

# *Fiscal Review*

*Minnesota State Senate*

*2017 Session*



**A**

**Fiscal Review**

**of the**

**2017 Legislative Sessions**

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## **Cover Photography**

Since 2012, the Minnesota State Capitol has undergone a multiphase renovation. This renovation affected the operations of the House of Representatives and Senate, and the executive and judicial branches of Minnesota government, for several years. Typically, the cover of the annual *Fiscal Review* has featured picturesque photographs of the State Capitol made by David Oakes, Senate Photographer. During the renovation, the covers of the 2012-2016 *Fiscal Reviews* featured various changes and construction scenes at the State Capitol as the renovation progressed. In 2017, the renovation concluded with a gala reopening of the capitol celebration over the weekend of August 11 - 13. During the gala, the capitol was open to the public and featured a ribbon cutting, concerts, capitol tours, tasting of Minnesota food, and a ceremonial relighting of the capitol chandelier followed by a fireworks display. The cover of this year's *Fiscal Review* features the newly restored capitol reflected in the glass windows of the Minnesota Senate Building across the street. The Minnesota Senate Building was first occupied in 2016, hosted Minnesota Senate floor sessions during the 2016 Legislative session, and now supports many of the Senate's staff and legislative functions. The back cover of the report features additional photographs of State Capitol scenes that chronicle the major improvements to the capitol over the past five years. The Office of Senate Counsel, Research, and Fiscal Analysis acknowledges and appreciates David Oakes's efforts to document the changing face of the Minnesota State Capitol.

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## REPORT PREFACE

The *Fiscal Review* is an annual report of enacted budget and fiscal policy actions. The report covers all budgetary funds (all funds), with special attention given to the General Fund, which must be in balance at the close of each biennium. Budgetary funds reflect the operating budget for the state and exclude some state funds not budgeted for operations, such as pension funds, trust funds, and enterprise funds.

Minnesota operates on a biennial budget enacted in odd-year legislative sessions. Biennial budget revisions and major capital investments tend to be the focus of even-year legislative sessions. While most revenue and expenditure amounts are presented as biennial amounts, in some cases annual amounts may provide a more complete understanding of the timing of revenue and appropriations. Additional detail is available by consulting legislative budget tracking sheets or by contacting the relevant Senate fiscal staff.

Link to detailed budget tracking sheets:  
<http://www.senate.mn/tracking>

### **Appropriations Defined**

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

Direct appropriations are authorizations to spend a specific dollar amount, usually for

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

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

Statutory appropriations may authorize either a specific dollar amount or an open-ended amount, and may provide a specific time period for the appropriation.

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

Further, it should be noted that significant portions of some state agency operations, such as in the Department of Administration or the Department of Management and Budget, are funded through charges to the other state agencies.

In other words, money appropriated to an agency may be used to purchase services from another state agency whose mission is, in part, to provide for centralized operating functions. To fully describe budget activity while avoiding double-counting, budget totals are reported based on the agency that receives an appropriation. Please note that some *Fiscal Review* chapters also discuss agency activities that are supported through charges to other state agencies.

### **Appropriations versus Spending**

Amounts shown in the *Fiscal Review* for the current biennium (FY 2018-19) reflect appropriation levels enacted in the 2017

sessions. Amounts shown for the next biennium, often referred to as appropriation “tails,” reflect estimates of future biennial spending, assuming current law programs are carried forward for another two years. The *2017 Fiscal Review* compares current biennial appropriations to budgeted spending in the previous biennium (FY 2016-17), as well as to the February 2017 forecast.

### **Questions**

For general or specific questions about the content of this report, please contact the fiscal analyst for the appropriate budget area.

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## CHAPTER 1 STATE BUDGET OVERVIEW AND HIGHLIGHTS

The primary focus of the 2017 regular legislative session and the subsequent four-day special session was the adoption of the FY 2018-19 biennial budget. The enactment of a balanced General Fund biennial budget is always the principal focus during an odd-numbered year. A positive General Fund balance of \$1.7 billion was projected in the February 2017 forecast for FY 2018-19 and set the parameters of the fiscal discussion for the session. The 2017 sessions concluded with a completed General Fund budget that left \$163 million of the projected FY 2018-19 positive balance unallocated and that was structurally balanced for the planning years of FY 2020-21 with a \$375.6 million positive balance. The Governor's use of the line-item veto to eliminate the appropriations for the House of Representatives and Senate in FY 2018-19 prompted litigation that is ongoing as of the publication of this report. The litigation, which concerns the balance of power between the branches of Minnesota government, creates uncertainty about some of the appropriations in the FY 2018-19 budget. The case, currently before the Minnesota State Supreme Court, may define limits of a Governor's line-item veto authority. (See page 95 for a detailed discussion of this issue.)

