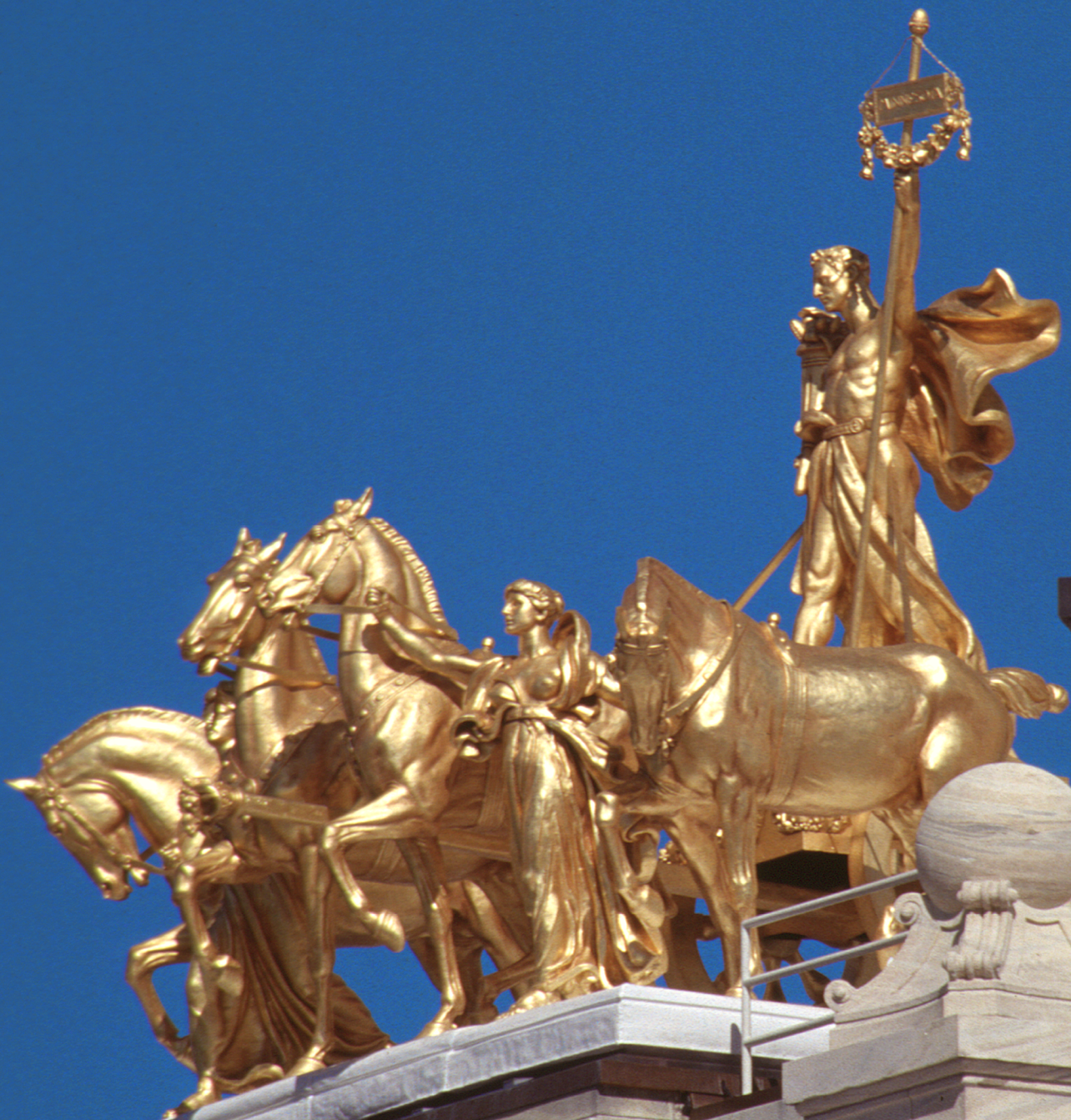


Fiscal Review

Minnesota State Senate

2006 Session



A

Fiscal Review

of the

2006 Legislative Session

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ON THE COVER

This gold-leafed copper and steel statuary group, "Progress of the State," was sculpted by Daniel Chester French and Edward Potter and placed on the Capitol in 1906. The four horses, known as the Quadriga, represent the power of nature: earth, wind, fire and water. The women symbolize civilization and the man standing on the chariot represents prosperity. In 1994, the Quadriga was removed from the capitol building for complete restoration and regilding, and was reinstalled in 1995.

Dates of the 2006 Legislative Session

Regular Session: March 1, 2006 to May 21, 2006

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INTRODUCTION & BUDGET BACKGROUND

The Fiscal Review is an annual report of actions taken by the Minnesota Legislature. The report covers all budgetary funds (All Funds), with special attention given to the General Fund, which is required by the Minnesota State Constitution to be balanced. Budgetary funds include only about 40 of the over 130 different state funds established in law, but generally reflect state operations. Dollar totals include all fiscal actions, but the report text may not cover every budget change in detail.

Minnesota operates on a biennial (two-year) budget basis, with the budget typically being enacted in odd-year legislative sessions; biennial budget revisions and major capital investments tend to be the focus of even-year legislative sessions. Consequently, most revenue and expenditure amounts are presented as biennial amounts. Annual amounts may, however, provide a more complete understanding of actions taken and are available by contacting the relevant Senate fiscal staff, or by consulting legislative budget tracking sheets at:

<http://www.senate.leg.state.mn.us/departments/fiscalpol/tracking/2006/index.shtml>.

Appropriations versus Spending

Amounts shown for previous biennia (odd-year Fiscal Reviews) reflect actual spending while amounts shown for the current biennium reflect appropriations.

Appropriations are authorizations made by the Legislature to spend money from the state treasury for the purposes established by law. Direct appropriations

are temporary authorizations for a specific dollar amount and time period; amounts are typically specified in session law. Statutory appropriations are ongoing authorizations for spending either a specific dollar amount or an open-ended amount and are specified in statutes. The amounts shown for statutory appropriations in state budget documents and the *Fiscal Review* reflect estimates of expected spending. Statutory appropriations grant ongoing spending authority even if a biennial budget is not adopted.

Dedicated revenues and expenditures refer to streams of revenue that are dedicated in law to specific funding purposes. Amounts shown for authorized spending levels reflect the estimates of the revenues to be generated.

“Base” versus Prior-Biennia Amounts

Various measures may be used to compare current budget decisions to past budgets. Odd-year *Fiscal Review* reports compare the current biennium to the prior biennium (e.g. FY 2006-2007 –v- FY 2004-2005); and current biennium to the “base.” “Base,” which is defined in Minnesota Statutes, section 16A.11, subdivision 3, refers to the amounts that would be expended if direct appropriations for the second year of the biennium were carried forward and no changes were made to statutory appropriations. Even-year *Fiscal Review* reports compare the current biennial budget as initially enacted to the adjusted biennial budget.

Report Organization and Content

The report is organized by budget area. In general, Table 1 of each section identifies legislative changes to the budget, and Table 2 provides a breakdown of each budget by agency and fund. Some budget areas are funded almost exclusively from the General Fund, while others are funded largely from other funds. An appendix summarizes the overall state operating budget by budget area and fund.

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SUMMARY OF FISCAL ACTIONS — 2006 LEGISLATURE

The 2006 Legislature approved \$1.0 billion of bonding for capital improvement projects, authorized financing and construction for two new sports stadiums, and adopted a supplemental budget containing various revisions to FY 2006-2007 biennial budget enacted in 2005. The Legislature also modified state and local pension programs and reformed the state eminent domain law. Most changes enacted in 2006 were to the General Fund, and

changes were modest relative to the overall size of the budget.

As illustrated by Table 1, 2006 legislative actions bring total all-funds spending for FY 2006-2007 to \$51.0 billion, an increase of \$265 million, or 0.5 percent, over the amounts projected in February 2006. Of that amount, General Fund spending will total \$31.6 billion, an increase of \$223 million, or 0.7 percent, over forecasted amounts.

Table 1					
FY 2006-2007 Biennial Budget—All Funds					
Comparison of End-of-Session 2005 to End-of-Session 2006					
(dollars in millions)					
	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
Current Revenues*					
General Fund	30,586	818	31,404	(73)	31,332
Other Funds	7,631	(128)	7,503	(46)	7,457
Federal Funds	11,697	64	11,760	25	11,785
Total Revenues	49,914	754	50,667	(94)	50,574
Expenditures & Transfers					
General Fund	30,574	815	31,389	223	31,612
Other Funds	7,833	(272)	7,561	10	7,571
Federal Funds	11,714	49	11,763	33	11,797
Total Spending	50,122	592	50,714	265	50,980
Source: Department of Finance Consolidated Funds Statement					

*Amounts do not include balance carryforwards.

Table 1 also summarizes revisions to FY 2006-2007 revenues and spending based on actual revenue collections and spending (open and forecasted appropriations), revised economic projections, and previously enacted laws. Since 2005, an improved outlook for General Fund revenues allowed for an \$818 million increase in General Fund spending, of which \$790 million was governed by previously enacted contingent appropriations to reverse

education aid and property tax recognition shifts adopted in 2002 and 2003 to help balance the budget. Another \$53.0 million is attributable to language adopted in 2005 to allow state agencies to carry forward unspent operating funds from the 2004-2005 biennium. Among other funds, a \$13.5 million reduction in revenues and spending for transit funds and reduced highway user tax distribution fund revenues reflect the ongoing

sluggishness of the dedicated revenue streams for those funds.

FY 2006-2007 General Fund Changes

The February 2006 General Fund forecast projected available resources of \$405.1 million for the FY 2006-2007 biennium, including a projected balance of \$88.4 million and a tax relief account balance of \$316.7 million. As summarized in Table 2, the Legislature

used \$92.2 million of those resources for various tax reductions and \$203.2 million for net spending increases—including appropriation increases of \$222.6 million partially offset by \$19.4 million from nontax revenue sources. The remaining tax relief account balance of \$109.7 million will cancel to the General Fund in FY 2008 to offset the loss of revenue from permanent tax reductions.

Table 2	
Summary of FY 2006-2007 General Fund Changes	
(dollars in millions)	
	FY 2006-2007
Resources	
General Fund Balance	88.4
Tax Relief Account Balance	316.7
Total Resources	405.1
Uses	
<i>Appropriation Increases (a)</i>	222.6
<i>Non-Tax Revenue Increases (b)</i>	19.4
Net Spending Increases (a-b)	203.2
Tax Revenue Decreases	92.2
Remaining Tax Relief Account Balance*	109.7
Total Uses	405.1
Balance	0

*The remaining balance will cancel to the General Fund in FY 2008.

Table 3 summarizes the FY 2006-2007 General Fund changes by budget area. General Fund revenue is now expected to total \$31.3 billion, while spending will total \$31.6 billion, after accounting for selected vetoes by the Governor. The \$280.0 million gap between current revenues and spending was closed with \$207.0 million from the tax relief account and \$73.0 million of carryforward of unspent appropriations from the FY 2004-2005 biennium.

Revenues are \$72.8 million, or 0.2 percent, lower than forecasted levels due to legislative actions, including a \$92.2 million reduction in tax revenues and a \$19.4 million increase from other revenue sources. Spending was increased \$222.6 million, or 0.7 percent, over forecasted levels. While legislative changes were modest relative to the overall budget, the changes reflect initiatives in several areas, including reforms to the alternative minimum income tax and standard married

deduction, expansions of early childhood education and child care programs, funding for higher education programs sponsored by the University of

Minnesota in Rochester, and funding for various economic development initiatives.

Table 3
FY 2006-2007 Biennial Spending — General Fund
Comparison of End-of-Session 2005 to End-of-Session 2006
(in millions)

	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
Balance Forward (a)	1,003	390*	1,393		1,393
Revenues					
Tax Revenues	28,192	703	28,895	(92)	28,803
Non-Tax/Other Revenues	1,635	89	1,724	18	1,742
Transfers	759	27	786	1	787
Total Revenues (b)	30,586	818	31,404	(73)	31,332
Total Resources (c)=(a+b)	31,589	1,208	32,797		32,725
Spending & Transfers					
Early Childhood Education	208	3	211	13	224
K-12 Education	12,406	794	13,200	8	13,208
Higher Education	2,761	**	2,761	5	2,766
Health & Human Services	8,228	(67)	8,161	115	8,276
Agriculture	88	**	88	4	92
Environment	286	9	295	13	308
Economic Development	306	5	311	30	341
Public Safety	1,685	5	1,690	20	1,710
State Government	584	26	610	6	615
Transportation	205	1	206	**	206
Property Tax Aids/Credits	2,984	50	3,034	**	3,034
Debt Service/Capital Projects	781	(24)	757	8	765
Other	52	14	66		66
Total Spending (d)	30,574	815	31,389	223	31,612
Reserves (d)	1,003	0	1,003		1,003
Tax Relief Account (d)	0	317	317	(207)	110
Budgetary Balance (c-d)	12		88		0

*Includes \$53 million in state agency operations carryforward and \$20 million contingently appropriated under prior law.

**Less than \$1 million.

Relative to the end of the 2005 session, General Fund revenues are now expected to be \$746 million higher—\$818 million more in forecast growth less \$73 million of reductions enacted in 2006. Similarly, General Fund spending

is now expected to be \$1.038 billion higher—\$815 million of spending funded by forecast growth under previously enacted laws and \$223 million due to increases enacted in 2006.

General Fund Revenues—Tax Reductions

As illustrated in Table 4, the 2006 Omnibus Tax Act (Chapter 259) provided for state General Fund tax reductions totaling \$92.2 million in FY 2006-2007 and \$115.7 million in FY 2008-2009. Those changes, which are discussed in more detail in the State Tax Revenues Chapter, included:

- conforming to federal tax changes for married couples taking standard deductions (\$23.8 million for FY2006-2007) and to selected other federal tax changes made since 2005 (\$36.2 million in FY 2006-2007);
- increasing the state alternative minimum tax exemption amount (\$23.8 million);
- creating an income tax credit for active duty military members (\$8.1 million);
- adopting an income tax credit for costs associated with bovine testing (\$390,000); and
- reducing the portion of the June accelerated sales tax payments from 85 percent to 78 percent of estimated June tax collections (\$22.6 million). This change also lowers FY 2006-2007 collections for the Health Impact Fund, which will then result in a smaller transfer to the General Fund.

	FY 2006-2007	FY 2008-2009
Tax Revenues—various (Ch. 259)	(92,215)	(115,704)
Non-Tax Revenues		
DHS—SOS Collections (Ch. 282)	10,517	16,276
HHS—Medicare Part D (Ch. 170)	4,000	0
Ag—Apiary Fees (Ch. 265)	(21)	(42)
DNR—Timber Sales (Ch. 281)	11	8
Transfers		
Health Impact Fund (Ch. 259)	(1,360)	25
Tobacco Endowment Funds (Ch. 282)	2,933	0
POST Board—Special Revenue (Ch. 282)	(200)	(400)
Dedicated Revenues		
DHS—Critical Access Dental Care (Ch. 282)	3,532	110
Total Revenue Changes	(72,803)	(99,727)

Table 4 also lists all the other changes to General Fund revenues. The Tobacco Endowment Fund transfers reflect provisions in Chapter 282 that directed the transfer of earnings that posted to the endowment funds since the principal in those funds was transferred to the

General Fund in 2003 to help balance the budget; the endowment funds were repealed. Only minor changes were made to nongeneral fund revenues.

Supplemental Appropriations

As summarized in Table 5, most budget provisions enacted in 2006 were for General Fund programs. Of the \$223 million increase in General Fund spending, \$115.0 million was for health and human services programs, including \$92.6 million to cover funding shortfalls for state-operated services treatment programs and for veterans programs.

Appropriations for debt service and capital projects were increased by \$7.7 million in FY 2006-2007 and by \$67.8 million in FY 2008-2009, reflecting the time lag between the sale of capital investment bonds and initial debt service payments. Increased appropriations were also granted for early childhood education programs, child care, clean water programs, several economic development initiatives, and other programs.

	FY 2006-2007	FY 2008-2009
General Fund		
Early Childhood Education	12,990	33,871
K-12 Education	8,233	35,126
Higher Education	5,000	11,330
Agriculture	3,849	1,254
Environment	13,174	1,300
Economic Development	29,652	450
Transportation	692	0
Public Safety	19,684	20,034
State Government	5,799	10,168
Health and Human Services	115,036	166,728
Tax Aids and Credits	720	409
Debt Service—Capital Projects	7,779	67,836
Gopher Stadium	0	20,500
Total General Fund	222,608	369,006

Capital Investment and Debt Service

The 2006 Legislature authorized the issuance of \$1.0 billion (\$999,980,000) of bonds to fund a wide range of capital improvements throughout the state, including \$874.7 million of general obligation bonds to be repaid with state general funds. General Fund debt service expenditures are expected to increase by

\$6.8 million in FY 2006-2007 and \$67.8 million in FY 2008-2009 as result of the provisions contained in Chapter 258, the 2006 Omnibus Bonding Bill. The remaining \$125.4 million of bonds will be repaid from user financing, state transportation funds, and through the maximum effort school loan program.

Proceeds from the bonds authorized will be used to support numerous specific projects and general capital improvement programs, including: \$307.2 million for higher education facilities; \$163.6 million for transportation and transit projects; \$136.1 million for parks, trails and natural resource programs operated by the Department of Natural Resources or the Metropolitan Council; \$61.1 million for correctional facilities; \$58.3 million for treatment facilities operated by the Department of Human Services; and various other projects such as housing, cultural and recreational facilities, zoo facilities, education facilities, Clean Water program and wastewater and wetland projects, and preservation of state-owned facilities.

Early Childhood Education and Child Care Programs

Supplemental appropriations included an additional \$4.8 million in FY 2006-2007 for various early childhood education programs, an overall increase of four percent for such programs. Increases to the per pupil/capita amounts for the early childhood and family education (ECFE) and adult basic education (ABE) funding formulas will provide increased funding for these programs to virtually all areas of the state.

In addition, basic sliding fee child care spending will increase by \$7.9 million over forecasted amounts for FY 2006-2007 to accommodate four changes in that program, including an increase in reimbursement rates for child care providers, a 15 percent bonus rate for accredited providers, changes to the policy for absent days, and funding to reduce the waiting lists for the program.

Further, because these changes also apply to the child care provided to parents served by the Minnesota Family Investment program (MFIP) and transition-year, funding for child care will increase by a total of \$15.8 million in FY 2006-2007, with one-half funded each from the General Fund and the federal TANF Fund.

Higher Education—Rochester Programs

An additional \$5.0 million of general funds was appropriated in FY 2007 for academic programs supporting the University of Minnesota-Rochester. The funds are to be used for faculty, staff, facilities, and program planning and development in the areas of biomedical, engineering, computer technologies, health care administration, and allied health programs. Further, Chapter 282 also provided funding for the Biotech/Medical Genomics partnership between the University of Minnesota and the Mayo Clinic (see Economic Development) and Chapter 258 provided funding for a variety of higher education facilities statewide (see Capital Investment).

Economic Development— Biotechnology/Medical Genomics Funding

The 2006 Legislature provided \$33.9 million, mostly onetime supplemental appropriations, in FY 2006-2007 for economic development programs, including \$29.6 million from the General Fund and \$4.2 million from other funds. The largest portion of this funding is a \$15 million supplemental appropriation for the biotech/medical genomics research partnership between the University of Minnesota and the Mayo

Foundation. The increase brings total funding for this effort to \$30 million for the biennium. In addition, Chapter 282 included General Fund appropriations of \$11.5 million for steel mill infrastructure and other minerals projects; \$1.7 million for the Minnesota Film and TV Board; and \$1.5 million for various other projects.

Clean Water Legacy Funding

A total of \$25.0 million was provided in FY 2006-2007, on a onetime basis, for Clean Water Legacy programs, including \$15.0 million in General Fund appropriations, \$9.1 million from bond proceeds, and \$640,000 from the Environmental Natural Resources Trust Fund. The funding, which is described in more detail in subsequent chapters, will be allocated to programs administered by various agencies, including the Pollution Control Agency; the Department of Natural Resources; the Board of Soil and Water Resources; the Department of Agriculture; and the Public Facilities Authority.

Veterans Programs

Supplemental appropriations of \$3.5 million for FY 2006-2007 included additional funding for state soldiers assistance program grants, for service enhancement grants to fund county veterans service offices, for a new initiative to establish veterans assistance offices on the campuses of public higher education institutions, and for other programs. All these programs are to be administered by the Department of Veterans Affairs. In addition, supplemental appropriations totaling \$10.5 million in FY 2006-2007 were approved for program funding shortfalls and for a quality assurance initiative for

programs administered by the Veterans Home Board.

Health and Human Services

FY 2006-2007 appropriations for health and human services programs were increased by \$129.9 million relative to amounts forecast in February 2006, including \$115.0 million in General Fund increases. Most of the additional funds are to cover projected budget shortfalls in state-operated services programs administered by the Department of Human Services. New funding was provided for several programs, including various mental health initiatives, pandemic flu preparedness, restoration of previously enacted reductions for the provision of dental services to low-income individuals, additional child care funding, and other initiatives.

Sports Stadiums

The consideration of authorizing language for new collegiate and professional sports stadiums received significant public and legislative attention during the 2006 session and two stadiums were approved.

Chapter 247 provided funding for a new 50,000-seat football stadium to be constructed on the Minneapolis campus of the University of Minnesota. The \$248 million stadium will be funded 55 percent from state General Fund appropriations and 45 percent from University-generated sources, including donations, naming rights, student fees, and parking revenues. General Fund appropriations of up to \$10.25 million annually for 25 years are expressly conditioned on the University's offer to convey 2,840 acres of University-owned

land at U-More Park to the state. More detail on the parameters of the stadium financing and the land conveyance are found in “Gopher Stadium” section of this review.

