25	25	20	0
Federal Fund	707	800	800	93	0

Dept. of Veterans Affairs Total	13,923	16,500	26,720	12,797	10,220
TOTALS BY FUND					
General Fund	136,707	134,646	168,284	31,577	33,638
General Fund Transfers Out	(1,157)	0	0	1,157	0
Agricultural Fund	38,153	35,200	35,566	(2,587)	366
Special Revenue Fund	9,111	10,605	10,605	1,494	0
Remediation Fund	3,612	5,501	5,501	1,889	0
Gift Fund	216	117	117	(99)	0
Federal Fund	109,103	197,679	197,679	88,576	0
TOTAL AGRICULTURE AND VETERANS	295,745	383,748	417,752	122,007	34,004

In addition, federal funds to the Department of Military Affairs are expected to be about \$181 million for the 2008-2009 biennium, an increase of \$87.8 million over the previous biennium.

Department of Agriculture

The total FY 2008-2009 budget for the Department of Agriculture is \$149.9 million, a \$10.9 million or 7.8 percent increase over spending for the previous biennium. The two largest funding sources for the department are the General Fund (59.8 percent) and the Agricultural Fund (23.7 percent). Of the \$149.9 million, \$90.5 million is from direct appropriations in Laws 2007, Chapter 45, and the remainder is from the department's open and statutory appropriations.

The largest area of spending by the department is for agricultural protection programs. When the direct appropriations in this area are combined with the statutory appropriations from the Agricultural Fund, spending for these programs totals \$76 million and represents over 50 percent of the department's budget. The second largest area of spending by the department is for bioenergy, including ethanol producer payments, which represents 23.2 percent of the department's budget.

The two major areas of focus in new funding for the Department of Agriculture were implementation of the Clean Water Legacy Act (\$4 million) and funding for bioenergy projects (\$4.4 million). Of the money for biofuel projects, \$3.0 million is for bioenergy project grants that are recommended by the NextGen Board established by the 2007 Legislature. An additional \$1.4 million is appropriated to specific bioenergy projects.

The budget for the Department of Agriculture does not include \$1.4 million in General Fund appropriations that were vetoed by the Governor. The money vetoed was for equipment loans to producers of bioenergy crops (\$1 million) and bioenergy research and producer outreach (\$350,000).

Table 2 - Agriculture and Veterans				
General Fund Change Relative to Forecast				
<i>(dollars in thousands)</i>				
Agency	FY 2008	FY 2009	FY 2008-2009 Biennium	FY 2010-2011 Biennium
Department of Agriculture				
Clean Water Legacy	4,000	0	4,000	0
Renewable/Bio-Energy Projects	4,400	0	4,400	6,068
Other Program Changes	2,488	3,034	5,522	0
Other Onetime Grants	650	0	650	0
Animal Health Board				
Program Changes	513	494	1,007	580
Onetime Grants	100	0	100	0
Agricultural Utilization Research Institute				
Renewable/Bio-Energy Projects	700	700	1,400	1,400
Supplemental Increase	800	800	1,600	1,600
Department of Military Affairs				
Armory Maintenance	1,018	982	2,000	1,964
Reintegration Program	1,500	0	1,500	0
Other Program Changes	391	488	879	976
Other Onetime Grants	360	0	360	0
Department of Veterans Affairs				
<i>Expanded G.I. Bill*</i>	<i>[6,000]</i>	<i>[6,000]</i>	<i>[12,000]</i>	<i>[12,000]</i>
Veterans Assistance Programs	4,382	4,250	8,632	6,400
Other Assistance Changes	870	718	1,588	1,236
TOTAL AGRICULTURE AND VETERANS	22,172	11,466	33,638	20,224
* Funding for G.I. Bill is being tracked within the Higher Education Budget area, but will be administered by Department of Veterans Affairs and become part of that agency's budget base in future reports.				

Board of Animal Health

The total FY 2008-2009 budget for the Board of Animal Health is about \$11.3 million. Of this amount, over \$7.0 million is the result of direct appropriations from the General Fund in Laws 2007, Chapter 45. The budget reflects a 5.7 percent decrease from the previous biennium. The decrease in budget for the board is primarily due to a small General Fund reduction related to onetime funding in the previous biennium and a reduction in estimated federal funds to the board.

Agricultural Utilization and Research Institute

The total FY 2008-2009 budget for the Agricultural Utilization and Research Institute (AURI) is \$6.2 million, a 93.8 percent increase over the previous biennium. All of the funding for the institute's state budget is from the General Fund. The \$3.0 million increase in the AURI budget was for a supplemental budget increase due to previous

budget cuts (\$1.6 million) and the expansion of programs for technical assistance and technology transfer for bioenergy crop producers and users (\$1.4 million).

Department of Military Affairs

The total FY 2008-2009 budget for the Department of Military Affairs is \$223.6 million, a 73.6 percent increase over the previous biennium. Most of the increase is attributable to the 94.5 percent increase in federal funding for the 2008-2009 biennium. The department's General Fund appropriations also increased by 19.5 percent, from \$34 million in FY 2006-2007 to \$40.6 million in FY 2008-2009. The increase in General Fund appropriations includes additional funding for armory maintenance (\$2 million), the Minnesota National Guard Reintegration Program (\$1.5 million), and general operations support (\$560,000).

Department of Veteran's Affairs

The total FY 2008-2009 budget for the Department of Veterans Affairs is \$26.7 million, a 91.9 percent increase in spending over the previous biennium. The major source of the increase is 98.2 percent in General Fund appropriations for new initiatives in the 2008-2009 biennium. The increased General Fund appropriations include funding for veterans outreach (\$3.4 million), the state Soldiers Assistance Program (\$2 million), and county veterans service officers (\$1.5 million). In addition, the higher education budget area includes \$12 million in additional funding for the expansion of the educational opportunities for veterans. These funds will become part of the department's base budget.

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ENVIRONMENT, ENERGY, AND NATURAL RESOURCES

Total appropriations for the Environment, Energy, and Natural Resources budget area are \$1.5 billion for FY 2008-2009, a \$108.3 million or 7.6 percent increase compared to the previous biennium for this budget area. Relative to the February forecast base, appropriations from all funds for FY 2008-2009 are \$181.5 million higher. Of the \$1.5 billion budget, \$444.5 million is from the General Fund. Spending and budget amounts for all agencies and funds are summarized in Table 5, at the end of this chapter.

Table 1 - Environment and Energy				
General Fund Changes Relative to Forecast				
<i>(dollars in thousands)</i>				
Change Item	FY 2008	FY 2009	FY 2008-2009 Biennium	FY 2010-2011 Biennium
Pollution Control Agency				
Clean Water Legacy	31,009	-	31,009	375
Health Tracking and Biomonitoring	1,000	1,000	2,000	1,000
Other Onetime Grants	788	-	788	-
Compensation Increase	132	268	400	536
Minnesota Zoo				
Increased Utilities and Operations	561	754	1,315	1,258
Department of Natural Resources				
Compensation Increase	1,850	3,758	5,608	7,516
Clean Water Legacy	4,500	-	4,500	-
Invasive Species Control/Prevention	970	2,190	3,160	4,380
Shift Forestry Cost to Nat Resources Fund	(3,167)	(3,167)	(6,334)	(6,334)
Forest Initiatives	2,530	1,980	4,510	2,960
Increased Nonmotorized Trails Funding	1,150	1,150	2,300	1,500
Prairie Wetlands	575	575	1,150	1,150
Shoreland Rulemaking	500	500	1,000	-
Land Asset Management and Systems	1,000	500	1,500	-
Other Onetime Expenditures	2,558	175	2,733	-
Other Ongoing Expenditures	1,033	979	2,012	1,666
Board of Water and Soil Resources				
Clean Water Legacy	14,166	-	14,166	-
Wetland Conservation	1,120	1,060	2,180	1,120
Bioenergy Monitoring and RIM Standards	700	-	700	-
Other Ongoing Expenditures	736	1,191	1,927	1,382
Met Council Regional Parks				
Increase Base Funding	750	750	1,500	1,500
MN Conservation Corps				

Increase Base Funding	125	125	250	250
Stipends for Deaf Students, Interpreters	50	-	50	-
Science Museum of Minnesota				
Increase Base Funding	500	500	1,000	1,000
Public Utilities Commission				
Staffing and Compensation Increases	1,184	1,270	2,454	2,540
Department of Commerce				
Renewable/Bioenergy Initiatives	11,250	1,500	12,750	-
Other Ongoing Expenditures	1,644	1,942	3,586	3,884
TOTAL ENVIRONMENT AND ENERGY	79,214	19,000	98,214	27,683
<i>General Fund Revenue Changes</i>	<i>2,131</i>	<i>2,636</i>	<i>4,767</i>	<i>5,272</i>
Net Changes	77,083	16,364	93,447	22,411

The General Fund portion of the expenditures increased by 24 percent, from about \$359 million in FY 2006-2007 to \$445 million in the 2008-2009 biennium. As illustrated by Table 1, there was a net increase to the General Fund appropriations of about \$98.2 million when compared to the February forecast base budget for FY 2006-2007. The major focus for new spending in this budget area is funding the Clean Water Legacy Act (\$49.7 million) and renewable energy initiatives (\$36.5 million). While funding for these purposes was appropriated to various state agencies, tables later in this section provide more details on money appropriated for the Clean Water Legacy Act and renewable energy initiatives.

Pollution Control Agency

The total FY 2008-2009 budget for the Pollution Control Agency (PCA) is \$335.7 million, a \$23.5 million or 7.5 percent increase over the previous biennium and \$48.1 million over the February forecast base. The three largest sources of funding for the PCA are the Environmental Fund (39.1 percent), the Remediation Fund (23.1 percent), and the General Fund (17 percent). The three largest areas of spending by the PCA are water protection (30.1 percent), land protection (29.9 percent), and environmental assistance (14.9 percent). Most of the \$48.1 million increase over forecast base is attributable to appropriations for the Clean Water Legacy Act (over \$31 million) and biomonitoring and health tracking (\$2.0 million).

Minnesota Zoological Board

The total FY 2008-2009 budget for the Minnesota Zoological Board is \$39 million, a 13.4 percent increase over the previous biennium. Of this amount, about \$14.5 million is from direct appropriations from the General Fund and the Natural Resources Fund in Laws 2007, Chapter 57. The remaining budget of the Minnesota Zoo is from the revenue raised by the zoo and gifts.

Department of Natural Resources

The total FY 2008-2009 budget for the Department of Natural Resources (DNR) is \$689.4 million, a \$45.5 million or 7.1 percent increase over the previous biennium and

\$63.1 million more than the February forecast base. The three largest purposes of the General Fund increase to the DNR were for salary increases (\$5.6 million), implementation of the Clean Water Legacy Act (\$4.5 million), and invasive species control (about \$3.2 million).

Of the amounts appropriated to the DNR, over \$507.5 million is from direct appropriations in Laws 2007, Chapter 57. Much of the increase to the DNR is the result of an 11.3 percent increase in General Fund appropriations. The three largest sources of funding for the DNR are the General Fund (35.7 percent), the Game and Fish Fund (27.6 percent), and the Natural Resources Fund (23.2 percent). The three largest areas of direct appropriations to the DNR are Fish and Wildlife Management (24.8 percent), Forest Management (19.9 percent), and Parks and Recreation Management (11.8 percent). The following table shows the DNR budget broken down by program.

Purpose	FY 2008-2009	Percent of Total
Land and Mineral Resource Management *	66,372	9.6%
Water Resources Management	35,101	5.1%
Forest Management	136,877	19.9%
Parks and Recreation Management	81,629	11.8%
Trails and Waterways Management	71,368	10.4%
Fish and Wildlife	170,867	24.8%
Ecological Services	44,415	6.4%
Enforcement	65,834	9.5%
Operations Support	16,900	2.5%
TOTAL	689,363	100.0%
* Includes payments in lieu of taxes (PILT) and consolidated conservation (Con-Con) payments to local units of government of about \$41.2 million.		

The budget for the DNR does not include \$160,000 in General Fund appropriations that were vetoed by the Governor. The vetoed funds were for shade tree protection (\$150,000) and the Cuyuna Country State Recreation Area Citizens Advisory Council (\$10,000).

Board of Water and Soil Resources

The total FY 2008-2009 budget for the Board of Water and Soil Resources is \$52.3 million, a \$9.8 million or 23 percent increase over the previous biennium and \$19.0 million over the February forecast base. The major sources of the increase in General Fund appropriations to the board were for implementation of the Clean Water Legacy Act (about \$14.2 million), implementation of the Wetland Conservation Act (about \$2.2 million), and local assistance for implementation of the Drainage Law (over \$1.2 million). Of this amount, \$49.4 million is the result of direct appropriations from the General Fund in Laws 2007, Chapter 57.

The budget for the board does not include \$200,000 in General Fund appropriations for the Gaylord storm water and sewer reconstruction project that was vetoed by the Governor

Metropolitan Council Parks

The total FY 2008-2009 budget from the state for the Metropolitan Council Parks is \$17.2 million, a \$1.5 million or 9.5 percent increase over both the previous biennium and the February forecast base.

Minnesota Conservation Corps

The total FY 2008-2009 budget from the state for the Minnesota Conservation Corps is \$2 million, a \$300,000 or 17.9 percent increase over both the previous biennium and the February forecast base.

Science Museum of Minnesota

The total FY 2008-2009 budget from the state for the Science Museum of Minnesota is \$2.5 million, a \$1.0 million or 66.7 percent increase over both the previous biennium and the February forecast base.

Minnesota Resources

In Laws 2007, Chapter 30, the Legislature appropriated \$22.9 million in FY 2008 only from the Environment and Natural Resources Trust Fund for various projects to protect and enhance Minnesota resources. The Environment and Natural Resources Trust is funded through revenues from the Minnesota Lottery. Based on the new process established for recommending appropriations from the Environment and Natural resources Trust Fund, the Legislative-Citizens Commissioner on Minnesota Resources will recommend FY 2009 appropriations to the 2008 Legislature. For FY 2008, the two largest areas of spending under Minnesota Resources are for land protection (63.5 percent) and water resources (22.6 percent). In addition, \$500,000 of federal funds in the Land and Water Conservation (LAWCON) Fund was appropriated in Chapter 30.

Public Utilities Commission

Total FY 2008-2009 appropriations for the Public Utilities Commission (PUC) increased by \$894,000 or 6.3 percent over the previous biennium and by \$2.5 million or 19.5 percent over the FY 2008-2009 February forecast base. The General Fund portion of the appropriations to the PUC was increased by \$2.5 million over the forecast base, with most of the increase to cover increased staffing for additional duties due to various energy saving and clean energy programs. The PUC is authorized to recover their operation costs through increased assessments on utility companies.

