



Chapter 220 Omnibus Budget Balancing Bill Fiscal Summary

Money Matters 02-03
March 2002

Overview of Budget Reductions in Chapter 2201

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Overview of Budget Changes in Chapter 220

On February 21, 2002, the Minnesota House and Senate passed the conference committee report on H.F. 351, a bill that addressed the FY 2002-03 general fund budget problem as defined by the November state budget forecast. (The state's November budget forecast was released December 4, 2001.) The Governor vetoed the bill on February 25. The House overrode the veto on February 27 and the Senate did so on February 28. The enacted law is *Laws of Minnesota 2002, Chapter 220*.

The budget changes in Chapter 220 would resolve the \$1.95 billion deficit for the FY 2002-03 biennium. The changes are a combination of spending reductions, use of several reserve accounts, and transfers from other state funds. Changes made in Chapter 220 reduce the projected deficit for FY 2004-05 but do not completely resolve the projected shortfall for FY 2004-05.

Chapter 220 – Budget Changes Compared to Budget Problem		
<i>(Dollars in millions)</i>		
	<u>FY 2002-03</u>	<u>FY 2004-05</u>
Total Changes	\$ 1,968.8	\$ 1,753.3
Budget Problem – November Forecast	<u>\$ 1,953.2</u>	<u>\$ 2,534.8</u>
Difference:	\$15.6	-\$ 781.5

Note: The February forecast of general fund revenues and expenditures was released on February 25. That forecast projected an even greater shortfall than the November forecast. After the budget changes in H.F. 351 and the February forecast, a general fund shortfall of \$439 million still exists for the FY 2002-03 biennium.

For FY 2002-03, Chapter 220 uses the budget reserve of \$653 million, the local government aid reserve of \$14 million, and \$195 million from the cash flow account for general fund purposes. It also transfers to the general fund the following amounts: (1) \$94.9 million from the worker's compensation assigned risk plan, (2) \$230 million from the worker's compensation excess surplus account, and (3) \$158 million from the tax relief account.

Chapter 220 – Budget Changes		
<i>Dollars in millions</i>		
	<u>FY 2002-03</u>	<u>FY 2004-05</u>
Expenditure Changes	\$505.2	\$1,843.9
Budget Reserve	\$653.0	
Cash Flow Account	\$195.0	
LGA Reserve	\$14.0	\$28.0
Tax Relief Account	\$158.1	
Assigned Risk Plan Transfer	\$94.9	
Worker's Compensation Fund Transfer	\$230.0	
June Sales Tax Acceleration Forecast Change	<u>\$118.6</u>	<u>-\$118.6</u>
Total Changes:	\$1,968.8	\$1,753.3

Inflation is removed from the planning estimate expenditures for FY 2004-05. Inflation has been added to on all expenditures except debt service. Inflation for FY 2004-05 had been set at 2.5 percent per year. This inflation is in addition to the level of expenditures set in current law.

Expenditure Reductions

Spending reductions make up \$505 million of the FY 2002-03 changes in Chapter 220. Of these reductions, \$358 million are permanent and result in reductions in FY 2004 and FY 2005.

Expenditure changes were concentrated in state government. Expenditures for K-12 education and local government aids were largely protected from reductions. The expenditure reductions include a hiring freeze on state employees and a moratorium on state agency consultant contracts. ([See the State Government Finance section for more discussion of these items.](#))

Chapter 220 Expenditure Changes by Committee		
<i>Dollars are in millions</i>		
	<u>FY 2002-03</u>	<u>FY 2004-05</u>
Net Expenditure Changes		
K-12 Education	-\$15.0	-\$24.1
Family & Early Childhood Education	-\$4.0	-\$8.0
Higher Education	-\$50.0	-\$100.0
Health & Human Services	-\$95.9	-\$191.8
Environment & Natural Resources	-\$14.3	-\$28.6
Agriculture	-\$2.7	-\$5.4
Economic Development	-\$7.0	-\$14.1
Transportation	-\$4.1	-\$8.2
Judiciary/Crime Prevention	-\$26.3	-\$52.6
State Government (includes hiring freeze, P/T contract limit)	-\$116.9	-\$207.8
TIF Grant	-\$129.0	-\$76.0
St. Paul Busways Grant	-\$40.0	
Planning Estimate Inflation (2.5%)		-\$1,127.3
Total – Expenditure Changes	-505.2	-1,843.9

Note: For specific details on each reduction contained in Chapter 220, see the individual committee tracking documents at the following address (<http://www.house.leg.state.mn.us/fiscal/tracking.htm>)

For more information on the overall budget, contact Bill Marx, Chief Fiscal Analyst, at 651-296-7176 or bill.marx@house.leg.state.mn.us.

Family and Early Childhood Education Finance

For budget activities overseen by the Family and Early Childhood Education Finance Committee, Chapter 220 includes general fund spending reductions of \$4 million in FY 2002-03 and \$8 million in FY 2004-05. Total proposed spending would be \$520.1 million in FY 2002-03 and \$522.9 million in FY 2004-05, a less than one percent and a 1.5 percent decrease from November forecast levels, respectively.

While reducing general fund spending, Chapter 220 uses \$3.5 million in non-general fund moneys to continue with program services and returns \$10.1 million to the TANF reserve.

Biennial Summary of Changes for FY 2002-2003

Chapter 220 includes funding changes for four general fund budget activities and four non-general fund activities as follows:

Family & Early Childhood Education: FY 2002-2003			
<i>(dollars in thousands)</i>			
<u>Budget Activity</u>	<u>Conference Agreement FY 2003</u>	<u>Amount Reduced</u>	<u>% Reduced from Nov Forecast</u>
General Fund			
1. Basic Sliding Fee Child Care	\$48,499	(\$3,500)	- 6.7%
2. Child Care Development	\$ 1,365	(\$ 500)	-26.8%
3. ABE Administration	\$ 175	(\$ 200)	-53.3%
4. Regional Library Telecommunications	\$ 2,600	<u>+\$ 200</u>	+ 8.3%
TOTAL GENERAL FUND CHANGE			
FY 02-03 FAMILY & EARLY CHILDHOOD EDUCATION		(\$ 4,000)	- 1.4%
Federal Fund Redistribution			
5. Social Services Child Care plus FY 2001 carry forward	\$ 1,970	(\$ 4,192) (\$ 3,009)	-32.0%
6. Transition Year Child Care plus FY 2001 carry forward	\$ 2,761	(\$ 4,899) <u>(\$ 1,000)</u>	-64.0%
7. Basic Sliding Fee Child Care	\$44,356	+\$ 3,000	+ 7.3%
TOTAL FEDERAL TANF REDISTRIBUTION		(\$10,100)	-14.8%
State Special Revenue			
8. Child Care Assistance	\$ 2,840	+\$ 500	+10.4%
TOTAL STATE SPECIAL REVENUE CHANGE		+\$ 500	+10.4%

Biennial Summary of Changes FY 2004-2005

The conference agreement for FYs 2004-2005 includes funding changes for four general fund budget activities and two non-general fund activities as follows:

Family & Early Childhood Education: FY 2004-2005			
<i>(dollars in thousands)</i>			
<u>Budget Activity</u>	<u>Conference Agreement FY 2004-05</u>	<u>Amount Reduced</u>	<u>% Reduced from Nov Forecast</u>
General Fund			
1. Basic Sliding Fee Child Care	\$96,998	(\$7,000)	- 6.7%
2. Child Care Development	\$ 2,730	(\$1,000)	-26.8%
3. ABE Administration	\$ 245	(\$ 200)	-44.9%
4. Library Basic Support Services	\$19,645	<u>+\$ 200</u>	+ 1.0%
TOTAL GENERAL FUND CHANGE		(\$8,000)	
Federal Fund Allocation			
5. Basic Sliding Fee Child Care	\$35,386	+\$ 6,000	+20.4%
TOTAL FEDERAL TANF CHANGE		+\$ 6,000	+20.4%
State Special Revenue			
6. Child Care Assistance	\$ 5,496	+\$ 1,000	+22.4%*
TOTAL STATE SPECIAL REVENUE CHANGE	+\$ 1,000		

*This increase is calculated above end of 2001 session appropriations.

Chapter 220 makes no changes to existing levies that support family and early childhood education activities.

For additional information on Family and Early Childhood Education finance issues, contact Katherine Schill at 651- 296-5384 or Katherine.Schill@house.leg.state.mn.us.

K-12 Education

The K-12 education article in Chapter 220 includes a net reduction of \$3.8 million (or 0.1 percent from the forecast base for FY 2002) in FY 2002, \$11.2 million (0.2 percent) in FY 2003, \$8.7 million (0.1 percent) in FY 2004 and \$15.5 million (0.3 percent) in FY 2005. Offsetting these reductions are increases in local levies of \$12.6 million in FY 2004 and \$5.9 million in FY 2005. All changes are expressed relative to the November 2001 forecast appropriation levels, and are general fund, unless otherwise noted.