The 2006 Legislature also authorized the financing, construction, and operation of a new Major League Baseball stadium in Minneapolis for the Minnesota Twins. Chapter 257 established the Minnesota Ballpark Authority to carry out the purposes of the enabling legislation. Total construction costs for the 42,000-seat, open-air stadium were estimated during the legislative session to be \$522 million. Of that amount, the Minnesota Twins are expected to contribute \$130 million, with the remainder coming from local sources. Hennepin County was authorized to impose a 0.15 percent local sales tax to fund construction costs, land-site improvements, public infrastructure improvements, and other qualifying costs as specified in the law.

Materials purchased for the construction of both stadiums were exempted from the state general sales and use tax. In addition, Chapter 257 also included a state sales and use tax exemption on the sale of tickets to games and events sponsored by the Minnesota State High School League.

Pensions

Chapter 277 made significant changes to public employee retirement and pension programs, including placing a five percent cap on annual increases in postretirement benefits for participants of the Minnesota Post Retirement Investment Fund, altering the augmentation rate for deferred annuities, and providing for the merger of the

Minneapolis Teachers Retirement Fund Association (MTRFA) into the Teachers Retirement Association (TRA). The merger of teacher retirement programs will result in increased appropriations for general education aid beginning in FY 2008 (see K-12 Education section). In addition, Chapter 277 also made changes to employee and employer contribution rates, which will be phased in over time. While no additional funds were appropriated for state agencies to cover the increased employer contribution rates for state employees, the increased contributions will result in budget pressures for state agencies over time.

Eminent Domain Laws

Subsequent to the recent United States Supreme Court ruling in the case of *Kelo v. New London*, the Minnesota Legislature reviewed and enacted a variety of reforms to the state’s Eminent Domain law. Key changes to the law pertained to the definition of public use or purpose, liability for the payment of attorney fees, the computation of appraisal fees and other costs and compensation, and negotiation requirements.

FY 2008-2009 General Fund Status

The 2006 February Forecast projected a positive General Fund balance of \$1.091 billion for FY 2008-2009, not including the \$88.4 balance projected for FY 2006-2007.

As summarized in Table 6, the ongoing budget impacts of the provisions enacted in 2006 are expected to lower that balance to \$736.8 million, reflecting a net spending increase of \$348.6 million, tax reductions of \$115.7 million, and transfer of remaining tax relief account balance of \$109.7 million.

The projected balance of \$736.8 million does not account for the potential General Fund budget pressures resulting from price inflation or the potential for passage of a constitutional amendment to dedicate all of the motor vehicle sales tax revenues, some of which are currently deposited into the General Fund, to transit and transportation purposes.

Using the inflation estimates from the February Forecast—1.9 percent for FY 2008 and 2.0 percent for FY 2009—price inflation would amount to \$955 million for FY 2008-2009. Adoption of the proposed constitutional amendment, to be voted on in November 2006, would reduce General Fund revenues by \$172 million for FY 2008-2009.

Table 6	
Summary of FY 2008-2009 General Fund Changes	
(dollars in millions)	
	FY 2008 -2009
Beginning Balance (Feb. 2006 Forecast)	1,091.4
Legislative Changes	
<i>Appropriation Increases (a)</i>	369.0
<i>Non-Tax Revenue Increases (b)</i>	20.4
Net Spending Increases (a-b)	348.6
Tax Reductions	115.7
Transfer of Remaining Tax Relief Account	(109.7)
Total Uses	354.6
Projected Balance*	736.8

*Does not account for inflation or the possible loss of General Fund revenues from the motor vehicle sales tax.

2006 STATE TAX REVENUES CHANGES

Tax revenues account for 92 percent of all General Fund revenues and fluctuate with changes in the economy and tax law changes. As summarized in Table 1, relative to the FY 2006-2007 budget enacted in 2005, General Fund revenues are now expected to be 702.8 million higher due to forecast changes and \$92.2 million lower due to tax reductions adopted by the 2006 Legislature.

Chapter 259, the Omnibus Tax Act, contained no significant revenue-raising provisions. No changes were made to major state taxes deposited into other funds – such as the gas tax, solid waste management tax, or motor vehicle taxes – but some changes have implications for other funds. Nontax dedicated revenues and transfers are discussed in the relevant chapters.

Tax Type	2005 Session Enacted Budget	Feb. 06 Forecast Changes	Enacted Changes 2006 Session	2006 Session Enacted Budget
Individual Income	13,515,618	102,482	(65,565)	13,552,535
Corporate Income & Bank Excise	1,505,195	336,905	(2,910)	1,839,190
Sales	8,905,865	208,024	(21,450)	9,092,439
Motor Vehicle Sales	530,950	(27,287)	0	503,663
Statewide Property	1,291,202	2,705	0	1,293,907
Estate	176,000	125,000	0	301,000
Alcohol	135,442	4,512	(400)	139,554
Cigarettes and Tobacco	387,869	(6,007)	(1,340)	380,522
Taconite	4,650	(650)	(550)	3,450
Mortgage Registry	236,900	48,700	0	285,600
Deed Transfer	239,100	12,800	0	251,900
Insurance Gross Earnings & Fire Marshal	591,430	(4,730)	0	586,700
Controlled Substance	40	(20)	0	20
Other Gross Earnings	100	0	0	100
Lawful Gambling	119,520	(14,630)	0	104,890
Medical Assistance Surcharges	404,785	3,029	0	407,814
Income Tax Reciprocity	110,660	6,701	0	117,361
Other – Motor Vehicle Registration, Fur Clothing Gross Receipts	2,184	29	0	2,213
Compliance Revenues	90,700	(90,700)	0	0
Other Tax Refunds	(56,274)	(4,050)	0	(60,324)
Total Tax Revenues	28,191,936	702,813	(92,215)	28,802,534

The following tables and text summarize state revenue changes made by the 2006 Legislature, including, Chapter 259, the Omnibus Tax Act; Chapter 247, the University of Minnesota Football Stadium; Chapter 257, the Twins Baseball Ballpark in Hennepin County; and Chapter 217, the Fire Safety Surcharge and Account.

See the chapters on Stadiums for additional information on provisions related to the University of Minnesota Football Stadium and the Twins Ballpark in Hennepin County.

Table 1a Individual and Corporate Income Tax Changes – General Fund 2006 Legislative Session (dollars in thousands)		
Tax Provisions	FY 2006-07 2006 Session Enacted Changes	FY 2008-09 2006 Session Enacted Changes
Income Tax		
Federal Conformity Energy Incentives	(620)	40
Federal Conformity Gulf Zone	(225)	(40)
Federal Conformity Katrina	(3,795)	65
Federal Conformity Married Standard Deduction	(28,700)	(21,300)
Tax Increase Prevention & Reconciliation Act	65	675
Alternative Minimum Tax	(23,800)	(59,900)
Active Military Income Credit	(8,100)	(4,600)
Bovine Testing Credit	(390)	(390)
Income Tax Subtotal	(65,565)	(85,450)
Corporate Income & Bank Excise Tax		
Federal Conformity Energy Incentives	(1,940)	(6,740)
Federal Conformity Gulf Zone	(710)	(220)
Federal Conformity Katrina	(440)	(10)
Tax Increase Prevention & Reconciliation Act	180	670
Corporate Tax Subtotal	(2,910)	(6,300)

FEDERAL CONFORMITY

Because Minnesota uses federal taxable income as the starting point for determining state income tax liability, changes to federal taxable income are typically adopted by Minnesota. The following federal law changes were adopted for Minnesota income tax purposes:

- The Tax Increase Prevention and Reconciliation Act of 2005 (TIPPA) extended the dividend and capital gains tax rate cuts for two more years beyond 2008, increased the alternative minimum exemption for individuals, extended small business expensing thresholds, and changed income limitations on Roth IRA conversions.

- The Energy Tax Incentives Act of 2005 provided for the acceleration of the deduction of capital expenditures for companies providing energy and energy services.
- The Katrina Emergency Tax Relief Act of 2005 provided additional tax relief to victims of Hurricane Katrina and tax incentives for individuals and corporations to make charitable contributions after August 25, 2005, and before January 1, 2006.
- The Gulf Opportunity Zone Act of 2005 extended disaster tax relief to victims of Hurricanes Rita and Wilma and allowed additional section 170 expensing or 50 percent bonus depreciation on business property placed in service in the areas damaged by Hurricane Katrina.

INCOME TAXES

Married Standard Deduction

In the Working Family Tax Relief Act of 2004, Congress made permanent a federal married standard deduction amount that is double the amount for single filers. To conform to the federal standard, the Minnesota standard deduction was increased to twice the standard deduction allowed for single taxpayers for tax years 2006 and following. This change also eliminated the disparity between federal and state deductions affecting married itemizers who deduct state income taxes on the federal return.

Alternative Minimum Tax

The alternative minimum tax (AMT) exemption was increased by 50 percent, from \$40,000 to \$60,000 for married joint returns, from \$20,000 to \$30,000

for married separate returns, and from \$30,000 to \$45,000 for single and head-of-household returns, effective in tax year 2006. The provision also effectively expands the range of income over which the exemptions are phased out. For 2007 and future tax years, the exemption amounts are indexed for inflation.

Active Duty Military Credit

The active duty military credit allows a refundable credit equal to \$59 for each month of service to Minnesota taxpayers who were in active military service in a designated combat zone or hazardous duty area after September 11, 2001. If eligibility for the credit results from service between September 11, 2001, and December 31, 2005, the credit may be claimed in tax year 2006.

The surviving spouse or dependent child of a Minnesota resident killed while in active military service in a designated area may claim the credit.

Bovine Testing Credit

The bovine testing credit allows a refundable credit against the individual income tax or corporate franchise tax equal to one-half of the expenses incurred during the year for testing for bovine tuberculosis to an owner of cattle in Minnesota.

SALES AND EXCISE TAXES

June Accelerated Sales and Excise Tax

The requirement that taxpayers with an annual liability of \$120,000 or more pay 85 percent of their estimated June sales tax before the end of June was reduced to 78 percent for the general sales tax,

the cigarette tax, the tobacco products tax, and taxes on alcoholic beverages. The numbers for the cigarette tax and tobacco products tax included both the excise tax and the health impact fee.

Local Option Sales Taxes

The cities of Austin, Baxter, Brainerd, and Owatonna were granted authority to impose a one-half of one percent local sales and use tax, subject to voter approval.

Chapter 257 authorized Hennepin County to impose a 0.15 percent local sales and use tax without referendum to pay for its portion of the Twins Ballpark.

Sales Tax Exemptions

Both the University of Minnesota Stadium and the Hennepin County Ballpark Acts contained sales tax exemptions for the purchase of materials used for the construction of the Gopher Football Stadium and the Twins Ballpark. The University of Minnesota Stadium Act also provided a sales tax exemption for ticket sales to high school tournament games, events, and activities after June 30, 2006, and before July 1, 2016. (See the Stadium chapters of the Fiscal Review.)

Table 1b Sales and Use and Excise Tax Changes – General Fund 2006 Legislative Session (dollars in thousands)		
Tax Provisions	FY 2006-07	FY 2008-09
Sales and Use Tax		
U of M Stadium Construction Materials	0	(5,000)
Twins Ballpark Construction Materials	(1,300)	(9,500)
High School League Ticket Sales	(30)	(1,060)
Reduce June Acceleration	(19,500)	(1,930)
Various Exemptions	(120)	2,380
Subtotal Sales and Use Tax	(21,450)	(15,110)
Alcohol Excise Tax		
Reduce June Acceleration	(400)	(10)
Cigarettes and Tobacco Excise Tax		
Reduce June Acceleration*	(1,340)	25

*Note: A portion of the reduced June accelerated payment of cigarette and tobacco sales and excise taxes is reflected in Table 1c.

Table 1c
Other Tax Revenue Changes – All Funds
2006 Legislative Session
(dollars in thousands)

Tax Provision	FY 2006-07 2006 Session Enacted Changes	FY 2008-09 2006 Session Enacted Changes
General Fund		
Repeal Fire Insurance Tax* (Ch. 217)	0	(8,400)
Transfer from Fire Safety Acct. (Ch. 217)	0	2,736
Reduce Fire Marshal Program Appropriations (Ch. 217)	0	5,664
<i>Subtotal for Chapter 217 Changes</i>	<i>0</i>	<i>0</i>
Taconite Occupation Tax – Repeal AMT	(550)	(550)
Health Impact Fund Transfer-In – June Acceleration	(1,360)	(25)
Medical Assistance(MA) Surcharges Chapter 282**	0	101
Total General Fund	(1,910)	(474)
Health Impact Fund – Reduce June Acceleration		
	(1,360)	(25)
Special Revenue Fund - Fire Safety Account		
Insurance Surcharge of 0.65%	0	19,000
Transfer to General fund	0	(2,736)
Base Funding for Fire Marshal Program	0	(5,664)
Total Special Revenue Fund	0	10,600

*Chapter 217 repeals the fire insurance tax and authorizes a fire safety surcharge deposited into a special revenue account. Transfers from the special revenue fire safety account and reduction of the General Fund appropriation for the Fire Marshal Program result in no net impact to the General Fund.

**Chapter 282 provides for a nursing facility moratorium exception that generates MA surcharge revenue. The associated spending is in the Health and Human Services budget.

OTHER TAXES

Fire Safety Surcharge and Account

Chapter 217 repealed the 0.5 percent gross premium tax on fire insurance. In its place, a 0.65 percent surcharge was levied on premiums for homeowner, commercial fire insurance, and for commercial nonliability policies. A new fire safety account was created in the Special Revenue Fund, with proceeds from the surcharge deposited into that account.

Under previous law, the gross premiums tax was generating more General Fund revenue than was being appropriated for the Fire Marshal Program. Therefore, to hold the General Fund harmless, a portion of future revenues to the new Special Revenue Fund account will be transferred back to the General Fund.

In fiscal year 2008, \$468,000 is transferred from the fire safety account to the General Fund, and \$2,268,000 is transferred in each subsequent year. Beginning with fiscal year 2008, the base funding for the Fire Marshal Program from the fire safety account is

\$2,832,000 for each year. Accordingly, the General Fund base appropriation for the Fire Marshal Program is reduced by \$2,832,000 each year.

The Commissioner of Public Safety is responsible for administering the program, and is authorized to spend the funds in the fire safety account for activities and programs recommended by a Fire Service Advisory Committee, as established by Chapter 217. The commissioner must also provide an annual accounting to the Legislature on how funds in the fire safety account are used.

Minerals

The Omnibus Tax Act modified the mining occupation tax applied to iron ores, taconite, and noniron ores by reducing the rate from 9.8 percent to 2.45 percent. Transfers of iron ore and taconite are deemed to be Minnesota sales. The tax act also repeals the alternative minimum tax that applies to taconite and other mineral producers. The distribution of taconite production tax revenues was modified, and surplus money in the taconite homestead credit account was allocated to various infrastructure projects in the tax relief area.

For more information on the fiscal actions related to State Tax Revenue, contact Susan Von Mosch, susan.vonmosch@senate.mn or Michelle Allen, Michelle.Allen@senate.mn

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ELEMENTARY AND SECONDARY EDUCATION

Spending for E-12 education increased \$13.0 million in FY 2006-2007 from legislative policy changes, including \$8.2 million for K-12 education and \$4.8 million for early childhood and family education programs (see separate chapter on Early Childhood Education). Property tax levies were increased by less than \$1 million each year for taxes payable in 2007 and 2008 relative to the February forecast.

As shown in Table 2, K-12 spending has grown by over \$800 million since the conclusion of the 2005 legislative session, due to previously enacted laws providing for the automatic buy-back of education aid and property tax recognition accounting shifts amounting to over \$790.0 million in increased spending.

Table 1		
K-12 Education Spending Changes—General Fund		
2006 Legislative Session		
(in thousands)		
	<u>FY 2006-2007</u>	<u>FY 2008-2009</u>
Department of Education		
Expansion of AP/IB programs	1,000	
TIMS: International Coop. Achievement	500	
Mandarin Chinese project	250	
Waseca Health and Safety Rev Recovery	316	
Expand Participation in Q.Comp	(9)	(18)
Extend Q.Comp Transition Period		(158)
Northwest on-line College in High School	50	
Onetime Emergency Aid-Red Lake	474	
Onetime Emergency Aid-Ricori	137	53
School lunch food storage program	495	1,008
Scholars of Distinction	25	
Character Education	1,500	
Onetime Heating Assistance	3,495	
Health & Safety Levy-Testing/Balancing		14
General Education Aid-Pension Reforms		34,227
Total General Fund Changes	8,233	35,126

Education Aid/Property Tax Recognition Shifts Eliminated

The most significant change in K-12 funding since 2005 was the elimination of shifts in education funding used to balance the state budget in prior years. In 2004, the Legislature enacted a provision (Minnesota Statutes, section 16A.152, subdivision 2) that required spending to buy back the K-12 shifts automatically when a forecast projected

a positive unrestricted General Fund balance, commonly referred to as a surplus.

Those shifts were partially reduced with the November 2004 and February 2005 forecasts, and have now been completely bought back with the November 2005 and February 2006 forecasts, which estimated a positive balance of \$701 million and \$181 million respectively.

The entire \$701 million from the November forecast was used to buy back the balance of the school aid payment shift and a portion of the property tax recognition shift. When the February forecast estimated a positive balance of \$181 million, the first \$93.4 million paid the remaining balance of the property tax recognition shift, leaving a positive General Fund balance of \$88 million.

GENERAL EDUCATION

Onetime Energy Assistance Aid

In FY 2006, the Legislature provided every school district and charter school with a onetime aid increase of \$3.67 per adjusted marginal cost pupil unit (AMCPU). The total aid statewide is \$3.5 million and was designed to be a response to the increased energy costs that districts experienced throughout the past school year. Districts may use this aid to pay for heating, fuel, or other energy-related costs.

Alternative Teacher Compensation

The Legislature made two adjustments to the alternative teacher compensation program. In both cases, these adjustments created savings to the general education program. The first change extended the transition period during which districts change from the old alternative compensation program to the new Q. Comp-based program. Under current law, districts were allowed a two-year transition period. The changes allow districts four years, or until FY 2009, to fully convert to the Q. Comp program. This change creates \$158,000 in general education aid savings for FY 2008-2009, but has no effect in the 2006-2007 biennium.

The second change makes both the Perpich Center for Arts Education and Multidistrict Integration Collaboratives eligible to participate in the alternative compensation program. These schools were not eligible under the original Q. Comp program language. This change saves \$9,000 in FY 2006-2007. These provisions also will reduce property tax levies by \$1.1 million and \$1.2 million for taxes payable in 2007 and 2008, respectively.

Teachers Retirement Association Pension Offset Reduction

Chapter 277, the Retirement and Pension Act, merges the Minneapolis Teachers Retirement Fund Association (MTRFA) into the Teachers Retirement Association (TRA) as of July 1, 2006. All MTRFA assets will be transferred to the investment authority of the Minnesota State Board of Investment. All Minneapolis retirees will be transferred into the Post Retirement Fund. Further, TRA active members are provided a formula multiplier benefit increase of 0.2 percent for all years of service after FY 2006.

Several revenue sources over a 30-year period are required to pay for the MTRFA unfunded liability and the benefit increase for existing members. Of primary importance to K-12 finance, the new pension law reduces the TRA reduction that exists in current law, resulting in a state general education aid increase for school districts. This change is effective for fiscal year 2008 and represents an increase in state aid for school districts equal to 0.5 percent of eligible FY 2007 salaries. As a result, general education expenditures associated with this provision will increase by \$17.0 million in FY 2008

and \$17.2 million in FY 2009. The entire pension proposal is examined in greater detail in the Pensions Chapter.

EDUCATION EXCELLENCE

Character Development Revenue Pilot Program

For FY 2007 only, the Legislature approved a \$1.5 million appropriation for a character development education revenue pilot program. Districts participating in the program will receive \$30 per AMCPU to purchase character development education curriculum.

Onetime Advanced Placement Revenue

The Legislature also approved \$1 million in FY 2007 for grants to school districts and charter schools to raise academic achievement through increased participation in preadvanced placement and advanced placement programs. School districts must apply to the Department of Education for grants that are to be awarded to eligible districts on a geographically equitable basis. Grant awards are limited to the lesser of (1) \$85 times the number of enrolled pupils on October 1 of the previous year or (2) the approved supplemental expenditures in the applicant's proposed budget.

FACILITIES, ACCOUNTING, AND TECHNOLOGY

Health and Safety Expansion

During the 2003 legislative session, the Legislature substantially curtailed the types of available uses on which school districts were able to spend health and safety revenue. In the intervening three years, several school districts approached the Legislature about some of the impacts of the 2003 policy

changes and, in 2006, the Legislature agreed to allow air quality testing and balancing to again be an acceptable use of health and safety revenue. This new policy has no state-aid impact in the FY 2006-2007 biennium and is projected to carry a state-aid increase of \$14,000 in the FY 2008-2009 biennium. Health and safety levies are projected to increase by \$2.5 million and \$1.8 million for taxes payable in 2008 and 2009, respectively.

Emergency Aid

The Legislature provided direct aid to help repair infrastructure damage at Independent School District No. 38, Red Lake. The FY 2006 emergency aid appropriation originally provided by the 2005 Legislature was increased from \$50,000 to \$524,000, consistent with a detailed cost projection outlined at the request of the Legislature.

Independent School District No. 750, Rocori, received a \$137,000 emergency aid appropriation in the 2006-2007 biennium to support activities relating to the recovery from a school shooting in their district. The Rocori School District also qualifies for a \$53,000 appropriation in FY 2008 only.

NUTRITION

The Legislature increased the school lunch reimbursement from ten cents to 10.5 cents per lunch in FY 2007. This permanent change increased the school lunch appropriation by \$495,000 in FY 2007 and increased the planning estimates in FY 2008-2009 for nutrition by \$1 million.

Table 2 displays “all funds” by department. Buy back of the K-12 shift remains the primary General Fund budget change for the last year. Federal

funds always experience forecasting changes year to year, but none were of note.