Department of Commerce

The total budget for the Department of Commerce for the 2008-2009 biennium is \$349.3 million, including \$74.8 million directly appropriated in Chapter 57. A majority of the department's budget, about \$192.5 million, is from federal sources. The department's FY 2008-2009 General Fund appropriation increased by 38 percent from the previous biennium, from about \$40.2 million to over \$55.5 million.

A major focus of both the Governor and the 2007 Legislature was in the area of renewable energy. The Legislature approved about \$36.5 million for renewable energy projects, of which about \$12.9 million is from the General Fund, \$15.25 million is transferred from Xcel Energy’s Renewable Development Fund, and about \$8.3 million is from the Special Revenue Fund. The following table shows major renewable energy initiatives in this budget area.

Notable policy changes also occurred in the areas of residential mortgage lending, securities, and vehicle protection product warranty requirements.

Table 3 Renewable Energy Initiatives <i>(dollars in thousands)</i>	
Fund/Project	Amount
General	
E-85 Ethanol Pump Grants	3,000
Rural Wind Energy Program*	1,000
Renewable Hydrogen Initiative	3,250
St. Paul Steam/Electricity Facility	4,500
Special Revenue	
Demand Efficiency Program	7,700
Methane Digester Grants	1,000
Solar Rebate Program	1,000
Clean Energy Resource Teams	1,250
Hybrid Electric Vehicle Grants	2,000
Renewable Hydrogen Initiative	750
Next Gen Research Grants	4,250
Rural Wind Revolving Loan	2,000
Initiative for Renewable Energy and the Environment	3,000
*The Governor issued a line item veto for the second year, \$1 million appropriation of the Rural Wind Energy Program. The budget for the Department of Commerce does not include just over \$1 million in General Fund appropriations that were vetoed by the Governor. The money vetoed was for rural wind energy assistance (\$1 million) and the Linden Hills district heating and cooling project (\$45,000).	

Residential mortgage originator licensing requirements changed in that a licensee must have approval as a mortgagee by either the federal Department of Housing and Urban Development or the Federal National Mortgage Association, and by requiring a licensee to have a minimum net worth, net of intangibles, of at least \$250,000 or a surety bond or irrevocable letter of credit in the amount of \$50,000. Residential mortgage originator licensing fees were also raised from \$850 to \$2,125 for an initial license and from \$450 to \$1,125 for a renewal license.

The Vehicle Protection Product Act prohibits the sale of vehicle protection products unless the warrantor has either a warranty reimbursement insurance policy or a net worth

or stockholder's equity of \$50 million. The department may charge warrantor registrants \$250 annually to offset the cost of processing the registration and maintaining records.

The Legislature approved an industry-supported technology surcharge on Commerce Department licenses for insurance agents, real estate brokers and salespersons, and real estate appraisers. The surcharge would pay costs of technology to keep track of continuing education requirements for those professions, in order to reduce license renewal costs and delays. This program will collect and spend about \$2.3 million annually.

Clean Water Legacy Act

The 2007 Legislature appropriated a total of \$53.7 million from the General Fund for Clean Water Legacy Act purposes. Of this amount, \$49.7 million was for agencies in the Environment, Energy, and Natural Resources budget area and \$4 million for the Department of Agriculture. Much like the 2006 Legislative Session, the 2007 appropriations for Clean Water programs are onetime, with a proposed constitutional amendment dedicating ongoing resources for the Clean Water Legacy and other programs still under consideration by the Legislature.

Table 4	
Clean Water Legacy Appropriations	
<i>(dollars in thousands)</i>	
Agency/Program	Amount
Pollution Control Agency	
Water Quality Assessments	12,634
Total Maximum Daily Load Development (TMDL)	18,000
Endocrine Study	375
Department of Natural Resources	
Water Quality Assessments	1,800
TMDL Development	1,700
Nonpoint Restoration and Protection	1,000
Board of Water and Soil Resources	
Targeted Nonpoint Restoration Cost-Share	3,316
Nonpoint Technical Assistance	3,000
Applied Soil and Water Conservation	400
Individual Sewage Treatment System (ISTS) County Grants	2,450
Feedlot Water Quality Grants	3,000
Local Nonpoint Source Protection (Lakes and Rivers)	1,000
Imminent Threat/Failing ISTS Identification	1,000
Subtotal Environment & Energy Budget Area	49,675
Department of Agriculture	
Agricultural Practices Research	1,100
Technical Assistance	400
Agriculture Best Management Practices Loans	2,500
TOTAL ALL AGENCIES	53,675

Sales Tax Dedication – Constitutional Amendment

The 2007 Legislature worked on placing a constitutional amendment on the 2008 general election ballot that would impose an additional sales tax of 3/8 of one percent and dedicate the proceeds for clean water, wildlife, cultural heritage, and natural areas. The constitutional amendment was adopted by a conference committee late in the legislative session, but was not considered for final passage by the House of Representatives or the Senate. According to joint legislative rules, the bill (H.F. No. 2285) was returned to the House of Representatives at the end of the 2007 Legislative Session. The additional sales tax revenue that would be raised under the amendment is estimated to be around \$290 million per year starting in fiscal year 2010. As recommended by conference committee, the receipts from the additional sales tax revenue would be allocated by dedicating 33 percent for outdoor heritage purposes, 33 percent for clean water purposes, 14.25 percent for park and trail purposes, and 19.75 percent for arts and cultural heritage purposes.

Table 5 - Environment and Energy
All Funds Biennial Spending by Agency and Fund
(dollars in thousands)

Agency/Fund	FY 2006-07 Spending*	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change: Budget - FY 2006-07	Change: Budget - Fcst. Base
Pollution Control Agency					
General Fund	28,119	22,728	56,925	28,806	34,197
General Fund Transfers Out	(546)	-	-	546	-
Environmental Fund	115,058	117,010	131,119	16,061	14,109
Remediation Fund	91,568	77,789	77,579	(13,989)	(210)
Special Revenue Fund	29,966	26,957	26,957	(3,009)	-
State Gov Special Revenue Fund	98	98	98	-	-
Gift Fund	24	22	22	(2)	-
Federal Fund	47,960	43,004	43,004	(4,956)	-
Total Pollution Control Agency	312,247	287,608	335,704	23,457	48,096
Minnesota Zoo					
General Fund	12,878	12,878	14,193	1,315	1,315
Special Revenue Fund	18,777	21,955	21,955	3,178	-
Natural Resources Fund	270	-	275	5	275
Gift Fund	2,501	2,621	2,621	120	-
Total Minnesota Zoo	34,426	37,454	39,044	4,618	1,590
Department of Natural Resources					
General Fund**	221,062	223,944	246,083	25,021	22,139
General Fund Transfers Out	(11)	-	-	11	-
Natural Resources Fund	141,205	128,341	160,218	19,013	31,877
Game & Fish Fund	181,675	181,146	189,961	8,286	8,815
Special Revenue Fund	46,860	43,355	43,650	(3,210)	295
Remediation Fund	4,403	1,370	1,370	(3,033)	-

Endowment and Permanent School Fund	938	436	436	(502)	-
Gift Fund	4,814	3,215	3,215	(1,599)	-
Federal Fund	42,895	44,430	44,430	1,535	-
Total Department of Natural Resources**	643,841	626,237	689,363	45,522	63,126
Board of Water & Soil Resources					
General Fund	38,905	30,462	49,435	10,530	18,973
General Fund Transfers Out	(700)	-	-	700	-
Special Revenue Fund	3,785	2,876	2,908	(877)	32
Federal Fund	577	-	-	(577)	-
Total Board of Water & Soil Resources	42,567	33,338	52,343	9,776	19,005
Met Council Regional Parks					
General Fund	6,600	6,600	8,100	1,500	1,500
Natural Resources Fund	9,140	9,140	9,140	-	-
Total Met Council Regional Parks	15,740	15,740	17,240	1,500	1,500
MN Conservation Corps					
General Fund	700	700	1,000	300	300
Natural Resources Fund	980	980	980	-	-
Total MN Conservation Corps	1,680	1,680	1,980	300	300
Science Museum of Minnesota					
General Fund	1,500	1,500	2,500	1,000	1,000
Total Science Museum of Minnesota	1,500	1,500	2,500	1,000	1,000
Minnesota Resources (LCCMR)					
Environ. and Nat. Resources Trust Fund*	37,657	22,866	22,866	(14,791)	-
Minnesota Future Resources Fund	1,356	-	-	(1,356)	-
Total Minnesota Resources (LCCMR)	39,013	22,866	22,866	(16,147)	-
Public Utilities Commission					
General Fund	8,511	8,326	10,780	2,269	2,454
Special Revenue Fund	5,625	4,250	4,250	(1,375)	-
Total Public Utilities Commission	14,136	12,576	15,030	894	2,454
Department of Commerce					
General Fund	40,230	39,168	55,504	15,274	16,336
General Fund Transfers Out	(22)	-	-	22	-
Special Revenue Fund	35,199	39,041	67,141	31,942	28,100
Petroleum Tank Release Cleanup Fund	29,265	32,458	32,458	3,193	-
Workers Compensation Special Fund	1,670	1,670	1,670	-	-
State Gov Special Revenue Fd.	412	-	-	(412)	-
Gift Fund	78	-	-	(78)	-
Federal Fund	205,108	192,541	192,541	(12,567)	-

Dept. of Commerce Total	311,940	304,878	349,314	37,374	44,436
TOTALS BY FUND					
General Fund**	358,505	346,306	444,520	86,015	98,214
General Funds Transfers Out	(1,279)	-	-	1,279	-
Environmental Fund	115,058	117,010	131,119	16,061	14,109
Remediation Fund	95,971	79,159	78,949	(17,022)	(210)
Special Revenue Fund	140,212	138,434	166,861	26,649	28,427
Natural Resources Fund	151,595	138,461	170,613	19,018	32,152
Game & Fish Fund	181,675	181,146	189,961	8,286	8,815
Environ. and Nat. Resources Trust Fund*	37,657	22,866	22,866	(14,791)	-
Minnesota Future Resources Fund	1,356	-	-	(1,356)	-
Endowment and Permanent School Fund	938	436	436	(502)	-
State Gov Special Revenue Fund	510	98	98	(412)	-
Gift Fund	7,417	5,858	5,858	(1,559)	-
Petroleum Tank Release Cleanup Fund	29,265	32,458	32,458	3,193	-
Workers Compensation Special Fund	1,670	1,670	1,670	-	-
Federal Fund	296,540	279,975	279,975	(16,565)	-
TOTAL ENVIRONMENT, ENERGY, AND NATURAL RESOURCES	1,417,090	1,343,877	1,525,384	108,294	181,507
* Amounts for the LCCMR reflect actual appropriations from the Environment and Natural Resources Trust Fund rather than spending amounts reported by the Department of Finance.					
** FY 2006-07 General Fund amounts for DNR include \$33.036 million for PILT payments that Dept. of Finance includes with tax Aids and Credits.					

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ECONOMIC DEVELOPMENT

In the 2008-2009 biennium, the total budget for economic development programs from all funds was \$2.1 billion. Of that amount, the Legislature appropriated \$335.9 million from the General Fund, an increase of \$83.3 million, or 33 percent, over the February forecast base, most of which was for bioscience business development and housing finance programs.

In addition, the Workforce Development Fund totaled \$93.0 million, an increase of \$10.0 million, or 12 percent, over the February forecast base, primarily to support youth job skills development and summer employment programs. The increase in appropriations is supported by revenue from the maintenance of the Dislocated Worker Program assessment fee at 0.10 percent per year of taxable wages, as well as from existing Workforce Development Fund balances. Table 4, at the end of this chapter, summarizes the total budget for economic development by fund and agency.

Table 1 summarizes General Fund budget by agency for FY 2008-2009 relative to the February forecast base.

Agency	FY 2006 -07 Spending	FY 2008 -09 Fcst. Base	FY 2008 -09 Budget	Change: Budget FY 06-07	Change: Budget – Fcst. Base
Employment and Economic Development	125,072	75,346	116,574	(8,498)	41,228
Explore Minnesota Tourism	21,154	19,402	22,308	1,154	2,906
Housing Finance Agency	70,470	78,876	114,557	44,087	35,681
Accountancy Board	1,122	974	1,001	(121)	27
Architecture, Engineering, Surveying, Landscaping, Geoscience	1,832	1,570	1,615	(217)	45
Barbers and Cosmetologists Examiners	1,699	1,398	1,578	(121)	180
Boxing Commission	50	0	50	0	50
Labor and Industry	7,337	6,868	2,093	(5,244)	(4,775)
Mediation Services	3,548	3,546	3,768	220	222
Historical Society	46,650	46,250	50,248	3,598	3,998
Arts Board	17,189	17,186	20,442	3,253	3,256
Humanities Commission	0	0	500	500	500
Region 3 Occupation Tax-Open	1,132	1,132	1,132	0	0
TOTAL ECONOMIC DEVELOPMENT BUDGET	297,255	252,548	335,866	38,611	83,318

Department of Employment and Economic Development

In the 2008-2009 biennium, the total budget for the Department of Employment and Economic Development (DEED) was \$711.3 million. Of that amount, the Legislature appropriated \$116.6 million from the General Fund, an increase of \$41.2 million, or 55 percent, over the February forecast base. Further, the Legislature appropriated \$91.5 million from the Workforce Development Fund, an increase of \$9.9 million, or 12 percent, over the February forecast base.

Of the \$41.2 million General Fund increase, \$30.1 million was for business and community development programs administered by DEED. The increased appropriations include:

- \$1.8 million for a onetime grant in FY 2008 to the BioBusiness Alliance to support a statewide bioscience business industry assessment of business technology enterprises and Minnesota's competitive position, long-term strategic planning, the design and construction of a Minnesota focused bioscience business model, and the creation of a bioscience business resources network;
- \$5.0 million in FY 2008 to restore funding for the Minnesota Investment Fund, which was eliminated in the FY 2005-2006 biennium. The Fund provides assistance for small-to-medium sized business expansion with a focus on industrial, manufacturing, and technology-related industries. Up to \$3.0 million may be used for a legal reference office and data center facility provided that the total capital investment in the facility is at least \$60 million;
- \$14.9 million in FY 2008 to the Minnesota Minerals 21st Century Fund to partially restore funds that were unallotted in FY 2003;
- \$550,000 in FY 2008 for three disaster relief grants. Le Sueur County received \$75,000 for the cost of cleaning up lake debris caused by an August 24, 2006, tornado. The City of Rogers received \$400,000 for relief from damages caused by a September 16, 2006, tornado. The City of Warroad received \$75,000 for new public facilities to replace those damaged and destroyed by an August 6, 2006 tornado;
- \$1.1 million to the Neighborhood Development Center for a grant to retain minority business enterprise at the Midtown Global Market in Minneapolis; and
- \$2.0 million in FY 2008 to the Redevelopment Grant Program to provide an incentive for the private sector to redevelop under-utilized and often abandoned sites.

The Governor vetoed a \$2.5 million grant to the City of St. Paul, which was to be used to pay, redeem, or refund debt service costs incurred for the River Centre Campus.