K-12 Education Reductions <i>(dollars in thousands)</i>				
	FY 2002/03 Change	Percent Change	FY 2004/05 Change	Percent Change
General Education Program				
Limit Learning Year ADM to 1.5	(\$1,901)	-100.0%	(\$4,224)	-100.0%
Education Excellence				
Adv. Placement / International Baccalaureate Program	(\$1,000)	-25.0%	(\$2,000)	-50.0%
Best Practices Grants	(\$1,300)	-14.9%	(\$2,600)	-37.4%
Integration Revenue	0	0.0%	(\$5,302)	-4.1%
Youth Apprenticeship	(\$450)	-50.0%	(\$900)	-100.0%
Junior Achievement	(\$75)	-50.0%	(\$150)	-100.0%
ISEEK Solutions	(\$250)	-50.0%	(\$500)	-100.0%
Workstudy Student Compensation	(\$ 89)	-100.0%	0	0.0%
Alternative Compensation / Performance Incentive Pool	(\$1,300)	-16.3%	(\$600)	-7.5%
Education Accountability Audits	(\$1,000)	-40.0%	\$1,500	100.0%
Education Excellence Total:	(\$5,464)	-3.8%	(\$10,552)	-7.0%
Special Education				
Web Based Individual Interagency Intervention	(\$250)	-50.0%	(\$500)	-100.0%
Department of Children, Families & Learning				
	(\$6,650)	-10.5%	(\$7,842)	-12.4%
Center for Arts Education				
	(\$750)	-4.8%	(\$1,000)	-6.4%
Total K-12 Changes	(\$15,015)	-0.1%	(\$24,118)	-0.2%

General Education Program

- Learning Year Pupils: Beginning in FY 2003, cap the average daily membership that a pupil can generate at 1.5 per fiscal year. Currently, there is no limit for non-kindergarten pupils. This change was part of the Governor's supplemental budget recommendations. *Savings: FY 2003, \$1.9 million, FY 2004 and FY 2005, \$2.1 million per year.*

Education Excellence Program

- Advanced Placement / International Baccalaureate Aid: Beginning in FY 2003, require means testing for reimbursement of test-taking costs. This change was part of the Governor's supplemental budget recommendations, with a larger reduction. *Savings: FY 2003 – FY 2005, \$1 million per year, 50 percent of the annual appropriation for this program.*
- Best Practices Grants: Beginning in FY 2003, reduce the annual appropriation for best practices grants from \$3.5 million to \$2.2 million. This change was part of the Governor's supplemental budget recommendations, with a larger recommended reduction. *Savings: FY 2003 – FY 2005, \$1.3 million per year, 37.4 percent of the annual appropriation for this program.*
- Advanced Placement / International Baccalaureate Aid: Beginning in FY 2003, require means testing for reimbursement of test-taking costs. This change was part of the Governor's supplemental budget recommendations, with a larger recommended reduction. *Savings: FY 2003 – FY 2005, \$1 million per year, 50 percent of the annual appropriation for this program.*
- Integration Revenue: In FY 2005, change the aid / levy ratio for Integration Revenue to 71 percent aid, 29 percent levy. This does not result in a reduction of revenue to an individual school district. Current law calls for the ratio to be 78 percent aid and 22 percent levy in FY 2004 and later. The Governor's budget recommendations included a similar change, but the aid / levy ratio was 67 percent aid and 33 percent levy, with the change starting in FY 2004. *Savings: FY 2005, \$5.3 million. Local levy cost: FY 2005, \$5.9 million*
- Education and Employment Transitions: Beginning in FY 2003, eliminate state funding for the Youth Apprenticeship and Junior Achievement programs, and transfer funding for ISEEK solutions to the Department of Trade & Economic Development. This change was part of the Governor's supplemental budget recommendations. *Savings: FY 2003 and later, \$775,000 per year.*
- Work-Study Student Compensation: Eliminate the carryforward from the FY 1998 and FY 1999 appropriations for this program. *Savings: FY 2002, \$89,000.*
- Performance Incentive Pool: For FY 2002, the appropriation for the program is reduced by \$1.0 million, which leaves enough funding for the current grant applicants, as well as the potential for 2-3 more school districts. For FY 2003 and later, the appropriation for the program is reduced by \$300,000. This change was part of the Governor's supplemental

budget recommendations, with a larger recommended reduction. *Savings: FY 2002, \$1.0 million, or 25 percent of the current budget, FY 2003 – FY 2005, \$300,000 per year, 7.5 percent of the annual appropriation for this program.*

- Education Accountability Audits: The appropriation for this grant was \$2.5 million for the FY 2002-03 biennium. The bill changes the appropriation to \$1.5 million in FY 2002 and \$1.5 million 2004. The net result is a \$1.0 million reduction in the FY 2002-03 biennium and a \$1.5 million increase in the FY 2004-05 biennium.
- Career and Technical Education Levy: Allows districts, for revenue for FY 2003 only, to levy for the costs of their Career and Technical Education Levy program at the FY 2001 level, or \$10,000, whichever is greater. *Local Levy Cost: \$12.6 million.*

Special Education

- Web-based Individual Interagency Intervention: Beginning in FY 2003, eliminate funding for this program. *Savings: FY 2003 and later, \$250,000 per year.*

Department of Children, Families and Learning

- Base Agency Budget: Reduce the agency's operating budget by 10 percent. This change was part of the Governor's supplemental budget recommendations, with a smaller recommended reduction. *Savings: FY 2002, \$2.7 million, FY 2003, \$3.7 million, FY 2004 and later, \$3.7 million per year.*
- Ancillary Agency Boards: Beginning FY 2003, eliminate funding for the Minnesota Academic Excellence Foundation. *Savings: FY 2003 – FY 2005, \$250,000 per year.*

Perpich Center for Arts Education

- Base Agency Budget: Reduce the agency's operating budget by 5 percent for the biennium. This change was part of the Governor's supplemental budget recommendations, with a larger recommended reduction. *Savings: FY 2002, \$250,000, FY 2003 and later, \$500,000 per year.*

For additional information on K-12 Finance issues, contact Greg Crowe at 651-296-7165 or greg.crowe@house.leg.state.mn.us

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Higher Education Finance

Chapter 220 contains total reduction to higher education of \$50 million for FY 2002-03. For FY 2004-05 there is a total reduction of \$100 million.

Higher Education Reductions <i>(dollars in thousands)</i>						
	FY02	FY03	02 & 03	FY04	FY05	04 & 05
Base	\$1,380,039	\$1,464,114	\$2,844,153	\$1,477,496	\$1,477,496	\$2,954,992
Conference Reductions	(\$2,744)	(\$47,256)	(\$50,000)	(\$50,000)	(\$50,000)	(\$100,000)
% Reduction	-0.2%	-3.2%	-1.76%	-3.4%	-3.4%	-3.4%

Higher Education Services Office (HESO)

For Fiscal Years 2002-2003 there is a total reduction to HESO of \$3.675 million. This reflects increases to State Grants of \$5.140 million for FY 2002 and \$6.44 million for FY 2003 to recognize tuition increases. These amounts are offset by \$6.44 million in increased federal PELL grant funding. In addition, reductions are made to the HESO administration, the Learning Network grants, Minnesota College savings plan matching grants, the Advanced Placement Scholarship program, Summer Scholarships, the MINITEX inter-library loan system and the Mlink electronic library project. Also, the National Service Scholars program is eliminated and carryforward funds in the Youthworks program are rescinded.

HESO Reductions <i>(dollars in thousands)</i>						
	FY02	FY03	02 & 03	FY04	FY05	04 & 05
Base	\$148,699	\$157,650	\$306,349	\$157,533	\$157,533	\$315,066
Conference Reductions	(\$2,744)	(\$931)	(\$3,675)	(\$31)	(\$31)	(\$62)
% Reduction	-1.8%	-.6%	-1.2%	-.02%	-.02%	-.02%

Minnesota State Colleges and Universities

For Fiscal Year 2003, the Minnesota State Colleges and Universities receive a cut of \$22.692 million. The base is reduced a further \$1.786 million in each year of the Fiscal Year 2004-05 biennium. The Board of Trustees is directed to look to administrative reductions, reserve funds and programmatic changes as much as possible prior to raising tuition.

MNSCU Reductions <i>(dollars in thousands)</i>						
	FY02	FY03	02 & 03	FY04	FY05	04 & 05
Base	\$601,583	\$639,984	\$1,241,567	\$653,483	\$653,483	\$1,306,966
Conference Reductions	(\$0)	(\$22,692)	(\$22,692)	(\$24,478)	(\$24,478)	(\$48,956)
% Reduction	0%	-3.6%	-1.8%	-3.7%	-3.7%	-3.7%

University of Minnesota

For Fiscal Year 2003, the University of Minnesota receives a cut of \$23.633 million. The base is reduced a further \$1.858 million in each year of the FY 2004-05 biennium. Cuts may not be taken from the Agricultural Special funds appropriated to the University for the FY 2002-03 biennium. The University is directed to look to administrative reductions, reserve funds and programmatic changes as much as possible prior to raising tuition.

University of Minnesota Reductions <i>(dollars in thousands)</i>						
	FY02	FY03	02 & 03	FY04	FY05	04 & 05
Base	\$628,120	\$664,843	\$1,292,963	\$664,843	\$664,843	\$1,329,686
Conference Reductions	(\$0)	(\$23,633)	(\$23,633)	(\$25,491)	(\$25,491)	(\$50,982)
% Reduction	0%	-3.6%	-1.8%	-3.8%	-3.8%	-3.8 %

For additional information on higher education issues, contact Doug Berg at 651-296-5346 or doug.berg@house.leg.state.mn.us

Health and Human Services

General Fund

Based on figures from the November 2001 forecast, spending on Health and Human Services (H&HS) programs is projected to be \$6.473 billion in FY 2002-03 and \$7.312 billion in FY 2004-05. The omnibus budget bill (Chapter 220) will reduce H&HS spending by \$95.9 million in FY2002-03 and \$191.8 million in FY2004-05 (see table below). The Governor had proposed reductions of state spending of \$129.3 million and \$275.6 million in FY2002-03 and FY2004-05, respectively.

Health and Human Services Spending				
<i>(Chapter 220 enacted/Governor proposed)</i>				
	FY2002-03		FY2004-05	
	Dollars	Percent	Dollars	Percent
General fund				
Chapter 220	(\$95.9 million)	(1.5%)	(\$191.8 million)	(2.6%)
Governor	(\$129.3 million)	(2.0%)	(\$275.6 million)	(3.8%)
Federal TANF				
Chapter 220	(\$4.0 million)	(0.6%)	\$23.8 million	4.9%
Governor	(\$6.7 million)	(0.9%)	\$35.1 million	7.3%
Health care access				
Chapter 220	(\$716,000)	(0.1%)	(\$9.2 million)	(1.1%)
Governor	(\$10.1 million)	(1.7%)	(\$39.5 million)	(4.7%)
State gov't special revenue				
Chapter 220	\$75,000	N/A	-0-	
Governor	\$75,000	N/A	-0-	

Non-general fund changes

In addition to the general fund spending changes, Chapter 220 reduces spending from the federal TANF block grant by \$4.0 million in FY2002-03 but increases spending by \$23.8 million in FY2004-05. The Governor had proposed spending reductions of \$6.7 million in FY2002-03 and increases of \$35.1 million in FY2004-05.