Twenty-seven separate chapters were enacted to complete the FY 2018-19 budget during the 2017 regular session and the 2017 First Special Session, including supplementary changes to the FY 2016-17 budget. Of this total, 21 chapters were enacted during the

regular session, including a federal tax conformity act and a temporary health insurance premium assistance act, both of which became law early in the regular session before the February 2017 forecast. Ten separate omnibus finance acts were enacted to constitute the majority of the FY 2018-19 budget and, of these, five were enacted during the regular session and five during the special session. A complete list of FY 2018-19 budget session laws is included in Appendix F on page 147.

In the *2017 Fiscal Review*, session laws enacted during the 2017 regular session are referenced simply with the appropriate chapter number. Laws enacted during the 2017 First Special Session will initially be referenced as "2017 First Special Session" and a chapter number. Subsequent references to special session enactments will be made only with the chapter number unless additional reference is needed to avoid confusion. Also, unless specifically noted, this report collectively refers to the 2017 regular session and the 2017 First Special Session together as "the 2017 sessions." Finally, throughout this document, "fiscal year" will be abbreviated as "FY." A fiscal year begins in July 1 and ends June 30. Minnesota enacts a two-year biennial budget in odd-numbered calendar years for the biennium beginning on July 1.

Typically, the annual *Fiscal Review* document is organized by Senate budget jurisdictions, which mirror the Senate's committee

## STATE BUDGET OVERVIEW AND HIGHLIGHTS

structure, and the report contains a chapter for each spending and tax budget area. However, in some cases, rather than writing a separate chapter for each Senate budget jurisdiction, certain budget areas that relate to similar topic areas are combined into single chapters to improve the readability and understanding of these areas. The *2017 Fiscal Review* combines the following budget areas into a single chapter:

- Environment and Natural Resources, and Agriculture and Rural Development;
- Jobs and Economic Growth, Energy and Utilities, and Commerce and Consumer Protection; and
- State Government, and Veterans and Military Affairs.

Each of the three combined *Fiscal Review* chapters separates the individual Senate budget jurisdictions and displays information and tables separately to allow the reader to isolate the changes in each individual Senate budget jurisdiction.

This chapter provides a general overview of all legislative actions with fiscal implications that were enacted during the 2017 sessions. Chapter 2 examines changes to state tax revenues. Chapters 3 through 11 detail the changes enacted in the budget areas of E-12 Education; Higher Education; Aids and Credits; Health and Human Services; Environment and Natural Resources, and Agriculture and Rural Development; Jobs and Economic Growth, Energy and Utilities, Commerce and Consumer Protection; Judiciary and Public Safety; State Government, and Veterans and Military Affairs; and Transportation and Public Safety. Chapters 3 through 11 provide detailed tables which itemize the important changes in each budget area. Chapter 12 examines the 2017 Capital Investment Act.

Although establishing a FY 2018-19 budget in the 2017 sessions was of paramount importance, the Legislature also addressed a series of noteworthy fiscal provisions as a part of the enacted budget. Among them was a \$653.3 million reduction in General Fund tax revenues in FY 2018-19 (including FY 2017 changes). The enacted budget reduced income tax revenues by \$250.8 million and statewide property tax revenues by \$96.2 million in FY 2018-19 compared to forecast. The budget also reduced FY 2018-19 General Fund sales tax revenues by \$257.4 million compared to forecast, in part by changing the deposit of several transportation-related sales taxes from the General Fund to the Highway User Tax Distribution Fund (HUTDF). This change reduced General Fund revenue by \$205.2 million in FY 2018-19 compared to forecast, but increased HUTDF revenue by the same amount. (See page 121 for additional discussion.)

Capital investment acts are more commonly enacted in even-numbered years, but the 2017 First Special Session also included a \$1.2 billion Omnibus Capital Investment Act. A capital investment bill was not enacted in the 2016 session, so the 2017 capital investment act was larger than is typical in an odd-numbered session year. In addition to the operating budget for FY 2018-19, legislation was enacted to appropriate the constitutionally dedicated funds commonly known as the Legacy funds, and the Environment and Natural Resources Trust Fund (see Appendix D, page 137).

In addition to these acts, a series of important fiscal policy changes occurred during the past year, some of which occurred as a result of legislation enacted in prior years. Several specific sections in this report discuss these items.