Workforce Development Programs administered by DEED received a General Fund increase of \$11.1 million and a Workforce Development Fund increase of \$1.7 million for the 2008-2009 biennium. These appropriations include funding for job skills training and employment services for disabled and economically disadvantaged individuals. In addition, the portion of Workforce Development funds appropriated to summer youth employment programs increased by \$12.4 million. These appropriation increases are supported by maintenance of the Dislocated Worker Program assessment fee and other reallocations. The increased appropriations include:

- \$3.5 million to the Minnesota Youth Program for each year of the biennium to provide work experience and academic enrichment activities to economically disadvantaged and at-risk youth between the ages of 14 and 21 in all 87 Minnesota counties;
- \$600,000 to the City of Saint Paul for each year of the biennium to fund up to 500 summer jobs for youth. This new appropriation requires the Commissioner of DEED to establish program criteria;
- \$150,000 to the City of Minneapolis to fund Learn-to-Earn, a summer employment program that prepares at-risk youth to enter the workforce by providing job training skills, leadership development and academic instruction;
- \$500,000 to the Opportunities Industrialization Center for each year of the biennium for community-based specialized employment and training services primarily for persons who are members of a minority group or are welfare program recipients;
- \$1 million each year of the biennium for the blind services communication center and \$350,000 each year of the biennium to provide interpreters for a regional transition program that specializes in providing culturally appropriate transition services leading to employment for deaf, hard-of-hearing, and deaf-blind students;
- \$1.5 million to the state's Vocational Rehabilitation Program for each year of the biennium to support people with significant disabilities to find employment;
- \$650,000 each year of the biennium to provide grants for programs that provide extended employment support services to persons with mental illness; and
- \$750,000 to the Centers for Independent Living for each year of the biennium to provide independent living opportunities and resources for people with disabilities.

Table 2
Economic Development Budget
General Fund Changes Relative to Forecast
(dollars in thousands)

Agency/Change Item	FY 2008	FY 2009	FY 2008 -2009 Biennium	FY 2010 -2011 Biennium
Employment and Economic Development				
Business Investments	25,425	523	25,948	1,130
Community Assistance	3,976	200	4,176	400
Employment Assistance	5,631	5,473	11,104	10,946
Explore Minnesota Tourism				
Public/Private Partnership	500	500	1,000	1,000
Film Board-Snowbate Reimbursements	725	725	1,450	1,450
Community/Other Assistance	252	204	456	408
Housing Finance Programs				
Public Housing Preservation	2,500		2,500	
Family Homelessness Prevention	3,750	3,750	7,500	7,500
Affordable Housing Development	15,000		15,000	
Indian Housing Programs	585	296	881	220
Mentally Ill Rental Assistance	1,000	1,000	2,000	2,000
Education, Counseling, and Training	95	95	190	190
Rehabilitation Loan Program	1,615	315	1,930	630
Nonprofit Capacity Building Program	90	90	180	
Rental Assistance, Housing Opportunities	5,250	250	5,500	500
Boards and Commissions	204	98	302	196
Labor and Industry Programs				
Code Consolidation-Fund Change	(2,740)	(2,740)	(5,480)	(5,480)
Prevailing Wage Enforcement	375	330	705	660
Mediation Services	91	131	222	262
Historical Society				
Building Lease Maintenance	325	500	825	1,000
Sesquicentennial Commission	750		750	
County and Local Historical Societies	500		500	
Preservation - Flags, Art, Furniture	400		400	
Community/Other Assistance	677	846	1,523	1,724
Arts Board	1,622	1,634	3,256	3,488
Humanities Commission	250	250	500	500
TOTAL ECONOMIC DEVELOPMENT BUDGET	68,848	14,470	83,318	28,724

Explore Minnesota Tourism

Explore Minnesota Tourism's budget was set at \$25 million for the 2008-2009 biennium, a \$2.9 million increase over the February forecast base. The increase includes funding to maximize private sector involvement in tourism and marketing activities, and to increase the base funding for the Minnesota Film and TV Board from \$500,000 to \$650,000 annually.

Housing Finance Agency

The total appropriation for Housing Finance programs was increased by \$35.7 million, or 31 percent, from the February forecast base to \$114.6 million in the 2008-2009 biennium. The increase included \$2.5 million for public housing preservation, \$7.5 million for family homelessness prevention, \$15 million for affordable housing development, \$2 million for rental assistance for the mentally ill, and \$881,000 for Indian housing programs.

Commerce Boards and Commissions

Funding for nonhealth boards and commissions, including the Board of Accountancy; the Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience, and Interior Design; the Board of Barber and Cosmetologist Examiners; and the Minnesota Boxing Commission, increased by \$342,000 from the February forecast base to a total of \$4.3 million in the 2008-2009 biennium. The oversight duties of the Boxing Commission was expanded to include mixed martial arts, ultimate-fight contests, and similar sporting events. Four members who have knowledge of the mixed martial arts industry will be added to the commission.

Department of Labor and Industry

The total budget for the Department of Labor and Industry was \$253.3 million for the 2008-2009 biennium, a decrease of \$4.3 million, or 2 percent, from the February forecast base. The General Fund appropriation for labor and industry programs was decreased by \$4.8 million, relative to the February forecast base to reflect the consolidation of the State Construction Code and licensing units. Of the amounts appropriated, \$705,000 was dedicated to prevailing wage enforcement including outreach and survey participation improvements to address weaknesses within the program. In addition, \$500,000 was appropriated from the workers' compensation fund for safe patient handling equipment grants.

In 2005, the Governor issued an executive order to consolidate the State Construction Code and licensing units in one Construction Code within the Department of Labor and Industry in an effort to increase efficiency and avoid duplication. For FY 2008, the Plumbing Board, the Board of High Pressure Piping Systems, and the Board of Electricity received new authorization to work with the department to oversee and regulate various aspects of their respective codes. The commissioner is required to transfer \$1.6 million in FY 2008, \$1.5 million in FY 2009, and each year thereafter from the Construction Code to the General Fund.

Table 3 Summary of Code Consolidation Changes FY 2008-2009 Impact at the Fund Level		
	General Fund	State Government Special Revenue
Appropriation Changes		
Direct Appropriations	(5,662)	(3,792)
Net Appropriations Changes	(5,662)	(3,792)
Revenue Changes		
Net Revenue Change	(5,662)	(3,792)
Total Net Changes	-0-	-0-

Bureau of Mediation Services

Funding for the Bureau of Mediation Services was increased by \$222,000 from the February forecast base to a total of \$3.8 million for the 2008-2009 biennium. The Bureau of Mediation Services promotes stable and constructive labor-management relations as it assists parties in resolving collective bargaining disputes, resolves questions of labor union representation and bargaining unit structure, and supports, trains, and facilitates joint labor management committees. The increased funding is to support labor-management cooperative grants and a compensation adjustment.

Minnesota Historical Society

Funding for the Minnesota Historical Society increased by \$4.0 million, or eight percent, over the February forecast base to a total of \$52.0 million in the 2008-2009 biennium. The total appropriation will provide funding for the grants-in-aid program for county and local historical societies; restoration and preservation of historic furnishings, works of art, and battle flags at the State Capitol; the Minnesota Military Museum; Farmamerica; the Hmong Studies Center at Concordia University; the Hockey Hall of Fame Museum in Eveleth; and others.

Board of the Arts

The Board of the Arts received a total appropriation of \$21.9 million for the 2008-2009 biennium. This appropriations level reflects a \$3.3 million increase, or 17 percent that partially restores funding reductions made in 2003 to balance the budget. The increase is to be used to expand public arts funding, arts accessibility, and affordability throughout Minnesota, and it will support a compensation adjustment.

Humanities Commission

Funding for the Humanities Commission was restored to \$500,000 for the 2008-2009 biennium and will be carried through the 2010-2011 biennium. Funding was eliminated in the 2004-2005 biennium, although the commission received some funding through the K-12 education budget in the 2006-2007 biennium. The Humanities Commission provides leadership, resources, and programs to advance the study of the humanities and enhance the work of schools, colleges, and cultural organizations throughout the state.

Table 4 depicts the All Funds spending by agency and fund for both the 2006-2007 and the 2008-2009 bienniums.

Table 4					
Economic Development Budget					
All Funds Biennial Spending by Agency & Fund					
<i>(dollars in thousands)</i>					
Agency/Fund	FY 2006-07 Spending	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change Budget FY 06-07	Change: Budget - Fcst. Base
Employment and Economic Development					
General Fund	125,072	75,346	116,574	(8,498)	41,228
General Fund - Transfers Out	(12,335)	0	0	12,335	0
Special Revenue Fund	80,469	14,984	14,984	(65,485)	0
Workforce Development Fund	95,301	81,554	91,465	(3,836)	9,911
Petroleum Tank Release Cleanup Fund	13,156	12,400	12,400	(756)	0
Remediation Fund	1,400	1,400	1,400	0	0
Federal Fund	474,320	472,787	472,787	(1,533)	0
Federal TANF Reserve Fund	153	0	0	(153)	0
Gift Fund	1,280	1,693	1,693	413	0
Total for Employment and Economic Development	778,816	660,164	711,303	(67,513)	51,139
<i>Other Statutory Funds</i>	<i>859,285</i>	<i>560,154</i>	<i>560,154</i>	<i>(299,131)</i>	<i>0</i>
Explore Minnesota Tourism					
General Fund	21,154	19,402	22,308	1,154	2,906
Special Revenue Fund	2,994	2,156	2,156	(838)	0
Federal Fund	255	510	510	255	0
Total for Explore Minnesota Tourism	24,403	22,068	24,974	571	2,906
Housing Finance Agency					
General Fund	70,470	78,876	114,557	44,087	35,681
General Fund Transfers Out	(70,470)	(78,876)	(114,557)	(44,087)	(35,681)
Total for Housing Finance Agency	0	0	0	0	0
<i>Other Statutory Funds</i>	<i>489,747</i>	<i>411,146</i>	<i>411,146</i>	<i>(78,601)</i>	<i>0</i>
Accountancy Board - General Fund	1,122	974	1,001	(121)	27
Architecture, Engineering, Surveying, Landscaping, Geoscience- General Fund	1,832	1,570	1,615	(217)	45
Barbers and Cosmetologists Examiners - General Fund	1,699	1,398	1,578	(121)	180
Boxing Commission					
General Fund	50	0	50	0	50
Special Revenue Fund	4	10	50	46	40
Total for Boxing Commission	54	10	100	46	90
Labor and Industry					
General Fund	7,337	6,868	2,093	(5,244)	(4,775)
State Government Special Revenue Fund	38,706	40,136	51,598	12,892	11,462
Special Revenue Fund	7,669	8,216	10,276	2,607	2,060
Workforce Development Fund	1,500	1,500	1,543	43	43

Workers Compensation Special Fund	191,373	190,024	193,915	2,542	3,891
Federal Fund	10,248	10,841	11,761	1,513	920
Total for Labor and Industry	256,833	257,585	271,186	14,353	13,601
Mediation Services					
General Fund	3,548	3,546	3,768	220	222
Special Revenue Fund	3	2	2	(1)	0
Total for Mediation Services	3,551	3,548	3,770	219	222
Workers' Comp Court of Appeals - Workers' Compensation Special Fund	3,236	3,236	3,363	127	127
Historical Society					
General Fund	46,650	46,250	50,248	3,598	3,998
Special Revenue Fund	1,796	1,796	1,796	0	0
Total for Historical Society	48,446	48,046	52,044	3,598	3,998
<i>Other Statutory Funds</i>	<i>29,346</i>	<i>29,346</i>	<i>29,346</i>	<i>0</i>	<i>0</i>
Arts Board					
General Fund	17,189	17,186	20,442	3,253	3,256
Special Revenue Fund	65	4	4	(61)	0
Federal Fund	1,313	1,340	1,340	27	0
Gift Fund	284	80	80	(204)	0
Total for Arts Board	18,851	18,610	21,866	3,015	3,256
Humanities Commission- General Fund	0	0	500	500	500
Iron Range Resources and Rehab Board					
General Fund	1,132	1,132	1,132	0	0
General Fund Transfers Out	(1,132)	(1,132)	(1,132)	0	0
Iron Range Resources & Rehab Fund	94,995	68,199	68,199	(26,796)	0
Economic Protection Trust Fund	2,873	3,132	3,132	259	0
Total for Iron Range Resources and Rehabilitation Board	97,868	71,331	71,331	(26,537)	0
TOTALS BY FUND					
General Fund	297,255	252,548	335,866	38,611	83,318
General Fund - Transfers Out	(83,937)	(80,008)	(115,689)	(31,702)	(35,681)
State Government Special Revenue	38,706	40,136	51,598	12,892	11,462
Special Revenue Fund	93,000	27,168	29,268	(65,832)	2,100
Workforce Development Fund	96,801	83,054	93,008	(2,669)	9,954
Workers Compensation Special Fund	194,609	193,260	197,278	(744)	605
Remediation Fund	1,400	1,400	1,400	0	0
Petroleum Tank Release Cleanup Fund	13,156	12,400	12,400	(756)	0
Federal Fund	486,136	485,478	486,398	(262)	920
Federal TANF Reserve Fund	153	0	0	(153)	0
Gift Fund	1,564	1,773	1,773	209	0
Iron Range Resources and Rehab Fund	94,995	68,199	68,199	(26,796)	0
Economic Protection Trust Fund	2,873	3,132	3,132	259	0
TOTAL FOR ECONOMIC DEVELOPMENT	1,236,711	1,088,540	1,164,631	(42,561)	97,970
<i>Other Statutory Funds Total</i>	<i>1,378,378</i>	<i>1,000,646</i>	<i>1,000,646</i>	<i>(377,732)</i>	<i>0</i>

Nontax Revenue Changes

In addition to the appropriations set by Chapter 135 the economic development budget included a variety of General Fund and non-General Fund revenue changes. These changes reduce General Fund revenues by \$5.6 million and increase non-General Fund revenues by \$23 million for the FY 2008-2009 biennium. Almost all of the changes are attributable to the State Construction Code consolidation and an increase in the Dislocated Worker Program assessment fee above the February forecast base. The assessment fee, which is deposited in the Workforce Development Fund, was continued at .10 percent per year of taxable wages without a sunset date. This increased the total revenue to the fund by an estimated \$9.9 million for FY 2008-2009. In addition, the Legislature provided that if the Commissioner of DEED determines that the need for services under the Dislocated Worker Program substantially exceeds the resources that will be available for the program, the Commissioner may increase the assessment up to 0.12 percent of taxable wages.

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JUDICIARY

The 2007 Legislature approved FY 2008-2009 General Fund appropriations of \$750.4 million for the various judiciary courts and boards. As summarized in Table 1, the General Fund appropriations are \$61.5 million, or 9.2 percent above the fiscal year 2008-2009 forecast base, and \$61.2 million, or 9.2 percent more than FY 2006-2007. Judicial operations receive only modest funding from other funds.