From the Health Care Access fund, the omnibus budget bill reduced spending by \$716,000 in FY2002-03 and \$9.2 million in FY2004-05 compared to the Governor's proposed reductions of \$10.1 million and \$39.5 million. Finally, the conference committee agreed to the Governor's request to spend \$75,000 from the state government special revenue fund for the Board of Chiropractic Examiners to cover extraordinary legal costs.

Endowment funds

Chapter 220 affects funding for the two endowment funds created with the 1998 tobacco settlement revenues in two ways. First, it requires the Academic Health Center to transfer funding to the Department of Health to leverage federal funds for the Medical Education and Research Costs fund. The transfer amount, including interest, will be returned to the Academic Health Center. Second, the Tobacco Use Prevention and Local Public Health endowment fund, if necessary, will be used for cash flow purposes if receipts to the general fund are deemed to be insufficient to cover expenses within the FY2004-05 biennium. Any amount used will be returned with interest within the current biennium.

Department of Human Services

Articles 14 through 17 of Chapter 220 reduce spending at the Department of Human Services (DHS) by \$81.4 million (1.3 percent) in FY 2002-03 and \$177.6 million (2.5 percent) in FY 2004-05.¹ The Governor had proposed reductions of \$107.1 million and \$275 million in FY2004-05.

Highlights of specific reductions to the general fund, net of revenue changes and federal reimbursements, are reflected below. This list is not exhaustive.² Unless otherwise noted, these budget reductions are permanent, beginning in FY2003.

Specific initiatives include:

- \$350,000 by reducing the appropriation to the level of actual spending for grants to private adoption agencies to recruit adoptive families;
- \$320,000 by maintaining funding for electronic government services at the FY2002 appropriation and not providing an increase slated for FY2003;
- \$3.8 million by reducing funding for the state operated services system by 2.5 percent. This action reduces the Department's appropriation by one-half the amount the state operated services system has carried forward from the first to the second year of the biennium during each of the last two biennia;
- \$2.2 million by eliminating start-up costs and wrap-around services for children's mental health collaboratives. While this eliminates the Department's general fund base for the initiative, local collaboratives have generated more than \$41 million in new federal revenues since 1997;

¹ These estimates do not include the effect of the hiring freeze or reduction in professional and consulting contracts contained elsewhere in Chapter 220.

² For a complete list of items contained within Chapter 220, see the 2002 Health and Human Services Finance tracking document at the following address (<http://www.house.leg.state.mn.us/fiscal/tracking.htm>) or contact Joe Flores at 651-296-5483.

- \$1.5 million in FY2003 and \$768,000 in FY2004 in one-time reductions for grants to spur the development of community-based services for elderly Minnesotans;
- \$4.7 million by reducing by 10% a grant to counties for the community social services act;
- \$2.6 million in FY2002-03 and \$11.4 million by vacating the Kirkbride building on the Fergus Falls campus and moving into a more efficient facility, consolidating business functions among the state operated services' campus-based programs, and improving the Department's billing for services;
- \$7.0 million in FY 2002-03 and \$7.2 million in FY 2004-05 by reducing the Department's central office administrative expenditures. The estimated savings result from the elimination of the Public Policy Graduate Program and the DT&H task force. In addition, there are reductions for one-time salary savings in FY2002-03 and ongoing central office costs by 3.7% in FY2004-05. Finally, savings are generated through the delay of several long-term care administrative initiatives funded by the 2001 legislature;
- \$4.1 million in FY 2003 and \$4.6 million in FY 2004-05 by curtailing rate exceptions for ICFs/MRs, modifying, by one year, the schedule for planning and development for aging services, and eliminating one year of funding for the supportive housing and managed care pilot;

Additional federal funds

Four provisions in the conference committee report leverage additional federal dollars, resulting in savings to the general fund of \$33.2 million in FY2002-03 and \$70.9 million in FY2004-05. One provision recognizes that the State will meet its work participation rates under the Minnesota Family Investment Program (MFIP) in FY2004 and FY2005. As a result, Minnesota can reduce its commitment of general fund resources to the MFIP program by \$23.9 million in FY2004-05, instead committing federal TANF resources. Services to MFIP clients will not be affected by this change.

Another provision transfers \$4.9 million annually from the proceeds of the Academic Health Center (AHC) account within the Medical Education Endowment fund to the Commissioner of Health for distribution under the medical education formula of the Medical Education and Research Costs or MERC fund. The amount transferred and distributed under the MERC formula will earn federal revenue of approximately \$4.9 million annually, while the amount transferred by the University's AHC will be returned with interest.

Yet another provision in the conference committee report leverages federal dollars through a transfer from the University of Minnesota's appropriation. One-half of the transfer will be deposited into the general fund, while one-half will be used to increase the medical education payments to the University of Minnesota. The payments to the University for medical education will generate federal matching dollars that offset the transfer to the general fund. This mechanism allows the state to save \$6.4 million in FY2003 and \$17.4 million in FY 2004-05.

Finally, revenues generated from the imposition of an additional per bed transfer from county-operated nursing facilities as well as an additional surcharge of up to \$1.00 per bed per day on all nursing facility beds will be deposited into the general fund. Simultaneously, Medical Assistance rates paid to nursing facilities will be increased, paid for partially with these new revenues and federal dollars, resulting in net general fund revenues of \$13.2 million in FY2002-03 and \$19.9 million in FY2004-05.

- \$4.2 million in FY 2002-03 and \$8.8 million in FY 2004-05 to delay the allocation of MR/RC or Developmental Disabilities (DD) waiver slots for community-based waiver services for people with disabilities by 180 days for new recipients of the waiver slots;
- \$8.5 million in FY2003 only by transferring surplus funds from the reserve account within the consolidated chemical dependency treatment fund to the general fund. Tier II services for individuals with income up to 215 of the federal poverty guidelines will continue to receive CD treatment;
- \$13.3 million in FY 2003 and \$27.7 million in FY 2004-05 by withholding five percent of the monthly prepaid Medical Assistance payments (PMAP) made to managed care companies beginning January 1, 2003. Provided health plans comply with performance outcomes, the amount withheld will be returned within 12 to 18 months. Initially, the health plans are expected to meet all performance outcomes, resulting in no net loss to providers. Health plan companies serving MinnesotaCare clients will only have 0.5 percent of their monthly payments withheld, resulting in savings to the Health Care Access fund of \$569,000 in FY2003 and \$1.3 million in FY2004-05;
- \$1.3 million in FY 2003 and \$5.7 million in FY 2004-05 by reducing by 2.0 percent an adjustment made to non-metro PMAP counties, effective January 1, 2003. A provision was added to this Governor's recommendation to inhibit health plans from passing on this reduction to health care providers;
- \$1.9 million in FY 2003 and \$9.4 million in FY 2004-05 as a result of reducing by 0.5 percent the rate of growth paid for inpatient and outpatient hospital services in MA and GAMC. Rates paid to fee-for-service providers will be reduced on July 1, 2002 and prepaid health plans on January 1, 2003. Rates paid to MinnesotaCare providers are not reduced from their rate of growth;
- \$290,000 by reducing, by approximately one-half, the community social services supplemental grants;
- \$1.9 million in FY 2003 and \$7.3 million in FY 2004-05 by imposing limits on the use of annuities and sole benefit trusts to shelter assets. As a result of this change, recipients of long-term care services will pay more of their assets toward their cost of care;

Prescription Drug Program Expansions

Chapter 220 proceeds with the expansion of the Prescription Drug Program to the disabled up to 120 percent of the federal poverty guidelines (FPG) on July 1, 2002 and seniors with income between 120 percent and 135 percent of FPG effective July 1, 2003. Under current law, seniors were to be enrolled on January 1, 2002, but the Commissioner of Human Services forestalled expansion of the program in December 2001, citing statutory authority to manage anticipated spending within the current appropriation. Subsequent to the Commissioner's decision, the Governor recommended repealing the scheduled expansions to the disabled and seniors. The expansions will go ahead at virtually no cost in FY2002-03 and a cost of \$6.7 million in FY2004-05.

- \$3.1 million in FY 2002-03 and \$11.7 million in FY 2004-05 through the imposition on counties of a ten percent cost-sharing arrangement for individuals under age 65 with disabilities who continue in nursing home placements after 90 days; and
- \$158,000 in FY 2002-03 and \$3.0 million in FY 2004-05 in net revenue by establishing a preferred drug/supplemental rebate program. This program will require drug manufacturers to provide additional rebates on prescriptions with similar properties but higher costs. While the program will be voluntary, the drug products of manufacturers who refuse to participate in the program will be subject to prior authorization.

Health Care Access Fund

- \$60,000 in FY 2003 and \$2.0 million in FY 2004-05 by repealing the so-called “bridge kids” provision that allowed children with income under 217 percent of poverty to transition onto the MinnesotaCare program without a premium for up to one year. Instead, the family income threshold for which a premium payment will be required from children in MinnesotaCare will be raised from 150 percent of poverty to 175 percent.

TANF

- \$4.0 million in FY 2002-03 and \$100,000 in FY 2004 by temporarily reducing TANF appropriations for MAXIS systems costs; and
- \$24.0 million in FY 2004-05 by reducing the state’s general fund commitment to the MFIP program and replacing it with federal TANF dollars. This change has no effect on services.