## STATE BUDGET OVERVIEW AND HIGHLIGHTS

- The November 2016 forecast increased the budget reserve by \$333.9 million as part of a statutory formula. Under current law, 33 percent of a positive General Fund balance forecasted in a November forecast must be allocated to the budget reserve until the reserve reaches a level recommended by the Department of Management and Budget (MMB). Chapter 2 established a new program to provide temporary health insurance premium assistance in response to significant premium growth projected for ratepayers in plan year 2018 compared to 2017. Chapter 2 used \$326.9 million of the budget reserve to pay for premium assistance to reduce premiums for ratepayers. Changes to the budget reserve as a result of the forecast and Chapter 2 are discussed on page 9. The details of the individual insurance market premium assistance program are examined on page 55.
- Chapter 93 made changes to the buffer law enacted in 2015 to protect public waters throughout the state. The 2015 law required landowners to maintain a strip of land to serve as a buffer between public waters and land. Changes in Chapter 93 authorized Soil and Water Conservation Districts to approve alternative practices to meet buffer requirements, made adjustments to seed mixes that can be used in buffers, and required Soil and Water Conservation Districts to grant buffer compliance waivers to landowners who meet certain conditions. The details of the buffer changes are discussed on page 66.
- Chapter 13 enacted the Minnesota premium security plan, which is a reinsurance program for the state's individual health insurance market. This program assumes some of the risk assumed by insurance companies when issuing a health insurance contract. The plan is administered by the Minnesota Comprehensive Health Association and responds to significant premium increases seen in the individual market in plan year 2018. The details of this new program are discussed on page 78.
- Based on the requirements of federal law, Chapter 76 authorized the Department of Public Safety (DPS) to begin issuing REAL ID-compliant driver's licenses and identification cards, which are required by individuals who wish to enter federal facilities or nuclear power plants and to board commercial aircraft flights. REAL ID was originally enacted in 2005 by the federal government, but Minnesota had not previously required compliance with the federal law. Chapter 76 also authorized the department to issue non-compliant licenses and identification cards, but these non-compliant licenses and cards may not be used for federal purposes. Chapter 76 appropriated \$3.3 million in FY 2019 from the Special Revenue Fund to DPS to implement this new requirement. The details of the REAL ID changes are discussed on page 122.
- 2017 First Special Session, Chapter 4, the Omnibus State Government and Veterans Act, appropriated \$128 million for the operations of the state House of Representatives and Senate. The Governor line-item vetoed these appropriations. The Legislature filed a lawsuit seeking a judicial declaration that the line-item vetoes were null and void because they violated the separation of powers clause in the Minnesota Constitution. As of the date of publication

of this report, the matter is still being litigated. The details of this dispute between the Governor and the Legislature are examined on page 95.

- 2017 First Special Session, Chapter 4, established a Legislative Budget Office for the purpose of administering the fiscal note process. This function, previously administered by MMB, will become part of the legislative branch beginning in FY 2019. See page 94 for a discussion of this change.

The report also includes several appendices that show different aspects of the FY 2018-19 budget.

- Appendix A presents a General Fund budgetary balance analysis for FY 2016 – FY 2021 as of the end of the 2017 sessions.
- Appendix B provides detailed revenue line item changes across all budget areas for the FY 2018-19 biennium.
- Appendix C presents the detail of the 2017 Omnibus Capital Investment Act by agency and fund.
- Appendix D presents the detail of the 2017 constitutionally dedicated funds for FY 2018-19.
- Appendix E supplements Chapter 6, regarding the Health and Human Services budget, and provides detailed changes enacted in this budget area.
- Appendix F lists all session laws enacted in 2017 that have fiscal implications.

## STATE BUDGET OVERVIEW

### Appropriations

When all funding sources are taken into account, the enacted FY 2018-19 biennial budget totaled \$80.1 billion, as shown in Table 1. This includes the two-year budget for the General Fund and all other state funds from which operating budget appropriations are made. Total appropriations will be \$5.4 billion, or 7.3 percent, greater than the appropriations in FY 2016-17, and \$3 billion, or 3.9 percent, greater than the February 2017 forecast for FY 2018-19. Total General Fund appropriations in FY 2018-19 were \$45.5 billion and represented 56.9 percent of the state's operating budget. Federal funds (the largest category of non-General Fund resources) were budgeted at \$23.2 billion for FY 2018-19. This total is the same as the February 2017 forecast, but is \$2 billion higher than the FY 2016-17 biennium.

The Health Care Access Fund (HCAF) is particularly important in the Health and Human Services budget. Appropriations from the HCAF in the enacted budget totaled \$1.1 billion, \$391.9 million higher than the February 2017 forecast, but \$94.6 million less than the previous biennium. A portion (\$388.9 million) of the medical assistance program was appropriated from the HCAF in FY 2018-19 rather than from the General Fund as was projected in the forecast. This change moved expenditures that would have otherwise been appropriated from the General Fund to the HCAF and accounts for most of the increases in HCAF appropriations in the FY 2018-19 biennium. (See chapter 6 for additional detail on the HCAF.)