Table 2 FY 2006-2007 Biennial Spending by Agency and Fund—All Funds Elementary and Secondary Education (dollars in thousands)					
Agency/Fund	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
Total All Funds	13,690,149	803,791	14,493,940	8,242	14,502,182
Department of Education					
General Fund	12,370,772	793,746	13,164,518	8,233	13,172,751
Special Revenue Fund	17,983		17,983		17,983
Endowment & Perm School Fund	37,189	6,533	43,722	9	43,731
Federal Fund	1,223,273	2,846	1,226,119		1,226,119
Gift Fund	530		530		530
Dept. of Education Total	13,649,747	803,125	14,452,872	8,242	14,461,114
Faribault Academies					
General Fund	21,932	2	21,934		21,934
Special Revenue Fund	3,138		3,138		3,138
Federal Fund	472		472		472
Gift Fund	34		34		34
Faribault Academies Total	25,576	2	25,578		25,578
Center for Arts Education					
General Fund	13,246	24	13,270		13,270
Special Revenue Fund	1,398		1,398		1,398
Federal Fund	52	640	692		692
Gift Fund	130		130		130
Center for Arts Education Total	14,826	664	15,490		15,490
Fund Totals					
General Fund	12,405,950	793,772	13,199,722	8,253	13,207,955
Special Revenue Fund	22,519		22,519		22,519
Permanent School Fund	37,189	6,533	43,722	9	43,731
Federal Fund	1,223,797	3,486	1,227,283		1,227,283
Gift Fund	694		694		694

The 2006 Legislature increased the permanent school fund by \$9,000 as a result of a minor policy change in the environment and natural resources budget area.

Table 3 displays “all funds” by K-12 budget function. Forecast changes occur every year, but none are of particular note.

Table 3
FY 2006-2007 Biennial Spending by Function—All Funds
Elementary and Secondary Education
(dollars in thousands)

Function	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
Grand Total	13,690,149	803,791	14,493,940	8,242	14,502,182
General Education Program	11,787,766	774,005	12,561,771	0	12,561,771
Other General Education	100,362	(1,788)	98,574	3,495	102,069
Education Excellence	264,076	(3,365)	260,711	3,325	264,036
Special Education	1,286,058	34,560	1,320,618	0	1,320,618
Facilities and Technology	97,292	(3,277)	94,015	927	94,942
Nutrition Programs	28,220	1,636	29,856	495	30,351
Libraries	23,146	607	23,753	0	23,753
MDE, Agency Budget	62,827	747	63,574	0	63,574
Faribault Academies	25,576	2	25,578	0	25,578
Center for Arts Education	14,826	664	15,490	0	15,490

**SPECIAL EDUCATION
MAINTENANCE OF EFFORT**

In 2006, the Legislature adopted language in the education policy bill to protect the state and school districts from losing federal funds as a result of a federal maintenance of effort (MOE) requirement. Under this federal law, state expenditures on special education are not allowed to decline year to year. If they do, the federal government imposes a financial penalty by withholding federal funds. For FY 2006, the state must spend \$655.3 million for special education and related services. Based on the February forecast, appropriations available to satisfy the federal MOE requirement for that year were only \$37,000 above the federal requirement. This represents a small margin of potential forecasting error that could risk a loss of federal funds. To ensure that the state would meet its MOE and guarantee that it not lose federal funds due to underestimations, the Legislature instituted an automatic

reallocation of funds to minimize that risk.

State special education expenditures used to calculate the federal MOE include regular special education aid, transition for disabled students, travel for home-based services, aid for students with disabilities, court-placed special education, and out-of-state tuition. Under the 2006 change, if the total expenditures from these programs are projected to be less than the amount previously forecast, the excess from these programs, up to an amount sufficient to meet federal special education MOE, is reallocated to the state total regular special education aid to maintain the state's special education effort and reduce the risk of a federal penalty.

Alternately, if the expenditures listed above are projected to be greater than previously forecast, and an addition to state total special education aid has been made consistent with this section of law,

the state total special education aid must be reduced by the lesser of the amount of the expenditure increase or the amount previously added to state total special education aid. This amount must be allocated back to the programs that were forecast to have an excess.

This process of reallocation will minimize the risk to the state of losing federal funds as a result of not meeting the special education MOE requirement. The provision carries no fiscal impact and applies only to the current biennium.

For more information on the fiscal actions related to Elementary and Secondary Education, contact Eric Nauman, Eric.Nauman@senate.mn or Shelby McQuay, Shelby.McQuay@senate.mn

EARLY CHILDHOOD EDUCATION

Early Childhood Education provisions were enacted in Chapter 282, Article 2, which increased General Fund appropriations by \$4.8 million for FY 2006-2007 for early childhood and community education programs. The changes represent a three percent increase in funding over amounts appropriated in 2005 for these programs. Adjustments in the February 2006 forecast increased funding for these programs by \$2.8 million.

Federal Child Care Development funds also increased by \$5.1 million, a seven percent increase over amounts provided in 2005.

Finally, Article 2 included a \$250,000 appropriation to the Legislative Coordinating Commission (LCC) to establish a legislative commission to end poverty in Minnesota, along with guidance relating to the administration of the commission.

Article 2 also provided for supplemental General Fund appropriations of \$7.9 million, a 22 percent increase, to implement changes to the Basic Sliding Fee (BSF) child care program.

	FY 2006-2007	FY 2008-2009
Department of Education		
Health & Development Screening Aid	143	53
Early Childhood-Part C Eligibility	400	6,931
ECFE Formula Increase	2,680	5,841
Kindergarten Readiness Assessment	287	574
Quality Rating System-MELF (Vetoed)	[1,000]**	
Educate Parents Partnership	80	100
Adult Basic Education Formula	***	***
Adult Literacy Grants	1,250	1,250
Department of Human Services		
Basic Sliding Fee—Increase Reimbursement Rate	3,400	9,396
BSF Child Care—Accreditation Bonus	609	1,796
BSF Child Care—Absent Day Policy	46	246
BSF Child Care—Reduce Waiting Lists	3,842	7,684
BSF Child Care—Administration Costs	3	
Legislative Coordinating Commission		
Establish Commission to End Poverty	250	
Total General Fund Changes	12,990	33,871

* No changes were made to nongeneral funds.

** Provision was vetoed by Governor, not included in total.

*** The Legislature approved an increase in the formula but due to a drafting error, the appropriations amount was not revised.

Early Childhood and Family Education

Funding for Early Childhood Family Education (ECFE) programs increased \$2.7 million for FY 2006-2007, increasing the amounts distributed through the ECFE formula from \$104 to \$112 multiplied by the greater of the number of residents under age five or by 150. There were no changes to the property tax levy portion of this aid-levy program.

Other supplemental appropriations for early childhood programs included:

- \$287,000 to implement a voluntary kindergarten readiness assessment program that produces representative results in incoming kindergartners in Minnesota. The program will be based on an earlier study completed by the Department of Education;
- \$143,000 to correct a drafting error in the 2005 legislation relating to Developmental Screening Aid by clarifying that such aid is available to conduct screening for children entering kindergarten if they have not previously been screened;
- \$80,000 to participate in a public/private partnership with health care providers and community organizations. The Educate Parents Partnership will distribute informational materials to parents of newborn children before they leave the hospital, including information about parenting, child development, and resources that may be available to provide assistance with child care and other services; and

- \$400,000 to implement required federal changes to Minnesota Early Childhood Special Education (PartC) programs.

Minnesota Early Learning Foundation

Chapter 282, Article 2, provided a onetime appropriation of \$1 million to the Minnesota Early Learning Foundation to evaluate the effectiveness of the proposed NorthStar Quality Improvement and Rating System and to report its findings to the Legislature in 2008. This provision was vetoed by the Governor.

Adult and Community Education

Chapter 282 modified the Adult Basic Education Aid formula to provide an additional \$1.1 million in FY 2006-2007 by providing for annual indexing of the formula up to a maximum three percent increase based on funding in the previous year. However, due to a drafting error, the appropriation for this change was omitted from Chapter 282, Article 2. It is expected that additional funding for the increase in the formula will be addressed in the 2007 legislative session.

Further, \$1.25 million for fiscal years 2007 and 2008 was provided for a grant program to provide literacy education to recent immigrants. This funding is to accommodate services for an unanticipated increase in the number of refugees and immigrants.

All of the above provisions will be administered by the Department of Education.

Table 2
FY 2006-2007 Biennial Spending by Agency and Fund – All Funds
Early Childhood Education
(dollars in thousands)

	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
Department of Education					
General Fund	172,239	2,833	175,072	4,840	179,912
Department of Human Services					
General Fund	36,073		36,073	7,900	43,973
Federal Funds- CCDF	78,215		78,215	5,118	83,333
Total Human Services	114,288		114,288	13,018	127,306
LCC					
General Fund	0		0	250	250
Fund Totals					
General Fund	208,312	2,833	211,145	12,990	223,885
Federal Funds – CCDF	78,215		78,215	5,118	83,333
Total – All Funds	286,527	2,833	289,360	18,108	307,468

Basic Sliding Fee (BSF) Child Care

Several changes to the BSF child care program were enacted in 2006. These changes will increase General Fund funding by \$7.9 million. The changes include:

- \$3.4 million to increase reimbursement rates for child care providers by six percent over the levels in effect on January 1, 2006;
- \$609,000 to establish an accreditation incentive for child care providers, which allows for an additional 15 percent increase in the reimbursement rate for accredited providers;

- \$46,000 to change the absent-day policy for BSF participants. The policy was changed to clarify the payment system for absent days; and
- \$3.8 million to reduce the number of families on waiting lists throughout Minnesota to receive child care assistance through the BSF program.

The changes to the BSF child care program also affect the MFIP and transition year child care assistance programs. These changes are funded in the Health and Human Services article of Chapter 282. (See Health and Human Services section.)

Table 3
FY 2006-2007 Biennial Spending by Function
Early Childhood Education
(dollars in thousands)

	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
Department of Education					
Early Childhood & Family Support Services	93,392	477	93,869	3,590	97,459
Community Education	5,339	274	5,613	0	5,613
Self-Sufficiency and Lifelong Learning	73,508	2,082	75,590	1,250	76,840
Department of Human Services					
Child Care (BSF Program)	114,288		114,288	13,018	127,306
LCC					
Commission to End Poverty	0		0	250	250
Total	286,527	2,833	289,360	18,108	307,468

For more information on the fiscal actions related to Early Childhood Education, contact Dennis Albrecht, Dennis.Albrecht@senate.mn

HIGHER EDUCATION

Chapter 282, the Omnibus Supplemental Budget Bill contained various provisions providing funding for higher education programs. Most provisions are contained in Article 8 of Chapter 282.

In addition, Chapter 258, the Capital Investment Act, contained numerous funding provisions for higher education capital projects, and Chapter 247 provided for a new football stadium on the University of Minnesota Twin Cities campus.

Table 1		
Higher Education Spending Changes—General Fund*		
2006 Legislative Session		
(in thousands)		
	<u>FY 2006-2007</u>	<u>FY 2008-2009</u>
University of Minnesota		
Rochester Higher Education Programs	5,000	11,330

* No changes made to other funds tracked by this Review; legislative changes made to the limits for SELF Loans, accounted for by the Office of Higher Education, are estimated to increase loans by \$9.0 million in FY 2007 and by \$26.0 million in FY 2008-2009.

The 2006 Legislature adopted legislation to establish a branch campus of the University of Minnesota in Rochester and appropriated \$5,000,000 for program planning and development in FY 2007. The funding base for activities to support future program development and course offerings at the Rochester campus are \$5,000,000 for FY 2008 and \$6,330,000 for FY 2009.

Under the provisions of the bill, the University is directed to expand program offerings at the campus that support the unique educational and economic development needs of the region. The programs offered at the Rochester campus should reflect the University's unique mission of teaching, research, and service; and the University must work collaboratively with other higher education institutions in the region in developing program offerings and avoid unnecessary duplicative program offerings.

In addition, Article 8 of Chapter 282:

- expanded eligibility for state-funded financial aid to include active military personnel stationed in Minnesota, their spouse, and dependents; as well as individuals who have relocated to Minnesota from a presidentially declared disaster area and individuals meeting the definition of "refugee" under the United States Code;
- increased the loan limits and lengthened repayment period for Student Educational Loan Fund participants. The aggregate principal amount of loans made under the program for an undergraduate student must not exceed \$34,500 through June 30, 2007, and \$37,500 after June 30, 2007. The aggregate principal amount of debt a student can incur to complete both

undergraduate and graduate degrees cannot exceed \$52,500 through June 30, 2007, and \$55,500 after June 30, 2007; and

- increased the income from the permanent University fund allocated annually to the Natural Resources Research Institute and student scholarships, from \$25,000,000 to \$50,000,000.

Further, Article 11 of Chapter 282, the Economic Development Article, appropriated \$15,000,000 to support the work of the collaborative research partnership between the University of

Minnesota and the Mayo Foundation for research in biotechnology and medical genomics.

Article 14 of Chapter 272, the State Government Finance Article, appropriated \$600,000 to provide a central liaison staff person and campus staff to serve the needs of veterans enrolled at public and private colleges and universities throughout the state.

Biennial spending and appropriation amounts are delineated in Table 2. Biennial spending and appropriations by function are outlined in Table 3.

	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
Office of Higher Education					
General Fund	349,310	485	349,795		349,795
Special Revenue Fund	690		690		690
Federal Fund	8,795		8,795		8,795
Total: Office of Higher Education	358,795	485	359,280		359,280
MnSCU					
General Fund	1,202,888		1,202,888		1,202,888
University of Minnesota					
General Fund	1,205,770		1,205,770	5,000	1,210,770
Health Care Access Fund	4,314		4,314		4,314
Special Revenue Fund	41,464	3,006	44,470		44,470
Total: University of MN	1,251,548	3,006	1,254,554	5,000	1,259,554
Mayo Foundation					
General Fund	2,782		2,782		2,782
Department of Health					
General Fund	250		250		250
Fund Totals					
General Fund	2,761,000	485	2,761,485	5,000	2,766,485
Federal Fund	8,795		8,795		8,795
Health Care Access Fund	4,314		4,314		4,314
Special Revenue Fund	42,154	3,006	45,160		45,160
Total Spending – All Funds	2,816,263	3,491	2,819,754	5,000	2,824,754

Table 3
FY 2006-2007 Biennial Spending by Function — All Funds
Higher Education
(in thousands)

	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
State Grant Program	281,150		281,150		281,150
Outreach	1,610		1,610		1,610
Service Learning	230		230		230
Childcare/Work Study	34,756		34,756		34,756
Tuition Reciprocity	2,000		2,000		2,000
College Savings Programs	2,040		2,040		2,040
Technology Infrastructure	18,012		18,012		18,012
Administration—OHE	6,282	495	6,767		6,767
Federal Funds—OHE	8,795		8,795		8,795
Rochester Higher Education	3,200		3,200	5,000	8,200
Medical Education	3,502		3,502		3,502
MnSCU Operations	1,202,888		1,202,888		1,202,888
U of M Operations	1,147,274	3,006	1,150,280		1,150,280
U of M Specials	104,274		104,274		104,274
Nursing Education	250		250		250
Total Spending	2,816,263	3,491	2,819,754	5,000	2,824,754

For more information on the fiscal actions related to Higher Education, contact Maja Weidmann, Maja.Weidmann@senate.mn or Dennis Albrecht, Dennis.Albrecht@senate.mn

HEALTH AND HUMAN SERVICES

Article 22 of Chapter 282 increased FY 2006-2007 appropriations from all sources for Health and Human Services programs by \$129.9 million relative to the February 2006 forecast, including \$115.0 million from the General Fund; \$5.3 million from the Health Care Access Fund (HCAF); and \$7.9 million from the federal Temporary Assistance for Needy Families Fund (TANF). Most of the additional General Fund appropriations are for projected budget shortfalls in state-operated services administered by the Department of Human Services (DHS), including regional treatment centers, psychiatric

hospitals, treatment programs for sexual psychopaths, and state-staffed community group homes. Table 1a and Table 1b identify the budget changes enacted in 2006.

Prior to 2006 legislative action, projected spending for Health and Human Services programs had decreased by \$188.1 million relative to the end of session 2005, including \$67.6 million in lower General Fund spending and \$118.8 million from the HCAF. Table 2 summarizes spending changes since the 2005 special session.

Table 1a		
Health and Human Services Changes-- General Fund		
2006 Legislative Session		
(dollars in thousands)		
General Fund	FY 2006-2007	FY 2008-2009
Department of Human Services		
Mental Health System Transformation		5,837
Mentally Ill and Dangerous Population Growth	33,576	44,755
SOS Sex Offender Commitment Growth	36,316	45,169
Expansion of SOS METO Community Treatment	5,306	7,106
SOS Salary Deficit	16,117	20,584
DEFRA: Federal Deficit Reduction Act Compliance	146	(6,934)
Exempt Certain GAMC Enrollees from MNCare	2,119	12,111
Pay for Performance for Health Care Providers	75	75
Pharmacy Payment Reform Advisory Group	75	
Critical Access Dental Payments - Dedicated Expense	3,532	1,672
Medicare Part D Gap Funding	4,570	
Rate Increases for Nursing Facilities near St. Cloud	1,788	3,911
Rate Increase for Nursing Facility in Ottertail County		130
Rate Increase for Nursing Facility in Martin County		77
LTC Facility Moratorium Exception - Crestview		101
Temporary Rate Increase for Meeker County DT & H	30	
Walker Nursing Facility/Aw Gwah Ching Moratorium Except.		265
ICFs/MR Development Plan for Future Services		30
Alternative Care Grant Program Funding Shortfall	1,281	399
GRH Residential Pilot Project Established	168	336
Child Care Max. Provider Rate Adjustment, MFIP		15,114
Child Care Accreditation Differential, MFIP		1,724
Child Care Absent Day Policy Change, MFIP	62	329

Table 1a continued	FY 2006-2007	FY 2008-2009
Adjust MN Food Assistance Program	(861)	(982)
Food Stamp Asset Limit @\$7,000	30	244
Food Stamp Eligibility Systems Change	16	
Administrative Federal Funds Participation (FFP)	(548)	(795)
Department of Health		
Pandemic Influenza Preparedness	5,000	
Veterans Homes Board		
Consultant Study Recommendations	357	714
Operational Shortfall	759	9,408
Quality Assurance	5,122	5,348
Total General Fund Changes	115,036	166,728

**DHS State Operated Services —
General Fund**

Chapter 282 increased General Fund appropriations to DHS by \$103.8 million for FY 2006-2007. Of that amount, \$91.3 million was to fund projected FY 2006-2007 budget shortfalls in four areas related to the department's state-operated services (SOS), including:

- \$33.6 million to fund growth in commitments of mentally ill and dangerous (MI&D) persons to the Minnesota Security Hospital, with an additional 100 units for FY 2006-2007 and another 100 units for FY 2008-2009. In 2005, the Legislature appropriated funding for 50 additional beds over the four years from 2005 to 2009 to accommodate the expected growth in MI&D commitments, but by 2006 the estimated need for new beds was revised upward. The \$33.6 million in new spending is partially offset by \$2.6 million of revenue from county payments for ten percent of the cost of services provided to patients.
- \$36.3 million to fund an additional 35 beds per year for the Minnesota Sex Offender Program (MSOP). While MSOP commitments were

previously estimated to grow by 23 patients a year, those estimates were revised upward by the 2006 legislative session to 58 new sex offender commitments annually.

- \$16.1 million to fund negotiated salary increases for employees of the MSOP, Minnesota State Security Hospital, and regional treatment centers. While most agencies were expected to fund salary increases from existing appropriations, SOS has limited ability to absorb such increases because the agency is required to maintain specific staffing levels at its facilities in order to maintain quality of care and a safe environment.
- \$5.3 million to fund expected increases in the population served by the Minnesota Extended Treatment Options (METO) program, which provides treatment to people with mental retardation who are committed by the court system because they present a risk to public safety. The additional funds will be used to provide community support and crisis services to this population; previously these services were

funded exclusively from enterprise funds and third-party insurance coverage.

Other DHS General Fund Provisions

The 2006 Legislature also made changes to various health care and other programs, including:

- a net spending increase of \$146,000, after adjusting for expected budget savings, to cover the upfront administrative and computer programming costs necessary to bring state health care programs into conformity with the federal Deficit Reduction Act (DEFRA) of 2005. The changes, which will reduce General Fund spending by \$6.9 million in FY 2008-2009, affect laws related to asset transfers, life estate valuation, verification of citizenship, third-party liability, and the establishment of a Long-Term Care Partnership program.
- \$2.1 million in additional spending for General Assistance Medical Care (GAMC) to exempt certain GAMC enrollees from shifting to the MinnesotaCare program as required by a 2005 law. The change allows individuals to remain in GAMC if they would not meet MinnesotaCare eligibility requirements or if their health care needs could have been compromised by being enrolled in MinnesotaCare. Clients affected include Medicare enrollees with end-stage renal disease, people with private health insurance benefits, GAMC enrollees who are incarcerated, and people receiving treatment through the Consolidated Chemical Dependency Treatment Fund.
- \$75,000 to create a pay-for-performance system for Minnesota's publicly funded health care programs to reward, with a two percent rate increase, certain high-performing medical groups that demonstrate optimum care in serving enrollees with diabetes and cardiovascular disease.
- \$1.8 million for a rate increase for nursing facilities in Benton, Sherburne, and Stearns Counties, to provide those nursing facilities with an operating rate equivalent to the median rate of nursing facilities in the metro area.
- \$1.3 million to cover one-half of an estimated budget shortfall of \$2.6 million in the Alternative Care program. In 2005, the Legislature reduced appropriations by the amount expected to be saved through changes in program benefits and eligibility levels. Budget savings attributable to those benefit changes turned out to have been overestimated.
- \$6.6 million, beginning in FY 2008-2009, to address workforce shortages of qualified mental health professionals by enhancing the reimbursement rates for services provided by psychiatrists, advanced practice nurses, and critical access providers.