Department of Health

Articles 14 through 17 from Chapter 220 reduce spending at the Department of Health by \$14.5 million (9.2 percent) in FY 2002-03 and \$14.3 million in FY 2004-05. Proposals from the Department of Health are listed below. Unless otherwise noted, the proposals involve ongoing, general fund reductions beginning on July 1, 2002.³

Specific initiatives include:

- \$9.7 million in FY 2002-03 and FY 2004-05 by eliminating the general fund base for the Medical Education and Research Costs (MERC) trust fund. The actual reduction to the MERC fund is twice the general fund amount, because federal matching funds will be lost, as a result of this reduction. One-half of this reduction (\$4.85 million annually) is replaced by transferring existing funding from the University of Minnesota’s Academic Health Center to the MERC fund where it is matched with federal dollars. The federal

³ These estimates do not include the effect of the hiring freeze or reduction in professional and consulting contracts contained elsewhere in Chapter 220.

match will be retained within the MERC fund, while the amount transferred from the University of Minnesota will be returned with interest;

- \$400,000 in FY 2002-03 and FY 2004-05 and \$294,000 in FY 2002-03 and FY 2004-05 by shifting the financing of the summer health care internship program and the health and long-term care career promotion grants program passed by the 2001 legislature to the Health Care Access fund. Administrative funding within the Department of Health will be reduced to offset the increase to the Health Care Access fund. The governor proposed eliminating funding for these programs;
- \$1.3 million in FY 2002-03 and FY 2004-05 by eliminating grant funding for Juvenile Assessment Center Grants;
- \$100,000 by reducing the department's funding for curriculum development of fetal alcohol syndrome activities;
- \$650,000 to reduce unused appropriations in FY2002 only for two recent initiatives – suicide prevention and eliminating health disparities;
- \$400,000 by not providing an increase in funding for emerging health threats that was slated to take effect in FY2003;
- \$800,000 in FY 2002-03 and \$850,000 in FY 2004-05 to reduce the Department's administrative funding.

Implications

General fund

Based on the November 2001 forecast, spending within the Health and Human Services budget is expected to increase by \$343.8 million from FY2002 to FY2003, an increase of 11.2 percent. Chapter 220 reduces the projected growth in spending by \$95.9 million in FY2003, resulting in anticipated growth of 8.1 percent. However, it would appear that few proposals contained within Chapter 220 address the underlying issues of escalating costs (i.e., enrollment, price per unit of service, utilization) within the H&HS budget, particularly within the Medicaid budget, an issue that looms in the years to come.

On its face, the H&HS budget will experience the largest reduction within Chapter 220. A closer examination of the numbers reveals that more than one-half of the reductions result from shifting costs to other entities. For example, in FY2002-03 more than one-third of the reductions in the current biennium are made possible by replacing general fund spending with federal dollars (see Additional Federal Funds). An additional reduction of \$7.8 million during the current biennium shifts costs to counties (e.g., reduction to the CSSA grant and imposition of a 10 percent county

share on extended stays in nursing facilities).⁴ Finally, one-time spending reductions and cost-shifts result in \$19.9 million in savings in FY2002-03.

Federal TANF reserve

With the exception of the forecast changes in the Minnesota Family Investment Program (MFIP) and a recognition of Minnesota's progress in meeting its work participation requirements, few changes were made in federal TANF funding.

Health Care Access fund

Neither the conference committee's reductions nor the Governor's proposed reductions resolved the structural deficit that exists in each fiscal year from FY2002 through FY2005. Consequently, projected expenditures will continue to exceed revenues for the foreseeable future, an impending problem that will need to be addressed through the imposition of tax increases or spending reductions for the fund to remain solvent in FY2005.

For additional information on health and human services finance issues, contact Joe Flores at 296-5483 or joe.flores@house.leg.state.mn.us

⁴ It should be noted that county commitments to human services have declined significantly during the past biennium with the expansion of the Adoption Assistance (AA) and Relative Custody Assistance (RCA) programs and the Department of Human Services "open enrollment" onto the waiver program for people with mental retardation and related conditions (MR/RC waiver), better known as the DD waiver. The expansion of AA and RCA has removed counties' foster care obligations to the state, to the tune of approximately \$10.0 million in annualized savings. The expansion of the DD waiver program has relieved counties from providing day training and habilitation services as well as case management, reducing counties' annual obligations by an estimated \$18.0 million.

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Judiciary Finance

The Legislature's supplemental budget (Chapter 220) includes an overall reduction in criminal justice spending of \$33.433 million for FY 02-03, and \$51.875 million for FY 04-05. The following tables show the reductions, transfers and fees that were passed by the Legislature.

Judiciary Finance Reductions <i>(dollars in thousands)</i>				
Agency	FY 02-03	% Cut	FY 04-05	% Cut
Courts	\$1,385	.4%	\$2,218	.5%
Public Defense Bd	\$1,153	1.1%	\$2,236	2%
Human Rights	\$207	2.5%	\$414	5%
Corrections	\$15,278	2.1%	\$30,616	3.9%
Ombudsman for Corrections	\$168	25%	\$336	50%
Sentencing Guidelines	\$55	5.1%	\$120	10.9%
Public Safety	\$4,439	2.7%	\$14,288	8.6%
POST Bd.	\$179	1.9%	\$182	1.9%
Crime Victim Ombudsman	\$411	50%	\$411	100%

Judiciary Finance: Transfers & Fee Increases <i>(dollars in thousands)</i>		
	FY 02-03	FY 04-05
POST Bd Transfer from special revenue to general fund	\$179	\$182
12% of DWI reinstatement fee transferred from special revenue to general fund	\$605	\$1,210
Auto theft balance transfer to general fund	\$1,317	
Auto theft 1.3 million transfer to general fund	\$2,600	\$2,600
Fee increase-hazardous installation plan review	\$12	\$24
Fee increase for gambling background checks	\$150	\$300
Civil filing fee increase from \$122 to \$135	\$1,286	\$2,940
Conciliation court fee increase by \$10	\$638	\$1,460
Public Defender co-pay of \$28	\$215	\$250

Department of Corrections

The Legislature decreases funding by \$15.1 million for FY 02-03, and \$19.8 million for FY 04-05. Reductions include:

- A one-time reduction of \$5.2 million in FY 02. This includes savings from the fuel reserve account, savings from the per diem reduction plan, and savings at the Rush City prison. A reduction of \$150,000 in FY 03.
- A department wide reduction of \$6.395 million per year beginning in FY 04.
- A \$1.6 million reduction beginning in FY 03 to reflect revised felony DWI bed impact estimates.
- The \$8 million in juvenile residential treatment grants that go to counties will be reduced by \$5 million (beginning in FY 03), with \$1.1 million going to the general fund and \$3.9 million used to offset the costs for counties to make permanent the cost sharing arrangement at the Red Wing juvenile facility. This means that counties will pay 65 percent of the per diem costs and the other 35 percent will be offset with the \$3.9 million reduction in juvenile treatment grants.
- \$ 7.913 million savings in community services that will be begin in FY 03. The reductions are as follows:
 - \$100,000/year for eliminating funding for the remote alcohol monitoring grants.
 - \$322,000 for eliminating pre-trial bail evaluation grants.
 - \$200,000 for the elimination of the community re-entry program.
 - \$1.2 million for reducing the extended juvenile jurisdiction grants.
 - \$800,000 reduction for FY 03 only in community corrections grants.
 - \$80,000 reduction for FY 03 only for Country Probation Officer counties.
 - \$320,000 reduction for FY 03 only for Department of Correction field services.
- \$300,000 savings each year beginning in FY 03 for a reduction in management services.
- \$115,000 savings in juvenile services each year beginning in FY 03 as a result of per diem savings.

Ombudsman for Corrections

\$168,000 savings each year beginning in FY 03.

Sentencing Guidelines Commission

\$55,000 savings each year beginning in FY 03.

Department of Public Safety

A reduction of \$4.439 million this biennium and \$14.288 million in the next biennium. The following is a summary of the reductions.

- \$1.317 million carry forward from FY 01 to FY 02 in the auto theft prevention program special revenue fund is transferred to the general fund. This is a one-time change.
- \$1.3 million each year from the auto theft prevention program special revenue fund is transferred to the general fund. This leaves \$1.7 million each year in the auto theft prevention program to be used for auto theft prevention activities.
- \$1.15 million is saved in FY 02 by an accounting adjustment in the drug policy and violence prevention area.
- \$142,000 each year is reduced from the drug policy and violence prevention reduction grants.
- The model-policing program is reduced by \$150,000 in FY 02.
- The funding for the Camp Ripley weekend camp for troubled youth is eliminated. This will save \$175,000 each year.
- The funding for the violence prevention council grants (\$75,000 each year) is eliminated
- The crime victim service grants and staffing are reduced by \$1.152 million this biennium and by \$4 million for the next biennium.
- The shelter per diems are reduced by \$600,000 beginning in FY03.
- The gang strike force grants are reduced by 5 percent each year.
- The Fire Marshall Division and the Gambling Enforcement Division are reduced by \$84,000 each beginning in FY 03.
- The base funding for the state match for disasters is reduced by \$200,000 for FY 03 and by \$3.627 million beginning in FY 04.
- Staff reductions in the office of drug policy and violence prevention resulting in savings of \$176,000 beginning in FY 03.
- A fee increase is imposed for plan reviews for above ground fuel storage and liquid petroleum storage. This is anticipated to bring in \$12,000 per year.

- A fee increase is imposed for an increase in the cost of doing background checks for the Alcohol and Gambling Enforcement Division. This is expected to raise \$150,000 per year.
- The \$605,000 per year from the DWI reinstatement fee that goes to the Department of Public Safety in a special revenue fund is transferred to the general fund.

Courts (Supreme Court, Court of Appeals, and District Courts)

The courts received a \$1.385 million reduction in FY 03, and a \$2.218 million reduction in FY 04-05.

Public Defense Board

The Board received a \$1.153 million reduction for FY 03 and a \$2.236 million reduction for FY 04-05

Peace Officers Standards and Training Board (POST)

This special revenue fund appropriation is reduced by \$179,000 for this biennium and by \$182,000 for the next biennium.

Human Rights Department

The budget is reduced by 2.5 percent this biennium and 5 percent next biennium. This results in a savings of \$207,000 each year beginning in FY 03.

Crime Victim Ombudsman

This office is abolished with the duties transferred to the Public Safety Department. This results in a savings of \$411,000 beginning in FY 03.

For additional information on Judiciary Finance, contact Gary Karger, at 651-296-4181 or gary.karger@house.leg.state.mn.us.

Environment and Natural Resources Finance

For budget activities overseen by the Environment and Natural Resources Finance Committee, the conference agreement (Chapter 220) includes general fund spending reductions of \$14.2 million in FYs 2002-03 and \$28.6 million in FYs 2004-05. Total proposed general fund spending would be \$395.1 million in FYs 2002-03 and \$399.5 million in FYs 2004-05, a 3.2 percent and a 6.9 percent decrease from November forecast levels, respectively.

While reducing general fund spending, Chapter 220 uses \$4.6 million in non-general fund moneys to continue with certain program services.