STATE BUDGET OVERVIEW AND HIGHLIGHTS

<b>Table 1 - All Funds Biennial Budget -- FY 2018-19, By Fund</b>					
<b>Comparison of Enacted FY 2018-19 Budget to FY 2016-17 and to Forecast</b>					
<i>(dollars in millions)</i>					
	<b>FY 2016-17</b>	<b>FY 2018-19 Forecast Base</b>	<b>FY 2018-19 Enacted Budget</b>	<b>Change: Enacted - FY 2016-17</b>	<b>Change: Enacted - Fcast Base</b>
General Fund	41,830.0	44,741.1	45,541.2	3,711.2	800.1
General Fund Transfer Out	(3,674.1)	(3,431.4)	(3,694.7)	(20.6)	(263.3)
Health Care Access Fund	1,182.2	695.8	1,087.7	(94.6)	391.9
Federal Fund	21,185.3	23,220.6	23,220.6	2,035.3	-
Other Funds	14,136.5	11,863.8	13,953.5	(183.0)	2,089.7
<b>All Funds Total</b>	<b>74,659.9</b>	<b>77,089.8</b>	<b>80,108.2</b>	<b>5,448.3</b>	<b>3,018.4</b>

Table 2 displays the state's all funds budget by major budget area. Most budget areas are budgeted higher in FY 2018-19 than in the prior biennium. Compared to FY 2016-17, the noteworthy increases were in Health and Human Services (\$3.6 billion, or 11 percent); E-12 Education (\$1.4 billion, or 7.6 percent); Commerce and Consumer Protection (\$654.7 million, or 573.5 percent); Property Tax Aids and Credits (\$290.1 million, or 8.7 percent); and Transportation and Public Safety (\$988.7 million, or 13.8 percent). The Environment and Natural Resources budget was lower compared to FY 2016-17, by \$317.8 million, or 14.5 percent. \$542.9 million of the increase in the Commerce and Consumer Protection budget is attributable to Chapter 13, which appropriated \$142.1 million from the General Fund and \$400.8 million from the HCAF one-time for the Minnesota premium security plan. Additionally, the State Government budget in FY 2018-19 was lower than FY 2016-17 by \$421.1 million, or 26.8 percent. Most of the decline in FY 2018-19 was attributable to Chapter 2, which appropriated \$326.9 million one-time in FY 2017 from the General Fund for the

individual insurance market premium assistance program and distorts a comparison between FY 2018-19 and FY 2016-17.

Most enacted budget areas were budgeted higher than the February 2017 forecast. The noteworthy increases when compared to the February 2017 forecast were contained in E-12 Education (\$491.5 million, or 2.5 percent); Property Tax Aids and Credits (\$189.5 million, or 5.5 percent); Commerce and Consumer Protection (\$660.8 million, or 611.3 percent); Environment and Natural Resources (\$460.6 million, or 32.7 percent); and Transportation and Public Safety (\$917.8 million, or 12.7 percent). The large increase in the Commerce and Consumer Protection budget is attributable to one-time appropriations for the Minnesota premium security plan.

**Revenues**

Total enacted FY 2018-19 revenues were \$95.9 billion for the all funds budget, a decrease of \$1.7 billion compared to the February 2017 forecast. FY 2018-19 General Fund revenue was \$657.2 million lower than

STATE BUDGET OVERVIEW AND HIGHLIGHTS

the February 2017 forecast. Total FY 2018-19 revenue in the enacted budget totaled \$3.3 billion more than in FY 2016-17.

Table 3 shows total state revenues by fund, breaking out the General Fund and other state funds with noteworthy changes that were

made during the 2017 sessions. (The revenues discussion in chapter 2 excludes transfers from other funds and prior year adjustments. As a result, the totals and comparisons in that chapter are slightly lower than in Table 3.)

<b>Table 2 - All Funds Biennial Budget -- FY 2018-19, By Budget Area</b>					
<b>Comparison of Enacted FY 2018-19 Budget to FY 2016-17 and to Forecast</b>					
<i>(dollars in millions)</i>					
	<b>FY 2016-17</b>	<b>FY 2018-19 Forecast Base</b>	<b>FY 2018-19 Enacted Budget</b>	<b>Change: Enacted - FY 2016-17</b>	<b>Change: Enacted - Fcst Base</b>
E-12 Education	19,104.1	20,056.3	20,547.8	1,443.7	491.5
Higher Education	3,180.7	3,133.5	3,354.7	174.0	221.2
Property Tax Aids and Credits	3,352.7	3,453.3	3,642.8	290.1	189.5
Health and Human Services	32,530.7	36,178.2	36,124.9	3,594.2	(53.2)
Agriculture, Rural Dev., and Housing	364.2	345.4	380.1	15.9	34.6
Environment and Nat. Resources	2,188.0	1,409.7	1,870.3	(317.8)	460.6
Energy and Utilities	301.8	338.8	350.4	48.6	11.6
Commerce and Cons. Protection	114.2	108.1	768.9	654.7	660.8
Jobs and Economic Growth	1,496.2	1,241.1	1,283.8	(212.4)	42.7
Judiciary and Public Safety	2,610.9	2,546.1	2,715.9	105.0	169.8
Transportation and Public Safety	7,159.8	7,230.7	8,148.5	988.7	917.8
State Government *	1,569.7	1,088.5	1,148.6	(421.1)	60.1
Veterans and Military Affairs	613.1	588.6	601.6	(11.5)	13.1
Debt Service, Cap Projects and Other	73.7	(628.4)	(830.1)	(903.8)	(201.8)
<b>All Funds Total</b>	<b>74,659.9</b>	<b>77,089.8</b>	<b>80,108.2</b>	<b>5,448.3</b>	<b>3,018.4</b>