Table 1 — Judiciary Budget All Funds Biennial Spending by Agency and Fund <i>(dollars in thousands)</i>					
Agency/Fund	FY 2006-07 Spending	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change: Budget - FY06-07	Change: Budget - Fcst. Base
Supreme Court					
General Fund	85,369	84,342	90,515	5,146	6,173
Special Revenue Fund	2,573	2,237	2,237	(336)	0
Federal Fund	9,076	9,025	9,025	(51)	0
Gift Fund	119	119	119	0	0
Supreme Court Total	97,137	95,723	101,896	4,759	6,173
Appeals Court - General Fund	16,378	16,378	20,386	4,008	4,008
District Courts					
General Fund	462,171	462,506	500,993	38,822	38,487
Special Revenue Fund	290	270	270	(20)	0
Federal Fund	922	824	824	(98)	0
Gift Fund	147	0	0	(147)	0
District Courts Total	463,530	463,600	502,087	38,557	38,487
Tax Court - General Fund	1,512	1,452	1,619	107	167
Uniform Laws Commission					
General Fund	96	90	110	14	20
Board of Judicial Standards					
General Fund	926	504	910	(16)	406
Board of Public Defense					
General Fund	122,704	123,602	135,867	13,163	12,265
Gift Fund	158	104	104	(54)	0
Board of Public Defense Total	122,862	123,706	135,971	13,109	12,265
Legal Professions Board					
Special Revenue Fund	10,079	9,444	9,444	(635)	0
TOTALS BY FUND					
General Fund	689,156	688,874	750,400	61,244	61,526
Special Revenue Fund	12,942	11,951	11,951	(991)	0
Federal Fund	9,998	9,849	9,849	(149)	0
Gift Fund	424	223	223	(201)	0
TOTAL FOR JUDICIARY	712,520	710,897	772,423	59,903	61,526

Judiciary appropriations for FY 2008-2009 are set forth in Chapter 54, the Omnibus Public Safety and Corrections Finance Bill. The funding increases relative to the previous biennium include a three percent compensation increase for all state judicial employees, judges, and court officers, as well as funding for ten new judgeships and additional public defender positions. In addition, Chapter 32, the Deficiency Funding Bill, appropriated \$47,000 to the Tax Court, \$90,000 to the Board of Judicial Standards, and \$200,000 to the Board of Public Defense for FY 2007.

Table 2 — Judiciary Budget
General Fund Biennial Spending by Agency
(dollars in thousands)

Agency	FY 2006-07 Spending	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change: Budget - FY 2006-07	Change: Budget - Fcst. Base
Supreme Court	60,729	59,702	63,915	3,186	4,213
Civil Legal Services	24,640	24,640	26,600	1,960	1,960
Appeals Court	16,378	16,378	20,386	4,008	4,008
District Courts	462,171	462,506	500,993	38,822	38,487
Tax Court	1,512	1,452	1,619	107	167
Uniform Laws Commission	96	90	110	14	20
Board of Judicial Standards	926	504	910	(16)	406
Board of Public Defense	122,704	123,602	135,867	13,163	12,265
TOTAL JUDICIARY	689,156	688,874	750,400	61,244	61,526
Revenue Changes - General Fund	0	0	(480)	(480)	(480)

Supreme Court

The Legislature appropriated \$90.5 million from the General Fund to the Supreme Court, an increase of 6.1 percent. This included an increase of \$2.0 million for civil legal services, which provide legal representation to low-income people who could not otherwise afford an attorney. In addition to appropriations, Chapter 32 re-established language that was inadvertently omitted in 2006 allowing Hennepin County to retain certain forfeited bail moneys; a state General Fund revenue reduction of \$240,000 per year.

Court of Appeals

The Legislature appropriated \$20.4 million from the General Fund to the Court of Appeals, an increase of \$4.0 million. This included the creation of a new three-judge appeals panel with support staff.

District Courts

The Legislature appropriated \$501.0 from the General Fund to the district courts, an increase of \$38.8 million. In addition to a compensation adjustment of \$18.2 million, the Legislature appropriated \$4.7 for state mandated psychological, interpreter, in forma pauperis, and guardian ad litem services. The Legislature also provided \$5.0 million for seven new judge units, and \$4.2 million for maintenance and expansion of drug courts

statewide. The seven new judge positions were assigned as follows: three in the first judicial district; one in the seventh district; one in the ninth district; and two in the tenth district.

Table 3 — Judiciary Budget				
General Fund Changes Relative to Forecast				
<i>(dollars in thousands)</i>				
Agency/Change Item	FY 2008	FY 2009	FY 2008-2009 Biennium	FY 2010-2011 Biennium
Supreme Court				
Supreme Court Operations	1,441	2,772	4,213	5,544
Civil Legal Services	980	980	1,960	0
Court of Appeals				
Funding Increase	292	555	847	1,110
Three-Judge Appeals Panel	1,285	1,876	3,161	3,752
District Courts				
Funding Increase	7,361	13,590	20,951	27,180
Psychological Services	1,531	2,151	3,682	4,302
Interpreter Services	606	777	1,383	1,554
In Forma Pauperis Services	178	178	356	356
Guardian Ad Litem Services	1,260	1,629	2,889	3,258
Seven New Judge Units	1,792	3,241	5,033	6,482
Drug Courts	2,096	2,097	4,193	4,194
Tax Court	68	99	167	198
Uniform Laws Commission Dues	13	7	20	14
Judicial Standards	198	208	406	466
Public Defense Board Operations	4,547	7,718	12,265	15,436
TOTAL JUDICIARY	23,648	37,878	61,526	73,846

Board of Public Defense

The Legislature appropriated \$135.9 million from the General Fund to the Board of Public Defense, an increase of \$13.2 million, or 9.0 percent. Of this amount, \$8.2 million is for hiring thirty-four new attorneys and support staff to address the caseload increase of the board.

Board of Judicial Standards

The Legislature appropriated \$910,000 from the General Fund to the Board of Judicial Standards. Although this is \$14,000 under FY 2006-2007, it increases the board's base by \$137,000 and creates an investigative and hearing account of \$125,000 each year.

For questions or more information related to this chapter, please contact Chris.Turner@senate.mn

PUBLIC SAFETY

Appropriations from all funds for public safety total \$1.4 billion for FY 2008-2009. As shown in Table 1, most appropriations are from the General Fund, with the FY 2008-2009 enacted budget reflecting mostly General Fund increases for the Department's of Public Safety and Corrections, as well as increased special revenue fund appropriations supported by additional 911 telephone service fees.

Agency/Fund	FY 2006-07 Spending	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change: Budget - FY06-07	Change: Budget - Fcst. Base
Dept. of Public Safety					
General Fund	174,883	156,344	181,228	6,345	24,884
State Government Special Revenue	66,537	80,904	103,824	37,287	22,980
Special Revenue	27,370	33,414	38,706	11,336	5,292
Federal Fund	207,988	79,232	79,232	(128,756)	0
Gift Fund	80	8	8	(72)	0
Dept. of Public Safety Total	476,858	349,902	402,998	(73,860)	53,156
POST Board-Special Revenue	8,778	8,928	9,124	346	196
Private Detective Board-General	279	252	261	(18)	9
Department of Human Rights					
General Fund	7,030	6,980	8,719	1,689	1,739
Special Revenue Fund	292	366	366	(74)	0
Dept. of Human Rights Total	7,322	7,346	9,085	1,615	1,739
Department of Corrections					
General Fund	841,384	869,996	935,053	93,669	65,057
General Fund Transfer Out	-10	0	0	(10)	0
Special Revenue	34,430	40,100	40,100	5,670	0
Federal Fund	9,890	9,425	9,425	(465)	0
Gift Fund	45	44	44	(1)	0
Department of Corrections Total	885,759	910,096	975,153	89,394	66,057
Sentencing Guidelines Commission - General Fund	972	926	1,313	341	387
TOTALS BY FUND					
General Fund	1,024,548	1,034,498	1,126,574	102,026	92,076
General Fund Transfer Out	(10)	0	0	(10)	0
State Government Special Revenue	66,537	80,904	103,824	37,287	22,920
Special Revenue	70,870	82,808	87,930	17,060	5,122
Federal Fund	217,878	88,657	88,657	(129,221)	0
Gift Fund	125	52	52	(73)	0
TOTAL PUBLIC SAFETY	1,379,948	1,286,919	1,407,037	27,069	120,118

Chapter 54, the Omnibus Public Safety and Corrections Finance Bill, establishes FY 2008-2009 General Fund appropriations of \$1.1 billion for public safety-related state departments, agencies, and boards. The appropriated amount is \$92.1 million, or 9.2 percent above the fiscal year 2008-2009 base funding level, and \$102.1 million, or 9.1 percent more than FY 2006-2007.

Agency	FY 2006-07 Spending	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change: Budget - FY06-07	Change: Budget - Fcst. Base
Public Safety	174,883	156,344	181,228	6,345	24,884
Private Detective Board	279	252	261	(18)	9
Human Rights	6,980	6,980	8,719	1,739	1,739
Corrections	841,384	869,996	935,053	93,669	65,057
Sentencing Guidelines Comm.	972	926	1,313	341	387
TOTAL PUBLIC SAFETY	1,024,498	1,034,498	1,126,574	102,076	92,076
Revenue Changes	0	0	(196)	(196)	(196)

Of the \$92.1 million increase above the forecast base, \$15 million was for onetime appropriations and the remainder was for permanent increases consisting largely of increases for general operations. Most of the permanent increases are in recognition of compensation pressures equal to three percent of total compensation for all state employees. Further, General Fund revenues will be reduced by \$196,000 in FY 2008-2009 due to increased Special Revenue Fund appropriations to the POST Board, resulting in lower transfers from the Special Revenue Fund.

In addition, Chapter 32, the fiscal year 2007 Deficiency Funding Bill, increased FY 2007 appropriations to the Department of Public Safety for the state match of federal disaster assistance funds by \$1.1 million.

DEPARTMENT OF CORRECTIONS

The Legislature approved a biennial General Fund appropriation of \$935 million, including a \$28.6 million forecast adjustment, an increase of \$65 million from the FY 2008-2009 base. The changes include:

- \$27.6 million for a staff compensation adjustment;
- \$14.2 million for increased offender supervision;
- \$5.0 million for the reimbursement of counties for short-term offenders;
- \$3.9 million for salary costs incurred by the 2005 budget bill but not included in the FY 2008-2009 base budget;
- \$3.0 million for increased fuel and utility costs;
- \$3.4 million for offender reentry programs, including \$1.9 million for agency programs and \$1.5 million for community-based programs;

- \$2.5 million for increased inmate health care costs;
- \$1.2 million for sentencing-to-service programs;
- \$1.0 for retiree insurance;
- \$1.0 million for sex offender treatment in the community; and
- \$750,000 for mentoring children of incarcerated parents.

Table 3 — Public Safety Budget				
General Fund Changes Relative to Forecast				
<i>(dollars in thousands)</i>				
Agency/Change Item	FY 2008	FY 2009	FY 2008-2009 Biennium	FY 2010-2011 Biennium
Dept. of Public Safety				
Pandemic Flu Coordinator	75	75	150	0
2007 Deficiency Disaster Assistance	0	0	0	0
CriMNet	2,635	2,760	5,395	4,064
Forensic Scientists	509	1,411	1,920	2,822
Crime Victim Programs	3,480	2,980	6,460	2,884
Gang and Drug Task Force	600	1,900	2,500	3,800
Law Enforcement Emergency Fund	1,000	1,000	2,000	0
Squad Car Technology Upgrades	500	500	1,000	500
Prevention Programs for Children at Risk	1,250	1,250	2,500	0
Law Enforcement Defibrillators	50	50	100	0
Compensation Adjustments	916	1,943	2,859	3,886
Dept. of Public Safety Total	11,015	13,869	24,884	17,956
Private Detective Board - Compensation	3	6	9	12
Human Rights				
Case Management System	1,403	55	1,458	110
Compensation Adjustment	93	188	281	376
Total Human Rights	1,496	243	1,739	298
Department of Corrections				
Annualize 2006 Costs	1,975	1,975	3,950	3,950
Increase in Health Services	1,000	1,500	2,500	3,000
Increase in Fuel and Utility Costs	1,500	1,500	3,000	3,000
Retiree Insurance	500	500	1,000	1,000
Offender Reentry Services	400	400	800	800
Compensation Adjustment	7,446	14,614	22,060	30,228
Increased Offender Supervision	6,900	7,300	14,200	14,000
Increasing Theft Thresholds	(418)	(895)	(1,313)	(2,681)
Interstate Compacts Costs	225	225	450	450
Sex Offender Community Treatment	500	500	1,000	1,000
Offender Reentry Programs	1,650	2,050	3,700	1,100
Sentence to Service	600	600	1,200	1,200
Short-Term Funding Increase	2,500	2,500	5,000	5,000
Maintain Core Services	2,000	3,000	5,000	6,000
Other	824	1,686	2,360	1,688
Dept. of Corrections Total	27,602	37,455	65,057	69,735
Sentencing Guidelines Commission				
Funding Increase	128	119	247	238

Compensation Adjustment	13	27	40	54
Collateral Consequence Study	100	0	100	0
Total Sentencing Guidelines Commission	241	146	387	292
TOTAL PUBLIC SAFETY	40,357	51,719	92,076	88,709

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 \$181.2 million from the General Fund for the public safety programs under the jurisdiction of the criminal justice committees of the Legislature, an increase of \$6.3 million over the 2006-2007 biennium.

In addition, the Legislature appropriated \$106 million from the State Government Special Revenue Fund for the 911 public safety radio system (ARMER), an increase of \$22.9 million. (See discussion of ARMER below.)

Office of Homeland Security and Emergency Management

The Legislature appropriated \$5.2 million from the General Fund to the Office of Homeland Security and Emergency Management. This appropriation included \$150,000 for a pandemic flu planning manager.

Bureau of Criminal Apprehension (BCA)

The Legislature appropriated \$89.5 million from the General Fund to the BCA. Major spending initiatives included \$5.9 million for the CriMNet justice information system and \$1.9 million for 15 forensic scientists.

State Fire Marshal

The Legislature appropriated \$15.4 million from the Special Revenue Fund to the Fire Marshal, an increase of \$7.2 million. Of this amount, \$5.8 million was for the operation of the agency and \$9.6 million was for the Fire Safety Account, to be distributed on the recommendations of the Fire Safety Advisory Board with the approval of the Commissioner of Public Safety.

Gambling and Alcohol Enforcement

The Legislature appropriated \$3.3 million from the General Fund to the Office of Gambling and Alcohol Enforcement.