Environment & Natural Resources Reductions						
<i>(dollars in thousands)</i>						
	FY02	FY03	02 & 03	FY04	FY05	04 & 05
Base	\$177,263	\$179,736	\$356,999	\$179,236	\$179,236	\$358,472
Open Appropriations	\$25,391	\$27,046	\$52,437	\$27,422	\$27,869	\$55,291
Conference Reductions	(\$ 103)	(\$12,797)	(\$12,900)	(\$14,300)	(\$14,300)	(\$28,600)
General Fund cancellations	0	(1,300)	(1,300)	0	0	0
% Reduction (Direct)	-0.1%	-7.1%	-3.6%	-8.0%	-8.0%	-8.0%
% Reduction (Direct & Open)	-0.1%	-6.2%	-3.2%	-6.9%	-6.9%	-6.9%

Pollution Control Agency

Pollution Control Agency Reductions						
<i>(dollars in thousands)</i>						
	FY02	FY03	02 & 03	FY04	FY05	04 & 05
Base	\$18,409	\$18,706	\$37,115	\$18,206	\$18,206	\$36,412
Conference Reductions	(\$103)	(\$3,161)	(\$3,264)	(\$1,821)	(\$1,821)	(\$3,642)
% Reduction	-0.6%	-16.9%	-8.8%	-10.0%	-10.0%	-10.0%

Starting in FY03, \$683,000 per year of General Funds will be removed from the Water Quality budget. This will be replaced by a 25% Water Quality Fee increase (Environmental Fund).

Starting in FY02, the Household Hazardous Waste program will be funded by the Solid Waste Fund. Currently the program is funded with General Fund dollars with a continuing base of \$1.041 million.

Chapter 220 makes \$1,300,000 of existing FY03 appropriations for Clean Water Partnership grants available for use in FY02.

A one-time cost saving of \$236,000 due the state employees strike will be canceled back to the general fund. Non-general fund strike savings of \$664,000 will be canceled to the Environmental Fund, Solid Waste Fund, Petro Fund and the Public Facilities Authority proprietary Fund.

The PCA will save \$137,000 per fiscal year in lease expenses due to the conclusion of the negotiated lease arrangements. This amount will be canceled from the agency budget back to the General Fund. Similarly, non-general fund rent savings of \$363,000 will be canceled to the Environmental Fund, Solid Waste Fund, and the Petro Fund.

Office of Environmental Assistance

Office of Environmental Assistance Reductions						
<i>(dollars in thousands)</i>						
	FY02	FY03	02 & 03	FY04	FY05	04 & 05
Base	\$20,354	\$20,480	\$40,834	\$20,480	\$20,480	\$40,960
Conference Reductions	(\$0)	(\$2,049)	(\$2,049)	(\$2,049)	(\$2,049)	(\$4,098)
% Reduction	0%	-10.0%	-5.0%	-10.0%	-10.0%	-10.0%

Starting in FY03, the conference agreement includes 1) a \$1.4 million reduction in Select Committee on Recycling and the Environment (SCORE) block grants to counties, 2) an expansion of the solid waste processing credit to include certain municipal solid waste processing facilities and county consortiums that operate under a solid waste management joint powers agreement. The latter of these is funded with a \$1.5 million appropriation from the Solid Waste Fund.

Chapter 220 also includes a \$208,000 reduction (10 percent) to base funding in FY03 reduction for competitive grants and loans, and a \$440,000 reduction (10 percent) to base funding in FY 03 for OEA operations.

Minnesota Zoological Gardens

The conference agreement reduces appropriations for the Minnesota Zoo by \$383,000 (10%) in each FY 03, FY 04 and FY 05.

MN Zoological Gardens – Reductions						
<i>(dollars in thousands)</i>						
	FY02	FY03	02 & 03	FY04	FY05	04 & 05
Base	\$7,445	\$7,668	\$15,113	\$7,668	\$7,668	\$15,336
Conference Reductions	(\$372)	(\$383)	(\$755)	(\$383)	(\$383)	(\$766)
% Reduction	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%

Department of Natural Resources (DNR)

Department of Natural Resources						
<i>(dollars in thousands)</i>						
	FY02	FY03	02 & 03	FY04	FY05	04 & 05
Base	\$110,701	\$112,646	\$223,347	\$112,646	\$112,646	\$225,292
Open Appropriations	\$25,391	\$27,046	\$52,437	\$27,422	\$27,869	\$55,291
Conference Reductions	(\$0)	(\$5,385)	(\$5,385)	(\$8,088)	(\$8,088)	(\$16,176)
General Fund cancellations	0	(1,300)	(1,300)	0	0	0
% Reduction (Direct)	0%	-4.8%	-2.4%	-7.2%	-7.2%	-7.2%
% Reduction (Dir & Open)	0%	-3.9%	-2.0%	-5.8%	-5.8%	-5.8%

Chapter 220 includes a \$1.052 million reduction (50 percent) in FY 03 for the MN Conservation Corps program. In FY 04, a reduction of \$2.104 million eliminates the program.

Starting in FY03, base funding for the Forest Resource Council is \$700,000, a reduction of \$200,000 per year.

Chapter 220 enhances Department wide reductions (called “Division Service Reductions”) originally proposed by the Governor. This is the single largest reduction in the DNR, equaling over \$4.0 million in FY03, and \$5.2 million thereafter. These reductions are shown in the table on the following page.

DNR: Division Service Reductions <i>(dollars in thousands)</i>			
Appropriation Name	Conference FY 03 Cuts	Conference FY 04 Cuts	Conference FY 05 Cuts
Lands & Minerals	(\$11)	(\$11)	(\$11)
Water Resources Management	(\$563)	(\$563)	(\$563)
Forest Management	(\$99)	(\$99)	(\$99)
White Pine Restoration	(\$300)	(\$300)	(\$300)
Parks And Recreation	(\$317)	(\$567)	(\$567)
Trails And Waterways Gen Enforcement	(\$177)	(\$177)	(\$177)
Enforcement	(\$349)	(\$349)	(\$349)
General Operations Support	(\$1,931)	(\$2,832)	(\$2,832)
Wildlife Management	(\$110)	(\$110)	(\$110)
Lake Ecosystems Monitoring	(\$44)	(\$44)	(\$44)
Fish Management	(\$134)	(\$134)	(\$134)
TOTAL	(\$4,035)	(\$5,186)	(\$5,186)

Chapter 220 includes reductions of \$198,000 in FY03 and \$598,000 in FY04 and thereafter to grants and grant programs. They include:

DNR: Reductions to Grants & Grant Programs <i>(dollars in thousands)</i>				
Appropriation Name	Conference FY 02 Cuts	Conference FY 03 Cuts	Conference FY 04 Cuts	Conference FY 05 Cuts
Mineral Cooperative Programs	0	(\$78)	(\$78)	(\$78)
Taconite Mining Grants	0	(\$100)	(\$100)	(\$100)
Metro Parks Grants	0	0	(\$400)	(\$400)
Aquatic Plant Restoration	<u>0</u>	<u>(\$20)</u>	<u>(\$20)</u>	<u>(\$20)</u>
TOTAL	0	(\$198)	(\$598)	(\$598)

The conference agreement also includes a one-time transfer of \$1.3 million from the Minnesota Future Resource Fund to the general fund.

Board of Water and Soil Resources

Chapter 220 includes a \$523,000 reduction in operating expenses to BWSR that is effective starting in FY03.

Beginning in FY 03, base funding for grants in the BWSR budget include a decrease of \$800,000 for Cost Share grants and a \$382,000 decrease for Natural Resource Block grants. The Area II MN River grant is reduced by \$49,000 in FY 03 and then by \$189,000 in each FY 04 and FY 05.

Board of Water & Soil Resources – Reductions						
<i>(dollars in thousands)</i>						
	FY02	FY03	02 & 03	FY04	FY05	04 & 05
Base	\$19,054	\$18,936	\$37,990	\$18,936	\$18,936	\$37,872
Conference Reductions	0	(\$1,754)	(\$1,754)	(\$1,894)	(\$1,894)	(\$3,788)
% Reduction	0.0%	-9.3%	-4.6%	-10.0%	-10.0%	-10.0%

Science Museum of Minnesota

Beginning in FY 03, base appropriations of \$1.3 million are reduced by \$65,000, reflecting a 5 percent reduction.

Science Museum of Minnesota – Reductions						
<i>(dollars in thousands)</i>						
	FY02	FY03	02 & 03	FY04	FY05	04 & 05
Base	\$1,300	\$1,300	\$2,600	\$1,300	\$1,300	\$2,600
Governor's Reductions	\$0	(\$65)	(\$65)	(\$65)	(\$65)	(\$130)
% Reduction	0.0%	-5.0%	-2.5%	-5.0%	-5.0%	-5.0%

For additional information on Environment & Natural Resources finance issues, contact Katherine Schill at 651- 296-5384 or Katherine.Schill@house.leg.state.mn.us

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Agriculture and Rural Development Finance

Chapter 220 includes General Fund reductions of \$3.5 million for the Agriculture Finance area in FY 2002-03. Expenditure reductions for FY 2004-05 total \$5.4 million.

Agriculture: Chapter 220 reductions						
<i>(dollars in thousands)</i>						
	FY 2002	FY 2003	02 & 03	FY 2004	FY 2005	04 & 05
Direct Appropriations Base	\$28,986	\$29,174	\$58,160	\$29,174	\$29,174	\$58,348
Open Appropriations Base	\$35,436	\$35,456	\$70,892	\$35,327	\$32,968	\$68,295
Ch. 220 Direct App Reductions	(\$469)	(\$1,227)	(\$1,696)	(\$1,246)	(\$1,247)	(\$2,493)
Open Appropriation Reductions	\$0	\$0	\$0	\$0	(\$1,648)	(\$1,648)
% Reduction (Direct)	-1.6%	-4.2%	-2.9%	-4.3%	-4.3%	-4.3%
% Reduction (Open)	0.0%	0.0%	0.0%	0.0%	-5.0%	-2.4%
% Reduction (Dir & Open)	-0.7%	-1.9%	-1.3%	-1.9%	-4.7%	-3.3%

Minnesota Department of Agriculture (MDA)

Chapter 220 reduces General Fund appropriations for the Department of Agriculture by \$879,000 in FY 2002-03, and \$3.3 million in FY 2004-05.