The increased spending for FY 2006-2007 is partially offset by savings of \$861,000 in the Minnesota Food Assistance Program (MFAP), which provides food support to noncitizens over the age of 50 who are not eligible for federal food support. While all

eligible individuals will continue to receive food support, nearly half the annual appropriation for this program had been going unspent subsequent to

changes in the federal food support law. The state appropriation was adjusted to reflect current participation levels.

Table 1b Health and Human Services Changes-- All Funds 2006 Legislative Session (dollars in thousands)		
	FY 2006-2007	FY 2008-2009
Total General Fund Changes (from Table 1a)	115,036	166,728
Health Care Access Fund		
<u>Department of Human Services</u>		
Mental Health System Transformation	1,448	2,223
DEFRA: Federal Deficit Reduction Act Compliance	1,039	860
Exempt Certain GAMC Enrollees from MNCare	(1,810)	(10,629)
Eliminate Dental Co-pays for Adults w/out kids <175% FPG		7,918
Critical Access Dental Payments - Dedicated Expense	3,532	1,672
Systems/Actuarial Costs for Critical Access Dental Payments	78	
Pay for Performance for Health Care Providers	329	319
Administrative FFP	(719)	(593)
Change in HCAF Investment Income	(65)	(418)
<u>Department of Health</u>		
Health Information Technology/E-health	1,500	
Total Health Care Access Fund Changes	5,332	1,352
Federal TANF Fund		
<u>Department of Human Services</u>		
Child Care Max. Provider Rate Adjustment, MFIP	7,247	
Child Care Accreditation Differential, MFIP	609	
Domestic Violence Information Brochure	44	88
Total Federal TANF Fund Changes	7,900	88
State Government Special Revenue Fund		
<u>Minnesota Department of Health</u>		
Assisted Living Licensing Requirements	140	280
<u>Medical Boards</u>		
Board of Chiropractic Examiners - Pymt. System Conversion	10	
Board of Dentistry - Retain Legal Analyst	67	134
Board of Medical Practice - Contested Case Expenditures	1,000	
Board of Physical Therapy - Payment System Conversion	9	
<u>Emergency Medical Services Board</u>		
Health Professional Service Program Operating Increase	50	100
Total State Govt. Special Revenue Fund Changes	1,276	514
Total Changes—All Funds *	129,544	168,682

*Does not include \$125,000 of additional federal funds or \$200,000 of additional Special Revenue Fund spending.

Health Care Access Fund

As summarized in Table 1b, appropriations to DHS from the HCAF were increased by \$5.3 million relative

to the February 2006 forecasted amounts. The increases include an appropriation of \$1.5 million for several mental health initiatives, including the

establishment of a system to collect and evaluate mental health outcomes, mental health crisis infrastructure grants, and development of a system to monitor mental health services. Another \$3.6 million is to reimburse the state Medical Assistance (MA) program, which is funded out of the General Fund, for increased spending to restore payment levels to Critical Access Dental providers that were reduced as a result of an administrative decision by the department in FY 2006. The increases in the rate payment structure sunset in FY 2008.

In addition, beginning in July 1, 2007, Chapter 282 eliminates co-payments that were enacted in 2003 for dental services for parents and adults without children enrolled in MinnesotaCare. The change will increase HCAF spending for the MinnesotaCare program by an estimated \$7.9 million in FY 2008-2009.

Other DHS administered budget changes for FY 2006-2007 include \$1.0 million for administrative costs to conform to federal law changes, savings of \$1.8 million in spending related to exempting certain GAMC enrollees from shifting to the MinnesotaCare program, and \$329,000 for pay-for-performance funding for health providers. See above

for discussion of related General Fund spending for each of these provisions.

Federal TANF Fund

Federal TANF funds will pay a portion of increased costs related to child care programs. As discussed in the Early Education section, Chapter 282 included a variety of provisions to increase child care funding that effect the basic sliding fee (BSF), and the Minnesota Family Investment Program (MFIP) child care program and Transitional Year child care program (MFIP/TY). The changes included a \$7.2 million TANF appropriation for FY 2007 to increase reimbursement rates for child care providers by six percent over levels in effect on January 1, 2006. This change is ongoing but will be funded out of General Fund dollars in FY 2008-2009. Similarly, \$609,000 of TANF funds is appropriated to establish an accreditation incentive for child care providers. This incentive allows for an additional 15 percent increase in the reimbursement rate for accredited providers. The General Fund will provide funding for this change in FY 2008-2009. Finally, \$44,000 was appropriated for a domestic violence information brochure for MFIP applicants.

Table 2
FY 2006-2007 Biennial Spending by Agency and Fund
Health and Human Services
(dollars in thousands)

Agency/Fund	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
Health and Human Services Total	18,609,576	(188,128)	18,421,448	129,869	18,551,317
DEPARTMENT OF HUMAN SERVICES					
General Fund	8,023,332	(70,250)	7,953,082	103,798	8,056,880
General Fund Transfers Out	(131,927)	(16,059)	(147,986)		(147,986)

Table 2 continued	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
Agency/Fund					
Endowment Fund	2		2		2
Federal Fund	8,019,330	11,272	8,030,602	125	8,030,727
Federal TANF	454,727	(1,401)	453,326	7,900	461,226
Gift Fund	150		150		150
Health Care Access Fund	806,015	(118,769)	687,246	3,832	691,078
Special Revenue Fund	425,152		425,152	200	425,352
State Govt. Special Revenue Fund	1,068		1,068		1,068
Department of Human Services Total	17,597,849	(195,207)	17,402,642	115,855	17,518,497
DEPARTMENT OF HEALTH					
General Fund	133,806	2,328	136,134	5,000	141,134
Federal Fund	354,561	3,081	357,642		357,642
Federal TANF	12,000		12,000		12,000
Gift Fund	86		86		86
Health Care Access Fund	12,618	(66)	12,552	1,500	14,052
Medical Education Endowment Fund	173,210	265	173,475		173,475
Remediation Fund	400		400		400
Special Revenue Fund	79,893	1,194	81,087		81,087
State Govt. Special Revenue Fund	73,354		73,354	140	73,494
Department of Health Total	839,928	6,802	846,730	6,640	853,370
VETERANS HOMES BOARD					
General Fund	60,060		60,060	6,238	66,298
General Fund Transfers Out	(60,060)		(60,060)	-6,238	(66,298)
Federal Fund	556		556		556
Gift Fund	1,552		1,552		1,552
Special Revenue Fund	127,964		127,964	6,238	134,202
Veterans Homes Board Total	130,072		130,072	6,238	136,310
HEALTH RELATED BOARDS					
Special Revenue Fund	204		204		204
State Govt. Special Revenue Fund*	25,901		25,901	1,086	26,987
Health Related Boards Total	26,105		26,105	1,086	27,191
EMERGENCY MEDICAL SERVICES BOARD					
General Fund	6,762	196	6,958		6,958
Federal Fund	650		650		650
Gift Fund	4		4		4
Special Revenue Fund	2,344		2,344		2,344
State Govt. Special Revenue Fund	1,114		1,114	50	1,164
EMS Board Total	10,874	196	11,070	50	11,120
COUNCIL ON DISABILITY					
General Fund	1,000	15	1,015		1,015
Special Revenue Fund	10		10		10
Disability Council Total	1,010	15	1,025		1,025
OMBUDSMAN FOR MH/MR					
General Fund	2,924	5	2,929		2,929
OMBUDSPERSON FOR FAMILIES					
General Fund	490	61	551		551

Table 2 continued	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
Special Revenue Fund	324		324		324
Ombudsperson for Families Total	814	61	875		875
FUND TOTALS					
General Fund	8,228,374	(67,645)	8,160,729	115,036	8,275,765
General Fund Transfer Out	(191,987)	(16,059)	(208,046)	(6,238)	(214,284)
Endowment Fund	2	0	2	0	2
Federal Fund	8,375,097	14,353	8,389,450	125	8,389,575
Federal TANF Fund	466,727	(1,401)	465,326	7,900	473,226
Gift Fund	1,792	0	1,792	0	1,792
Health Care Access Fund	818,633	(118,835)	699,798	5,332	705,130
Medical Education Endowment Fund	173,210	265	173,475	0	173,475
Remediation Fund	400	0	400	0	400
Special Revenue Fund	635,891	1,194	637,085	6,438	643,523
State Govt. Special Revenue Fund	101,437	0	101,437	1,276	102,713
ALL FUNDS TOTAL	18,609,576	(188,128)	18,421,448	129,869	18,551,317

*Does not include \$1.65 million spent by the Attorney General under agreement with the Medical Practices Board.

Department of Health

Appropriations to the Minnesota Department of Health (MDH) were increased \$6.6 million from all sources, including a \$5.0 million onetime appropriation in FY 2007 from the General Fund for avian flu preparedness activities. In addition, \$1.5 million was appropriated onetime in FY 2007 from the HCAF to develop an electronic health record system for health care providers. Also, \$140,000 was appropriated annually from the State Government Special Revenue Fund for MDH costs related to bringing actions for injunctive relief and to reimburse the Attorney General for costs associated with changes to assisted living provider regulations.

Veterans Homes Board

General Fund appropriations for the Veterans Homes Board were increased \$6.2 million, including \$5.1 million to implement a new quality assurance system for its nursing homes.

In addition, \$759,000 was appropriated in FY 2006-2007 and \$9.4 million for FY 2008-2009, to cover the agency's operating shortfall. Finally the agency received \$357,000 to implement consultant study recommendations pertaining to occupational and operational practices.

Health-Related Regulatory Boards

As listed in Table 1b, an additional \$1.1 million was appropriated from the State Government Special Revenue Fund in FY 2006-2007 to the Medical Practices Board for legal costs related to increases in the number of contested cases before the board, and another \$86,000 was appropriated to operate various health care-related regulatory boards.

Table 3 provides a summary of all health and human services funding by agency and function.

Table 3
FY 2006-2007 Biennial Spending by Agency and Function – General Fund
Health and Human Services
(dollars in thousands)

Agency/Function	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
Total Health and Human Services	8,228,374	-67,645	8,160,729	115,036	8,275,765
DEPARTMENT OF HUMAN SERVICES					
Agency Management	93,681	2,735	96,416		96,416
Children and Economic Assistance Grants	832,437	3,628	836,065	(566)	835,499
Health Care Grants	3,552,159	(18,335)	3,533,824	11,192	3,545,016
Continuing Care Grants	3,198,122	(58,703)	3,139,419	2,405	3,141,824
State Operated Services	424,029	425	424,454	91,315	515,769
Federal Reimbursement (FFP)	(77,096)		(77,096)	(548)	(77,644)
Department of Human Services Total	8,023,332	(70,250)	7,953,082	103,798	8,056,880
DEPARTMENT OF HEALTH					
Community and Family Health Promotion	83,418	(123)	83,295	5,000	88,295
Policy Quality and Compliance	7,330		7,330		7,330
Health Protection	18,136		18,136		18,136
Minority and Multicultural Health	9,964		9,964		9,964
Administrative Support Services	14,958	123	15,081		15,081
Other/Carryforward		2,328	2,328		2,328
Department of Health Total	133,806	2,328	136,134	5,000	141,134
VETERANS HOMES BOARD					
	60,060		60,060	6,238	66,298
EMERGENCY MEDICAL SVCS. BOARD					
	6,762	196	6,958		6,958
COUNCIL ON DISABILITY					
	1,000	15	1,015		1,015
OMBUDSMAN FOR MH/MR					
	2,924	5	2,929		2,929
OMBUDSPERSON FOR FAMILIES					
	490	61	551		551

For more information on the fiscal actions related to Health and Human Services, contact David Godfrey, David.Godfrey@senate.mn

ENVIRONMENT AND AGRICULTURE

Changes enacted by the 2006 Legislature increased appropriations in the Environment and Agriculture budget area by \$21.9 million for the 2006-2007 biennium. Of that amount, \$17.0 million was appropriated from the General Fund, including \$14.9 million for the Clean Water Legacy Act, and \$4.1 million was appropriated from the Environment and Natural Resources Trust Fund.

Forecast changes accounted for an additional \$46.8 million in increased statutory appropriations and carry-forwards across all funds, most of which reflects increases for the Pollution Control Agency from the Remediation Fund. After accounting for forecast changes and 2006 appropriations, total spending for the Environment and Agriculture budget area increased by about 5.9 percent for the 2006-2007 biennium, from \$1.148 billion to \$1.216 billion.

Table 1		
Environment and Agriculture Changes--All Funds		
2006 Legislative Session		
(dollars in thousands)		
	FY 2006-2007	FY 2008-2009
General Fund		
<u>Department of Agriculture</u>		
Clean Water Legacy	2,400	
Invasive Species Staffing	248	260
Second Harvest Milk program grants	200	400
Containment Facilities Operations	190	380
Livestock/Crop Compensation	93	106
Marketing Renewable/Bio-Energy	75	150
Aviary Oversight Reduction	(42)	(42)
<u>Board of Animal Health</u>		
Bovine Tuberculosis Prevention	685	
<u>Board of Water & Soil Resources</u>		
Clean Water Legacy	5,840	
<u>Department of Natural Resources</u>		
Clean Water Legacy	1,630	
Bovine Tuberculosis Prevention	274	
Invasive Species Prevention	550	1,100
MN Shooting Sports Education Center	100	200
Tower Soudan Mine Grant Cancellation	(250)	
<u>Pollution Control Agency</u>		
Clean Water Legacy	5,030	
Total General Fund Changes	17,023	2,554
Environment & Natural Resources Trust Fund		
<u>Legislative-Citizen Commission on MN Resources</u>		
Strategic Plan Development	300	
Clean Water Legacy - Riparian Land Acquisition	640	
Forest Legacy	500	

Table 1 continued	FY 2006-2007	FY 2008-2009
Reinstatement of Vetoed Projects	2,107	
LCCMR Administration	550	
Total Environ. & Nat. Resources Trust Fund Changes	4,097	
Natural Resources Fund		
<u>Department of Natural Resources</u>		
Horse Trails Maintenance/Pass*	200	628
Corp of Engineers/Other Campground Ops.	400	
Canoe Routes Signage	130	
Land Appraisal Reimbursement*		90
Total Natural Resources Fund Changes	730	718
Special Revenue Fund		
<u>Department of Natural Resources</u>		
Forest Management Services	35	70
Total Special Revenue Fund Changes	35	70
Agricultural Fund		
<u>Department of Agriculture</u>		
Aviary Oversight Reduction	8	16
Total Agricultural Fund Changes	8	16
TOTAL CHANGES – ALL FUNDS	21,893	3,358

* Statutory appropriation, spending amounts equal to amounts collected from fees.

Clean Water Legacy Act

In Chapter 251, the Legislature enacted the “Clean Water Legacy Act” to provide for the protection, restoration, and preservation of the quality of Minnesota’s surface waters. The act establishes procedures and programs for the identification and cleanup of impaired waters in the state. The act uses the framework of the federal Clean Water Act for identifying impaired waters and developing total maximum daily load (TMDL) plans for the impaired waters. The act also establishes a 23-member Clean Water Council to work with the Pollution Control Agency and other entities in administering the act.

The 2006 Legislature appropriated just under \$25 million for Clean Water Legacy purposes. Of this amount, \$15 million is from the General Fund (including \$100,000 to the Public

Facilities Authority) in Chapter 282, article 10; \$9.31 million is appropriated to the Public Facilities Authority from bond proceeds in Chapter 258; and \$640,000 is from the Environment and Natural Resources Trust Fund in Chapter 243.

Department of Agriculture

In Chapter 282, article 9, the Legislature appropriated \$806,000 from the General Fund to the Department of Agriculture for invasive species staffing (\$248,000); livestock and crop compensation (\$93,000); containment facility operations (\$190,000); Second Harvest milk grant (\$200,000); and renewable energy information (\$75,000). In Chapter 282, article 10, the Legislature appropriated \$2.4 million from the General Fund to the department for the Clean Water Legacy Act.

Board of Animal Health

In Chapter 282, article 9, the Legislature appropriated \$685,000 from the General Fund to the Board of Animal Health for bovine tuberculosis prevention.

Department of Natural Resources

In Chapter 282, article 9, the Legislature appropriated \$1.5 million to the Department of Natural Resources. Of this amount, \$924,000 was from the General Fund for bovine tuberculosis prevention (\$220,000); invasive species control (\$550,000); the Minnesota Shooting Sports Education Center (\$100,000); and emergency deterrent materials assistance (\$54,000). The remaining \$530,000 was from the Natural Resources Fund for canoe route development (\$130,000) and federal recreation area operation (\$400,000). In Chapter 282, article 10, the Legislature appropriated just over \$1.6 million from the General Fund to the Department for the Clean Water Legacy Act.

Pollution Control Agency

In Chapter 282, article 10, the Legislature appropriated just over \$5 million from the General Fund to the Pollution Control Agency for the Clean Water Legacy Act.

Board of Water and Soil Resources

In Chapter 282, article 10, the Legislature appropriated just over \$5.8 million from the General Fund to the Board of Water and Soil Resources for the Clean Water Legacy Act.

Minnesota Resources

In Chapter 243, the Legislature enacted the recommendations from a legislatively mandated advisory task force that met during the 2005-2006 interim to recommend changes in the structure and organization of the Legislative Commission on Minnesota Resources (LCMR). The law creates the new Legislative-Citizens Commission on Minnesota Resources (LCCMR) to replace the LCMR. The principal changes include the addition of nonlegislative citizens to the commission and clarifying the use and importance of the strategic plan in making recommendations for appropriations from the Environment and Natural Resources Trust Fund. The new commission will sunset on June 30, 2016. In Chapter 243, the Legislature also appropriated just over \$4.1 million from the Environment and Natural Resources Trust Fund. This is the amount that was vetoed by the Governor in 2005.

Agency/Fund	FY 2006-07 Enacted 2005 Session	Forecast Change	FY 2006-07 Feb-06 Forecast	2006 Session Legislative Change	FY 2006-07 Enacted 2006 Session
Department of Agriculture					
General Fund	76,732	2	76,734	3,164	79,898
Agricultural Fund	40,264	(522)	39,742	8	39,750
Federal Fund	11,940	322	12,262		12,262

Table 2 continued	FY 2006-07 Enacted 2005 Session	Forecast Change	FY 2006-07 Feb-06 Forecast	2006 Session Legislative Change	FY 2006-07 Enacted 2006 Session
Gift Fund	128		128		128
Remediation Fund	2,231	775	3,006		3,006
Special Revenue Fund	6,421		6,421		6,421
Department of Agriculture Total	137,716	577	138,293	3,172	141,465
Agricultural Utilization Research Institute					
General Fund	3,200		3,200		3,200
Board of Animal Health					
General Fund	6,520	64	6,584	685	7,269
Federal Fund	2,796	644	3,440		3,440
Special Revenue Fund	92		92		92
Board of Animal Health Total	9,408	708	10,116	685	10,801
Board of Water & Soil Resources					
General Fund	30,671	2,091	32,762	5,840	38,602
Federal Funds	598	30	628		628
Special Revenue Fund	915		915		915
Board of Water & Soil Res. Total	32,184	2,121	34,305	5,840	40,145
Department of Natural Resources					
General Fund	212,660	6,301	218,961	2,304	221,265
Endowment & Perm. School Fund	438		438		438
Federal Fund	37,611	3,055	40,666		40,666
Game and Fish Fund	182,327	(2,011)	180,316		180,316
Gift Fund	2,925		2,925		2,925
Natural Resources Fund	134,052	5,212	139,264	730	139,994
Remediation Fund	3,369	1,034	4,403		4,403
Special Revenue Fund	38,468		38,468	35	38,503
Department of Natural Res. Total	611,850	13,591	625,441	3,069	628,510
Met Council Parks					
General Fund	6,600		6,600		6,600
Natural Resources Fund	9,140		9,140		9,140
Met Council Parks Total	15,740		15,740		15,740
Zoological Board					
General Fund	12,878		12,878		12,878
Gift Fund	2,114		2,114		2,114
Natural Resources Fund	270		270		270
Special Revenue Fund	18,785		18,785		18,785
Zoological Board Total	34,047		34,047		34,047

Table 2 continued	FY 2006-07 Enacted 2005 Session	Forecast Change	FY 2006-07 Feb-06 Forecast	2006 Session Legislative Change	FY 2006-07 Enacted 2006 Session
Minnesota Resources (LCCMR)					
Environ. & Nat. Res. Trust Fund*	33,560		33,560	4,097	37,657
Minnesota Resources Fund		1,007	1,007		1,007
Natural Resources Fund	1,600		1,600		1,600
Minnesota Resources Total	35,160	1,007	36,167	4,097	40,264
Pollution Control Agency					
General Fund	22,717	139	22,856	5,030	27,886
Environmental Fund	117,152	(364)	116,788		116,788
Federal Fund	43,632	382	44,014		44,014
Gift Fund	22		22		22
Remediation Fund	56,756	28,632	85,388		85,388
Special Revenue Fund	24,684		24,684		24,684
State Govt. Special Revenue Fund	98		98		98
Pollution Control Agency Total	265,061	28,789	293,850	5,030	298,880
Science Museum of Minnesota					
General Fund	1,500		1,500		1,500
Minnesota Conservation Corps					
General Fund	700		700		700
Natural Resources Fund	980		980		980
MN Conservation Corps Total	1,680		1,680		1,680
Total By Fund					
General Fund	374,178	8,597	382,775	17,023	399,798
Agricultural Fund	40,264	(522)	39,742	8	39,750
Endowment & Perm. School Fund	438		438		438
Environmental Fund	117,152	(364)	116,788		116,788
Environ. & Nat. Res. Trust Fund	33,560		33,560	4,097	37,657
Federal Fund	96,577	4,433	101,010		101,010
Game and Fish Fund	182,327	(2,011)	180,316		180,316
Gift Fund	5,189		5,189		5,189
Minnesota Resources Fund		1,007	1,007		1,007
Natural Resources Fund	146,042	5,212	151,254	730	151,984
Remediation Fund	62,356	30,441	92,797		92,797
Special Revenue Fund	89,365		89,365	35	89,400
State Govt. Special Revenue Fund	98		98		98
Total Environment & Agriculture:	1,147,546	46,793	1,194,339	21,893	1,216,232

*Amounts for the LCCMR reflect actual appropriations from the Environment and Natural Resources Trust Fund rather than spending amounts reported by the Department of Finance.