Office of Justice Programs

The Legislature appropriated \$83.1 million from the General Fund to the Office of Justice Programs, an increase over base funding of \$14.6 million. The \$14.6 million increase included the following:

- \$6.1 million for various existing and new crime victim programs;
- a \$2.5 million increase for the state Gang and Drug Task Force to replace declining federal funds and augment the current state funds;

- \$2.0 million for law enforcement emergency funds;
- \$1.0 million for police squad car technology upgrades;
- \$2.5 million for various existing and new programs for children at risk; and
- \$100,000 for defibrillator grants to rural law enforcement agencies.

Public Safety Radio System (ARMER)

The Legislature appropriated \$106.1 million from the State Government Special Revenue Fund to operate and expand the Public Safety Radio System. 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 improvements and interoperability planning, state operating costs, zone control, and advanced project development and system design.

In addition, the Legislature authorized the sale of \$186 million in revenue bonds to expand the state funded “backbone” to the 55 counties not currently receiving service. The expansion is expected to bring system coverage to an approximated 96 percent of the state by 2013. Costs for the radios themselves are borne by the users of the system. The revenue bonds are expected to be repaid with revenues from the increase in the 911 telephone fee from the current 65 cents to 75 cents in 2009, 85 cents in 2010, and 95 cents in 2011.

PEACE OFFICERS STANDARDS AND TRAINING (POST) BOARD

The Legislature appropriated \$8.6 million from the Special Revenue Fund to the POST Board, an increase of \$196,000 over base funding.

PRIVATE DETECTIVE BOARD

The Legislature appropriated \$261,000 from the General Fund to the Private Detective Board.

DEPARTMENT OF HUMAN RIGHTS

The Legislature appropriated \$8.7 million from the General Fund to the Department of Human Rights. Of this amount, \$1.5 million is for an Automated Case Management System.

SENTENCING GUIDELINES

The Legislature appropriated \$1.3 million from the General Fund to the Sentencing Guidelines Commission. This included \$247,000 to maintain current services to the legislative and executive branches, and \$100,000 to conduct a “collateral consequences” study.

For questions or more information related to this chapter, please contact Chris.Turner@senate.mn

TRANSPORTATION

Chapter 143, the Omnibus Transportation Finance Bill, authorized \$4.8 billion for transportation-related spending for the 2008-2009 biennium. This reflects a decrease of \$74 million, or 1.5 percent, from FY 2006-2007 biennial spending, and an increase of \$364 million, or 8.1 percent, over the February forecast base. Most funding for transportation programs comes from dedicated funding sources, with only 5.1 percent from the General Fund.

Table 1 - Transportation Budget Biennial Spending by Agency and Fund - All Funds <i>(dollars in thousands)</i>					
Agency	FY 2006-07 Spending	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change: Budget- FY 06-07	Change: Budget Fcst. Base
Dept of Transportation:					
General Fund	39,362	53,442	55,983	16,621	2,541
General Fund (TR OUT)	0	(15,000)	(15,000)	(15,000)	0
Trunk Highway Fund (a)	2,421,352	2,107,800	2,133,089	(288,263)	25,289
State Airports Fund	40,092	39,924	52,224	12,132	12,300
County State Aid Highway Fund	882,457	895,659	895,659	13,202	0
Municipal State Aid Street Fund	242,927	239,667	239,667	(3,260)	0
Special Revenue Fund	52,279	43,756	43,756	(8,523)	0
Highway User Tax Distribution Fund	1,138	802	802	(336)	0
Transit Assistance Fund (b)	0	0	16,562	16,562	16,562
Greater MN Transit Fund (b)	15,181	0	0	(15,181)	0
Federal Fund	465,948	599,716	599,716	133,768	0
Dept. of Transportation Total	4,160,736	3,965,766	4,022,458	(138,278)	56,692
Metropolitan Council Transit:					
General Fund	164,103	157,506	177,506	13,403	20,000
Transit Assistance Fund (b)	0	0	263,686	263,686	263,686
Metro Area Transit Fund (b)	227,797	0	0	(227,797)	0
Met Council Transit Total	391,900	157,506	441,192	49,292	283,686
Dept of Public Safety:					
General Fund	12,674	14,016	15,913	3,239	1,897
General Fund (TR OUT)	(1,584)	(1,584)	(1,584)	0	0
Trunk Highway Fund	144,341	147,508	161,372	17,031	13,864
Highway User Tax Distribution Fund	14,400	17,026	17,926	3,526	900
Special Revenue Fund	107,945	109,483	116,751	8,806	7,268
State Govt Special Revenue Fund	2,399	2,252	2,252	(147)	0
Gift Fund	211	120	120	(91)	0
Environmental Fund	98	98	140	42	42
Federal Fund	76,859	59,540	59,540	(17,319)	0
Dept of Public Safety Total	357,343	348,459	372,430	15,087	23,971

TOTALS BY FUND:					
General Fund	216,139	224,964	249,402	33,263	24,438
General Fund Transfers Out	(1,584)	(16,584)	(16,584)	(15,000)	0
Trunk Highway Fund (a)	2,565,693	2,255,308	2,294,461	(271,232)	39,153
State Airports Fund	40,092	39,924	52,224	12,132	12,300
County State Aid Highway Fund	882,457	895,659	895,659	13,202	0
Municipal State Aid Street Fund	242,927	239,667	239,667	(3,260)	0
Special Revenue Fund	160,224	153,239	160,507	283	7,268
Highway User Tax Distribution Fund	15,538	17,828	18,728	3,190	900
Federal Fund	542,807	659,256	659,256	116,449	0
Transit Assistance Fund (b)	0	0	280,248	280,248	280,248
Greater MN Transit Fund (b)	15,181	0	0	(15,181)	0
Metro Area Transit Fund (b)	227,797	0	0	(227,797)	0
State Govt Special Revenue Fund	2,399	2,252	2,252	(147)	0
Gift Fund	211	120	120	(91)	0
Environmental Fund	98	98	140	42	42
TOTAL FOR TRANSPORTATION BUDGET	4,909,979	4,471,731	4,836,080	(73,899)	364,349
(a) Includes a transfer to the Debt Service Fund of \$90,099 in FY 2006-07 and \$106,393 in FY 2008-09.					
(b) Per the Nov-2006 constitutional amendment, the Transit Assistance Fund is created in FY 2008 and Greater MN Transit Fund and Metro Area Transit Fund will become accounts within that fund.					

As shown in Table 1, of the \$4.8 billion in total appropriations for FY 2008-2009, \$4.0 billion is appropriated to the Minnesota Department of Transportation (MnDOT); \$441 million to the Metropolitan Council for metro-area transit operations, including bus transit and light rail transit; and \$372 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.

Prior to enactment of Chapter 143, the Legislature passed another transportation funding bill, H.F. No. 946, which contained significant new revenues and increased transportation appropriations. The legislation was subsequently vetoed by the Governor. Further information on this vetoed bill may be found at:

<http://www.senate.leg.state.mn.us/departments/fiscalpol/reports/index.php#trans>

As summarized in Tables 1 and 2 (below), General Fund appropriations totaled \$249.4 million for the 2008-2009 biennium, an increase of \$33.3 million, or 15 percent, over the 2006-2007 biennium. This increase is largely due to a onetime transfer to the State Airports Fund (\$15 million) and a onetime appropriation to the Metropolitan Council (\$20 million) for transit operations.

MINNESOTA DEPARTMENT OF TRANSPORTATION

MnDOT will receive \$4.0 billion in total appropriations for the 2008-2009 biennium, a decrease of \$123 million, or three percent, from 2006-2007 biennial spending. The

decrease in funding relative to the previous biennium is after the additional funding resulting from the voter approved dedication of MVST revenues for transportation purposes. The decrease is largely due to declining revenues from the three major dedicated funding sources for transportation: the gas tax, vehicle registration tax, and motor vehicle sales tax (MVST).

Of MnDOT's total appropriations, 53 percent (\$2.13 billion) is from the Trunk Highway Fund, with minor amounts from the General Fund (\$41 million) and the State Airports Fund (\$52 million). The Trunk Highway Fund also receives federal highway aid for road construction. For the 2008-2009 biennium, the federal highway aid is estimated to be \$544 million, or approximately 26 percent of MnDOT's total Trunk Highway Fund appropriation.

State Roads

Of the \$2.1 billion of total Trunk Highway Fund spending by MnDOT in FY 2008-2009, approximately \$1.1 billion, or 52 percent, is appropriated for state road construction, engineering, and design. This is a decrease of \$156 million, or 12 percent, from the 2006-2007 biennium.

Appropriations for trunk highway bond debt service and for state road maintenance show negligible change from the previous biennium. However, the appropriation for electronic communications decreased by almost 17 percent. This was due to an initiative to switch funding for maintenance of the Metro Regional 800 MHz radio communications system from the Trunk Highway Fund to the Special Revenue Fund, to be supported by revenues from the 911 fee on all telephone lines. This alleviates \$1.2 million a year of spending for the Trunk Highway Fund.

In addition, the Legislature appropriated up to \$1 million in FY 2008 to support the state's participation in the United States Department of Transportation Urban Partnership Agreement (UPA), a federal initiative to reduce road congestion. The Governor vetoed \$200,000 of this appropriation, which was for a grant to the University of Minnesota's Humphrey Institute of Public Affairs for their participation in the program. This veto reduced the total available funds for UPA technical support to \$800,000. Further information on UPA can be found at <http://www.fightgridlocknow.gov/upas.htm>.

Local Roads

The 2008-2009 MnDOT budget includes appropriations of \$896 million for county state-aid roads and \$240 million for municipal state-aid roads, which reflects an increase of 1.5 percent and a decrease of 1.3 percent, respectively, from 2006-2007 biennial spending. MnDOT's Office of State Aid distributes these funds to all 87 counties, and to cities with a population of 5,000 or greater, based on statutory distribution formulas.

The Legislature also appropriated \$2.5 million in FY 2008 for implementation of the Town Road Sign Replacement Program, as established by the 2005 Legislature. The appropriation will be used in part for a six-county pilot program to inventory existing road signs and purchase and install new signs.

Table 2 - Transportation Budget General Fund Spending by Agency <i>(dollars in thousands)</i>					
Agency	FY 2006- 07 Spending	FY 2008-09 Fcst, Base	FY 2008-09 Budget	Change: Budget - FY 06-07	Change: Budget – Fcst. Base
Dept of Transportation (DOT)					
Multimodal	38,317	38,312	38,353	36	41
State Roads	411	18	18	(393)	0
Local Roads	0	0	2,500	2,500	2,500
General Support and Services	112	112	112	0	0
State Airports Fund (TR OUT)	0	15,000	15,000	15,000	0
FY 2007 Deficiency (Chap. 32)	522	0	0	(522)	0
Dept. of Transportation Total	39,362	53,442	55,983	16,621	2,541
Metropolitan Council					
Met Council Transit	156,256	157,506	177,506	21,250	20,000
FY07 Deficiency (Chap. 32)	7,847	0	0	(7,847)	0
Metropolitan Council Total	164,103	157,506	177,506	13,403	20,000
Dept of Public Safety					
Admin and Related Services	4,516	6,690	8,099	3,583	1,409
State Patrol	6,574	5,742	6,230	(344)	488
Trunk Highway Fund (TR OUT)	1,584	1,584	1,584	0	0
Dept. of Public Safety Total	12,674	14,016	15,913	3,239	1,897
TOTAL FOR TRANSPORTATION BUDGET	216,139	224,964	249,402	33,263	24,438

Greater Minnesota Transit

The Legislature appropriated \$56.9 million in state funds to MnDOT for assistance to locally run transit services outside of the seven-county metropolitan area. The majority of these funds, 66 percent, are appropriated from the General Fund. A comparison of biennial ongoing General Fund appropriations to Greater Minnesota transit shows an increase of only \$9,000 for the 2008-2009 biennium over the 2006-2007 biennium. The total appropriation also includes an increase of \$1.4 million, or nine percent, in dedicated MVST revenues over FY 2006-2007, due to passage of the 2006 constitutional amendment.

The 2007 Legislature also enacted Chapter 32, which provided FY 2007 deficiency funding for certain state agencies, including a onetime General Fund appropriation of \$522,000 to MnDOT for Greater Minnesota transit assistance in FY 2007.

Aeronautics

Chapter 143 provides for a onetime transfer of \$15 million from the General Fund to the State Airports Fund in FY 2008. This transfer is intended to restore funds transferred out of the State Airports Fund in FY 2003 as part of the deficit reduction plan. (See Laws 2003, First Special Session, Chapter 18, Article 1, Section 2.) This onetime FY 2008 transfer will be used to support a onetime appropriation of \$6 million per year in FY 2008 and FY 2009 for airport development and assistance.

Chapter 143 also appropriated \$200,000 from the State Airports Fund in FY 2008 for expenses of the Airport Funding Advisory Task Force, which is intended to study and make recommendations on best methods for funding state airports. However, the language creating the task force was not included in Chapter 143, but was in the Transportation Omnibus Policy Bill, H.F. No. 1351. This bill was not passed by the close of session, and if legislation to create the task force is not enacted during the 2008 legislative session, the appropriation will revert to the State Airports Fund.

METROPOLITAN COUNCIL TRANSIT

The Metropolitan Council will receive \$441 million in total appropriations for the 2008-2009 biennium, an increase of about \$49 million, or 12.6 percent, over 2006-2007 biennial spending.

Of the 2008-2009 General Fund appropriation to the Metropolitan Council, \$166.9 million is for operation of the metropolitan area bus system and \$10.6 million is for operation of the Hiawatha Light Rail Transit Line (LRT). Another \$10.6 million of LRT operating costs will be provided by the Hennepin County Regional Rail Authority. Of the \$166.9 million for bus transit operations, \$20 million is a onetime appropriation in FY 2008. In addition, Chapter 32 contained a onetime General Fund appropriation of \$7.8 million to the Metropolitan Council for bus system operations in FY 2007.

Table 2 shows that these onetime appropriations account for the majority of the total General Fund appropriation increase from the previous biennium. By contrast, ongoing General Fund appropriations show an increase of only \$1.25 million, or 0.8 percent, for the 2008-2009 biennium over the 2006-2007 biennium.

In addition, the Metropolitan Council will receive an increase of \$35.9 million, or 16 percent, in dedicated MVST revenues over FY 2006-2007, due to the 2006 constitutional amendment.

DEPARTMENT OF PUBLIC SAFETY

The Department of Public Safety will receive \$372 million in total appropriations for the 2008-2009 biennium for transportation-related activities. The appropriation is an increase of \$15.1 million, or 4.2 percent, over the previous biennium.

Appropriation increases to DPS for 2008-2009 include a onetime \$138,000 appropriation from the General Fund for a security coordinator related to planning efforts for the 2008 Republican National Convention; \$1.4 million annually from the General Fund for DPS information security and disaster recovery; and \$1.3 million annually from the Trunk Highway Fund for the State Patrol to meet increased fuel costs.