MN Department of Agriculture: Chapter 220 Reductions						
<i>(dollars in thousands)</i>						
	FY 2002	FY 2003	02 & 03	FY 2004	FY 2005	04 & 05
Base	\$21,991	\$22,159	\$44,150	\$22,159	\$22,159	\$44,318
Open Appropriations	\$35,436	\$35,456	\$70,892	\$35,327	\$32,968	\$68,295
Ch. 220 Reductions	(\$69)	(\$810)	(\$879)	(\$833)	(\$834)	(\$1,667)
Open Appropriations Reductions	\$0	\$0	\$0	\$0	(\$1,648)	(\$1,648)
% Reduction (Direct)	-0.3%	-3.7%	-2.0%	-3.8%	-3.8%	-3.8%
% Reduction (Open)	0%	0%	0%	0%	-5.0%	-2.4%
% Reduction (Dir & Open)	-0.1%	-1.4%	-0.8%	-1.5%	-4.5%	-2.9%

The ethanol producer payment subsidy program would be reduced one cent per gallon or 5 percent beginning in fiscal year 2005. This reduction reduces total producer payments by \$1.648 million in FY 2005.

Department of Agriculture: Chapter 220 in Detail						
<i>(dollars in thousands)</i>						
Program	FY 02	FY 03	02 & 03	FY04	FY05	04 & 05
Protection Services Reductions	0	(\$250)	(\$250)	(\$250)	(\$250)	(\$500)
Ag Marketing and Development Reductions	(\$21)	(\$71)	(\$92)	(\$92)	(\$92)	(\$184)
Administration and Financial Assistance Reductions	(\$5)	(\$489)	(\$494)	(\$491)	(\$492)	(\$983)

Two reductions are specified in the bill. These reductions begin in FY 2003.

- Duluth Seaway Port Authority (\$11,500 of a \$115,000/yr base, or 10 percent)
- Elimination of grants to Ag Information Centers (\$175,000/yr)

Balances from three accounts in the Special Revenue Fund are transferred to the General Fund: the Family Farm Administrative Account (\$106,000 in FY 2002 and \$50,000 in FY 2004), the Ethanol Development Loan Administrative Account (\$8,000) and the Family Farm Bond Principal Account (\$890,000 in FY 2002, \$800,000 in FY 2004 and \$410,000 in FY 2005.)

Board of Animal Health

Chapter 220 makes no reductions to the Board of Animal Health budget.

Minnesota Horticulture Society

Chapter 220 makes a one-time reduction in the Minnesota Horticulture Society's \$82,000 state appropriation by \$16,000 (or 19.5%) in FY 2003.

Agricultural Utilization Research Institute (AURI)

Chapter 220 makes reductions of \$400,000 in FY 2002 (out of \$3.88 million, or 10.3%), \$401,000 in FY 2003 (out of \$4.130 million, or 9.7%), \$413,000 in FY 2004 and FY 2005 (or 10%). A reduction of \$20,000 hybrid tree research and development out of a \$200,000 base is included in the AURI reductions.

Agricultural Utilization Research Institute: Chapter 220 Reductions						
<i>(dollars in thousands)</i>						
	FY 2002	FY 2003	02 & 03	FY 2004	FY 2005	04 & 05
Base	\$3,880	\$4,130	\$8,010	\$4,130	\$4,130	\$8,260
Reductions	(\$400)	(\$401)	(\$801)	(\$413)	(\$413)	(\$826)
% Reduction	-10.3%	-9.7%	-10.0%	-10.0%	-10.0%	-10.0%

For additional information on agriculture finance issues, contact Bill Marx, Chief Fiscal Analyst, at 651-296-7176 or bill.marx@house.leg.state.mn.us

Jobs & Economic Development Finance

Chapter 220, Article 12, reduces the General Fund appropriations for the agencies under the jurisdiction of the Jobs and Economic Development Finance Committee by \$5.493 million in the FY 2002-03 Biennium. New General Fund revenues will increase by \$1.756 million. These amounts are offset by the addition of a new General Fund open appropriation for the alternative energy credit for biodiesel. The open appropriation is an estimated \$89,000 in the FY 2003.

Jobs & Economic Development Budget Reductions				
<i>(dollars in thousands)</i>				
Agency	FY 2002	FY 2003	FY 2004	FY 2005
Trade & Economic Development	\$559	\$761	\$1,870	\$1,870
Minnesota Technology	0	\$750	\$750	\$750
Economic Security	\$80	\$559	\$1,459	\$1,859
Housing Finance Agency	0	\$216	\$673	\$673
Commerce	\$506	\$376	\$401	\$401
Labor & Industry	\$324	\$502	\$502	\$502
Mediation Services	\$30	\$30	\$50	\$50
Historical Society	<u>\$400</u>	<u>\$400</u>	<u>\$650</u>	<u>\$650</u>
TOTAL:	\$1,899	\$3,594	\$6,355	\$6,755

Department of Trade & Economic Development

The Department's General Fund budget is reduced by \$559,000 in FY 2002, and \$761,000 in FY 2003. The out-biennium reductions are \$1.87 million each year in the 2004-05 biennium.

- \$146,000 one-time reduction in the Department's FY 2002 funding to reflect salary savings from the state employee strike.
- \$70,000 in FY 2002 and \$111,000 in FY 2003 is saved through Department-wide cost reductions. These reductions are ongoing.
- \$20,000 in FY 2003 and \$50,000 each year going forward is saved by reducing the Film Board's "Snowbate" grant program.
- \$43,000 in FY 2002 and \$270,000 in FY 2003 is saved through cost reductions in the Trade Office. The FY 2004-05 biennium savings are \$320,000 per year.
- \$120,000 in FY 2002 and \$320,000 in FY 2003 are saved in the Minnesota Tourism Office. The FY 2004-05 biennium savings are \$770,000 per year.

- \$100,000 in savings in both FY 2002 and FY 2003 in the Information and Analysis Division. The FY 2004 and FY 2005 reductions are \$179,000 each year.
- \$500,000 per year in reduced funding for the Minnesota Investment Fund program. The reductions begin in FY 2004.
- \$250,000 in increased General Fund funding in FY 2003 for the ISEEK (Internet System for Education and Employment Knowledge) program. This funding is one-time.
- \$150,000 in increased funding for the Rural Policy Center beginning in FY 2004.

The Legislature **did not** enact several of the Governor's budget reduction proposals, including:

- \$850,000 in reduced funding to the Job Skills Partnership Board.
- \$13,000 reduction in the one-time grant to the Mississippi Parkway Commission.
- \$35,000 one-time grant to the Blue Earth County Business Facilitation Program.
- \$75,000 one-time grant to the West Central Growth Alliance
- \$150,000 one-time grant to the Cuyuna Range Technology Center
- \$500,000 one-time grant to the Duluth Technology Center
- \$750,000 per year in TANF funding for the Healthcare Workers Job Training program that is administered by the Job Skills Partnership Board.

The Governor's proposal to make the Minnesota Investment Fund into a revolving loan program was **not enacted**.

Chapter 220 also includes several General Fund revenue transfers and cancellations, to include:

- \$1 million from the balance in the Rural Policy Center Development Center Account is transferred to the General Fund in FY 2004. A second transfer of \$1 million will occur in FY 2005
- \$30,000 in various Special Revenue account balances in the Trade Office is transferred.
- \$426,000 is canceled from the 1999 appropriation to the Journey Travel Information System.

The Legislature **did not** enact the Governor's recommendation for transferring the accumulated and ongoing interest receipts of the Minerals 21st Century Fund to the General Fund.

Dislocated Worker Program Funding

Chapter 220 transfers \$16 million from the General Fund to the Workforce Development Fund for the Dislocated Worker Program. The Economic Development article transfers \$13.2 million. The money is derived from two sources. First, the \$10 million appropriation by the 2001 Legislature to the Biomedical Innovation & Commercialization Initiative (BICI) is canceled, and second, \$3.2 million is transferred from the balance of the Realtor Education, Research and Recovery Fund. The State Government Article transfers the remaining \$2.8 million.

Minnesota Technology

The state's General Fund grant to Minnesota Technology will be permanently reduced by \$750,000 per year.

The Legislature **did not** approve the Governor's recommendation that state financial support for Minnesota Technology end completely effective January 1, 2003.

Department of Economic Security

The Department's General Fund appropriations are reduced by \$80,000 FY 2002, and by \$559,000 in FY 2003. The enacted ongoing reductions are \$1.459 million in FY 2004 and \$1.859 million in FY 2005.

- \$80,000 one-time reduction in the Department's FY 2002 budget to reflect salary savings from the state employees strike.
- \$228,000 year is a base reduction for the Agency's Workforce Services Division. The Division base funding is reduced by an additional \$700,000 each year in the 2004-2005 biennium. The reduction includes a \$ 500,000 per year reduction in funding for the Minnesota Youth Program.
- \$204,000 each year is a base reduction for the Agency's Workforce Rehabilitation Services Division. The reduction is ongoing.
- \$127,000 each year is a base reduction for the Agency's Workforce Rehabilitation Services Division. This reduction is also ongoing
- \$200,000 in FY 2004 reductions and \$600,000 in FY 2005 reductions result from the savings owing to the merger of the Departments of Economic Security and the Department of Trade & Economic Development. The Legislature delayed the merger of the two agencies for one year to July 1, 2003.

The Legislature **did not** enact several of the Governor's budget reduction proposals within the Department:

- Funding for the Youth Intervention Program is continued. The Governor recommended that funding for this program be eliminated.

- Funding for the Minnesota Youth Program will continue in FY 2003 as provided in current law. The Governor recommended a \$2.422 million reduction. The program's FY 2004 and FY 2005 funding is reduced by \$500,000 each year. This is less than half of the Governor's recommended \$1.213 million yearly reduction.
- State funding for the Displaced Homemaker Program is continued at current law levels. The Governor recommended that funding for this program be eliminated.
- Funding for the one-time grant to the HIV Workplace Education program is continued. The Governor recommended that the grant be eliminated.