Table 3
Biennial Spending by Function - All Funds
Environment and Agriculture Budget
(dollars in thousands)

Agency/Function	FY 2006-07 Enacted 2005 Session	Forecast Change	FY 2006-07 Feb-06 Forecast	2006 Session Legislative Change	FY 2006-07 Enacted 2006 Session
Department of Agriculture					
Protection Service	21,331		21,331	214	21,545
Agricultural Marketing and Development	7,950		7,950	168	8,118
Administration and Financial Assistance	14,214	2	14,216	2,790	17,006
Ethanol Producer Payments	34,013		34,013		34,013
Special Revenue Fund Open/Statutory Appropriations	6,421		6,421		6,421
Gift Fund	128		128		128
Remediation Fund Open/Statutory Appropriations	1,455	775	2,230		2,230
Agricultural Fund Open/Statutory Appropriations	40,264	(522)	39,742		39,742
Federal Funds	11,940	322	12,262		12,262
Department of Agriculture Total	137,716	577	138,293	3,172	141,465
Agricultural Utilization Research Institute	3,200		3,200		3,200
Board of Animal Health	6,520	64	6,584	685	7,269
Special Revenue Fund Open/Statutory Appropriations	92		92		92
Federal Funds	2,796	644	3,440		3,440
Board of Animal Health Total	9,408	708	10,116	685	10,801
Board of Water & Soil Resources	30,671	2,091	32,762	5,840	38,602
Special Revenue Fund Open/Statutory Appropriations	915		915		915
Federal Funds	598	30	628		628
Board of Water & Soil Res. Total	32,184	2,121	34,305	5,840	40,145
Department of Natural Resources					
Operations Support	18,636		21,015	100	21,115
Water Resources Management	22,184		22,184	1,630	23,814
Land & Mineral Resources Management	17,578		17,578	35	17,613

Table 3 continued	FY 2006-07 Enacted 2005 Session	Forecast Change	FY 2006-07 Feb-06 Forecast	2006 Session Legislative Change	FY 2006-07 Enacted 2006 Session
Forest Management	70,652		70,652		70,652
Fish and Wildlife Management	125,554		125,554	274	125,828
Ecological Services	20,431		20,431	300	20,731
Parks and Recreation Management	66,162		66,162	400	66,562
Enforcement	57,309		57,309		57,309
Trails and Waterways	53,631		53,631	130	53,961
Leech Lake and White Earth Reservation	5,157		5,157		5,157
1854 Indian Treaty Settlement	10,655	37	10,692		10,692
Public Hunting Grounds/Con Con Areas	278		278		278
Payment in Lieu of Taxes	29,750	3,133	32,883		32,883
DNR Firefighting	16,708	752	17,460		17,460
General Fund Carryforward		2,379	2,379		2,379
Game and Fish Fund Open/Statutory Appropriations	7,626	(2,011)	5,615		5,615
Natural Resources Fund Open/Statutory Appropriations	7,328	5,212	12,540	200	12,540
Special Revenue Fund Open/Statutory Appropriations	38,468		38,468		38,468
Gift Fund	2,925		2,925		2,925
Remediation Fund Open/Statutory Appropriations	3,169	1,034	4,203		4,203
Endowment & Permanent School Fund	38		38		38
Federal Funds	37,611	3,055	40,666		40,666
Dept. of Natural Resources Total	611,850	13,591	625,441	3,069	628,510
Met Council Parks	15,740		15,740		15,740
Zoological Board	13,148		13,148		13,148
Special Revenue Fund Open/Statutory Appropriations	18,785		18,785		18,785
Gift Fund	2,114		2,114		2,114
Zoological Board Total	34,047		34,047		34,047
Minnesota Conservation Corps	1,680		1,680		1,680
Minnesota Resources*					
LCCMR Administration	619		619	850	1,469
Minnesota Resources Fund (Carryforward)		1,007	1,007		1,007
Recreation	12,519		12,519		12,519
Water Resources	5,132		5,132	1,157	6,289

Table 3 continued	FY 2006-07 Enacted 2005 Session	Forecast Change	FY 2006-07 Feb-06 Forecast	2006 Session Legislative Change	FY 2006-07 Enacted 2006 Session
Agricultural & Natural Res.-Based Industries	2,683		2,683		2,683
Land Use & Natural Resources Information	1,750		1,750	250	2,000
Environmental Education	495		495	150	645
Children's Environmental Health	200		200		200
Fish & Wildlife Habitat	9,576		9,576	790	10,366
Energy	2,186		2,186	900	3,086
Minnesota Resources Total	35,160		35,160	4,097	39,257
Pollution Control Agency					
Protection of the Water	50,867	42	50,909	5,030	55,939
Protection of the Air	18,901		18,901		18,901
Protection of the Land	36,938		36,938		36,938
Administrative Support	3,166	5	3,171		3,171
Multimedia	8,610	92	8,702		8,702
Office of Environmental Assistance	39,508		39,508		39,508
Special Revenue Fund Open/Statutory Appropriations	24,684		24,684		24,684
State Govt. Special Rev. Open/Stat. Appropriations	2		2		2
Environmental Fund Open/Statutory Appropriations	4,783	(364)	4,419		4,419
Gift Fund	22		22		22
Public Facilities Authority					
Remediation Fund Open/Statutory Appropriations	33,948	28,632	62,580		62,580
Federal Funds	43,632	382	44,014		44,014
Pollution Control Agency Total	265,061	28,789	293,850	5,030	298,880
Science Museum of Minnesota	1,500		1,500		1,500
Total Environment & Agriculture:	1,147,546	46,793	1,194,339	21,293	1,216,232

*Amounts for the LCCMR reflect actual appropriations from the Environment and Natural Resources Trust Fund rather than spending amounts reported by the Department of Finance.

For more information on the fiscal actions related to the Environment and Agriculture, contact Daniel Mueller, Daniel.Mueller@senate.mn or Greg Knopff, Greg.Knopff@senate.mn

ECONOMIC DEVELOPMENT

Article 11 of Chapter 282 appropriated \$34.0 million in additional funding for the FY 2006-2007 from all funds for economic development programs. This is added to the previous all-funds appropriations of \$2.5 billion for the biennium.

Of the \$34.0 million, \$29.6 was from the General Fund, and is added to the previously enacted budget of \$306 million.

Table 1		
Economic Development Spending Changes--All Funds		
2006 Legislative Session		
(dollars in thousands)		
	FY 2006-2007	FY 2008-2009
General Fund		
<u>Reestablish MN Boxing Commission</u>	50	
<u>Dept. of Employment and Economic Development</u>		
Biotech/Medical Genomics Partnership	15,000	
Transfer to 21 st Century Minerals Fund	11,500	
Biobusiness Alliance of Minnesota	467	
Cedar Mills Wastewater Treatment Center	100	
Advocating Change Program	150	300
Worthington Veterans Memorial	10	
Youth Build Program	150	150
Summit Academy Hard Hats Program	200	
Meadowbrook Housing Collaborative	25	
Public Facilities Authority Clean Water	100	
<u>Explore MN Tourism</u>		
Minnesota Film and TV Board	1,700	
<u>Historical Society</u>		
MN Ag Interpretive Center	200	
Total General Fund Changes	29,652	450
Special Revenue Fund		
<u>MN Boxing Commission</u>		69
<u>Dept. of Employment and Economic Development</u>		
SBIR—Small Business Access to Federal Grants	10	40
<u>Department of Commerce</u>		
Telephone Access Charge for Deaf/Hard of Hearing Funding*	200	400
Total Special Revenue Fund Changes	210	509
Workforce Development Fund		
Northern Connections Pilot—West Central	250	
Permanent Funding for MN Employment Ctr. for Deaf and Hard of Hearing		300
Summer Youth Employment program	2,500	2,500
Licensure of Foreign Trained Health Care Workers	450	

Table 1 continued	FY 2006-2007	FY 2008-2009
Total Workforce Development Fund Changes	3,200	2,800
Petroleum Tank Release Cleanup Fund		
MNDOT Reimbursement for Cleanup Costs	955	

* Open appropriation; spending amounts equal to amounts collected from fees.

Biotechnology/Medical Genomics

Funding for the expenses of the collaborative research partnership between the University of Minnesota and the Mayo Foundation in Rochester for research in biotechnology and medical genomics was increased by \$15 million to \$30 million for the biennium, all of which are onetime funds available until expended. An annual report on the use of the appropriations must be submitted to the Governor and relevant legislative committees by June 30 of each fiscal year until the funds are expended.

Infrastructure for New Steel Mill

\$11.5 million is for transfer to the Minnesota Minerals 21st Century Fund for a grant to Itasca County for infrastructure projects such as roads, rail lines, natural gas pipelines, water, and wastewater treatment systems for a new steel mill in the county. Of the amount granted, \$500,000 is to be used for other mineral-related projects in the Taconic relief area.

Film Production Jobs Program

The Minnesota Film and TV Board received \$1.7 million to reimburse up to 15 percent of film production costs incurred in the making of feature films, national television programs, documentaries, music videos, and commercials that directly create new film jobs in Minnesota. The scope and title of the board was expanded to include television production.

Boxing Commission

The 2006 Legislature reestablished the Minnesota Boxing Commission and appropriated \$50,000 to operate and administer the commission through FY 2007. By December 15, 2006, the commission is to report to the Governor and Legislature setting forth a fee schedule that would make the commission self-sufficient beyond FY 2007. The duties and responsibilities established for the Board of Boxing are similar to those that were abolished in the 2002 session. The board had received its last appropriation in fiscal year 2000.

OTHER CHANGES

In nongeneral fund spending, the Legislature provided \$2.5 million from the Workforce Development Fund for summer youth employment in Minneapolis; a pilot workforce project in Fergus Falls of \$250,000; and \$450,000 for a pilot project to encourage licensure in Minnesota of foreign-trained health care professionals.

Also from nongeneral funds, the Legislature provided \$955,000 to the Department of Transportation for costs reimbursable under the Petroleum Tank Release Cleanup Fund and \$200,000 from the Telecommunications Access Fund to establish a budget base for the Commission Serving Deaf and Hard-of-Hearing People.

Table 2
FY 2006-2007 Biennial Spending by Agency and Fund – All Funds
Economic Development Budget
(dollars in thousands)

Agency/Fund	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT					
General Fund	90,781	2,287	93,068	27,602	120,670
Petroleum Tank Release Fund	12,400		12,400		12,400
Special Revenue Fund	43,301		43,301	10	43,311
Workforce Development Fund	87,214	4,948	92,162	3,200	95,362
Federal Fund	478,707		478,707		478,707
Federal TANF Fund	0		153		153
Remediation Fund	1,400		1,400		1,400
Gift Fund	1,262		1,262		1,262
Subtotal, Employment & Economic Development	715,065	7,235	722,453	30,812	753,265
EXPLORE MINNESOTA TOURISM					
General Fund	18,402	689	19,091	1,700	20,791
Special Revenue	5,015		5,015		5,015
Subtotal, Explore Minnesota Tourism	23,417	689	24,106	1,700	25,806
MINNESOTA TECHNOLOGY INC.					
HOUSING FINANCE AGENCY					
General Fund	70,470		70,470		70,470
General Fund transfer out	(70,470)		(70,470)		(70,470)
Subtotal, Housing Finance Agency	0		0		0
DEPARTMENT OF COMMERCE					
General Fund	40,292	1,059	41,351		41,351
Environment & Natural Resources Fund	700		1,600		1,600
Petroleum Tank Release Fund	32,520	(1,910)	30,610	955	31,565
State Government Special Revenue Fund	183		183		183
Special Revenue Fund	47,228		47,228		47,228
Federal Fund	189,676	31,668	221,344		221,344
Workers' Compensation Special Fund	1,670		1,670		1,670
Subtotal, Department of Commerce	312,269	30,817	343,986	955	344,941
ACCOUNTANCY BOARD					
General Fund	974	148	1,122		1,122
ARCHITECTURE, ENGINEERING, AND SURVEYORS BOARD					
General Fund	1,570	262	1,832		1,832
BARBERS, COSMETOLOGY BOARD					
General Fund	1,398	300	1,698		1,698
BOXING BOARD					
General Fund				50	50
ELECTRICITY BOARD					
Special Revenue Fund	22,092		22,092		22,092

Table 2 continued	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
Agency/Fund					
PUBLIC UTILITIES COMMISSION					
General Fund	8,326	182	8,508		8,508
Special Revenue	6,248		6,248		6,248
Subtotal, Public Utilities Commission	14,574	182	14,756		14,756
DEPARTMENT OF LABOR & INDUSTRY					
General Fund	5,744	488	6,232		6,232
Special Revenue Fund	2,580		2,580		2,580
Workforce Development Fund	1,500		1,500		1,500
Federal Fund	10,676		10,676		10,676
Workers' Compensation Special Fund	201,938	4,570	206,508		206,508
Subtotal, Department of Labor & Industry	222,438	5,058	227,496		227,496
MEDIATION SERVICES DEPARTMENT					
General Fund	3,546	2	3,548		3,548
Special Revenue Fund	6		6		6
Subtotal, Mediation Services	3,552	2	3,554		3,554
WORKER COMP COURT OF APPEALS					
Workers' Compensation Special Fund	3,236		3,236		3,236
HISTORICAL SOCIETY					
General Fund	46,450		46,450	200	46,650
Special Revenue Fund	1,862		1,862		1,862
Subtotal, Historical Society	48,312		48,312	200	48,512
ARTS BOARD					
General Fund	17,186	3	17,189		17,189
Special Revenue Fund	2		2		2
Gift Fund	129		129		129
Federal Fund	1,312		1,312		1,312
Subtotal, Arts Board	18,629	3	18,632		18,632
IRON RANGE RESOURCES & REHABILITATION (IRRR)					
IRRR Fund	52,204	27,142	79,346		79,346
Economic Protection Trust Fund	2,162	256	2,418		2,418
Subtotal, IRRR	54,366	27,398	81,764		81,764
REGION 3-OCCUPATION TAX					
General Fund	936				936
General Fund transfer out	(936)				(936)
Subtotal, Region 3-Occupation Tax	0				0
FUND TOTALS					
General Fund	306,075	5,420	311,495	29,652	341,147
General Fund transfer out	(71,406)		(71,406)		(71,406)
Economic Protection Trust Fund	2,162	256	2,418		2,418
Environment & Natural Resources Fund	700		1,600		1,600
Federal Fund	680,371	31,668	711,985		711,985
Federal TANF Fund	0		153		153
Gift Fund	1,391		1,391		1,391
IRRR Fund	52,204	27,142	79,346		79,346

Table 2 continued	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
Petroleum Tank Release Fund	44,920	(1,910)	43,010	955	43,965
Remediation Fund	1,400		1,400		1,400
Special Revenue Fund	128,334		128,334	10	128,344
State Government Special Revenue Fund	183		183		183
Workers' Compensation Special Fund	206,844	4,570	211,414		211,414
Workforce Development Fund	88,714	4,948	93,662	3,200	96,862
ALL Funds Total	1,441,892	72,247	1,514,139	33,817	1,547,956

Table 3 Biennial Spending for Function – All Funds Economic Development Budget (dollars in thousands)			
Function	FY 2006-07 Base	Change Enacted FY 2006-07	Total Budget FY 2006-07
Promotion of Business and Employment Security	228,917	33,657	262,574
Licensing of Business Professionals	-0-	50	50
Educating and Preserving Arts and History	46,450	200	46,650
Totals	275,367	33,907	309,274

For more information on the fiscal actions related to Economic Development, contact David Jensen, David.Jensen@senate.mn

PUBLIC SAFETY AND JUDICIARY

Most Public Safety and Judiciary supplemental appropriations for FY 2006-2007 are contained in Chapter 282, article 13. In addition, certain provisions contained in Chapter 260, the Public Safety Policy Bill, and Chapter 238, the 2006 Claims Bill, also have implications for General Fund spending. Total General Fund spending increases were

\$3.9 million in FY 2006 and \$15.8 million in FY 2007, while nontax revenues will also decline by \$200,000 annually beginning in FY 2007 due to lower transfers from the Peace Officer Standards and Training (POST) Fund. A Special Revenue Fund increase of \$200,000 in FY 2007 was also made.

Table 1		
Public Safety Spending Changes--All Funds		
2006 Legislative Session		
(dollars in thousands)		
	FY 2006-2007	FY 2008-2009
General Fund		
<u>Supreme Court</u>		
Chemical Dependency Initiative	600	
<u>Board of Judicial Standards</u>		
Hearing Costs	172	
<u>Department of Public Safety</u>		
Homeland Security—federal match	284	
Supplemental Minneapolis Police funding	1,533	
Internet Child Pornography Team (BCA)	1,000	1,556
Post Noncompliant Sex Offenders (BCA)	200	232
Missing and Unidentified Persons (BCA)	100	
Office of Justice Programs (various initiatives)	1,618	2,030
Financial Crimes Task Force	354	
Fire Marshal Funding Reforms		(5,664)
<u>Department of Corrections</u>		
Salary Supplement	13,313	16,250
Mentoring Children of Inmates program	250	
Include Scott County in CCA Formula	196	392
Discharge Planner for Mentally Ill		400
Medical Claims (Ch. 238)	64	
Sentencing Guidelines Est. Bed Increase (Ch. 260)		4,838
Total General Funds Changes	19,684	20,034
Special Revenue Fund		
<u>POST Board</u>		
Reduced Training Reim. Transfer to GF	(200)	(400)
<u>Department of Public Safety</u>		
Fire Marshal Funding Reforms-Trn to GF		2,736
Fire Marshal Funding Reforms—Base App.		5,664
Fire Marshal Funding Reforms—Revenues		(19,000)
Total Special Revenue Fund Changes	(200)	(11,000)

* There were no changes to other funds.

Department of Corrections

The Legislature increased funding for the Department of Corrections by \$13.8 million for the 2006-2007 biennium. Of this amount, \$11.5 million was appropriated to correctional institutions with the intent of providing supplemental funding for staff salaries and benefits. The remaining \$2.3 million was appropriated to the Community Services Division to be used as follows: \$1.9 million for supplemental staff salaries and benefits; \$250,000 for a grant to provide one-on-one mentoring to the children of incarcerated parents; and \$196,000 for an increase in the Community Corrections Act (CCA) subsidy to fund the inclusion of Scott County into the community corrections system and aid formula.

In addition, Chapter 238, the 2006 Claims Bill, appropriated \$64,000 to fund 15 claims against the state for injuries suffered while performing community service of sentence-to-service work for correctional purposes.

Department of Public Safety

Chapter 282 increased appropriations to the Department of Public Safety by \$5.1 million for FY 2006-2007, including: \$284,000 for Homeland Security and Emergency Management to fund the state match for Federal Emergency Management Agency (FEMA) disaster grants; \$1.3 million for the Bureau of Criminal Apprehension (BCA) for a statewide Internet Child Pornography Team (\$1.0 million); to upgrade the noncompliant predatory offender data base (\$200,000); to address the missing persons and unidentified bodies database backlog (\$100,000); and \$3.5 million for the Office of Justice Programs. Of the

amounts appropriated to the Office Justice Programs:

- \$800,000 is for the Gang Strike Force;
- \$98,000 is for a Ramsey County Safe Harbor pilot program;
- \$75,000 is for the Human Trafficking Task Force;
- \$60,000 is for the legal advocacy for trafficking victims;
- \$35,000 is for a Human Trafficking Hotline;
- \$200,000 is for the Youth Intervention Program;
- \$150,000 is for the Crime Victim Intervention Program;
- \$200,000 is to expand collaborative security systems in downtown Minneapolis;
- \$1.5 million is for increased Minneapolis police funding; and
- \$354,000 is for the Financial Crimes Task Force.

Supreme Court

The Legislature appropriated \$600,000 to the Supreme Court for Judicial Branch Chemical Dependency Initiatives.

Board of Judicial Standards

A supplementary appropriation of \$172,000 was made to the board for a judicial hearing cost deficiency request.

POST Board

Chapter 282 appropriated \$200,000 from the Special Revenue Fund to the POST board for law enforcement training reimbursements; a corresponding reduction of \$200,000 in General Fund nontax revenues occurs because funds will no longer be transferred to the General Fund to pay for training reimbursement.

Table 2
FY 2006-2007 Biennial Spending by Agency and Fund – All Funds
Public Safety Budget
(dollars in thousands)

	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
Supreme Court					
General Fund	84,807		84,807	600	85,407
Federal Fund	6,961		6,961		6,961
Gift Fund	92		92		92
Special Revenue Fund	2,448		2,448		2,448
Supreme Court Total	94,308		94,308	600	94,908
Court of Appeals					
General Fund	16,378		16,378		16,378
Legal Professional Boards					
Special Revenue Fund	10,116		10,116		10,116
District Courts					
General Fund	462,226	1,559	463,785		463,785
Federal Fund	410		410		410
Special Revenue Fund	202		202		202
District Court Total	462,838	1,559	464,397	1,559	464,397
Tax Court					
General Fund	1,452	3	1,455		1,455
Uniform Laws Commission					
General Fund	96		96		96
Board of Judicial Standards					
General Fund	554		554	172	726
Public Defense Board					
General Fund	122,504	15	122,519		122,519
Department of Public Safety					
General Fund	162,913	2,596	165,509	5,089	170,598
Federal Fund	138,372		138,372		138,372
Special Revenue Fund	21,660		21,660		21,660
State Government Special Revenue	89,129		89,129		89,129
Dept. of Public Safety Total	412,074	2,596	414,670	5,089	419,759
POST Board					
Special Revenue Fund	9,763		9,763	200	9,963
Private Detective Board					
General Fund	252	27	279		279
Human Rights					
General Fund	6,980		6,980		6,980

Table 2 continued	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
Special Revenue Fund	304		304		304
Human Rights Total	7,284	(7,284)			7,284
Department of Corrections					
General Fund	825,938	1,137	827,075	13,823	840,898
Federal Fund	9,557		9,557	798	10,355
Gift Fund	38		38		38
Special Revenue Fund	33,972		33,972		33,972
Dept. of Corrections Total	869,505	1,137	870,642	13,823	884,465
Sentencing Guidelines					
General Fund	926	46	972		972
Board of Veterinary Medicine					
General Fund	7		7		7
Fund Totals					
General Fund	1,685,033	5,383	1,690,416	19,684	1,710,100
Federal Fund	155,300		155,300	798	156,098
Gift Fund	130		130		130
Special Revenue Fund	78,465		78,465	200	78,665
State Govt. Special Revenue Fund	89,129		89,129		89,129
Total All Funds	2,008,057	5,383	2,013,440	20,682	2,034,122

For more information on the fiscal actions related to Public Safety and Judiciary, contact Chris Turner, Chris.Turner@senate.mn

TRANSPORTATION

The supplemental budget appropriations for transportation adopted by the 2006 Legislature are contained in Article 12 of Chapter 282. Additionally, the Senate and the House of Representatives each passed an Omnibus Transportation Bill (Senate File No. 3764 and House File No. 3761) to provide additional funding for transportation purposes. However, the subsequent conference committee was not able to agree on a final transportation funding and policy package.