\* Includes \$326.8 million appropriation to MMB enacted in Chapter 2

<b>Table 3 - All Funds Biennial Revenues -- FY 2018-19, By Fund</b>					
<b>Comparison of Enacted FY 2018-19 Budget to FY 2016-17 and to Forecast</b>					
<i>(dollars in millions)</i>					
	<b>FY 2016-17</b>	<b>FY 2018-19 Forecast Base</b>	<b>FY 2018-19 Enacted Budget</b>	<b>Change: Enacted - FY 2016-17</b>	<b>Change: Enacted - Fcst Base</b>
General Fund	41,944.5	45,301.2	44,644.0	2,699.5	(657.2)
Nongeneral Funds					
Health Care Access Fund	1,466.6	1,598.1	1,592.0	125.3	(6.1)
Federal Fund	21,078.1	23,111.7	23,111.7	2,033.6	-
Other (Incl Transfers and Prior Year Adjustments)	<u>28,123.2</u>	<u>27,578.8</u>	<u>26,560.0</u>	<u>(1,563.2)</u>	<u>(1,018.8)</u>
Subtotal, Nongeneral Funds	50,667.9	52,288.5	51,263.6	595.8	(1,024.9)
<b>Total All Funds Revenues</b>	<b>92,612.4</b>	<b>97,589.8</b>	<b>95,907.7</b>	<b>3,295.3</b>	<b>(1,682.1)</b>

### **Budget Reserve Changes in FY 2017**

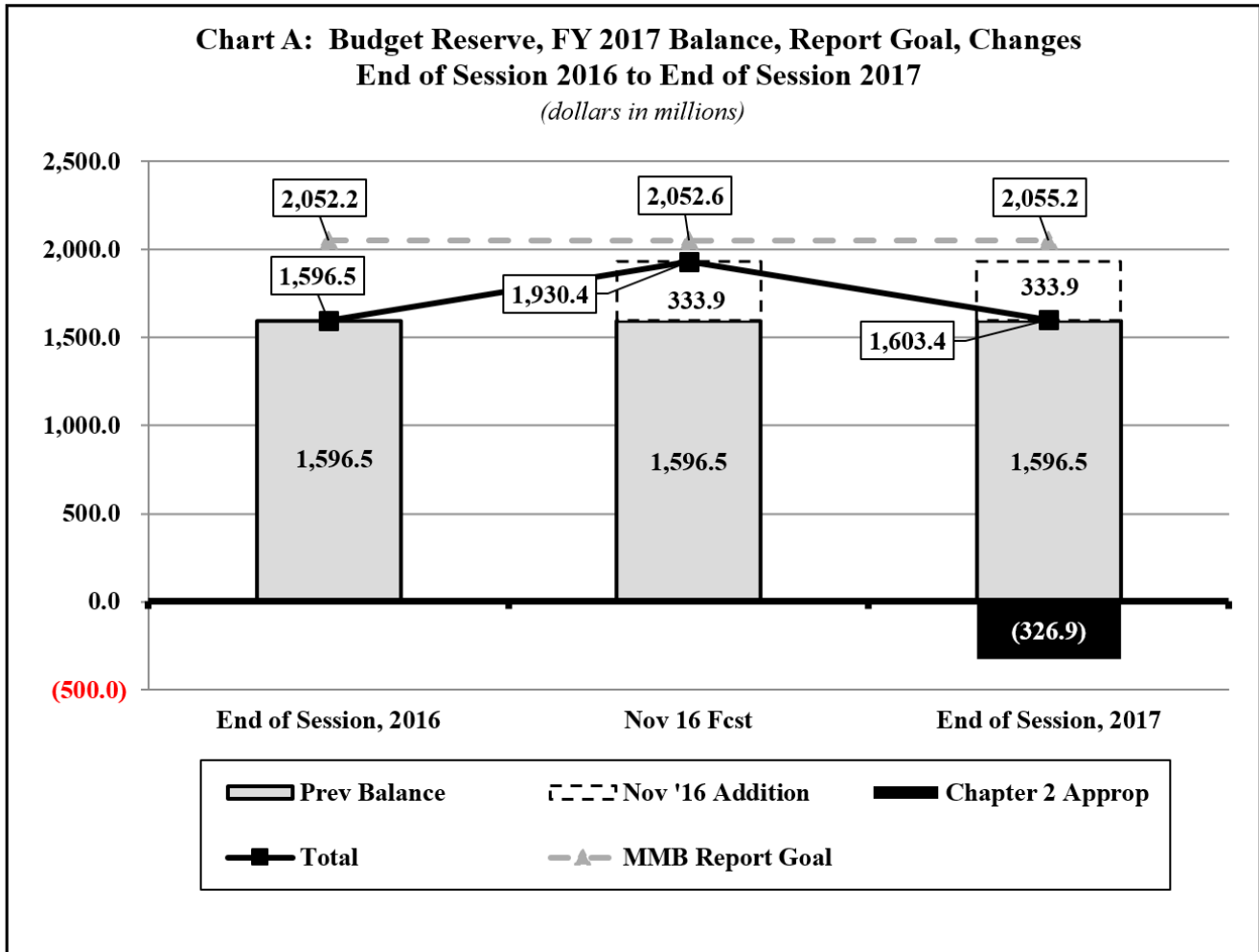
The November 2016 forecast projected an initial positive budgetary balance of \$1 billion in the FY 2016-17 biennium. This projection triggered a statute (Minnesota Statutes, section 16A.152, subdivision 1b), which requires that 33 percent of a positive budgetary balance projected in a November forecast must be allocated to the budget reserve until the reserve rises to a goal established annually by the Department of Management and Budget (MMB). Under this law, \$333.9 million of the initial General Fund budgetary balance for FY 2016-17 was transferred to the budget reserve. This transfer brought the total reserve to \$1.9 billion, slightly lower than the \$2 billion goal established by MMB in its annual report. After the transfer to the reserve, the General Fund budgetary balance in November 2016 forecast for FY 2016-17 was \$677.9 million.