Minnesota Housing Finance

The General Fund reduction to Minnesota Housing Finance Authority's 2002-03 biennial appropriations is \$216,000. The FY 2004-05 biennial reductions are \$673,000 per year.

The Legislature **did not** adopt the following funding recommendations put forth by the Governor.

- \$496,000 reduction in FY 2002 and FY 2003 for the Housing Rehabilitation & Accessibility program. These reductions would have been ongoing.
- \$900,000 per year reduction in the Home Ownership Assistance Program. The reduction would be reduced to \$325,000 per year in the FY 2004-05 biennium.
- \$2.1 million reduction in FY 2002 and \$3.04 million reduction in FY 2003 funding to the Challenge Program. Program funding would have been reduced by \$2.2 million per year in the FY 2004-05 biennium. The proposed current biennial budget cuts included eliminating a one-time \$400,000 grant for lead abatement.
- \$400,000 reduction for the Manufactured Housing Pilot Program. The reduction would eliminate this Program.
- \$250,000 reduction in administrative funding for the Section 8 Homeownership Program.

Department of Commerce

The Department's current budget is reduced by \$506,000 in FY 2002 and \$376,000 in FY 2003. The 2004-2005 biennium reductions are \$401,000 per year.

- \$353,000 reduction in FY 2002 is for the Department's one-time savings from the state employee's strike.
- \$50,000 in FY 2002 and \$125,000 in FY 2003 are for reductions in Department administrative costs. The 2004-2005 biennium reductions are \$150,000 each year.

- \$44,000 in FY 2002, and \$104,000 in FY 2003 and beyond is saved through staff reductions in the Department's Administration Division.
- \$59,000 in FY 2002, and \$147,000 in FY 2003 and beyond is saved through improved gasoline pump inspection efficiencies. The Department expects the improvements to allow reducing inspection staffing by 2.5 FTE. The staffing reductions will be accomplished through attrition, so no layoffs are expected.

The Legislature **did not** eliminate cosmetology industry enforcement as the Governor recommended.

Department of Labor & Industry

The Legislature enacted budget reductions totaling \$324,000 in FY 2002 and \$502,000 in FY 2003 within the Department. The \$502,000 reduction would be ongoing.

- \$53,000 in FY 2002 is one-time savings from the state employee strike. An additional \$5,000 saving comes from eliminating a one-time appropriation to conduct a wage disparity study. The study was done with current resources.
- \$70,000 in FY 2002 savings is achieved through eliminating three staff positions (boiler inspector, management analyst and administrative support) within the agency. The FY 2003 and permanent savings are \$141,000 per year.
- \$100,000 in FY 2003 General Fund savings is achieved through charging the Workforce Development Fund for the agency's indirect costs occurring from the Apprenticeship program. The \$100,000 per year savings from this change is ongoing.
- \$196,000 in FY 2002 General Fund savings is achieved through redirecting administration savings in the Workers Compensation fund to cover agency General Fund costs. The FY 2003 and beyond General Fund savings from this change is \$261,000 per year.

Bureau of Mediation Services

Funding for the Bureau's Labor-Management Cooperation Grants program is reduced by \$30,000 each year in the 2002-03 biennium. The out-biennium reduction is \$50,000 each year.

Minnesota Historical Society

The Legislature reduced the FY 2002-03 General Fund appropriation to the Minnesota Historical Society by \$400,000 each year. The reduction in the 2004-05 biennium is \$650,000 per year.

The Governor had recommended much more drastic reductions of \$793,000 in FY 2002, and a permanent \$2.053 million yearly reduction beginning in FY 2003.

FY 2004-05 Biennium

The net General Fund impact of Jobs and Economic Development article of Chapter 220 is \$14.1 million less than current law for the FY 2004-05 biennium. The legislation reduces ongoing General Fund appropriations to the agencies under the jurisdiction of the House Jobs & Economic Development Finance by a total of \$13.1 million in the FY 2004-05 biennium. General Fund revenues are increased by \$3.3 million. These amounts are offset by the addition of a new general fund open appropriation for the alternative energy credit for biodiesel. The open appropriation is an estimated \$2.138 million in the FY 2004-05 biennium.

For additional information on Jobs and Economic Development Finance issues, contact Ron Soderberg, Fiscal Analyst, at 651-296-4162 or ron.soderberg@house.leg.state.mn.us

State Government Finance

Chapter 220 includes net General Fund reduction of \$41.9 million for the State Government Finance area in FY 2002-03. Recommended expenditure reductions for FY 2004-05 total \$57.8 million, with a permanent increase in revenues of \$1.250 million each year.

State Government Budget Reductions				
<i>(dollars in thousands)</i>				
	FY 02/03	FY02/03	FY 04/05	FY 04/05
	Cuts	Percent cut	Cuts	Percent cut
Legislature	(\$2,245)	-1.5%	(\$4,490)	-3.3%
Secretary of State	(\$199)	-1.3%	(\$398)	-2.8%
Governor's Office	(\$1,162)	-12.5%	(\$1,404)	-14.9%
State Auditor	(\$1,043)	-5.1%	(\$1,080)	-5.2%
State Treasurer	(\$30)	-0.5%	(\$60)	-1.3%
Attorney General	(\$900)	-1.7%	(\$1,800)	-3.3%
Campaign Finance Board	(\$35)	-2.5%	(\$70)	-5.0%
Investment Board	(\$127)	-2.5%	(\$254)	-5.0%
Gov't Innov & Cooperation Bd	(\$793)	-77.0%	(\$1,036)	-100.0%
Minnesota Planning	(\$1,160)	-10.9%	(\$1,120)	-11.2%
Department of Administration	(\$3,917)	-9.0%	(\$5,258)	-16.2%
Public Broadcasting	(\$67)	-0.5%	(\$266)	-4.0%
Capitol Area Arch & Plan Board	(\$16)	-2.0%	(\$32)	-5.0%
Department of Finance	(\$5,382)	-13.8%	(\$5,898)	-15.8%
Department Employee Relations	(\$1,929)	-11.5%	(\$2,538)	-15.0%
Department of Revenue	(\$14,000)	-7.4%	(\$14,000)	-7.6%
Humanities Commission	(\$41)	-2.0%	(\$82)	-4.0%
Arts Board	(\$526)	-2.0%	(\$1,052)	-4.0%
Military Affairs	(\$2,851)	-10.0%	(\$3,098)	-11.0%
Veterans Affairs	(\$180)	-1.9%	(\$360)	-4.0%
Amateur Sports Commission	(\$120)	-9.0%	(\$120)	-8.9%
Lawful Gambling Control Board	(\$126)	-2.6%	(\$252)	-5.0%
Minnesota Racing Commission	(\$21)	-2.5%	(\$42)	-4.9%
Contingent Account	(\$5,638)	-100.0%	(\$6,000)	-100.0%
Tort Claims	(\$114)	-20.7%	(\$228)	-41.5%
MN State Retirement System (Judges)	(\$2,004)	-10.7%	(\$4,375)	-20.8%
Transfer to Dislocated Workers Fund	<u>\$2,800</u>		<u>0</u>	
Total reductions:	(\$41,900)		(\$55,313)	
Revenues Changes: GF (gain) / loss	0		(\$2,500)	
Net General Fund Reduction	(41,900)	-5.3%	(\$57,813)	-7.7%

Legislature: \$2.2 million in FY 2003, \$4.5 million in FY 2004-05.

Chapter 220 includes a 3 percent base reduction to the operating budgets of the House and Senate. The Legislative Coordinating Commission's base budget was reduced by 5 percent.

Constitutional Offices

Governor's Office: \$1.2 million in FY 2002-03, \$1.4 million in FY 2004-05.

- The Minnesota Office of Volunteer Services (MOCVS) was eliminated at the end of January, saving \$141,000 in FY 2002 and \$339,000 each following year. This reduction accounts for over 50 percent of the reduction to the Governor's office in FY 2002-03.
- The Governor's Washington DC office was eliminated, for a savings of \$206,000 each year, beginning in FY 2002.

Secretary of State: \$199,000 each year, beginning in FY 2003

Chapter 220 directs that these reductions may not be made in either the elections division or in programs that produce general fund revenues.

State Auditor: \$1 million in FY 2002-03, \$1.1 million in FY 2004-05.

This reduction equals 5 percent of the office's general fund budget.

State Treasurer – \$30,000 each year, beginning in FY 2003

- \$30,000 per year in savings result from the closure of 130 local bank accounts maintained for the benefit of Deputy Registrars.
- The State Treasurer's office will be abolished in January 2003, and its staff and functions transferred to a yet undetermined agency or office⁵. The 2001 Legislature did reduce the Treasurer's budget in FY 2003 to reflect this change, since the position of State Treasurer will no longer be needed.

Attorney General: \$900,000 each year, beginning in FY 2003

This represents a 3.3 percent reduction to the office's general fund base.

⁵ The 2002 Legislature needs to act to transfer the statutory duties of the Treasurer.

State Agencies

Campaign Finance Board: \$35,000 each year, beginning in FY 2003.

This reduction is a 5 percent cut to the Board's annual general fund base.

Investment Board: \$127,000 each year, beginning in FY 2003

This is a 5 percent reduction to the Investment Board's general fund base.

Minnesota Planning: \$1.2 million in FY 2002-03, \$1.1 million in FY 2004-05.

Reductions consist of:

- Eliminate of Local Planning Assistance Grants (\$600,000 one-time reduction) \$500,000 for grants to regional planning groups, and \$100,000 for a grant to the I35 Corridor Coalition are eliminated.
- FTE Reductions (\$360,000) in FY 2002-03, (\$800,000 in FY 2004-05): The agency estimates that there will be eight FTE reductions, spread among both program and administrative functions.
- General Base Reduction of \$200,000 each year

Department of Administration: \$4.1 million in FY 2002-03, \$5.5 million in FY 2004-05.

The department's overall general fund operating budget was reduced by 9 percent in FY 2002-03 and 16.2 percent in FY 2004-05. In addition to including all of the Governor's recommended cuts to agency operations, and an additional 5 percent general base reduction to all divisions, specific cuts include:

- \$200,000 from the Technology Enterprise Fund
- \$74,000 in FY 2002 from the \$1.9 million appropriation for local government voting equipment upgrades.
- Chapter 220 specifies that no reductions may be made to the Information Policy Analysis division, the program that is responsible for data practices concerns.
- \$2 million additional reduction spread across all programs except Public Broadcasting and the In-Lieu-of Rent program.