In addition, two DPS programs received appropriations reflecting slightly higher compensation adjustment levels than were authorized for most other state agencies. The State Patrol Division will receive adjustments of 5.4 percent in each year, funded from

the Trunk Highway Fund, to cover pension costs enacted by the 2006 Legislature. In addition, the Office of Pipeline Safety will receive an adjustment of 3.25 percent each year of the biennium, funded by assessments charged to Minnesota pipeline companies and deposited in the Special Revenue Fund.

The Department of Public Safety’s Driver and Vehicle Services (DVS) Division operates as a fee-based agency on revenue generated from the fees it charges. Chapter 143 includes license and title fee increases necessary to meet the escalating costs of DVS’s licensing and vehicle services-related operations. DVS appropriations for 2008-2009 provide funding for a driver license and motor vehicle records contract coordinator, to enhance security of license and vehicle data. Table 3 summarizes the Special Revenue Fund revenue changes resulting from these and other fee increases.

Table 3 Revenue Changes Transportation Biennial Budget <i>(dollars in thousands)</i>	
Agency	Enacted Budget FY 2008-2009
Driver's License Fees, increase \$0.75	2,560
Motor Vehicle Title Fee, increase \$0.75	2,025
Increase in Trooper Escort and Aviation Rates	190
Increase in license plate fees	2,341
Increase in Pipeline Safety Fund assessments	681
TOTAL REVENUE	7,797

The Legislature authorized the 2008-2009 use of carryforward funds from the DVS 2006-2007 biennial budget for upgrade of agency computer systems. Up to \$1.75 million of the available carryforward amount is for planning for replacement of DVS automated support systems, and the remainder is for implementation of strategies to avoid systematic failure.

ADOPTED CONSTITUTIONAL AMENDMENT

At the 2006 general election, Minnesota voters approved a constitutional amendment dedicating all motor vehicle sales tax (MVST) proceeds to transportation funds for roads and transit. Prior to passage of the constitutional amendment, a portion of these revenues were statutorily dedicated for transportation purposes, meaning the Legislature could change the dedication by changing statutes. To facilitate implementation of the voter approved constitutional dedication, which requires that not less than 40 percent be dedicated to transit and not more than 60 percent for transportation, Chapter 143 included statutory language specifying the actual apportionment of MVST revenues between highway and transit funds. As illustrated by Table 4, over the five-year phase-in period,

the constitutional dedication will result in a complete shift of MVST revenues out of the General Fund and toward funding for transit and transportation.

Table 4					
Percentage Distribution of MVST Revenues					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Highway User Fund	38.25%	44.25%	50.25%	56.25%	60%
Metro Transit Acct	24%	27.75%	30%	33.75%	36%
Greater MN Transit Acct	1.5%	1.75%	3.5%	3.75%	4%
General Fund	36.25%	26.25%	16.25%	6.25%	0%

For questions or more information related to this chapter, please contact Krista.Boyd@senate.mn

STATE GOVERNMENT FINANCE

The State Government Omnibus Finance Act (Laws 2007, Chapter 148) contained direct and open General Fund appropriations for the Legislature, constitutional officers, and administrative state agencies totaling \$675.2 million for FY 2008-2009, including \$5.8 million carried forward from FY 2007 for agency technology projects.

Table 1 — State Government Budget General Fund Biennial Spending by Agency <i>(dollars in thousands)</i>					
Agency/Fund	FY 2006-07 Spending*	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change: Budget - FY06-07	Change: Budget - Fcst. Base
Legislature	124,535	123,828	145,882	21,347	22,054
Governor's Office	7,452	7,168	7,456	4	288
State Auditor	16,826	16,546	18,454	1,628	1,908
Attorney General	54,203	45,538	49,022	(5,181)	3,484
Secretary of State	11,987	11,958	12,672	685	714
Campaign Finance Board	1,564	1,388	1,449	(115)	61
Public Subsidy - Campaign Finance	3,995	4,070	4,070	75	0
State Board of Investment	2,575	302	302	(2,273)	0
Office of Administrative Hearings	538	524	573	35	49
Office of Enterprise Technology	5,517	7,406	24,274	18,757	16,868
Dept. of Administration	37,917	35,946	43,671	5,754	7,725
Public Broadcasting	3,710	3,710	14,926	11,216	11,216
Capitol Area Architectural Board	567	540	800	233	260
Dept. of Finance	31,801	29,616	31,392	(409)	1,776
Dept. of Employee Relations	12,328	12,341	12,163	(165)	(178)
Dept. of Revenue	207,714	207,940	248,096	40,382	40,156
MN Amateur Sports Commission	573	412	608	35	196
Target Center Appropriation	1,500	1,500	1,500	0	0
Councils	2,630	2,528	2,925	295	397
Contingent Accounts	500	500	500	0	0
Tort Claims	322	322	322	0	0
MN State Retirement System	9,037	3,257	3,257	(5,780)	0
Local Pension Aids	54,557	55,534	55,534	977	0
Misc. Open General Fund	(22,411)	(23,752)	(23,752)	(1,341)	0
TOTAL STATE GOVERNMENT	569,937	549,122	656,096	86,159	106,974
New Revenues:			104,411	104,411	104,411
Carryforward Adjustment for IT expenditures			5,756	5,756	5,756
Net Recommended Spending:			557,441		

* FY 2007 appropriations were increased by \$390,000 to fund deficiencies.

Net General Fund appropriations for FY 2008-2009 are \$661.9 million after being offset by \$104.4 million in new General Fund revenues, \$102.4 million of which are expected to come from new tax compliance initiatives in the Department of Revenue. Chapter 148 also anticipates savings of \$4.9 million in the FY 2010-2011 biennium attributable to the implementation of technology projects funded in this act.

The total appropriation of \$675.2 million reflects a \$107 million increase in General Fund spending for the FY 2008-2009 biennium. This increase includes \$37.9 million for agency technology projects and staff, \$20.5 million for tax compliance initiatives in the Department of Revenue, and \$18.7 million for agency compensation increases. The remaining \$29.9 million will be used for operating budget increases and grants. \$70.4 million of the new spending will be added to the General Fund base in the FY 2010-2011 biennium.

The marriage license fee was increased \$10, bringing the total for parties without premarital education to \$100 and for those with premarital education to \$40. The increase is estimated to yield \$350,000 for the biennium. The entire amount will be retained by the counties and have no impact on the state budget.

Table 2 — State Government Budget General Fund Changes Relative to Forecast <i>(dollars in thousands)</i>				
Change Item	FY 2008	FY 2009	FY 2008-2009 Biennium	FY 2010-2011 Biennium
Spending Changes				
Compensation Increase	6,165	12,516	18,681	25,032
Technology	33,889	4,000	37,889	5,000
Operating Budget Increases	8,806	8,708	17,514	16,106
Tax Compliance	8,660	11,814	20,474	23,628
Grants	12,101	315	12,416	630
Total Spending Changes	69,621	37,353	106,974	70,396
Revenue Changes				
Tax Compliance	41,700	60,700	102,400	121,400
State Auditor Offsets	992	1,021	2,013	2,042
Secretary of State Fee Changes	(1)	(1)	(2)	(2)
State Land Sales Date Extension	(2,000)	2,000	0	0
Technology Project Savings			0	4,938
Total Revenue Changes	40,691	63,720	104,411	128,378
Net Changes	28,930	(26,367)	2,563	(57,982)

* In addition, 2007 appropriations were increased by \$390,000 to fund deficiencies.

LEGISLATURE

The Legislature approved \$145.9 million from the General Fund for its own operations, including \$49.5 million for the Senate; \$64.4 million for the House of Representatives; and \$32 million for the joint legislative offices under the direction of the Legislative Coordinating Commission (LCC). Overall, these appropriations reflect a 17.8 percent

increase to base level funding for FY 2008-2009. The combined carryforward for the House of Representatives, Senate, and LCC authorized under Minnesota Statutes, section 16A.281, remains \$1.9 million.

The increased appropriations for FY 2008-09 included onetime dollars for technology upgrades to the Senate and House of Representatives in the amount of \$2.8 million and \$3.1 million respectively. The appropriation to the LCC included \$590,000 to complete the Revisor's bill drafting system. Chapter 148 also designates the LCC as the fiscal agent for a facilitated planning process for the renovation of the Capitol building and related Capitol complex planning issues. \$250,000 was appropriated for this process, which must be completed by September 30, 2007. No other appropriations were made for Capitol renovation this session.

An increase of \$50,000 from the Health Care Access Fund was appropriated to the LCC for staff expenses related to the Health Care Access Commission. The total appropriation is \$178,000 in each fiscal year.

Three new advisory groups were authorized in Chapter 148. They are as follows: the LCC working group on ethnic heritage and new Americans; the LCC working group on preparedness for terrorism and disasters; and the State Budget Trends Study Commission. No new appropriations were made for the operations of these groups.

CONSTITUTIONAL OFFICES

Governor

The Governor's office received an appropriation of \$7.5 million from the General Fund for FY 2008-2009, a 1.3 percent increase to base level funding. The Governor's office also plans to collect \$420,000 each fiscal year in special revenue funding for the Governor's office in Washington, D.C., from the state agencies that use services provided by that office. Interagency agreements are also used to pay a portion of Governor's office personnel costs. In FY 2007, state agencies transferred \$362,000 from agency budgets to the Governor's office for this purpose. Chapter 148 requires notification to the Legislature of these agreements.

State Auditor

The State Auditor's office received a direct General Fund appropriation of \$18.5 million for the biennium, an 11.5 percent increase to the FY 2008-2009 base. Over 80 percent of the appropriation is recovered by fees and reimbursements paid by local governments. The increased appropriation included dollars for retaining audit staff and annually auditing Job Opportunity Building Zones (JOBZ) and business subsidy agreements entered into under the JOBZ Act. The 2005 Legislature gave the State Auditor statutory oversight authority of the JOBZ program but did not provide any funding for the new responsibility. The office also has statutory spending authority of \$1.3 million, consisting largely of oversight and audits for tax increment financing (TIF) districts.

Attorney General's Office

The FY 2008-2009 budget approved for the Attorney General's office totaled \$74.7 million, \$49 million of which is a direct appropriation from the General Fund. Direct appropriations represent an increase of 7.7 percent over the base level funding planned for the FY 2008-2009 biennium. The increased funding is intended to be used for additional attorneys in the office. The Attorney General also receives statutory appropriations from partner agreements with state agencies that total \$18 million for the biennium.

In addition, the Attorney General receives continuing direct appropriations from other funds for services related to health licensing boards (\$3.4 million from the State Government Special Revenue Fund), and for duties related to prosecution of environmental crimes, the landfill cleanup program, and environmental insurance claims settlements (\$290,000 from the Environmental Trust Fund and \$500,000 from the Remediation Fund).

Secretary of State

The Secretary of State received \$12.7 million, an overall increase of \$714,000 from the planned FY 2008-2009 base. This included \$320,000 in ongoing funding for the implementation of the Safe at Home Program that was passed by the 2006 Legislature without an appropriation. This law provides address protection for a person who fears for their own or their family's safety. The actual address is protected through a process of receiving and forwarding the person's mail from a secure location with a generic address that cannot be traced. This allows an individual to register and vote while keeping their actual address secret.

Chapter 148 also appropriated \$2.8 million from the Help America Vote Act (HAVA) account (federal grant money), as well as any remaining balances in the account. The balance in the account above \$2.8 million results from interest earned in the account balance, larger carryforward than expected, and dollars remaining because projects are taking longer than anticipated. The HAVA funds will continue to be used to purchase voting equipment to comply with the mandate of the federal Help America Vote Act of 2002 that every polling place used in a federal election be equipped with a voting machine that permits people with disabilities to vote in private without assistance, including the operating costs of that equipment; to purchase optical scan voting equipment; to improve access to polling places for individuals with disabilities; to provide training and technical support to elections officials and people with disabilities; and to maintain and further develop the statewide voter registration system and election night reporting system.

In order to expand the availability of Web-based services to the business community, Chapter 148 also provided for a temporary surcharge on certain filing fees to pay for technology upgrades. The Secretary of State performs many functions related to business filings, notary registration, the Uniform Commercial Code, and the central notification system. Over the past several years, the office has been migrating its main-framed functions to a client-server architecture that has reduced costs and provided increased

access to counties and the public. The surcharge is effective for the FY 2008-2009 biennium only and is imposed on the following filing fees: incorporation articles, limited liability company organization articles, non-Minnesota articles, non-Minnesota annual reports, and non-Minnesota reinstatements. The surcharge, which is deposited in the Uniform Commercial Code revolving account in the Special Revenue Fund, is estimated to bring in \$1.1 million per fiscal year, which is statutorily appropriated to the Secretary of State. The base filing fees deposited into this account are approximately \$1.0 million per fiscal year.

The online and paper filing fees in Minnesota Statutes, section 336.9-525, were standardized at \$20 per filing. In 2004, the online filing fees in the Secretary of State's office were reduced to \$15. Counties were required to charge \$20 and could not accept online filings. The \$5 increase is estimated to bring in new revenue of \$880,000 for the biennium that will be deposited in the Uniform Commercial Code account in the Special Revenue Fund and will be used for remote payment transaction fees and improvements to the online filing system. Credit card companies charge a fee for each remote credit card transaction and also require the same fee be placed on other noncredit card remote transactions formats used by the office.

Two other fee changes were made that impact the General Fund. The assumed name registration copy fee was changed to match the fee charged for other business entity records. This increased nondedicated receipts to the General Fund by \$2,000 per fiscal year. The non-Minnesota reservation fee was reduced by \$15, resulting in a decrease of General Fund revenues by \$3,000 per fiscal year.

STATE AGENCIES

Office of Enterprise Technology

The FY 2008-2009 total budget for the Office of Enterprise Technology (OET) is \$197.4 million. The direct General Fund portion of the budget totals \$24.3 million. The OET is also supported by the Enterprise Technology Revolving Fund, which receives state agency reimbursements for services provided to the state and to local government agencies. Charge-backs are assessed 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 fund for FY 2008-2009 is \$172.1 million. The OET also receives an estimated \$1.0 million for the biennium from savings generated through IT acquisitions, service consolidations for reinvestment in IT systems, and services that provide enterprise-wide benefit. These savings are deposited and statutorily appropriated from the information and telecommunications technology systems and services account in the Special Revenue Fund.

\$7.5 million in onetime funding was provided for an electronic licensing system. This is the first phase in the creation of a single, shared e-licensing system for over 600 license types. Funding for a comprehensive enterprise IT security program was increased by \$8.0 million, bringing the total General Fund dollars for this program to \$11.7 million for

the biennium. \$1.0 million in onetime dollars was appropriated to address the critical business technology infrastructure needs of small agencies, boards, and councils. This funding is intended to assist the Council on Asian-Pacific Minnesotans, the Capitol Area Architectural and Planning Board, the Minnesota Library for the Blind, the Minnesota State Academies, and the Ombudsman for Mental Health and Disabilities. To access these funds, these small agencies must work with the OET to analyze technology needs and design and implement solutions.