Table 1 shows total transportation-related spending changes enacted in 2006. In addition, the proposed constitutional amendment to dedicate motor vehicle sales tax revenues to roads and transit could, if adopted, alter spending beginning in FY 2008.

Table 1		
Transportation Changes--General Fund*		
2006 Legislative Session		
(dollars in thousands)		
	FY 2006-2007	FY 2008-2009
Department of Transportation		
Grant to Roseau County for Radio Tower	380	
Department of Public Safety		
Defibrillators for State Patrol Vehicles	312	
Total Change Items	692	

*There were no changes to nongeneral funds for transportation.

The 2006 Legislature appropriated an additional \$692,000 for transportation purposes from the General Fund, as summarized in Table 2. Of this amount, the Department of Transportation received a onetime appropriation of \$380,000 to design and construct a new radio tower in Roseau County. The Department of Public Safety received a onetime appropriation of \$312,000 for the purchase of automated external defibrillators for State Patrol vehicles in greater Minnesota. Each three dollars of this appropriation must be matched by two dollars from nonstate sources.

Capital Budget

In addition, the Capital Investment Bill (Chapter 282) adopted by the 2006 Legislature authorized general obligation bonds amounting to \$143 million for the Department of Transportation and \$16.6 million for the Metropolitan Council transportation-related programs. (See the State Debt and Capital Expenditures section.)

Other Transportation Policy Changes

The 2006 Legislature also passed several individual transportation-related policy bills.

These included permitting low-speed electric vehicles on residential roadways (Chapter 189); authorizing the use of communications headsets by firefighters (Chapter 208); requiring at least 30 minutes of driver education on organ/tissue donation

(Chapter 192); and requiring the Metropolitan Council to maintain a continuous service area of the Metro Mobility special transportation service within the boundaries of the transit taxing district (Chapter 279).

Agency/Fund	Original Budget (Enacted 2005)	Feb. 06 Forecast Changes	Feb. 06 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
Department of Transportation					
General Fund	38,442	19	38,461	380	38,841
County State-Aid Highway Fund	919,866		919,866		919,866
Federal Fund	536,511	6,763	543,274	3,415	546,689
Greater MN Transit Fund	16,311	(708)	15,603		15,603
Highway User Tax Distribution Fund	1,242		1,242		1,242
Municipal State-Aid Street Fund	242,745		242,745		242,745
Special Revenue Fund	39,021		39,021		39,021
State Airports Fund*	39,924		39,924	(2,300)	37,624
Trunk Highway Fund	**2,315,622	(51,214)	2,264,408		2,264,408
Trunk Highway Bond Fund***	251,215	(251,215)	0		0
Subtotal: Dept. of Transportation	4,400,899	(296,355)	4,104,544	1,495	4,106,039
Metropolitan Council Transit					
General Fund	156,256		156,256		156,256
Metro Area Transit Fund	246,821	(12,686)	234,135		234,135
Subtotal: Metropolitan Council	403,077	(12,686)	390,391	0	390,391
Department of Public Safety					
General Fund	10,489	531	11,020	312	11,332
Environmental Fund	98		98		98
Federal Funds	60,831	10,293	71,124	117	71,241
Gift Fund	90		90		90
Highway User Tax Distribution Fund	16,956		16,956		16,956
Special Revenue Fund	113,820		113,820		113,820
Trunk Highway Fund	147,391		147,391		147,391
Subtotal: Dept. of Public Safety	349,675	10,824	360,499	429	360,928
Fund Totals					
General Fund	205,187	550	205,737	692	206,429
County State-Aid Highway Fund	919,866		919,866		919,866
Environmental Fund	98		98		98
Gift Fund	90		90		90
Greater MN Transit Fund	16,311	(708)	15,603		15,603
Federal Fund	597,342	17,056	614,398	3,532	617,930
Highway User Tax Distribution Fund	18,198		18,198		18,198
Metro Area Transit Fund	246,821	(12,686)	234,135		234,135

Table 2 continued	Original Budget (Enacted 2005)	Feb. 06 Forecast Changes	Feb. 06 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
Municipal State-Aid Street Fund	242,745		242,745		242,745
Special Revenue Fund	152,841		152,841		152,841
State Airports Fund*	39,924		39,924	(2,300)	37,624
Trunk Highway Fund	2,463,013	(51,214)	2,411,799		2,411,799
Trunk Highway Bond Fund***	251,215	(251,215)	0		0
Total—All Funds	5,153,651	(298,217)	4,855,434	1,924	4,857,358

*There was no legislative action on the State Airport Fund in 2006. The February 2006 Forecast assumed a General Fund transfer that was not enacted.

**Includes transfer of \$99,014 to Debt Service Fund.

***As of the November 2005 Forecast, reporting on Trunk Highway Bonds is included in the Transportation Capital Projects Fund (290), and is no longer included in Budgetary Fund Statements.

Omnibus Transportation Bill

The Senate Omnibus Transportation Bill passed the Senate (46-18) on May 11, 2006. As mentioned previously, this bill was not subsequently enacted by the Legislature.

The bill included no new taxes or revenues for transportation purposes. However, it authorized \$35.3 million in trunk highway bonding projects, including \$18.2 million for construction of the Mankato District Transportation Headquarters Building, \$10.1 million for refurbishing the exterior of the Department of Transportation Building in St. Paul, and \$6 million for completion of Trunk Highway 610 construction.

The bill also included a statutory determination of the distribution of proceeds of the Motor Vehicle Sales Tax (MVST), contingent upon the adoption of the MVST constitutional amendment at the 2006 general election. Over a five-year period, the proposed distribution would gradually increase the percentages of MVST deposited in the Highway User Tax Distribution Fund (HUTDF) and in a new Transit Fund, and decrease the percentage of MVST deposited in the General Fund, so that as of July 1, 2011, the HUTDF would receive 60 percent of MVST revenues and the Transit Fund would receive 40 percent.

The bill also suggested a change to the ballot question language for the amendment.

As passed by the Senate, the bill contained numerous transportation policy changes, most without any significant fiscal impact.

These included: adjustments to threshold requirements for towns' eligibility for assistance from the town bridge account; creation of a "Gold Star Family" license plate program for motor vehicles; creation of a special motorcycle plate for combat wounded veterans; changes in procedures for owner's retrieval of contents from a towed motor vehicle; changes to child passenger restraint requirements; an increase in allowable vehicle weights on highways; imposition of an additional surcharge for moving violations committed while using a mobile phone; requiring MnDOT to conduct various transportation studies; and imposing additional restrictions on provisional driver's license holders.

MVST Constitutional Amendment

The 2006 general election ballot will contain the following question, as passed by the 2005 Legislature:

"Shall the Minnesota Constitution be amended to dedicate revenue from a tax on the sale of new and used motor vehicles over a five-year period, so that after June 30, 2011, all of the revenue is dedicated at least 40 percent for public transit assistance and not more than 60 percent for highway purposes?"

The 2006 Omnibus Transportation Bills passed by the Senate and the House of Representatives both amended the language of this question. However, no conference committee report was adopted and approved, so the existing ballot question was unchanged.

If the amendment is adopted, Article XIV of the Minnesota Constitution will contain two additional sections, which will require that starting July 1, 2007, 63.75 percent of

MVST revenues must be apportioned for transportation purposes. This amount shall increase by ten percent each year, so that after June 30, 2011, 100 percent of MVST revenues are dedicated to transportation. The MVST revenue shall be allocated not more than 60 percent to the HUTDF and at least 40 percent to public transit. The exact MVST revenue allocation between highways and public transit must still be determined by the Legislature.

Table 3 shows the resulting revenue gains to transportation and losses to the General Fund, assuming that the Legislature maintains the 60/40 highways/transit split.

Table 3 Estimated Revenue Changes for Proposed MVST Constitutional Amendment (dollars in millions)					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
General Fund	-\$55.8	-\$116.2	-\$167.3	-\$241.8	-\$285.2
Highways (HUTDF)	\$34.9	\$71.2	\$101.8	\$146.6	\$172.7
Transit	\$20.9	\$45.0	\$65.5	\$95.2	\$112.5

For more information on the fiscal actions related to Transportation, contact Krista Boyd, Krista.Boyd@senate.mn

STATE GOVERNMENT FINANCE

State Government supplemental budget appropriations and changes were contained in Articles 14 and 15 of Laws 2006, Chapter 282, and in Chapters 271 and 277, the Omnibus Pension Bills. As summarized in Table 1, General Fund appropriations were increased by \$5.8 million with few changes to other funds. The majority of new dollars were for veterans programs.

Table 2, displayed at the end of this section, summarizes FY 2006-2007 changes since the end of the 2005 session. Most General Fund increases in state agency appropriations reported in Forecasts reflect the carryforward of unspent operating funds from FY 2004-2005.

Table 1		
State Government Changes--All Funds		
2006 Legislative Session		
(dollars in thousands)		
	FY 2006-2007	FY 2008-2009
General Fund		
<u>Department of Finance</u>		
Bankruptcy Counsel—NWA Bankruptcy	325	
Retirement Systems (Ch. 277)	(2,016)	(4,032)
<u>Department of Veterans Affairs</u>		
State Soldiers Assistance Program grants	2,000	4,000
Service Enhancement Grants for CVSO's	200	400
Veterans Assistance Offices	600	1,200
Veterans Outreach funding deficit	500	500
Veterans Service Organizations deficits	80	
One-stop Website & Internet Support	100	200
<u>Office of Enterprise Technology</u>		
IT Security Enhancements	1,900	3,800
<u>Department of Employee Relations</u>		
Center for Health Care Purchasing Improve.	100	200
<u>Amateur Sports Commission</u>		
Restore One-time Cut	60	
<u>Legislative Coordinating Commission</u>		
Legislative Forum (Vetoed)	[30]*	
MN, ND, SD, Manitoba Legislative Forum (Vetoed)	[7]*	
<u>Indirect Costs</u>		
State Board of Investments Funding Restructuring	1,950	3,900
Total General Funds Changes	5,799	10,168
Special Revenue Fund		
<u>State Board of Investment</u>		
Funding Source Restructuring**	1,950	3,900
Workers' Compensation Fund		
<u>Office of Administrative Hearings</u>		
Relocation to Stassen Building	320	(297)

* Provision vetoed by Governor, not included in total.

**Open appropriation; spending amount equal to dedicated revenues.

LEGISLATURE

The Legislature appropriated \$37,000 to the Legislative Coordinating Commission (LCC) for two forums. \$30,000 in onetime funding was for a legislative effectiveness forum and \$7,000 was to pay the dues to the International Legislators Forum. The latter forum would allow Minnesota legislators to meet with counterparts in North and South Dakota and Manitoba, Canada to discuss issues of mutual concern. The Governor vetoed these two appropriations. His veto message stated that these items could be funded within the Legislature's existing budget. The LCC was appropriated \$250,000 to complete a study on ending poverty (see Early Childhood Education section).

GOVERNOR-ELECT EXPENSES

Minnesota Statutes, section 4.51, was amended to require the Commissioner of Administration to request a transfer of funds from the General Fund contingent account for payment of office space and staff salaries of the new Governor-elect. The transfer would be equal to 1.5 percent of the amount appropriated in the current fiscal year for the existing Governor, subject to Legislative Advisory Commission (LAC) approval. For FY 2007, the first time this provision might be applicable, this transfer would amount to \$54,000.

STATE AGENCIES

Office of Enterprise Technology (OET)

An ongoing annual appropriation of \$1.9 million was made to OET for comprehensive planning, implementation, and administration of

enterprise information technology security. This appropriation was partly in response to a December 2005 Legislative Auditor's audit report on mainframe security.

Chapter 282 also established an information and telecommunications technology systems and services account in the Special Revenue Fund. The authorizing language allows OET, upon advance agreement with participating state agencies or other governmental entities, to collect a charge for purchases of information and telecommunications services through state contracts. The funds in the account are statutorily appropriated to OET to be used for personnel and technology activities that create government efficiencies. The OET was unable to provide the Legislature with a projection of expected collections for FY 2007 during the legislative session.

Office of Administrative Hearings (OAH)

A onetime appropriation of \$320,000 was made from the Workers' Compensation Fund for costs of relocating OAH from leased space in Minneapolis to space in the Stassen Building in St. Paul.

The amount of space that the Department of Revenue needs for a paper filing area on the second floor of the Stassen Building has significantly been reduced since the conversion to an electronic format for tax filing, thereby making the space available for use by other state agencies. In order to make the necessary renovations, the Department of Administration plans to use dollars available in a facility repair and replacement account in the Special

Revenue Fund. The Department of Administration intends to accomplish the renovation for less than the original \$3.6 million contained in its capital budget request for the same purpose. The use of dollars from the repair and replacement account will result in the delay of other asset preservation projects in state-owned buildings.

This renovation project is anticipated to be completed by January 1, 2008, and will result in lease savings starting in FY 2009. The workers' compensation base appropriation for OAH has been reduced by \$297,000 to reflect the savings.

Department of Finance

\$325,000 in onetime funds was appropriated to cover the costs of a special attorney to represent the state's interests in the Northwest Airlines Chapter 11 bankruptcy proceedings. The state has \$36.9 million of general obligation bonds outstanding that were issued to build the Duluth Maintenance Facility. Of this total, \$21 million is scheduled to be paid through Northwest Airlines lease payments.

Department of Employee Relations (DOER)

The Department of Employee Relations received a \$100,000 ongoing appropriation to establish and administer the Center for Health Care Purchasing Improvement as an administrative unit within the department. The purpose of the center is to support state efforts to be a more prudent and efficient purchaser of health care services by developing strategies for purchasing and performance measurement. The Commissioner of DOER is to annually report to the Legislature and Governor

on operations, activities, and impacts of the center.

Minnesota Amateur Sports Commission (MASC)

A \$60,000, onetime appropriation was made to MASC, to partially restore a cut to the agency's base made in the 2005 session. It is expected that the commission will be able to cover its operating budget needs in the future through lease payments made by a private developer of land at the National Sports Center.

The land provision approved by the 2005 Legislature was also modified by Chapter 282. The change allows MASC to offer two 30-year renewals on a 30-year lease at the National Sports Center, for a total lease period of 90 years. The Commission is in negotiations with a private developer to allow the construction of a Sports Mall complex on the state-owned land in Blaine. The development plans include the potential for a hotel and waterpark.

Department of Veterans Affairs

The Legislature approved a total of \$3.5 million in additional appropriations for the Department of Veterans Affairs for new and expanded veterans programs. The package includes:

State Soldier's Assistance Program (SSAP) Grant. A \$2 million increase to SSAP brings total biennial funding to \$3.4 million. The additional funding will allow for enhanced services, such as family therapy or temporary financial assistance for veterans experiencing difficulties obtaining their VA benefits.

Outreach and Assistance Funding Deficit. \$250,000 each year was

provided to help fund a deficit in the outreach and assistance efforts of the department. These programs were originally funded in the 2005 session through revenues from the sales of "Support Our Troops" license plates. However, revenues from the plates are below projections and this General Fund appropriation is intended to ensure that the department will meet its commitments for outreach to veterans.

Veterans Service Organizations Deficit. \$80,000 in onetime funding was provided to fund a projected deficit for the small Veterans Service Organizations, which are partially dependent on funds from the "Support Our Troops" plates.

Service Enhancement Grants for County Veteran Services Offices (CVSOs). Funding for CVSO grants was increased by \$200,000 annually, bringing total annual funding to \$295,000 per year. The new funds will be used for grants to enhance benefits and services to veterans, giving priority to outreach, reintegration of combat veterans into society, and reducing homelessness among veterans. The Vinland Center and Minnesota Assistance Council for Veterans (MAC-V) are eligible to apply for grants in FY 2007.

Veterans Assistance Offices on Campus. \$600,000 was provided to establish "Veterans Assistance Offices" at state-funded four-year colleges and universities, coordinated by the Minnesota Department of Veterans Affairs. These offices would serve as referral points for all state and federal veterans benefits, as well as community and university services. Further, language contained in Chapter 197

creates a higher education veterans assistance program steering committee that is chaired by the Commissioner of Veterans Affairs and includes membership from the Department of Military Affairs, Minnesota State Colleges and Universities, University of Minnesota, private colleges and universities, Office of Higher Education, county veterans service offices, and the Department of Employment and Economic Development. The steering committee is to advise on the allocation of appropriations and develop a long-range plan to serve students who are veterans. The committee is also required to report to the Legislature on implementation and effectiveness of the program beginning in 2007. The program expires at the end of the fiscal year in which the number of veterans enrolled in colleges is fewer than 4,000, but no later than June 30, 2011.

One-Stop Web site and Internet Support. \$100,000 was allocated to create a centralized Web site containing information on benefits and services offered by all levels of government, as well as private organizations.

In addition to the appropriations contained in Chapter 282, an income tax credit for recent war veterans was included in Chapter 259. Additional information on this provision can be found in the tax section of this document. Veterans policy provisions are contained in Chapter 273.

State Board of Investment (SBI)

A restructuring of funding for the SBI was contained in Article 4 of Chapter 277, the Omnibus Pension Bill. The Board will now be able to bill the State Retirement Fund directly for its costs,

and deposit the billing receipts in a special revenue account for operating expenses. This change will reduce both expenditures and nondedicated receipts in the General Fund. The change is effective starting in FY 2007. The revenue and expenditures for FY 2007 are \$1.9 million.

A small General Fund appropriation will remain to support the investment activities directly related to the General Fund.