Public Broadcasting: \$67,000 each year in a general base cut to be distributed equally among public radio, public television, and legislative television.

Digital television status: The 2001 appropriation of \$7.8 million to public television for digital conversion has cancelled. The 2001 appropriation language required the Minnesota Association of Public Television Stations to sign an agreement with the commissioner of administration by January 15, 2001. The agreement was not signed, and the appropriation was cancelled. This reduction is not contained in Chapter 220 since the cancellation occurred prior to passage of this bill.

Capitol Area Architecture Board: *\$16,000 each year, beginning in FY 2003.*

This is a 5 percent reduction to the Board's general fund base.

Department of Finance: *\$5.4 million in FY 2002-03, \$5.9 million in FY 2004-05*

The department's overall general fund operating budget was reduced by 13.8 percent in FY 2002-03 and 15.8 percent in FY 2004-05. This reduction includes all of the Governor's recommended \$4 million in cuts to agency operations, plus an additional \$1.4 million in general base reductions.

Department of Revenue: *\$7 million each year, beginning in FY 2002.*

This reduction represents 7.4 percent of the agency's general fund base for FY 2002-03, and 7.6 percent for FY 2004-05. The cut is a general base reduction.

Department of Employee Relations: *\$1.9 million in FY 2002-03, \$2.5 million in FY 2004-05.* The department's general fund operating budget was reduced by 11.5 percent in FY 2002-03 and 15 percent in FY 2004-05.

Military Affairs: *\$2.85 million in FY 2002-03, \$3.1 million in FY 2004-05.*

Several reductions to the maintenance, repair and utility budgets of the Training and Community Centers (TACCs) have already been identified:

- A total of 52 custodial positions would be eliminated. Other staff and Guard members would handle routine cleaning and small maintenance projects.
- The TACC maintenance and repair budget would be temporarily reduced by 13 percent in FY 2002-03. Some routine and preventative maintenance projects would be delayed.
- The utility budgets for TACCs would be temporarily reduced by three percent in FY 2002-03. Facilities may be required to limit some hours of operations and modify heating and air conditioning use.
- Funding for the Guard Our Youth program and the two associated positions would be eliminated. The program would cease operations effective in FY 2002.

Veterans Affairs: *\$180,000 each year, beginning in FY 2003*

This represents a 4 percent reduction in the agency's general fund base.

Minnesota Amateur Sports Commission: *\$60,000 each year, beginning in FY 2002.*

1.5 vacant staff positions related to administration of grants would be eliminated, for a total of \$30,000 each year. When the Mighty Ducks ice arena grant program was begun in 1995, the Legislature increased the agency's budget to hire additional staff to handle the grant process. However, both the 1999 and 2001 sessions, the Governor vetoed all grant funds appropriated to the agency, so the workload related to these grant programs has decreased.

Humanities Commission: *\$41,000 each year, beginning in FY 2003.*

This is a 4 percent reduction in the Commission's state funding.

State Arts Board: *\$526,000 each year, beginning in FY 2003.*

This is a 4 percent cut to the Board's two grant areas, as well as to the administrative budget.

Lawful Gambling Control Board: *\$126,000 each year, beginning in FY 2003.*

This is a 4 percent reduction to the Control Board's general fund base.

MN Racing Commission: *\$21,000 each year, beginning in FY 2003.*

This is a 4 percent reduction to the Control Board's general fund base.

Board of Government Innovation & Cooperation: *\$275,000 in FY 2002, \$518,000 each year after.*

Chapter 220 cuts 75 percent of the Board's remaining grant funds for FY 2002, and eliminates the Board beginning in FY 2003

Contingent Accounts: *\$5.6 million in FY 2002-03, \$6 million in FY 2004-05.*

This cut is a 100 percent reduction in the general fund appropriation to the contingent account.

Dislocated Workers Program

\$2.8 million is transferred from the General Fund to the Workforce Development Fund for the Dislocated Worker Program. The Economic Development article transfers an additional \$13.2 million to this program.

Pension Changes

Minnesota State Retirement System: *\$2 million in FY 2002, \$4.4 million in FY 04-05*

The open appropriation for judges not participating in the post-retirement fund was eliminated. At this time, the judges' retirement fund has a sufficiency and is on track to be fully funded by the statutory amortization date, so the open appropriation is no longer needed.

General Reductions

In addition to the specific reductions to the agencies in the state government area, Chapter 220 contains two provisions that apply general reductions across all executive branch agencies. These two reductions are expected to save an additional \$75 million each year, beginning in FY 2003.

Professional / Technical Contract Reductions: *\$35 million each year*

Chapter 220 requires the governor to reduce planned executive agency general fund expenditures on professional or technical service contracts by at least \$35 million during the current biennium. The governor must allocate this reduction among executive agencies, including MnSCU.

In addition, Chapter 220 provides that an entity in the executive branch may not enter into a new contract or renew an existing contract for professional or technical services before July 1, 2003. This moratorium applies to all professional / technical contracts, not only those funded through the General Fund (although the \$35 million reduction applies only to the General Fund).

Exceptions are allowed for contracts that relate to a threat the public health, welfare or safety, or that are paid for entirely with federal funds previously received. Also, an agency may apply for a waiver, which the commissioner of administration may grant upon a finding that the contract is necessary.

Hiring freeze: *\$40 million each year, beginning in FY 2003*

Chapter 220 provides that an executive or legislative branch employer may not hire any permanent or temporary employees before July 1, 2003. **This does not apply to MnSCU**, or to a student in a work-study position. The provision also does not apply to a position that is necessary to perform essential services, as determined by leadership in the legislative branch, by a constitutional officer with respect to their employees, or by the governor with respect to another executive employee.

Chapter 220 anticipates that application of this section to executive branch agencies will result in general fund savings of \$40 million during the biennium. If the governor determines that application of this section will not save \$40 million, the governor must make proportional reductions in executive agency operating budgets to achieve these savings.

For additional information on state government finance issues, contact Helen Roberts at 651-296-4117 or Helen.Roberts@house.leg.state.mn.us

Transportation

Cuts for the area of Transportation were relatively small, but may have an impact on services. The committee was given a target of \$4.1 million in annual reductions between the Departments of Transportation, Public Safety and Metropolitan Council Transit.

Transportation: General Fund Reductions				
<i>(dollars in thousands)</i>				
	FY 2003	FY 2004	FY 2005	FY 04-05
MNDOT	(\$510)	(\$510)	(\$510)	(\$1,020)
Met Council	(\$2,715)	(\$2,715)	(\$2,715)	(\$5,430)
Public Safety	<u>(\$875)</u>	<u>(\$875)</u>	<u>(\$875)</u>	<u>(\$1,750)</u>
Total:	(\$4,100)	(\$4,100)	(\$4,100)	(\$8,200)

Department of Transportation

The Department of Transportation had a total of \$510,000 in annual general fund reductions from an annual level of \$18.5 million.

- The Office of Aeronautics was reduced by \$50,000 per year. The dollars were used for pilot salaries, but will be replaced by unused balances in the state airports fund.
- Administrative dollars within the Office of Transit were reduced by \$400,000, but language allowing the department to use un-appropriated fund balances within the 1.25% of MVST dedicated for rural transit property tax replacement will fill in the reduction.
- The Office of Railroads and Waterways was reduced by \$60,000 annually.

Metropolitan Council

The Metropolitan Council was reduced by \$2.7 million dollars per year. The Governor and the Metropolitan Council had proposed reductions of \$1.1 million for the current biennium, and an annual reduction of \$885,000 beginning in state fiscal 2005. Language in the bill directs the Met Council to reduce expenditures further, raise revenues (ex. fare increase), or cut non-peak service or routes with less than 10% fare box recovery at their discretion. None of the options may be necessary, however, because under current law the Met Council was given a portion of motor vehicle sales tax to replace local property tax. Since car sales have been much stronger than expected, the Met Council is receiving more dollars from the general fund than projected last session, even after the cuts are enacted.

Department of Public Safety

The Department of Public Safety's general fund budget was reduced by \$875,000 annually. A transfer from the general fund to the trunk highway fund was reduced by \$500,000 saving dollars for the general fund, but in essence costing the trunk highway fund. Executive Protection was cut by \$175,000, reducing the budget for protecting the governor. Driver and Vehicle Services was also reduced by \$200,000 per year.

For further information on Transportation related issues contact John Walz at 651-296-8236 or John.Walz@house.leg.state.mn.us

House Fiscal Analysis Department Staff Assignments - 2002 Session

<u>Committee / Subject Area</u>	<u>Fiscal Analyst</u>	<u>Telephone</u>	<u>Room</u>
Chief Fiscal Analyst	Bill Marx	296-7176	373
Agriculture and Rural Development Finance	Bill Marx	296-7176	373
Environment & Natural Resources Finance	Katherine Schill	296-5384	374
Capital Investment	John Walz	296-8236	376
Jobs & Economic Development Finance	Ron Soderberg	296-4162	322
Higher Education Finance	Doug Berg	296-5346	372
K-12 Education Finance	Greg Crowe	296-7165	378
Family & Early Childhood Finance	Katherine Schill	296-5384	374
Health & Human Services Finance	Joe Flores	296-5483	320
Judiciary Finance	Gary Karger	296-4181	330
State Government Finance	Helen Roberts	296-4117	370
Transportation Finance	John Walz	296-8236	376
Taxes	Matt Massman	296-7171	326
	Paul Wilson	296-8405	328
Ways & Means	Bill Marx	296-7176	373

All fiscal staff are also available by email. The email address is as follows:
bill.marx@house.leg.state.mn.us At the beginning of the address, substitute the first.last names of the analyst you want to reach.

The House Fiscal Analysis Department Home Page is at:
<http://www.house.leg.state.mn.us/fiscal/FAHOME.HTM> The Web page has fiscal staff publications from recent years as well as spreadsheets for the major finance bills for the past seven legislative sessions.