

April 9, 2018

Rep. Kurt Daudt
Speaker of the House

Senator Paul Gazelka
Senate Majority Leader

Representative Melissa Hortman
House Minority Leader

Senator Tom Bakk
Senate Minority Leader

RE: Revision to Governor's FY 2018-19 Supplemental Budget

Dear Senators and Representatives:

The purpose of this memo is to officially transmit an update to the Governor's 2018 supplemental budget recommendations, originally released on March 16, 2018. The changes are described briefly below and in greater detail in the attachment.

General Fund Changes

The 2018 February *Budget and Economic Forecast* projects a \$329 million general fund balance for the remainder of the FY 2018-19 biennium. The Governor's March 16 supplemental budget recommendations included \$20 million in revenue increases and \$227 million in increased spending; today's changes reduce the Governor's recommended spending by \$3 million. After today's changes, a budgetary balance of \$126 million remains.

FY 2018 Governor's Revised General Fund Supplemental Budget Recommendations (\$ in millions)

	March 16 Budget	April 9 Budget	\$ Change
February Forecast Balance	\$329	\$329	\$0
Tax and Revenue Change	20	20	0
Spending Change	227	223	(3)
<i>Total – Recommended Changes</i>	<i>206</i>	<i>203</i>	<i>(3)</i>
Remaining Budgetary Balance	\$123	\$126	\$3

The changes to the Governor's recommendation include:

- The Minnesota Suicide Prevention Lifeline - Competitive grant funding will be made available to bolster the state's telephone first response capacity. This is a new proposal.

- Safe Schools Revenue Expansion - The Governor's original proposal will now include intermediate and cooperative districts.
- Premium Subsidy Funding – The proposal will cancel the remaining \$17 million in FY 2018 from the premium subsidy program in the general fund.
- Secretary of State Election Cybersecurity – The Governor's original proposal will be reduced to align with federal Help America Vote Act funding that will cover needed cybersecurity enhancements.
- Sustainable Forest Incentive Act Private Lands Timber Harvest Credit – This new proposal will incentivize private landowners to harvest and sell timber to mills.

The Governor's revisions also impact the next biennium by increasing spending by \$2.1 million, leaving a balance of \$399 million in FY 2020-21.

Worker's Compensation Fund Changes

- The Governor also recommends a change to the Workers' Compensation Court of Appeals Judges Salary Increase proposal, which benchmarks Workers' Compensation Court of Appeals judges' salaries to workers' compensation judges at the Office of Administrative Hearings, rather than Court of Appeals judges. This would result in reduced costs relative to the original recommendation of \$16 thousand in per year beginning in FY 2019 in the worker's compensation fund.

Attached to this memo are descriptions of the changes showing impacts by fiscal year along with general fund financial summaries for each biennia. Individual agency commissioners and staff, as well as MMB executive budget officers, are prepared to answer any questions you may have on the recommendations.

Sincerely,



Myron Frans
Commissioner

cc: Senator Julie Rosen, Senate Finance Chair
Representative Jim Knobloch, House Ways and Means Chair
Senator Richard Cohen
Representative Lyndon Carlson
Eric Nauman, Senate Chief Fiscal Analyst
Bill Marx, House Chief Fiscal Analyst

Revisions to Governor's 2018 Supplemental Budget

(Dollars in Thousands)

2018 2019 2020 2021

Department of Health

Statewide Suicide Prevention Lifeline

The Governor recommends competitive grant funding to non-profits to provide crisis telephone counseling services 24 hours a day, 7 days a week, 365 days a year across the state. It also provides grants administration support at the Department of Health.

General	Expenditure	0	969	969	969
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Department of Education

Include Intermediate and Cooperative School Districts in Safe School Revenue Expansion

The Governor recommends increasing Safe Schools Revenue for intermediate school districts and making school district cooperatives that provide instruction to students eligible for this revenue. This proposal provides one-time state aid to co-ops and intermediate districts of \$7.50 per member district pupil (50% of the current allowance for intermediates) in FY 2019, doubles the levy amount in FY 2020 and beyond and equalizes that levy to expand access to low tax capacity districts. The levy and aid must be spent on items identified in the safe schools levy statute including: facility enhancements, costs for school counselors, peace officers, and crime and drug abuse prevention.

General	Expenditure	0	3,942	674	256
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Minnesota Management and Budget

Cancel Unexpended Premium Subsidy Funding

Based upon final estimates of total expenditures, The Governor recommends cancelling \$17M in funding from the Premium Subsidy Program. This program was enacted in 2017 on a one-time basis to provide a 25% discount to individuals buying health insurance coverage on the individual market. This amount is in addition to \$58.391M cancelled from the program in the original Governor's supplemental budget recommendation to fund the MinnesotaCare Buy In reserve.

General	Expenditure	(17,000)	0	0	0
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Secretary of State

Election Cybersecurity

The Governor's March 16, 2018 recommendation included funding for election cybersecurity upgrades and to modernize Minnesota's Statewide Voter Registration System. The Secretary of State recently learned Minnesota will receive \$6.595 million in federal Help America Vote Act (HAVA) funding. This funding requires a five percent state match and can be used to enhance election technology and make election security improvements. Therefore, the Governor recommends reducing the funding for election cybersecurity to \$330,000 in FY 2019 to provide the required state match to the federal HAVA funds.