For the first time since FY 2009, Chapter 2 used part of the budget reserve to pay for state appropriations. Chapter 2 transferred \$326.9 million of the budget reserve in FY 2017 to pay for the costs of temporary health insurance premium assistance. After that transfer, the budget reserve totaled \$1.6 billion. No further changes were made to the budget reserve during the 2017 session. (See page 13 of the *2014 Fiscal Review* for a discussion of the budget reserve and the operations of the 2014 law that requires transfers from the General Fund to the budget reserve; see page 55 of this report for a discussion of the individual insurance market premium assistance program enacted in Chapter 2.)

Chart A displays the changes to the budget reserve since the conclusion of the 2016 legislative session. The data represented by the solid square line show the budget reserve balance at the end of the 2016 session, the November 2016 forecast, and the end of the 2017 sessions. The bars in the chart represent the 2016 end-of-session balance and the changes to the budget reserve (both additions and subtractions) in the November 2016 forecast and during the 2017 sessions.

By law, MMB is required to annually evaluate the adequacy of the budget reserve based on the volatility of Minnesota's General Fund tax structure. MMB is required to recommend the percentage of the current biennium's General Fund nondedicated revenue that should be set aside as a budget reserve. In September 2016, MMB recommended a reserve that is 4.9 percent of the state's nondedicated revenues. The dotted line in Chart A represents the value of 4.9 percent of the state's nondedicated revenues at the end of the 2016 session, the November 2016 forecast, and the end of the 2017 sessions.

STATE BUDGET OVERVIEW AND HIGHLIGHTS



**GENERAL FUND SUMMARY**

At the conclusion of the 2017 sessions, the state’s General Fund was balanced for FY 2018-19 with a projected \$2.2 billion balance before reserves. Total revenues were \$47.7 billion for the biennium and the appropriations were \$45.5 billion. Of the \$2.2 billion balance, \$2 billion was included in the state’s General Fund reserves (\$350 million in the cash flow account, \$1.6 billion in the budget reserve, and \$40.3 million in the stadium reserve). Compared to the February 2017 forecast, there were no changes to the state’s reserves. However, Chapter 2 reduced the state’s budget reserve by \$326.9 million

to pay for the costs of health insurance premiums in FY 2018-19. Chapter 2 was enacted prior to the February 2017 forecast, so this change was incorporated into the forecast. (The sidebar on page 9 discusses the budget reserve and the sidebar on page 55 provides a detailed discussion of Chapter 2 and the individual insurance market premium assistance program.) After the reserves, a projected budgetary balance of \$163 million was left unallocated at the end of the FY 2018-19 biennium. Table 4 summarizes how the FY 2018-19 General Fund balance projected in the February 2017 forecast was allocated in the 2017 sessions.