The Minnesota Counties Computer Cooperative serves as fiscal agent for a onetime grant of \$180,000 appropriated to the OET. The dollars are to be distributed to the counties participating in the development of an integrated financial system after \$540,000 in matching dollars are made available.

Department of Administration

The Department of Administration budget totals \$266.7 million for FY 2008-2009, including a \$43.7 million appropriation from the General Fund, an increase of \$7.7 million or 21.5 percent over the base.

Over 83 percent of Department of Administration operations are funded from non-General Fund dollars consisting primarily of internal service and enterprise funds. Internal service funds come through 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 bookstore, surplus property sales, and cooperative purchasing of products and services. Other dollars come through Special Revenue Fund fees for land management information services, parking, and the state employee commuter van service; and federal funds to the Developmental Disabilities Council and System of Technology to Achieve Results Program.

The \$7.7 million increase in funding for FY 2008-2009 includes:

- \$1.3 million to restore General Fund support for the Land Management Information Center (LMIC). The increase brings LMIC's total biennial budget, a portion of which was made onetime in FY 2006-2007, to \$1.8 million, including fees collected from providing Geographic Information Systems (GIS) services to state agencies on a fee-for-service basis.
- \$300,000 to prepare and promote the 2010 census. The state demographer is the state's liaison with the Census Bureau.
- \$500,000 in onetime funding to conduct a targeted group disparity study. The purpose of the study is to determine whether minority, disabled, and female-owned small businesses in Minnesota receive their fair share of the state's purchasing contracts. Updated information is required to lawfully continue

awarding the targeted group preferences. The current data used to support the preferences is ten years old.

- \$2.5 million in onetime funding for purchase and implementation of a real property enterprise management system. This system will allow a shared, Web-based property management system for the state's 5,000 plus buildings. The total request to fully implement this project was \$6.7 million.
- \$885,000 in onetime funding to relocate the Homeland Security and Emergency Management (HSEM) Division of the Department of Public Safety from its current location in downtown St. Paul. The current lease will expire in October 2008 and the space does not comply with the federal Department of Homeland Security operational and security requirements.
- \$500,000 in ongoing funding for a new program called the Small Agency Resource Team (SMART). SMART will provide centralized administrative, financial, and human resource services for boards, commissions, and small agencies.
- \$125,000 in onetime funding to support the creation of an Office of Grants Management to standardize state grants management policies and procedures. The establishment of such an office was a recent legislative audit commission recommendation. In addition, \$125,000 may be deducted from state grants to nongovernmental entities to fund the office.
- \$79,000 for the genetic information work group and report. This work group was established in 2006 but received no funding.
- \$140,000 each fiscal year for a grant to the Council on Developmental Disabilities to establish a statewide self-advocacy network for persons with intellectual and developmental disabilities.
- \$500,000 to the Department of Administration for a onetime grant to Washington County to undertake capital improvements for the Disabled Veterans Rest Camp.

Public Broadcasting

Public Radio and Public Television received a total appropriation of \$14.9 million from the General Fund in Chapter 148, an \$11 million or 302.3 percent increase over the FY 2008-2009 base consisting largely of onetime funding. Of the \$11 million increase, \$2.0 million went to Minnesota Public Radio (MPR) for digital conversion and \$6.7 million went to public television for digital conversion. Public television received previous funding for digital conversion in 2001 to buy new digital transmitters. The new funding will be used to purchase high definition production equipment for the six stations around Minnesota. By 2009, television stations will be broadcasting only in digital and the analog signal licenses will be returned to the federal government. The digital conversion of all MPR stations in Minnesota is estimated to cost \$6.9 million, with estimated

matching federal funds of \$3.1 million available. The remaining new dollars went for matching and equipment grants to MPR, public television, and the Association of Minnesota Public and Educational Radio Stations (AMPERS). With the exception of \$100,000 to AMPERS, the increases were all onetime funding.

Department of Finance

The Department of Finance budget for FY 2008-2009 totals \$45.1 million, \$31.4 million of which is from the General Fund, a six percent increase over the General Fund base budget for the biennium. The remaining \$13.7 million in the agency's budget is collected from state agencies based on the volume of transactions generated in the accounting and payroll systems. The billings are deposited in the statewide systems administrative account in the Special Revenue Fund and are used to support statewide administrative systems applications. The General Fund increase over base included:

- \$500,000 in onetime funding to manage risk related to and to continue planning for replacement of the statewide accounting and procurement systems (MAPS). The existing system uses mainframe-based applications originally installed in 1994. A request for system replacement is anticipated in a future budget request.
- \$100,000 in onetime funding to retain bankruptcy counsel to represent the state's interests in the Northwest Airlines bankruptcy proceedings. If proceedings are resolved as anticipated, these dollars will not be expended and will be returned to the General Fund.

In addition, a technology carryforward account was created in the Special Revenue Fund to allow state agencies to carry forward up to \$5.8 million of unexpended, unencumbered, nongrant operating balances from FY 2007 into FY 2008. The account is under the control of the Commissioner of Finance and the funds in the account may be used for onetime costs associated with technology infrastructure and technology systems development projects.

Department of Employee Relations

The Department of Employee Relations (DOER) received \$11.2 million in Chapter 148, reflecting a decrease of 1.6 percent, or \$178,000, from the base budget. The reduction is due to anticipated savings from abolishing DOER by June 1, 2008, and transferring the duties to other agencies. The state employees workers' compensation program will be transferred to the Department of Administration; the health care purchasing improvement program will move to the Department of Health; and all other duties will become part of the Department of Finance. In addition to the direct General Fund appropriation, DOER receives a statutory open General Fund appropriation to pay the state's annual Workers' Compensation Reinsurance Association (WCRA) premium. This is forecasted to be \$1.0 million for the biennium.

General Fund appropriations make up less than one percent of the agency's total budget. The non-General Fund portion of the agency's budget consists of the State Employee Group Insurance Program (SEGIP), Workers' Compensation, the Public Employees

Insurance Program (PEIP), and the employee pretax program. These programs are funded through premiums, fees, reimbursements, and employee contributions that are statutorily appropriated.

Department of Revenue

The Department of Revenue budget totals \$218.8 million for FY 2008-2009, including direct General Fund appropriations of \$201.8 million, \$33.8 million or 19.7 percent more than the base budget for the biennium. The increase in direct appropriations includes a \$20.5 million increase for tax compliance initiatives. These new compliance efforts are expected to yield \$102.4 million in new revenues in the FY 2008-2009 biennium, resulting in a net General Fund gain of \$81.9 million. In addition, \$12 million of onetime funding was provided to acquire an integrated tax system that consolidates common functions and better integrates data from all tax systems, and \$150,000 was added to the base for taxpayer assistance grants to nonprofit organizations, bringing the total biennial funding for this program to \$400,000.

The remaining \$17.0 million of the department's budget comes from a statutory General Fund open appropriation related to collections, seized property, and recording fees (\$3.8 million for 2008-2009); dedicated appropriation of the revenue stream from certain taxes (\$8.3 million); and statutory appropriations from the Special Revenue Fund for administering the local option sales tax and revenue recapture program.

Office of Administrative Hearings

The Office of Administrative Hearings (OAH) has an overall budget of \$19.1 million, supported mainly by the Workers' Compensation Special Fund and revolving fund revenues. \$14.8 million is for the OAH workers' compensation division, \$2.9 million is from a Special Revenue Revolving Fund made up of charges to state agencies and local governments for administrative law hearings, and \$573,000 is General Fund dollars for the municipal boundary adjustment unit. The administrative law division also received a \$65,000 annual statutory appropriation from the Campaign Finance Public Subsidy Program for conducting proceedings to resolve complaints of violations of Minnesota's Fair Campaign Practices Act. The OAH received \$266,000 in new funding from the Workers' Compensation Special Fund for one additional workers' compensation judge.

Racing Commission

Chapter 148 provided a \$2.0 million appropriation for the Racing Commission from the racing and card playing regulation accounts in the Special Revenue Fund. The revenue for this appropriation is derived from racetrack, racing, and occupational license fees. This appropriation includes \$359,000 for IT upgrades as part of the OET small agency initiative. The commission also statutorily receives reimbursements from the Canterbury Park Racetrack for stewards, veterinarians, and laboratory costs, which are forecasted to total over \$2.0 million for the biennium. The commission is also responsible for distributing to horse owners the breeders fund tax collections in the Miscellaneous Agency Fund.

Amateur Sports Commission

Chapter 148 appropriated \$608,000 for the Amateur Sports Commission, an increase of \$196,000 or 47.6 percent from the FY 2008-2009 base. The appropriation is to be reduced by the amount of revenue above \$300,000 per fiscal year that the commission receives from the lease of land to a private developer at the National Sports Center in Blaine. The authority to lease the land and the \$300,000 per fiscal year limitation was originally established in 2005. During the 2007 session, the commission was in negotiations with the developer and an estimate of lease revenues will not be available until the lease agreement is signed by all parties.

Councils

Chapter 148 provided increased funding for the four minority councils established in state law: (1) the Council on Black Minnesotans received a 18.3 percent increase to \$658,000; (2) the Chicano/Latino Affairs Council received a 14.8 percent increase to \$622,000; (3) the Council on Asian-Pacific Minnesotans received a 20.4 percent increase to \$578,000; and (4) the Minnesota Indian Affairs Council received \$1.1 million, a 12.3 percent increase.

An \$80,000 appropriation to the Minnesota Indian Affairs Council for the acquisition of an Indian burial site in Becker County was line-item vetoed by the Governor. In his Statement of Item Veto letter, the Governor said he chose to veto this appropriation because of concerns about setting a precedent for the state to purchase and maintain similar property in the future, resulting in long-term financial implications to the state.

Chapter 148 also extended budget authority to the following agencies and programs:

- An estimated \$58.8 million for various **Public Retirement Funds** programs, including open appropriations of: (1) \$2.4 million for legislative plans; (2) \$887,000 for constitutional officer plans; (3) \$18 million for the Minneapolis Employees Retirement Fund to reduce unfunded liabilities; and (4) \$37.5 million to reduce the unfunded liabilities of the Minneapolis and St. Paul Teachers' Retirement Funds.
- \$55.5 million for **State Lottery** operations. Total lottery sales for FY 2008-2009 are projected to be \$875.4 million. Over 25 percent, or \$223.7 million, will be paid to the state General Fund, Environment and Natural Resources Fund, Game and Fish Fund, and Natural Resources Fund.
- \$1.45 million of direct General Fund appropriations for the **Campaign Finance and Public Disclosure Board**, a 4.4 percent increase above the base amount for FY 2008-2009. The board administers the \$4.1 million Campaign Finance Public Subsidy Program consisting of a statutory General Fund appropriation of \$1.25 million, along with all funds collected through the campaign finance income tax check-off.

- \$5.8 million from the lawful gambling regulation account in the Special Revenue Fund to the **Gambling Control Board**, a 3.7 percent increase over the FY 2008-2009 base related to the compensation adjustments.
- A direct General Fund appropriation of \$800,000 for the **Capitol Area Architectural and Planning Board**, an increase of \$239,000 or 48.1 percent over the FY 2008-2009 base level budget, \$65,000 of which is onetime funding to update the ten year comprehensive plan and the zoning and design rules for the Capitol area.
- \$302,000 from the General Fund for **State Board of Investment** operations. This covers the board's operating costs of the General Fund invested treasurer's cash. The remainder of the board's \$9.9 million operating budget 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.
- \$500,000 from the General Fund, \$800,000 from the State Government Special Revenue Fund, and \$200,000 from the Workers' Compensation Special Revenue Fund for the **Contingent Accounts** to support eligible, unexpected spending needs in those funds.

PENSIONS

The primary pension legislation of 2007 was Laws 2007, Chapter 134. That chapter contained numerous technical provisions and many sections that recodified and reorganized existing law, as well as several provisions of significance to particular individuals.

Items included in Chapter 134 with potential fiscal impacts include: (1) extension to 2009 of the 2006 early retirement legislation and expansion, to include all public pension members other than elected officials and reemployed annuitants. DOER assumes the utilization of the retirement incentive will pay for itself through salary savings and/or attrition; (2) authorization for survivors of former legislators who die before age 55 to elect the optional annuity from when the former legislator would have reached 55, including the surviving spouse of a former legislator who died March 5, 2007; and (3) clarification that a volunteer firefighter supplemental survivor benefit is only double the pre-2007 supplemental benefit amount.

Total Spending by Agency

Table 2 shows total spending for the agencies funded by Chapter 148, including both direct and statutory appropriations by fund and a comparison of FY 2008-2009 funding levels to FY 2006-2007 spending. As reflected in Table 2, certain statutory appropriations are separated (nonconsolidated funds) because those refer to charges for services provided by one state agency to another. Because the funds paid to the charging agency

are typically already reflected as spending in the agency budgets being charged, the Department of Finance does not include these fee-based appropriations in the consolidated fund balance to avoid double counting in state spending. The one exception is fees that are deposited and statutorily appropriated from the Special Revenue Fund, which are reflected in the consolidated fund statement. Examples of fee-based statutory appropriations include: state employee insurance premiums and administrative fees; hourly charges for administrative law judges; information and telecommunication services; legal services partner agreements between the Attorney General and state agencies; and internal support services such as insurance, motor pool, consulting, mail delivery, and leasing of state buildings.