Table 2
FY 2006-2007 Biennial Spending by Agency and Fund
State Government Budget
(dollars in thousands)

Agency/Fund	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
LEGISLATURE					
General Fund	116,058		116,058		116,058
General Fund- Carryforward	8,503	1,013	9,516		9,516
Health Care Access Fund	256		256		256
Special Revenue Fund	19		19		19
Legislature Total	124,836	1,013	125,849		125,849
GOVERNOR					
General Fund	7,168	285	7,453		7,453
Special Revenue Fund	522		522		522
Governor Total	7,690	285	7,975		7,975
STATE AUDITOR					
General Fund	16,546	274	16,820		16,820
General Fund - statutory	1,982		1,982		1,982
State Auditor Total	18,528	274	18,802		18,802
ATTORNEY GENERAL					
General Fund	45,514	3,513	49,027		49,027
General Fund - statutory	16,564		16,564		16,564
State Govt. Special Revenue Fund**	5,222		5,222		5,222
Special Revenue Fund	438		438		438
Federal Fund	2,566		2,566		2,566
Environmental Fund	290		290		290
Remediation Fund	968		968		968
Attorney General Total	71,562	3,513	75,075		75,075
SECRETARY OF STATE					
General Fund	11,982	39	12,021		12,021
Special Revenue Fund	40,167		40,167		40,167
Secretary of State Total	52,149	39	52,188		52,188
CAMPAIGN FINANCE AND PUBLIC DISCLOSURE BOARD					
General Fund	1,388	22	1,410		1,410
Special Revenue Fund	3,610		3,610		3,610
Campaign Finance Total	4,998	22	5,020		5,020
CAMPAIGN FINANCING CHECK-OFF SUBSIDY					
General Fund	3,610	400	4,010		4,010
General Fund – Transfers Out	(3,610)	(400)	(4,010)		(4,010)
STATE BOARD OF INVESTMENT					

Table 2 continued	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
General Fund	4,334	256	4,590	(2,016)	2,574
Special Revenue Fund				1,950	1,950
State Board of Investment Total	4,334	256	4,590	(66)	4,524
OFFICE OF ADMINISTRATIVE HEARINGS					
General Fund	524	2	526		526
Special Revenue Fund	130		130		130
<i>Administrative Hearings*</i>	3,507		3,507		3,507
Workers' Compensation Special Fund	14,810		14,810	320	15,130
Office of Administrative Hearings Total	18,971	2	18,973	320	19,293
DEPARTMENT OF ADMINISTRATION					
General Fund	42,513	255	42,768		42,768
State Govt. Special Revenue Fund	13,897		13,897		13,897
Special Revenue Fund	22,720		22,720		22,720
Federal Fund	3,941	50	3,991		3,991
Gift Fund	12		12		12
<i>Internal Service Funds*</i>	139,229		139,229		139,229
Department of Administration Total	222,312	305	222,617		222,617
OFFICE OF ENTERPRISE TECHNOLOGY					
General Fund	3,606		3,606	1,900	5,506
<i>Internal Service Fund*</i>	158,324		158,324		158,324
Office of Enterprise Technology Total	161,930		161,930	1,900	163,830
PUBLIC BROADCASTING					
General Fund	3,710		3,710		3,710
CAPITOL AREA ARCHITECTURE BOARD					
General Fund	617	147	764		764
DEPARTMENT OF FINANCE					
General Fund	29,616	1,624	31,240	325	31,565
Special Revenue Fund	13,706		13,706		13,706
Department of Finance Total	43,322	1,624	44,946	325	45,271
FINANCE NONOPERATING					
General Fund	10,262	150	10,412		10,412
General Fund – Transfer Out	(10,332)		(10,332)		(10,332)
Federal Fund	8,102		8,102		8,102
Finance Nonoperating Total	8,032	150	8,182		8,182
INDIRECT COSTS					
General Fund	(34,774)	(955)	(35,729)	1,950	(33,779)
DEPARTMENT OF EMPLOYEE RELATIONS					
General Fund	12,250	91	12,341	100	12,441
Special Revenue Fund	51,602		51,602		51,602
<i>State Employees Insurance Pool*</i>	1,296,383		1,296,383		1,296,383
Dept. of Employee Relations Total	1,360,235	91	1,360,326	100	1,360,426
DEPARTMENT OF REVENUE					
General Fund	202,802	2,378	205,180		205,180
Health Care Access Fund	3,308		3,308		3,308
Special Revenue Fund	5,100		5,100		5,100
State Airports Fund	2		2		2
Highway Users Tax Distribution Fund	4,194		4,194		4,194
Environmental Fund	586	(1)	585		585
Department of Revenue Total	215,992	2,377	218,369		218,369
DEPARTMENT OF MILITARY AFFAIRS					
General Fund	36,021	100	36,121		36,121

Table 2 continued	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
Special Revenue Fund	2,532		2,532		2,532
Federal Fund	95,900		95,900		95,900
Dept. of Military Affairs Total	134,453	100	134,553		134,553
DEPARTMENT OF VETERANS AFFAIRS					
General Fund	8,504	499	9,003	3,480	12,483
Special Revenue Fund	1,695		1,695		1,695
Federal Fund	800		800		800
Gift Fund	27		27		27
Department of Veterans Affairs Total	11,026	499	11,525	3,480	15,005
AMATEUR SPORTS COMMISSION					
General Fund	2,006	6	2,012	60	2,072
COUNCIL ON BLACK AMERICANS					
General Fund	556	2	558		558
Special Revenue Fund	90		90		90
Council on Black Americans Total	646	2	648		648
COUNCIL ON CHICANO AFFAIRS					
General Fund	542	27	569		569
COUNCIL ON ASIAN-PACIFIC MINNESOTANS					
General Fund	479	4	483		483
Special Revenue Fund	106		106		106
Gift Fund	18		18		18
Council on Asian-Pacific Minnesotans Total	603	4	607		607
COUNCIL ON INDIAN AFFAIRS					
General Fund	950	42	992		992
Federal Fund	120		120		120
Gift Fund	2		2		2
Council on Indian Affairs Total	1,072	42	1,114		1,114
GAMBLING CONTROL BOARD					
Special Revenue Fund	5,600		5,600		5,600
RACING COMMISSION					
Special Revenue Fund	2,751		2,751		2,751
CONTINGENT ACCOUNTS					
General Fund	500		500		500
State Govt. Special Revenues Fund	800		800		800
State Airports Fund	100		100		100
Trunk Highway Fund	400		400		400
Highway Users Tax Distribution Fund	250		250		250
Workers' Compensation Special Fund	200		200		200
Contingent Accounts Total	2,250		2,250		2,250
TORT CLAIMS					
General Fund	322		322		322
Trunk Highway Fund	1,200		1,200		1,200
Tort Claims Total	1,522		1,522		1,522
MINNESOTA RETIREMENT SYSTEMS (MSRS)					
General Fund	2,381	4,778	7,159		7,159
LOCAL PENSION AIDS					
General Fund	53,664		53,664		53,664
FUND TOTALS—STATE GOVERNMENT BUDGET					
General Fund	583,651	13,939	597,590	5,799	603,389
General Fund - Statutory	18,546		18,546		18,546
General Fund - Carryforward	8,503	1,013	9,516		9,516

Table 2 continued	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
General Fund – Transfers Out	(13,942)	(400)	(14,342)		(14,312)
Environmental Fund	876	(1)	875		875
Federal Fund	111,429	50	111,479		111,479
Gift Fund	59		59		59
Health Care Access Fund	3,564		3,564		3,564
Highway Users Tax Distribution Fund	4,444		4,444		4,444
Remediation Fund	968		968		968
Special Revenue Fund	147,178		147,178	1,950	149,128
State Airports Fund	102		102		102
State Govt. Special Revenue Fund	19,919		19,919		19,919
Trunk Highway Fund	1,600		1,600		1,600
Workers' Compensation Special Fund	15,010		15,010	320	15,330
ALL FUNDS TOTAL	915,849	15,001	930,850	8,069	938,919
<i>Administrative Hearings*</i>	<i>3,507</i>		<i>3,507</i>		<i>3,507</i>
<i>Internal Service Fund*</i>	<i>297,553</i>		<i>297,553</i>		<i>297,553</i>
<i>State Employees Insurance*</i>	<i>1,296,383</i>		<i>1,296,383</i>		<i>1,296,383</i>

*Italicized funds are not included in fund totals but do reflect operations for the relevant agencies.

**Includes \$1.65 million spent by the Attorney General under agreement with the Medical Practices Board.

*For more information on the fiscal actions
related to State and Local Government, contact
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TAX AIDS AND CREDITS

Chapter 259, the Omnibus Tax Act, made a variety of modest changes to property tax aids and credits that will increase General Fund spending by \$720,000 for FY 2006-2007. As summarized in Table 2, state spending for tax aids and credits will now total \$3.034 billion for the FY 2006-2007 biennium. Tax aid and credit spending for the FY 2006-2007 biennium is also

up \$49.8 million relative to the budget enacted in 2005 due primarily to forecasted increases for property tax refunds and tax refund interest. All appropriations for tax aids and credits are paid from the General Fund.

Table 1 Changes in Tax Aids and Credits Spending (dollars in thousands)		
	FY 2006-07 Enacted Changes	FY 2008-09 Enacted Changes
Changes Affecting Property Tax Refunds:		
Increased Met Council Transit Bonding Authority	0	(50)
Classification Ag. Homestead Inflation Adjustment	0	(510)
Retro. Rebate for Property Tax Refunds Tuition Waiver	(120)	0
Biomass Electric Generating Facility	0	(20)
EMS Spec. Taxing District Levy Authority	0	(9)
Agric. Market Value Credit - Fractional Homesteads	0	30
Disparity Reduction Aid - Adj. for Class Rate Change	0	150
Mahnomen County Aid	(600)	0
Total	(720)	(409)

Table 2 Spending for Tax Aids and Credits, FY 2006-2007 (dollars in thousands)					
	Original Budget (Enacted 2005)	Forecast Changes	Feb. 2006 Forecast Amounts	Legislative Changes	Current Budget (Revised 2006)
Total Expenditures	2,983,735	49,790	3,033,525	720	3,034,245
Property Tax Refunds	676,145	13,099	689,244	0	689,244
City Aid	921,381	(11)	921,370	0	921,370
Market Value Homestead Credit	563,513	(4,419)	559,094	0	559,094
County Program Aid	409,771	(66)	409,705	0	409,705
Other Tax Aids and Credits	412,925	41,187	454,112	720	454,832

**Agricultural Homestead Land
Bracket Inflation Adjustment**

Beginning with the 2006 assessment year, the current \$600,000 market value threshold separating first and second tier agricultural homestead classification will be indexed to increase annually. The adjustment is based on the ratio of the previous assessment year's statewide average taxable market value of agricultural property per acre of deeded farm land to the same measure for the 2004 assessment year. The limit is rounded to the nearest \$10,000. The estimated limit for taxes payable in 2007 is \$690,000.

**Property Tax Refunds; Tuition
Waiver Income**

Retroactive rebates were provided to taxpayers who were required to repay part of a property tax refund based on the inclusion of tuition discounts in household income on a claim filed in 2005 or earlier years.

Mahnomen County Aid

A onetime appropriation of \$600,000 was made to the city of Mahnomen, Mahnomen County, and the school district to compensate for the loss of property tax revenue as a result of land located in the city of Mahnomen being placed in trust status.

*For more information on the fiscal
actions related to Tax Aids and Credits
contact Susan Von Mosch,
Susan.Vonmosch@senate.mn*

CAPITAL BUDGET

Chapter 258, the 2006 Omnibus Bonding Bill, provided \$1.0 billion (\$999,980,000) for capital improvement projects. Of this total, \$874.7 million of bonds will be repaid from the state General Fund, while \$50.3 million will be user financed. \$71 million will be repaid from state transportation funds and \$10.7 million will be repaid through the maximum effort school loan program.

General Fund debt service appropriations will increase by \$6.8 million in FY 2007 and by an estimated \$67.8 million in FY 2008-2009 to finance the new bonds. In addition, chapter 258 included direct General Fund appropriations of \$1 million to support administrative costs related to various capital projects.

Notable capital investments include:

- \$191.4 million for facilities on the Minnesota State Colleges and Universities campuses;
- \$115.7 million for facilities on University of Minnesota campuses;
- \$85.1 million for transit projects, including \$60.0 million for the Northstar Commuter Rail project;
- \$71.0 million for local bridge and local road repair;
- \$61.1 million for correctional facilities, including \$28 million for the Phase 2 expansion of the Faribault correctional facility and

\$33 million for improvements at the correctional facilities in Lino Lakes, Red Wing, Shakopee, and Stillwater;

- \$41 million for the first phase of a two-part project to provide additional residential, program, and ancillary service capacity for the sex offender treatment program at Moose Lake;
- \$12.1 million for improvements at various veterans homes throughout the state;
- \$10 million for grants to support bioscience business development in the state; and
- \$3 million for the Clean Water Legacy.

To guide the expenditures for the development of bioscience businesses, the Legislature established the Bioscience Business Development Public Infrastructure Grant Program. Priorities for the grants awarded under this program are delineated, along with specification of the information that local governments must, at a minimum, include when applying for a grant.

As itemized in Table 1, Chapter 258 appropriates funds for a wide variety of specific projects and general capital improvement programs.

Table 1
Bonding Projects 2006
Capital Investment Appropriations by Project and Agency

AGENCY AND PROJECT	PROJECT AMOUNT
ADMINISTRATION DEPARTMENT	
Asset Preservation	5,000,000
Capital Asset Preservation and Replacement Account	4,000,000
Hmong Veterans Statue	150,000
Workers Memorial	100,000
Administration Total	\$9,250,000
AGRICULTURE	
Biosafety Level 3 Agriculture Lab	\$1,500,000
BOARD OF WATER AND SOIL RESOURCES (BOWSR)	
Grass Lake	2,200,000
Minnesota River Area II	500,000
Streambank, Lakeshore Erosion Control	1,000,000
Wetland Replacement Due to Public Road Projects	4,200,000
BOWSR Total	\$7,900,000
CAPITOL AREA ARCHITECTURAL AND PLANNING BOARD	
Capitol Building	\$2,400,000
CORRECTIONS	
Asset Preservation	5,000,000
Minnesota Correctional Facility-Faribault	27,993,000
Minnesota Correctional Facility- Lino Lakes	2,494,000
Minnesota Correctional Facility-Shakopee	5,375,000
Minnesota Correctional Facility-Stillwater	19,580,000
Minnesota Correctional Facility-Red Wing	623,000
Corrections Total	\$61,065,000
EDUCATION	
Early Childhood Learning and Child Protection Facilities	500,000
Library Improvement Grants	1,000,000
MacPhail Music Center	5,000,000
Nett Lake	10,700,000
Education Total	\$17,200,000
EMPLOYMENT AND ECONOMIC DEVELOPMENT	
Bemidji Regional Events Center	3,000,000
Bioscience Business Development Public Infrastructure Grant Program	10,000,000
Burnsville Water Treatment Facility	2,500,000
Central Iron Range Sanitary Sewer District Treatment Facilities	2,500,000
Clean Water Legacy	3,310,000
Greater Minnesota Business Development Infrastructure Grant Program	7,750,000
Itasca County Infrastructure	12,000,000
Lake Superior Zoo-Duluth	600,000
Lewis and Clark Rural Water System Inc.	3,282,000
Little Falls Zoo	400,000
Minneapolis	
Lowry Avenue Corridor	5,000,000
Schubert Performing Arts and Education Center	11,000,000
Mountain Iron-Energy Park	500,000
Redevelopment Account	9,000,000
Redwood-Cottonwood Rivers Control Area	1,600,000

Table 1 continued	
AGENCY AND PROJECT	PROJECT AMOUNT
Roseville-John Rose Minnesota Oval	500,000
St. Paul	
Asian Pacific Cultural Center	400,000
Ordway Center	7,500,000
Southwest Regional Event Center	11,000,000
State Match for Federal Grants	38,800,000
Total Maximum Daily Load Grants	5,000,000
Virginia Regional Medical Center Helipad	600,000
Wastewater Infrastructure Funding Program	23,300,000
Willmar-Rice Memorial Hospital Dental Clinic	500,000
Workforce Center Renovations	600,000
Employment and Economic Development Total	\$160,642,000
HOUSING FINANCE	
Supportive Housing for Long-Term Homeless	\$17,500,000
Transitional Housing	2,000,000
Housing Finance Total	\$19,500,000
HUMAN SERVICES	
Asset Preservation and Facility Design	3,000,000
Moose Lake Sex Offender Treatment	41,321,000
St. Peter Regional Treatment Center	2,500,000
Statewide Security Upgrades	5,000,000
Systemwide Redevelopment, Reuse, or Demolition	5,000,000
Systemwide Roof Renovation and Replacement	1,500,000
Human Services Total	\$58,321,000
METROPOLITAN COUNCIL	
Cedar Avenue Bus Rapid Transit	5,000,000
Central Corridor Transit Way	7,800,000
I-35W Rapid Transit	3,300,000
Metropolitan Regional Parks Capital Improvements	35,362,000
Red Rock Corridor Transit Way	500,000
Robert Street Corridor Transit Way	500,000
Union Depot	\$3,500,000
Metropolitan Council Total	\$55,962,000
MILITARY AFFAIRS	
Asset Preservation	4,000,000
Facility ADA Compliance	1,400,000
Facility Life Safety Improvements	1,000,000
Lead Abatement and Range Conversion	1,029,000
Starbase Minnesota	150,000
Military Affairs Total	\$7,579,000
MINNESOTA HISTORICAL SOCIETY	
County and Local Preservation Grants	1,000,000
Historic Fort Snelling Museum	1,100,000
Historic Sites Asset Preservation	3,000,000
History Center Visitor Services	572,000
Minnesota Historical Society Total	\$5,672,000
MINNESOTA STATE ACADEMIES	
Asset Preservation	2,509,000
Frechette Hall	25,000
Minnesota State Academies Total	\$2,534,000
MINNESOTA STATE COLLEGES AND UNIVERSITIES	
Higher Education Asset Preservation and Replacement	40,000,000

Table 1 continued	
AGENCY AND PROJECT	PROJECT AMOUNT
Alexandria Technical College	400,000
Bemidji State University	700,000
Century College	19,900,000
Fond du Lac Tribal and Community College	12,390,000
Inver Hills Community College	700,000
Lake Superior Community and Technical College	420,000
Metropolitan State University	650,000
Minneapolis Community and Technical College	18,874,000
Minnesota State College-Southeast Technical College, Red Wing	4,855,000
Minnesota State University, Mankato	32,900,000
Minnesota State University, Moorhead	9,980,000
Normandale Community College	5,125,000
North Hennepin Community College	350,000
Northland Community and Technical College, East Grand Forks	300,000
Mesabi Range Community and Technical College, Eveleth	300,000
St. Cloud State University	18,500,000
St. Paul College	3,000,000
Southwest Minnesota State University	300,000
Winona State University	11,586,000
Systemwide Initiatives	10,200,000
Minnesota State Colleges and Universities Total	\$191,430,000
MINNESOTA ZOOLOGICAL GARDEN	
Asset Preservation	7,500,000
Master Plan	7,500,000
Minnesota Zoological Garden Total	\$15,000,000
NATURAL RESOURCES	
Statewide Asset Preservation	2,000,000
Dam Renovation and Removal	2,250,000
Fisheries Acquisition and Improvement	2,000,000
Fish Hatchery Improvements	1,000,000
Flood Hazard Mitigation Grants	25,000,000
Large-Scale Forest Land and Forest Legacy Conservation Easements	7,000,000
Forest Roads and Bridges	1,000,000
Lake Superior Safe Harbors	3,000,000
Local Initiative Grants	2,000,000
Metro Greenways and Natural Areas	500,000
Native Prairie Bank Easements and Developments	1,000,000
Prairie Wetlands Environmental Learning Center	2,000,000
Regional Trails	1,133,000
RIM-Wildlife Area Land Acquisition and Improvement	14,000,000
Scientific and Natural Area Acquisition and Development	2,000,000
State Forest Land Acquisition	1,000,000
State Forest Land Reforestation	4,000,000
State Park and Recreation Area Acquisition	3,000,000
State Park Infrastructure Rehabilitation and Natural Resources Restoration	3,000,000
State Park Building Construction and Rehabilitation	3,000,000
State Park Camper Cabins	2,000,000
State Trail Acquisition and Development	10,811,000
Stream Protection and Removal	2,000,000
Trail Connections	2,010,000
Water Access Acquisition, Betterment, and Fishing Piers	3,000,000
Water Control Structures	1,000,000

Table 1 continued	PROJECT
AGENCY AND PROJECT	AMOUNT
Natural Resources Total	\$100,704,000
PERPICH CENTER FOR ARTS EDUCATION	
Asset Preservation	\$1,051,000
POLLUTION CONTROL	
Capital Assistance Program	4,000,000
Closed Landfill Program	10,800,000
Koochiching RECAP	2,500,000
Pollution Control Total	\$17,300,000
PUBLIC SAFETY	
Scott County Public Safety Training Center	\$1,000,000
TRANSPORTATION	
Greater Minnesota Transit	2,000,000
Local Bridge Replacement and Rehabilitation	55,000,000
Local Road Improvement Program	16,000,000
Northeast Minnesota Rail Initiative	1,300,000
Northstar Commuter Rail	60,000,000
Port Development Assistance	3,000,000
Rail Service Improvement	3,700,000
St. Cloud Regional Airport	2,000,000
Transportation Total	\$143,000,000
UNIVERSITY OF MINNESOTA	
Higher Education Asset Preservation and Replacement	\$30,000,000
Duluth-Labovitz School of Business	15,333,000
Twin Cities	
Carlson School of Management	26,600,000
Medical Biosciences Building Phase 1	40,000,000
University Research Centers	
Cedar Creek Natural History Area	500,000
Cloquet Forestry Center Classroom Addition	500,000
West Regional Outreach Center, Morris	2,500,000
Willmar Poultry Testing Laboratory	300,000
University of Minnesota Total	\$115,733,000
VETERANS HOMES BOARD	
Asset Preservation	6,000,000
Fergus Falls Veterans Home	637,000
Hastings Veterans Home Supportive Housing	700,000
Luverne Veterans Home	599,000
Minneapolis Veterans Home	2,457,000
Silver Bay Veterans Home	1,697,000
Veterans Homes Board Total	\$12,090,000
BOND SALE EXPENSES	\$948,000
CANCELLATIONS	\$(7,800,000)
TOTAL Chapter 258	\$999,980,000
BOND PROCEEDS FUND (GENERAL FUND DEBT SERVICE)	\$874,737,000
BOND PROCEEDS FUND (USER FINANCED DEBT SERVICE)	\$50,343,000
MAXIMUM EFFORT SCHOOL LOAN FUND	\$10,700,000
STATE TRANSPORTATION FUND	\$71,000,000
GENERAL FUND	\$1,000,000
BOND PROCEEDS CANCELLATION	\$(7,800,000)

For more information on the fiscal actions related to State debt and Capital Expenditures, contact David Jensen, David.Jensen@senate.mn or Maja Weidmann, Maja.Weidmann@senate.mn

MINNESOTA TWINS BASEBALL STADIUM

The 2006 Legislature authorized the financing, construction, and operation of a new stadium for Major League Baseball Minneapolis. Based on preliminary designs discussed during the legislative session, the new stadium will seat 42,000 fans and will be an open-air facility. The Legislature intends that the ballpark will be open by the 2010 season.

Chapter 257, the enabling legislation for the new stadium, established the Minnesota Ballpark Authority to achieve the purposes of Chapter 257, including being responsible for construction, operation, and long-term use of the new ballpark. The authority will be governed by a five-member commission consisting of two members appointed by the Governor; two members, including the chair, appointed by the county board; and one member appointed by the Minneapolis City Council. One of the gubernatorial appointees must be a resident of a county other than Hennepin and all other members must be residents of Hennepin County. No member may have served as an elected official of Minneapolis or Hennepin County for two years prior to appointment.

Stadium Financing

The total costs to construct the ballpark are estimated to be \$522 million. The Minnesota Twins will contribute \$130 million, with the remainder coming from local sources. Hennepin County is authorized to expend up to \$260 million for the ballpark, \$90 million for land-site improvements and public infrastructure, and an estimated \$42 million for debt service costs.

To fund the local portion of the stadium construction costs, Hennepin County is authorized to issue revenue bonds and to impose a 0.15 percent local option sales tax, without referendum. The county was also authorized to make grants to the ballpark authority for construction of the ballpark, capital improvement reserves, and other purposes related to the ballpark.

In addition, the ballpark authority must enter into long-term lease or use agreements with the Minnesota Twins use of the ballpark. The authority must also require the capital improvement reserve fund to be funded with annual payments of \$2 million. The team's share of these payments was set at approximately \$1 million and the county contribution was capped at \$1 million annually.

Further, the legislation provides that up to \$4 million per year of revenues in excess of amounts needed for debt service may be spent in equal amounts for youth activities and amateur sports and for extended hours for Minneapolis and Hennepin County libraries. The \$4 million may be increased by up to 1.5 percent annually.