STATE BUDGET OVERVIEW AND HIGHLIGHTS

**FY 2018-19 General Fund Budget**

The February 2017 forecast projected a positive General Fund balance of \$1.7 billion in FY 2018-19. This included a FY 2016-17 positive balance of \$744.5 million, which carried forward to FY 2018-19 and increased projected FY 2018-19 revenues. Total General Fund revenues in FY 2018-19 were \$47.7 billion, including carryforward balances from FY 2016-17. Excluding carryforward balances, the current FY 2018-19 General Fund revenues totaled \$45 billion. The enacted FY 2018-19 budget reduced net revenues by \$657.7 million compared to forecast.

The February 2017 forecast projected General Fund spending in FY 2018-19 to be \$44.7 billion. The enacted budget increased General Fund appropriations by \$816.2 million compared to forecast and totaled \$45.5 billion in FY 2018-19. The enacted budget also increased the FY 2016-17 spending by \$14.4 million, and reduced FY 2016-17 General Fund revenue by \$540,000, compared to forecast.

Table 4a groups the FY 2018-19 General Fund budget into broad categories. Of the FY 2018-19 \$1.7 billion positive General Fund balance projected in the February 2017 forecast, 40.7 percent (\$672.1 million) was allocated to revenue reductions and 49.5 percent (\$816.2 million) was allocated to spending changes (operating budget changes, capital investment debt service, and other). The balance of \$163.0 million, or 9.9 percent, was unallocated and remained part of the projected budgetary balance.

Although the budgetary balance in FY 2018-19 is projected to be \$163 million, this balance is inflated by the Governor’s line-item veto of the appropriations for the House of Representatives and Senate in 2017 First Special Session, Chapter 4, the Omnibus

State Government and Veterans Act. This line-item veto, the subject of ongoing litigation between the legislative and executive branches of state government, eliminated the entire appropriation for the House of Representatives and Senate, which totaled \$129.2 million. As part of the litigation, the Ramsey County District Court on June 26, 2017, ordered temporary funding for the legislative bodies until October 1, 2017, or the conclusion of the appeal from the court’s decision, whichever occurs first. The temporary funding provided was equivalent to the proportional share of the FY 2017 budget for each legislative body. This action provided up to \$16.2 million of partial funding in FY 2018 for the House of Representatives and Senate. If the legislative appropriations are reinstated through the litigation or enactment into law, the spending

<b>Table 4a - FY 2018-19 General Fund Budget Allocation</b> <i>(dollars in millions)</i>	
Revenue Changes *	672.1
Spending Changes	800.4
Capital Inv. (Direct & Debt Service)	15.8
Unallocated Budgetary Balance	163.0
<b>Feb 17 Forecast Budgetary Balance</b>	<b>1,651.4</b>

\* The revenue changes include \$14.9 million in FY 2016-17 budget changes, which reduce carryforward revenues.

<b>Table 4b - FY 2018-19 Budget Allocation, Assumes Reinstatement of House and Senate Appropriations</b> <i>(dollars in millions)</i>	
Revenue Changes*	672.1
Spending Changes	913.4
Capital Inv. (Direct & Debt Service)	15.8
Unallocated Budgetary Balance	50.0
<b>Feb 17 Forecast Budgetary Balance</b>	<b>1,651.4</b>

\*The revenue changes include \$14.9 million in FY 2016-17 budget changes, which reduce carryforward revenues.

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<b>Table 5 - FY 2018-19 General Fund Budget Comparison of Enacted FY 2018-19 Budget to FY 2016-17 and to Forecast (dollars in millions)</b>					
	<b>FY 2016-17</b>	<b>FY 2018-19 Forecast Base</b>	<b>FY 2018-19 Enacted Budget</b>	<b>Change: Enacted - FY 2016-17</b>	<b>Change: Enacted - Fcst Base</b>
Balance Forward (Including Reserves)	2,103.0	2,722.9	2,708.0	605.0	(14.9)
Current Revenues	42,435.0	45,663.3	45,006.1	2,571.2	(657.2)
Total Resources	44,538.0	48,386.2	47,714.1	3,176.2	(672.1)
Spending	41,830.0	44,741.1	45,557.3	3,727.4	816.2
Reserves	1,978.4	1,993.7	1,993.7	15.3	-
<b>Budgetary Balance</b>	<b>729.6</b>	<b>1,651.4</b>	<b>163.0</b>		

changes will increase by \$113 million and the unallocated budgetary balance will be reduced by \$113 million. (See page 95 for a detailed discussion of the litigation related to the Governor’s line-item veto of the House and Senate FY 2018-19 appropriations.)