Table 3 — State Government Budget
All Funds Biennial Spending by Agency & Fund
(dollars in thousands)

Agency/Fund	FY 2006-07 Spending	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change: Budget - FY 06-07	Change: Budget - Fcst. Base
Legislature					
GENERAL FUND	124,535	123,828	145,882	21,347	22,054
HEALTH CARE ACCESS FUND	256	256	356	100	100
SPECIAL REVENUE FUND	3	0	0	(3)	0
FEDERAL FUND	8	0	0	(8)	0
GIFT FUND	44	0	0	(44)	0
Total for Legislature	124,846	124,084	146,238	21,392	22,154
Governor's Office					
GENERAL FUND	7,452	7,168	7,456	4	288
SPECIAL REVENUE FUND	722	840	840	118	0
Total for Governor's Office	8,174	8,008	8,296	122	288
State Auditor					
GENERAL FUND	16,826	16,546	18,454	1,628	1,908
SPECIAL REVENUE FUND	63	62	62	(1)	0
Total for State Auditor	16,889	16,608	18,516	1,627	1,908
Non-CFS Statutory Funds - State Auditor					
<i>GENERAL FUND - statutory</i>	1,248	1,260	1,260	12	0
Attorney General					
GENERAL FUND	54,203	45,538	49,022	(5,181)	3,484
STATE GOVERNMENT SPECIAL REVENUE FUND	5,128	3,443	3,443	(1,685)	0
SPECIAL REVENUE FUND	397	276	276	(121)	0
FEDERAL FUND	2,357	2,602	2,602	245	0
ENVIRONMENTAL FUND	162	290	290	128	0
REMEDATION FUND	610	500	500	(110)	0
Total for Attorney General	62,857	52,649	56,133	(6,724)	3,484
Non-CFS Statutory Funds - Attorney General					
<i>GENERAL FUND</i>	16,564	16,106	16,106	(458)	0

<i>STATE GOVERNMENT SPECIAL REVENUE FUND</i>	1,650	1,908	1,908	258	0
Total Non-CFS for Attorney General	18,214	18,014	18,014	(200)	0
Secretary of State					
GENERAL FUND	11,987	11,958	12,672	685	714
SPECIAL REVENUE FUND	40,542	2,151	8,077	(32,465)	5,926
Total Secretary of State	52,529	14,109	20,749	(31,780)	6,640
Campaign Finance & Public Disclosure Board					
GENERAL FUND	1,564	1,388	1,449	(115)	61
SPECIAL REVENUE FUND	5,606	4,080	4,080	(1,526)	0
Total Campaign Finance & Public Disclosure Board	7,170	5,468	5,529	(1,641)	61
Campaign Financing Check-Off Subsidy					
GENERAL FUND	3,995	4,070	4,070	75	0
GENERAL FUND TRANSFER OUT	(3,995)	(4,070)	(4,070)	(75)	0
Total Campaign Finance Check-Off	0	0	0	0	0
State Board of Investment					
GENERAL FUND	2,575	302	302	(2,273)	0
SPECIAL REVENUE FUND	2,385	4,770	4,770	2,385	0
Total State Board of Investment	4,960	5,072	5,072	112	0
Office of Administrative Hearings					
GENERAL FUND	538	524	573	35	49
SPECIAL REVENUE FUND	78	130	130	52	0
WORKERS' COMPENSATION SPECIAL FUND	15,130	14,524	14,790	(340)	266
Total Office of Administrative Hearings	15,746	15,178	15,493	(253)	315
Non-CFS Statutory Funds - Office of Administrative Hearings					
<i>OFFICE OF ADMINISTRATIVE HEARINGS</i>	3,544	3,602	3,602	58	0
Office of Enterprise Technology					
GENERAL FUND	5,517	7,406	24,274	18,757	16,868
SPECIAL REVENUE FUND	1,000	1,000	1,000	0	0
FEDERAL FUND	750	0	0	(750)	0
Total Office of Enterprise Technology	7,267	8,406	25,274	18,007	16,868
Non-CFS Statutory Funds - Office of Enterprise Technology					
<i>INTERNAL SERVICE FUND</i>	155,817	172,081	172,081	16,264	0
Dept. of Administration					
GENERAL FUND	37,917	35,946	43,671	5,754	7,725
SPECIAL REVENUE FUND	16,050	19,621	19,621	3,571	0
FEDERAL FUND	6,751	3,583	3,583	(3,168)	0
GIFT FUND	51	10	10	(41)	0
Total for Dept. of Administration	60,769	59,160	66,885	6,116	7,725
Non-CFS Statutory Funds - Department of Administration					

<i>INTERNAL SERVICE FUND / ENTERPRISE FUND</i>	187,636	198,723	198,723	11,087	0
Public Broadcasting					
GENERAL FUND	3,710	3,710	14,926	11,216	11,216
Capitol Area Architect & Planning Board					
GENERAL FUND	567	540	800	233	260
SPECIAL REVENUE FUND	32	0	16	(16)	16
GIFT FUND	3	0	0	(3)	0
Total for Capitol Area Architect & Planning Board	602	540	816	214	276
Department of Finance					
GENERAL FUND	31,801	29,616	31,392	(409)	1,776
SPECIAL REVENUE FUND	13,727	13,706	13,706	(21)	0
Total for Department of Finance	45,528	43,322	45,098	(430)	1,776
Department of Finance Nonoperating					
GENERAL FUND	10,219	10,254	10,254	35	0
GENERAL FUND TRANSFER OUT	(11,161)	(10,254)	(10,254)	907	0
FEDERAL FUND	8,469	8,410	8,410	(59)	0
REMEDATION FUND	4,000	0	0	(4,000)	0
Total for Department of Finance Nonoperating	11,527	8,410	8,410	(3,117)	0
Indirect Costs					
GENERAL FUND	(32,630)	(34,006)	(34,006)	(1,376)	0
Dept. of Employee Relations				0	0
GENERAL FUND	12,328	12,341	12,163	(165)	(178)
SPECIAL REVENUE FUND	50,409	51,973	51,973	1,564	0
Total Dept. of Employee Relations	62,737	64,314	64,136	1,399	(178)
Non-CFS Statutory Funds – Department of Employee Relations					
<i>STATE EMPLOYEES INSURANCE</i>	1,095,526	1,345,085	1,345,085	249,559	0
<i>MISCELLANEOUS AGENCY</i>	41,757	45,986	45,986	4,229	0
Total Non-CFS for Department of Employee Relations	1,137,283	1,391,071	1,391,071	253,788	0
Department of Revenue					
GENERAL FUND	207,714	207,940	248,096	40,382	40,156
HEALTH CARE ACCESS FUND	3,308	3,308	3,438	130	130
SPECIAL REVENUE FUND	6,977	4,866	4,866	(2,111)	0
STATE AIRPORTS FUND	1	2	2	1	0
HIGHWAY USER TAX DISTRIBUTION FUND	4,194	4,194	4,194	0	0
ENVIRONMENTAL FUND	583	584	596	13	12
Total for Department of Revenue	222,777	220,894	261,192	38,415	40,298
Amateur Sports Commission					
GENERAL FUND	2,073	1,912	2,108	35	196
GIFT FUND	14	0	0	(14)	0
Total for Amateur Sports Commission	2,087	1,912	2,108	21	196
Council on Black Minnesotans					

GENERAL FUND	559	556	658	99	102
SPECIAL REVENUE FUND	75	0	0	(75)	0
Total for Council on Black Minnesotans	634	556	658	24	102
Chicano Latino/Affairs Council					
GENERAL FUND	569	542	622	53	80
GIFT FUND	0	5	5	5	0
Total for Council on Chicano/Latino Affairs	569	547	627	58	80
Council on Asian-Pacific Minnesotans					
GENERAL FUND	483	480	578	95	98
SPECIAL REVENUE FUND	26	27	27	1	0
GIFT FUND	41	36	36	(5)	0
Total for Council on Asian-Pacific Minnesotans	550	543	641	91	98
Indian Affairs Council					
GENERAL FUND	1,019	950	1,067	48	117
SPECIAL REVENUE FUND	80	0	0	(80)	0
FEDERAL FUND	136	130	130	(6)	0
GIFT FUND	2	4	4	2	0
Total for Indian Affairs Council	1,237	1,084	1,201	(36)	117
Gambling Control Board					
SPECIAL REVENUE FUND	5,600	5,600	5,809	209	209
Racing Commission					
SPECIAL REVENUE FUND	2,433	3,711	4,070	1,637	359
Contingent Accounts					
GENERAL FUND	500	500	500	0	0
STATE GOVERNMENT SPECIAL REVENUE FUND	800	800	800	0	0
TRUNK HIGHWAY FUND	400	400	400	0	0
HIGHWAY USER TAX DISTRIBUTION FUND	250	250	250	0	0
WORKERS' COMPENSATION SPECIAL FUND	200	200	200	0	0
Total for Contingent Accounts	2,150	2,150	2,150	0	0
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
Minnesota State Retirement System					
GENERAL FUND	9,037	3,257	3,257	(5,780)	0
Local Pension Aids					
GENERAL FUND	54,557	55,534	55,534	977	0
Consolidated Fund Statement					
GENERAL FUND	569,937	549,122	656,096	86,159	106,974
GENERAL FUND TRANSFER OUT	(15,156)	(14,324)	(14,324)	832	0
HEALTH CARE ACCESS FUND	3,564	3,564	3,794	230	230

SPECIAL REVENUE FUND	146,205	112,813	119,323	(26,882)	6,510
FEDERAL FUND	18,471	14,725	14,725	(3,746)	0
GIFT FUND	155	55	55	(100)	0
STATE GOVERNMENT SPECIAL REVENUE FUND	5,928	4,243	4,243	(1,685)	0
ENVIRONMENTAL FUND	745	874	886	141	12
REMEDATION FUND	4,162	290	290	(3,872)	0
TRUNK HIGHWAY FUND	1,600	1,600	1,600	0	0
HIGHWAY USER TAX DISTRIBUTION FUND	4,444	4,444	4,444	0	0
WORKERS' COMPENSATION SPECIAL FUND	15,330	14,724	14,990	(340)	266
STATE AIRPORTS FUND	1	2	2	1	0
TOTAL CFS STATE GOVERNMENT	755,386	692,132	806,124	50,738	113,992
<i>Nonconsolidated Fund Statement</i>					
GENERAL FUND	17,812	17,366	17,366	(446)	0
STATE GOVERNMENT SPECIAL REVENUE FUND	1,650	1,908	1,908	258	0
ADMINISTRATIVE HEARINGS	3,544	3,602	3,602	58	0
INTERNAL SERVICE FUND / ENTERPRISE FUND	343,453	370,804	370,804	27,351	0
STATE EMPLOYEES INSURANCE	1,095,526	1,345,085	1,345,085	249,559	0
MISCELLANEOUS AGENCY	41,757	45,986	45,986	4,229	0
TOTAL NON-CFS STATE GOVERNMENT	1,503,742	1,784,751	1,784,751	281,009	0
TOTAL (CFS AND NON-CFS) STATE GOVT	2,274,284	2,491,207	2,605,199	330,915	113,992

For questions or more information related to this chapter, please contact Kevin.Lundeen@senate.mn

TAX AIDS AND CREDITS

The February 2007 state budget forecast projected General Fund expenditures for property tax aids and credits of \$3.1 billion for FY 2008-2009. Minor amounts for tax refund interest come from the Health Care Access Fund for the provider tax. No changes to the February base for tax aids and credits were enacted during the 2007 legislative session.

Table 1					
Tax Aids and Credits					
All Funds Spending by Fund and Program					
<i>(dollars in thousands)</i>					
Fund/Program	FY 2006-07 Spending	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change: Budget - FY 06-07	Change: Budget – Fcst. Base
General Fund					
Property Tax Refunds	710,046	786,159	786,159	76,113	0
City Aid	921,370	969,116	969,116	47,746	0
Market Value Homestead	562,674	531,814	531,814	(30,860)	0
County Program Aid	416,740	410,302	410,302	(6,438)	0
Other Tax Aids and Credits*	383,883	410,351	410,351	26,468	0
TOTAL FOR GENERAL FUND	2,994,713	3,107,742	3,107,742	113,029	0
General Fund Transfer Out	(16,754)	(17,460)	(17,460)	(706)	0
Health Care Access	996	1,150	1,150	154	0
Special Revenue	548	550	550	2	0
TOTAL FOR TAX AIDS AND CREDITS	2,979,503	3,091,982	3,091,982	112,479	0
*Does not include \$33,044,000 for payments in lieu of property tax. These amounts are included in the Environment, Energy, and Natural Resources budget.					

Chapter 149, the Omnibus Tax Bill, proposed various changes to Minnesota's tax aid and credit programs and spending. This bill was subsequently vetoed by the Governor. A separate Fiscal Issues Brief provides a summary of specific tax aids and credits provisions contained in Chapter 149. This document is available on the Senate Web site: www.senate.leg.state.mn/departments/fiscalpol/reports/index.php

For questions or more information related to this chapter, please contact Susan.Vonmosch@senate.mn

CAPITAL INVESTMENT

The Department of Finance is the major agency for borrowing money to pay for various purposes. The Commissioner of Finance can issue general obligation bonds, general obligation trunk highway bonds, and 911 revenue bonds. 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, Office of Higher Education, Public Facilities Authority Revenue Bonds, State Armory Building Commission, and the State Colleges and University Revenue Bonds. Table 1 shows the proposed spending by fund from the debt service fund for interest expense and to pay off the bonds that have been issued.

Table 1 - Capital Investment					
Biennial Spending From the Debt Service Fund					
<i>(dollars in thousands)</i>					
Agency/Fund	FY 2006-07 Spending	FY 2008-09 Fcst. Base	FY 2008-09 Budget	Change: Budget - FY06-07	Change: Budget - Fcst. Base
Agricultural Fund	69	64	64	(5)	0
Building Fund	1,797	748	748	(1,049)	0
Debt Service Fund:					
Receipts - Net	260,803	399,078	398,656	137,853	(422)
Budget Balance	20,528	33,560	40,620	20,092	7,060
Game & Fish Fund	11	6	6	(5)	0
General Fund	752,098	918,620	906,254	154,156	(12,366)
Maximum School Loan Fund	4,164	2,961	2,961	(1,203)	0
Natural Resources Fund	21	20	20	(1)	0
Rural Farm Administration	20,117	15,238	15,238	(4,879)	0
Special Revenue Fund	730	643	643	(87)	0
Trunk Highway Fund	90,099	106,393	106,393	16,294	0
TOTAL CAPITAL INVESTMENT	1,150,437	1,477,331	1,471,603	321,166	(5,728)

General Fund spending for debt service is expected to decline by \$12.3 million for FY 2008-2009, relative to the February 2009 forecast, from \$918.6 million to \$906.3 million. The forecast reflected an increase in debt service costs sufficient to support \$135 million of new bonding.

Omnibus Bill

The Capital Investment Bill, H.F. No. 886, was vetoed by the Governor. Its total appropriations of \$334.1 million included \$135 million of bond proceeds, the debt service for which would have been payable from the General Fund, and \$164.4 million of General Fund cash. The veto caused a reduction in General Fund debt service, compared to the forecast, of \$12.4 million. Combined with the cash not spent, the veto increased the unrestricted General Fund balance for June 30, 2009, by \$177 million.

Other Bills

Two items in the vetoed bill were enacted as separate bills. Chapter 122 appropriated \$2.0 million from the General Fund for a grant to the city of Browns Valley to be used for relief from damage caused by the flooding of March 2007. It also made Browns Valley eligible for flood mitigation grant funds appropriated in the 2005 and 2006 Capital Investment Bills and for grants from the Disaster Relief Contingency Fund administered by the Housing Finance Agency.

In addition, Chapter 16 increased the amount of bonds for the Rural Finance Authority's agricultural loan program by \$30 million. These general obligation bonds are backed by the state's full faith and credit, but their debt service is paid entirely by the borrowers, so the bond issuance does not count against the three-percent limit on General Fund debt service. Rural Finance Authority bonds support seven loan programs to provide affordable credit to eligible farmers and one program to provide finance assistance to the proposed methane disaster system.

Chapter 138 modified statutory limitations on the use of the aircraft maintenance facility constructed at the Duluth airport for Northwest Airlines so that the facility may be leased for another purpose, since it is no longer being used by Northwest.

For questions or more information related to this chapter, please contact David.Jensen@senate.mn or Peter.Wattson@senate.mn