State Costs – Tax Exemptions

The stadium financing plan includes no state appropriations. However, as discussed in the State Tax Revenues Section, Chapter 257 provides for a sales tax exemption on the material and supplies used for construction and improvement of public infrastructure; the exemption for ballpark materials expires one year after the first game is

played, and five years after the issuance of bonds for infrastructure improvements. Chapter 257 also grants a sales tax exemption for tickets to games and events sponsored by the Minnesota State High School League (MSHSL). The MSHSL is required to determine the sales tax savings attributable to this exemption and annually transfer that amount to a nonprofit charitable foundation that promotes high school extracurricular activities.

Any real or personal property of the Ballpark Authority is also exempt from local property taxes but is subject to special assessments. The three percent Minneapolis admissions and amusements tax may apply to admissions for baseball events at the ballpark.

Other Criteria and Requirements

The Legislature established a variety of criteria and conditions on the work of the Ballpark Authority, including that:

- the lease or use agreement between the baseball authority and the team requires that if the team is sold, a percentage (18 percent declining to zero over ten years) of the gross sale price must be paid to the baseball authority;
- the lease or use agreement also requires that if the franchise relocates or dissolves, the team and Major League Baseball will transfer to the state the Twin's name, logo, records, and related items;
- the authority be provided access to annual audit financial statements of

the team of other records deemed necessary to determine compliance;

- the team provide \$250,000 annually for youth activities and youth amateur sports; and
- the act also provides that, subject to the rules of Major League Baseball, the Governor and the Metropolitan Sport Facilities Commission (MSFC) must attempt to form a corporation that is at least 50 percent owned by members of the general public. The lease or use agreement must provide that, prior to any planned sale of the team, the team must offer the corporation first right of refusal to purchase the team.

MSFC may provide financial and other assistance to the county and baseball authority. MSFC is required to transfer \$300,000 to the county by January 1, 2007, for preliminary ballpark and infrastructure construction costs, subject to reimbursement from the county's sales tax revenues.

Upon any future sale of the Metrodome, \$5 million of the net proceeds go to Hennepin County for the ballpark's capital improvement reserve, and the remainder must be used to pay debt service on bonds issued to pay for construction of a Vikings football stadium. MSFC must transfer \$5 million from its cash reserves to Minneapolis for future infrastructure costs at the site of the Metrodome.

Vikings and Anoka County

Chapter 257 also directs representatives of Anoka County and the Vikings to negotiate an agreement for development and funding of a football stadium in

Blaine and to report to the Legislature on such agreement by January 15, 2007.

Contingent authority was granted to Anoka County to impose a 0.75 percent local option sales tax without referendum to finance a football stadium if a future Legislature enacts a law providing for the development and financing of a football stadium for the Minnesota Vikings in the city of Blaine.

Persons interested in following the stadium may log onto the Web site that the authority is required to establish.

For more information on the fiscal actions related to the Minnesota Twins Baseball Stadium, contact Susan Von Mosch, Susan.Vonmosch@senate.mn

UNIVERSITY OF MINNESOTA FOOTBALL STADIUM

The 2006 Legislature provided funding for a new 50,000-seat football stadium on the University of Minnesota Twin Cities campus. The \$248 million stadium will be funded 55 percent from state funds (\$137.25 million), and 45 percent from University sources (\$110.75 million).

Stadium Financing

The financing package for the new stadium anticipates that the University will issue bonds to complete construction by the 2009 collegiate football season. The bonds, with interest, will be repaid from a combination of annual state payments and the University funding sources, but the amount of bonds that can be issued to fund the state share of construction costs is limited to \$137,250,000. While the cumulative stream of payments from each funding source over the life of the bonds will depend on various financing details, the funding sources and the portion of construction costs anticipated to be financed by each include:

- state General Fund appropriations up to \$10.25 million annually;
- a naming rights agreement with TCF Financial Corporation (\$20.5 million);
- game day parking revenues (\$13 million);
- a \$25 student fee to be phased in beginning in the 2007 academic year (\$13.5 million); and
- University fundraising (\$64 million).

The state's annual General Fund payments will not begin until the University demonstrates that at least \$110,750,000 has been committed for stadium construction from nonstate sources.

Further, materials purchased for the construction of the new stadium were exempted from the state sales and use tax; an estimated savings of \$5 million for the project during FY 2008-2009.

By July 1, 2007, the University must deposit \$1.5 million into a mitigation fund to be used to mitigate the impact of stadium construction and operation on the community in close proximity to the site. The University and the city of Minneapolis must work with the stadium area advisory group to discuss short- and long-term issues and concerns related to the project, and the allocation of the mitigation funds.

University Land Transfer

The state's obligation to make annual payments for the stadium is expressly conditioned upon the University's covenant, in perpetuity, limiting its use of 2,840 acres of University-owned land in U-More Park. Further, the University must offer to convey such land for \$1, no later than the date of last state payment for debt service on the stadium. Chapter 247 also included a number of provisions addressing the terms of the sale and transfer of the land at U-More Park to the state, including that:

- the "permitted uses" of the University land were expanded to include outdoor recreation-based

uses consistent with those of parks and open space wildlife management areas and natural areas, provided the improvements have been agreed to in writing by the University and the Commissioner of Natural Resources;

- the University and the Department of Natural Resources (DNR) must enter into an agreement that delineates the permitted and prohibited uses of the land and oversight activities;
- any agreement between the Board of Regents and the DNR must provide that payments from leases of University land shall be dedicated to the operation and maintenance of the land;
- the Commissioner of Natural Resources may request that the University convey all or part of the land to the state and that the regents shall convey the land as requested by the DNR, which could include conveyance of all or part of the land to DNR or to another governing unit of the state; and
- the University must use due diligence to ensure that the federal government fulfills its obligations under federal laws, including the Defense Environmental Restoration Program and the Comprehensive Environmental Response Compensation and Liability Act.

The University and the DNR must submit a series of reports to the Legislature and the Governor delineating the status of discussions between the two regarding issues associated with the transfer and future development of the land, the entities responsible for the

clean-up of any contamination of the land, and a process to resolve any disputes that may arise between the University, the DNR, and other parties.

Chapter 247 also provides that, from 2007 through 2011, a portion of taconite production tax revenues be distributed to the City of Eveleth to support the United States Hockey Hall of Fame. The revenue distribution is contingent upon the Hall of Fame remaining in Eveleth, and the City of Eveleth demonstrating that it has received private contributions equal to the taconite production tax revenue distribution.

For more information on the fiscal actions related to the new University of Minnesota Stadium, contact Susan Von Mosch, Susan.Vonmosch@senate.mn or Maja Weidmann, Maja.Weidmann@senate.mn

EMINENT DOMAIN

The 2006 Legislature made significant changes to the state's eminent domain law. The changes required no changes to state appropriations, but could have implications for the cost of completing state-funded projects, such as roads or other infrastructure, could increase in the future. To the extent the change to eminent domain laws do affect the costs of state projects, the change may influence the quantity and timing of projects rather than overall spending levels. The key features of the Chapter 214 include that:

- the public benefits of economic development would not by themselves constitute a public use or purpose. Property could be condemned to mitigate blight or remediate environmental contamination, but only under specified circumstances that are subject to court review;
- property owners who contest condemnation would be entitled to recover attorney fees under certain circumstances. If the court found there was not a proper use or purpose, or if the final damage award was more than 40 percent greater than the last written offer from the condemning authority, an attorney fee award would be mandatory. If the final award was 20 to 40 percent greater, the court could award attorney fees;
- if condemned land is no longer needed for a public purpose, the property owner would have a "right of first refusal" to buy back the

property before it could be sold to anyone else;

- other increases and changes are made in the amount of appraisal fees that may be awarded, relocation expenses, reimbursement for loss of a going business concern, and related provisions; and
- negotiation requirements and related issues requiring potential condemning authorities to share appraisals with property owners are expanded.

For more information on Eminent Domain law changes, contact Kathy Pontius, Kathy.Pontius@senate.mn

PENSIONS

The 2006 Legislature adopted two omnibus public pension bills with fiscal implications for state and local public employers and employees.

The most significant fiscal related changes in Chapter 271—which contained many pension-related technical, administrative, and policy changes—were increased employee and employer contribution rates to the Minnesota State Retirement System (MSRS) general plan, correctional plan, and state patrol plan. Both employer and employee rates for MSRS were increased from 4.0 percent to 5.0 percent of annual salary. For the correctional plan, employee contribution rates will increase from 5.69 to 8.6 percent and employer contribution rates from 7.98 to 12.1 percent; and for the state patrol plan, employee rates will go from 8.4 to 10.4 percent, while employer rates go from 12.6 to 15.6 percent. The increases for all three plans will be phased in over four years beginning July 2007. While Chapter 271 made no appropriation changes, state agency spending for pension contributions would increase under the legislation by an estimated \$51 million annually once the rate changes are fully effective in FY 2011. Absent increases in appropriations for state agency operations, the increased costs would need to be funded from existing budgets.

Chapter 277 contained three major reforms to public pensions and retirement programs in the first three articles of the act.

Article 1, beginning in 2010, places a five percent per-year cap on

postretirement increases for members of public pension funds that participate in the Minnesota Post Retirement Investment Fund. Under the old law, postretirement increases were based on two components: (1) a cost-of-living adjustment of up to 2.5 percent per year; and (2) an investment-based adjustment, which was not limited. Under the new law, if investment earnings (combined with the cost-of-living adjustment) would cause the total increase to exceed five percent in a year, the increase will be capped at five percent and the remainder will be retained in the fund and will be available for future increases. In addition, postretirement increases paid from the St. Paul Teachers Retirement Fund Association will be limited to five percent per-year beginning July 1, 2010.

Article 2 reduces the augmentation rate for deferred annuities to a flat 2.5 percent per year from the time a person leaves employment until the person begins drawing the pension. Under the old law, when a person left public employment but did not begin drawing a pension, the amount of the pension was increased by three percent each year until the person reached 55, and then by five percent each year after that until the person began drawing a pension. The changes apply to people first hired for public employment after June 30, 2006.

Article 3 merges the Minneapolis Teachers Retirement Association (MTRFA) into the Teachers Retirement Association (TRA). As part of the merger, the formula used to calculate benefits for TRA members for coordinated members was changed from

1.7 to 1.9 percent of the high-five salary for each year of covered service after July 1, 2006. Employer and employee (teacher) contributions rates to TRA were each increased 0.5 percent, with the increased employer contribution not taking effect until July 1, 2007. Finally, as discussed in the K-12 Education Chapter, state aid to school districts was increased by the amount needed to cover each district's increase in the TRA contribution.

Chapter 277 also reduced General Fund appropriations for and restructured how the state board of investment is funded (see State Government Chapter), modified some reporting requirements, and required two studies. The Legislative Commission on Pensions and Retirement is to conduct studies of: (1) procedures used by major Minnesota public pension plans to provide investment-based postretirement increases; and (2) the structure of Minnesota combined investment funds and the Minnesota postretirement fund.

For more information on the fiscal actions related to Pensions, contact Kevin Lundeen, Kevin.Lundeen@senate.mn, or Tom Bottern, Tom.Bottern@senate.mn

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APPENDIX

APPENDIX—TABLE A
Summary of FY 2006-2007 Biennial Budget by Budget Area and Fund*
(dollars in thousands)

	Original Budget	Forecast Changes	Legislative Changes	Current Budget
Early Childhood Education				
General Fund	208,312	2,833	12,990	224,135
Federal Funds**	78,215		5,118	83,333
Subtotal: Early Childhood Education	286,527	2,833	18,108	307,468
Elementary and Secondary Education				
General Fund	12,405,950	793,772	8,233	13,207,955
Endowment School Fund	37,189	6,533	9	43,731
Federal Fund	1,223,797	3,486		1,227,283
Gift Fund	694			694
Special Revenue Fund	22,519			22,519
Subtotal: Elementary and Secondary Education	13,690,149	803,791	8,242	14,502,182
Higher Education				
General Fund	2,761,000	485	5,000	2,766,485
Federal Fund	8,795			8,795
Health Care Access Fund	4,314			4,314
Special Revenue Fund	42,154	3,006		45,160
Subtotal: Higher Education	2,816,263	3,491	5,000	2,824,754
Health and Human Services				
General Fund	8,228,374	(67,645)	115,036	8,275,765
General Fund Transfers Out	(191,987)	(16,059)	(6,238)	(214,284)
Endowment Fund	2			2
Federal Fund	8,296,882	14,353	125	8,311,360
Federal TANF Fund	466,727	(1,401)	7,900	473,226
Gift Fund	1,792			1,792
Health Care Access Fund	818,633	(118,835)	5,332	705,130
Medical Education Endowment Fund	173,210	265		173,475
Remediation Fund	400			400
Special Revenue Fund	635,891	1,194	6,438	643,523
State Govt. Special Revenue Fund	101,437		1,276	102,713
Subtotal: Health and Human Services	18,531,361	(188,128)	129,869	18,473,102
Environment and Agriculture				
General Fund	374,178	8,597	17,023	399,798
Agricultural Fund	40,264	(522)	8	39,750
Endowment School Fund	438			438
Environmental Fund	117,152	(364)		116,788
Environment and Natural Resources Trust	33,560		4,097	37,657
Federal Fund	96,577	4,433		101,010
Game and Fish Fund	182,327	(2,011)		180,316
Gift Fund	5,189			5,189
Minnesota Resources Fund	0	1,007		1,007
Natural Resources Fund	146,042	5,212	730	151,984
Remediation Fund	62,356	30,441		92,797
Special Revenue Fund	89,365		35	89,400

Appendix Table A continued	Original Budget	Forecast Changes	Legislative Changes	Current Budget
State Government Special Revenue Fund	98			98
Subtotal: Environment & Agriculture	1,147,546	46,793	21,893	1,216,232
Economic Development				
General Fund	306,075	5,420	29,652	341,147
General Fund Transfers Out	(71,406)			(71,406)
Economic Protection Trust Fund	2,162	256		2,418
Environment and Natural Resources Fund	700	900		1,600
Gift Fund	1,391			1,391
Federal Fund	680,371	31,668		712,039
Federal TANF Fund		153		153
Iron Range Resources & Rehab Fund	52,204	27,142		79,346
Petroleum Tank Release Fund	44,920	(1,910)	955	43,965
Remediation Fund	1,400			1,400
Special Revenue Fund	128,334		10	128,344
State Govt. Special Revenue Fund	183			183
Workers' Compensation Special Fund	206,844	4,570		211,414
Workforce Development Fund	88,714	4,948	3,200	96,862
Subtotal: Economic Development	1,441,892	73,147	33,817	1,548,856
Public Safety				
General Fund	1,685,033	5,383	19,684	1,710,100
Federal Fund	155,300	798		156,098
Gift Fund	130			130
Special Revenue Fund	78,465		200	78,665
State Government Special Revenue Fund	89,129			89,129
Subtotal: Public Safety	2,008,057	6,181	19,884	2,034,122
Transportation				
General Fund	205,187	550	692	206,429
Environmental Fund	98			98
Federal Fund	597,342	17,056	3,532	617,930
Gift Fund	90			90
Greater MN Transit Fund	16,311	(708)		15,603
Metro Area Transit Fund	246,821	(12,686)		234,135
Highway Users Tax Distribution Fund	18,198			18,198
Municipal State-Aid Street Fund	242,745			242,745
County State-Aid Highway Fund	919,866			919,866
Trunk Highway Fund	2,463,013	(51,214)		2,411,799
Trunk Highway Bond Fund**	251,215	(251,215)		0
Special Revenue Fund	152,841			152,841
State Airports Fund	39,924		(2,300)	37,624
Subtotal: Transportation	5,153,651	(298,217)	1,924	4,857,358
State Government				
General Fund	592,154	14,952	5,799	612,905
General Fund Transfers Out	(13,942)	(400)		(14,342)
Environmental Fund	876	(1)		875
Federal Fund	111,429	50		111,479
Gift Fund	59			59
Health Care Access Fund	3,564			3,564

Appendix Table A continued	Original Budget	Forecast Changes	Legislative Changes	Current Budget
Highway Users Tax Distribution Fund	4,444			4,444
Remediation Fund	968			968
Special Revenue Fund	150,788		1,950	152,738
State Airports Fund	102			102
State Government Special Revenue Fund	19,919			19,919
Trunk Highway Fund	1,600			1,600
Workers' Compensation Special Fund	15,010		320	15,330
Subtotal: State Government	886,971	14,601	8,069	909,641
Other Funds				
<i>General Fund--stat. appropriations</i>	<i>18,546</i>			<i>18,546</i>
<i>State Govt. Special Rev.-Contract AG</i>	<i>18,546</i>			<i>18,546</i>
<i>Administrative Hearings</i>	<i>3,507</i>			<i>3,507</i>
<i>Internal Service Fund</i>	<i>297,553</i>			<i>297,553</i>
<i>State Employees Insurance Fund</i>	<i>1,296,383</i>			<i>1,296,383</i>
Tax Aids and Credits				
General Fund	2,983,735	49,790	720	3,034,245
General Fund Transfers Out	(16,517)			(16,517)
Health Care Access Fund	950			950
Special Revenue Fund	718			718
Subtotal: Tax Aids and Credits	2,968,886	49,790	720	3,019,396
Debt Service & Capital Projects				
General Fund	781,146	(24,219)	7,779	764,706
General Fund Transfers Out	(781,146)	24,219	(6,779)	(763,706)
Debt Service Fund	1,161,214	(17,165)	3,930	1,147,979
Subtotal: Debt Service & Capital Projects	1,161,214	(17,165)	4,930	1,148,979
Other				
General Fund	54,065	14,428		68,493
Federal TANF Fund	(1,000)			(1,000)
Subtotal: Other	53,065	14,428	0	67,493
TOTAL: All Funds and Budget Areas	50,145,582	511,545	252,456	50,909,583

*Amounts reflect the amounts from Table 2 in the preceding substantive chapters and may not be consistent with Department of Finance Consolidated Funds Statements.

**Includes \$5.118 million additional federal child care funding from the Federal Deficient Reduction Act of 2005.

APPENDIX—TABLE B
Summary of FY 2006-2007 Biennial Budget by Fund*
(dollars in thousands)

Fund	Original Budget	Forecast Changes	Legislative Changes	Current Budget
General Fund	30,585,209	804,346	222,608	31,612,163
General Fund Transfers Out	(1,074,998)	7,760	(13,017)	(1,080,255)
Agricultural Fund	40,264	(522)	8	39,750
Debt Service Fund	1,161,214	(17,165)	3,930	1,147,979
Economic Protection Trust Fund	2,162	256	0	2,418
Endowment Fund	2	0	0	2
Endowment School Fund	37,627	6,533	9	44,169
Environmental Fund	118,126	(365)	0	117,761
Environment & Natural Resources Trust	34,260	900	4,097	39,257
Federal Fund**	11,248,708	71,844	8,755	11,329,327
Federal TANF Fund	465,727	(1,248)	7,900	472,379
Game and Fish Fund	182,327	(2,011)	0	180,316
Gift Fund	9,345	0	0	9,345
Greater MN Transit Fund	16,311	(708)	0	15,603
Health Care Access Fund	827,461	(118,835)	5,332	713,958
Highway Users Tax Distribution Fund	22,642	0	0	22,642
Iron Range Resources & Rehab Fund	52,204	27,142	0	79,346
County State-Aid Highway Fund	919,866	0	0	919,866
Medical Education Endowment Fund	173,210	265	0	173,475
Minnesota Resources Fund	0	1,007	0	1,007
Municipal State-Aid Street Fund	242,745	0	0	242,745
Trunk Highway Fund	2,464,613	(51,214)	0	2,413,399
Trunk Highway Bond Fund	251,215	(251,215)	0	0
Metro Area Transit Fund	246,821	(12,686)	0	234,135
Natural Resources Fund	146,042	5,212	730	151,984
Petroleum Fund	44,920	(1,910)	955	43,965
Remediation Fund	65,124	30,441	0	95,565
Special Revenue Fund	1,301,075	4,200	8,633	1,313,908
State Airports Fund	40,026	0	(2,300)	37,726
State Govt. Special Revenue Fund	210,766	0	1,276	212,042
Workers' Compensation Special Fund	221,854	4,570	320	226,744
Workforce Development Fund	88,714	4,948	3,200	96,862
TOTAL—All Funds	50,145,582	511,545	252,456	50,909,583

*Amounts reflect the amounts from Table 2 in the preceding substantive chapters and may not be consistent with Department of Finance Consolidated Funds Statements.

**Includes \$5.118 million additional federal child care funding from the Federal Deficient Reduction Act of 2005.

APPENDIX—TABLE C
Summary of FY 2006-2007 Biennial Budget by Budget Area*
(dollars in thousands)

	Original Budget	Forecast Changes	Legislative Changes	Current Budget
Budget Area				
Early Childhood Education**	286,527	2,833	18,108	307,468
Elementary and Secondary Education	13,690,149	803,791	8,242	14,502,182
Higher Education	2,816,263	3,491	5,000	2,824,754
Health and Human Services	18,531,361	(188,128)	129,869	18,473,102
Environment & Agriculture	1,147,546	46,793	21,893	1,216,232
Economic Development	1,441,892	73,147	33,817	1,548,856
Public Safety	2,008,057	6,181	19,884	2,034,122
Transportation	5,153,651	(298,217)	1,924	4,857,358
State Government	886,971	14,601	8,069	909,641
Tax Aids and Credits	2,968,886	49,790	720	3,019,396
Debt Service & Capital Projects	1,161,214	(17,165)	4,930	1,148,979
Other	53,065	14,428	0	67,493
TOTAL — All Budget Areas	50,145,582	511,545	252,456	50,909,583

*Amounts reflect the amounts from Table 2 in the preceding substantive chapters and may not be consistent with Department of Finance Consolidated Funds Statements.

**Includes \$5.118 million additional federal child care funding from the Federal Deficient Reduction Act of 2005.