General	Expenditure	0	(51)	(361)	(380)
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Tax Aids, Credits and Refunds

Sustainable Forest Incentive Act Private Lands Timber Harvest Credit

The Governor recommends a credit to incentivize private landowners to harvest and sell timber to mills in Minnesota. This proposal would increase timber availability to the forest product industry, preserve state resources, and support landowners during current low timber prices. The Department of Natural Resources (DNR) estimates this credit of \$5 per cord of wood would increase timber harvested on private land by 350,000 cords by fiscal year 2021. \$720,000 of this proposal is for DNR to administer the credit program.

General	Expenditure	0	8,720	0	0
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Workers' Compensation Court of Appeals

Workers' Compensation Court of Appeals Judges Salary Increase

The Governor recommends altering the formula for calculating Workers' Compensation Court of Appeals judges salaries to align with the Workers' Compensation Advisory Council recommendations. This proposal would benchmark Workers' Compensation Court of Appeals judges salaries to workers' compensation judges at the Office of Administrative Hearings' salaries, rather than to Court of Appeals judges salaries.

Worker's Compensation	Expenditure	0	(16)	(16)	(16)
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Net General Fund Impact		(17,000)	13,580	1,282	845
Net Worker's Compensation Impact		0	(16)	(16)	(16)

FY 2018-19 General Fund Budget

April 9, 2018 Gov Rec vs February 2018 Forecast

	2-18 Forecast FY 2018-19	4-18 Gov Rec FY 2018-19	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	3,333,262	3,333,262	-
Current Resources:			
Tax Revenues	42,963,853	42,963,853	-
Non-Tax Revenues	1,475,068	1,475,068	-
Subtotal - Non-Dedicated Revenue	44,438,921	44,438,921	-
Dedicated Revenue	1,205	1,205	-
Transfers In	307,396	307,396	-
Prior Year Adjustments	53,335	53,335	-
Subtotal - Other Revenue	361,936	361,936	-
Budget Changes - Taxes	-	24,775	24,775
Budget Changes - Non-Taxes	-	(4,357)	(4,357)
Subtotal-Current Resources	44,800,857	44,821,275	20,418
Total Resources Available	48,134,119	48,154,537	20,418
<u>Actual & Estimated Spending</u>			
E-12 Education	18,835,239	18,885,962	50,723
Higher Education	3,282,318	3,312,282	29,964
Property Tax Aids & Credits	3,655,702	3,655,702	-
Health & Human Services	13,617,643	13,653,080	35,437
Public Safety & Judiciary	2,335,516	2,358,954	23,438
Transportation	340,791	369,901	29,110
Environment	355,291	366,998	11,707
Agriculture	125,575	125,775	200
Jobs, Economic Development, Housing & Commerce	552,504	586,504	34,000
State Government & Veterans	1,310,369	1,282,070	(28,299)
Debt Service	1,138,131	1,148,411	10,280
Capital Projects & Grants	259,758	286,613	26,855
Estimated Cancellations	(20,000)	(20,000)	-
Total Expenditures & Transfers	45,788,837	46,012,252	223,415
Balance Before Reserves	2,345,282	2,142,285	(202,997)
Cash Flow Account	350,000	350,000	-
Budget Reserve	1,608,364	1,608,364	-
Stadium Reserve	57,638	57,638	-
Budgetary Balance	329,280	126,283	(202,997)

Planning Estimates: FY 2020-21 General Fund Budget

April 9, 2018 Governor's Rec vs February 2018 Forecast

	2-18 Forecast FY 2020-21	4-18 Gov Rec FY 2020-21	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	2,345,282	2,142,285	(202,997)
Current Resources:			
Tax Revenues	46,360,377	46,360,377	-
Non-Tax Revenues	1,403,231	1,403,231	-
Subtotal - Non-Dedicated Revenue	47,763,608	47,763,608	-
Dedicated Revenue	1,222	1,222	-
Transfers In	307,674	307,674	-
Prior Year Adjustments	63,107	63,107	-
Subtotal - Other Revenue	372,003	372,003	-
Budget Changes - Taxes	-	416,975	416,975
Budget Changes - Non-Taxes	-	163,128	163,128
Subtotal-Current Resources	48,135,611	48,715,714	580,103
Total Resources Available	50,480,893	50,857,999	377,106
<u>Actual & Estimated Spending</u>			
E-12 Education	19,555,176	19,736,653	181,477
Higher Education	3,255,802	3,276,171	20,369
Property Tax Aids & Credits	3,652,469	3,654,669	2,200
Health & Human Services	15,413,621	15,577,360	163,739
Public Safety & Judiciary	2,361,015	2,377,231	16,216
Transportation	247,118	247,563	445
Environment	322,341	324,443	2,102
Agriculture	122,022	122,422	400
Jobs, Economic Development, Housing & Commerce	402,929	410,929	8,000
State Government & Veterans	1,060,604	1,140,381	79,777
Debt Service	1,177,965	1,255,203	77,238
Capital Projects & Grants	271,446	276,944	5,498
Estimated Cancellations	(20,000)	(20,000)	-
Total Expenditures & Transfers	47,822,508	48,379,969	557,461
Balance Before Reserves	2,658,385	2,478,030	(180,355)
Cash Flow Account	350,000	350,000	-
Budget Reserve	1,608,364	1,608,364	-
Stadium Reserve	120,177	120,177	-
Budgetary Balance	579,844	399,489	(180,355)