As of the date of publication of this report, the litigation has not concluded. Therefore, the final FY 2018-19 appropriations for the House of Representatives and Senate are unknown. Throughout this report, the legislative funding is based on the Ramsey County District Court order. No additional funding for the House of Representatives and Senate is assumed unless specifically noted. Table 4b adjusts Table 4a to hypothetically reinstate the legislative appropriations. Under this scenario, 40.7 percent (\$672.1 million) of the \$1.7 billion positive balance was allocated to the revenue reductions, 56.3 percent (\$929.2 million) was allocated to spending changes, and 3 percent (\$50 million) was unallocated and remained part of the projected budgetary balance.

**Net Appropriation Changes**

As shown in Table 5, the FY 2018-19 budget increased General Fund appropriations by \$3.7 billion compared to FY 2016-17, and \$816.2 million compared to the February 2017 forecast. General Fund appropriations for FY 2018-19 increased in most budget jurisdictions. Compared to the forecast, the increases were noteworthy in E-12 Education (\$486.5 million, or 2.7 percent); Higher Education (\$210 million, or 6.8 percent); Tax Aids and Credits (\$189.5 million, or 5.5 percent); Commerce and Consumer Protection (\$135.1 million, or 312.9 percent); and Transportation and Public Safety (\$95.9 million, or 39.4 percent). Health and Human Services General Fund appropriations in FY 2018-19 declined by \$466.3 million (3.3 percent), compared to forecast. See Table 6 on page 13 for a detailed display of the General Fund appropriations by budget area.

**Net Revenue Changes**

Table 5 shows that General Fund resources available in FY 2018-19 decreased by \$672.1 million in the enacted budget compared to the February 2017 forecast. This total combines

STATE BUDGET OVERVIEW AND HIGHLIGHTS

\$657.2 million in reduced FY 2018-19 revenues with \$14.9 million in reduced carryforward revenue from FY 2016-17. Current tax revenues in the enacted budget decreased by \$657.2 million, primarily from changes to the income tax (-\$250.9 million) and sales tax (-\$258.8 million). Changes to the income tax included provisions that established a social security income subtraction and provisions that adjusted several credits for college savings plans and child and dependent care, among others. Over \$205 million of the sales tax changes resulted from depositing the sales tax generated from automobile parts, rental cars, and motor vehicle leases to the Highway User Tax Distribution Fund (HUTDF). This revenue was previously credited to the General Fund. Under this change, these revenues will be available to finance transportation projects, but will reduce future General Fund revenues. (See page 121 for a detailed discussion of

these changes.) Nontax revenues were reduced by \$4.5 million in FY 2018-19.

**FY 2018-19 Appropriations Changes by Budget Jurisdiction**

Table 6 summarizes the FY 2018-19 General Fund budget by budget jurisdiction. The budget enacted for the FY 2018-19 biennium totaled \$45.6 billion. As indicated above, this was \$816.2 million above the February 2017 forecast and \$3.7 billion above FY 2016-17.

**JURISDICTION HIGHLIGHTS BY BUDGET**

The following summaries highlight the changes made in each budget jurisdiction compared to the projections in the February 2017 state budget forecast. The overall budgets and budget changes are discussed more fully in the relevant chapters.

<b>Table 6 - General Fund Biennial Budget by Budget Area</b>					
<b>Comparison of Enacted FY 2018-19 Budget to 2016-17 and to Forecast</b>					
<i>(dollars in millions)</i>					
	<b>FY 2016-17</b>	<b>FY 2018-19 Forecast Base</b>	<b>FY 2018-19 Enacted Budget</b>	<b>Change: Enacted - FY 2016-17</b>	<b>Change: Enacted - Fcst Base</b>
E-12 Education	17,423.9	18,271.9	18,758.4	1,334.5	486.5
Higher Education	3,081.1	3,069.5	3,279.5	198.3	210.0
Property Tax Aids and Credits	3,337.9	3,451.9	3,641.4	303.4	189.5
Health and Human Services	11,766.1	14,324.3	13,858.0	2,091.9	(466.3)
Agriculture, Rural Dev., and Housing	223.8	220.1	231.5	7.8	11.4
Environment and Nat. Resources	391.6	314.1	319.0	(72.7)	4.9
Energy and Utilities	30.3	26.3	25.4	(4.9)	(0.9)
Commerce and Cons. Protection	42.8	43.2	178.3	135.5	135.1
Jobs and Economic Growth	304.5	198.1	223.2	(81.4)	25.0
Judiciary and Public Safety	2,183.2	2,174.3	2,329.9	146.7	155.6
Transportation and Public Safety	276.8	243.6	339.5	62.7	95.9
State Government *	1,152.0	832.1	773.5	(378.5)	(58.6)
Veterans and Military Affairs	206.1	193.2	205.2	(0.9)	12.1
Debt Service, Cap Projects and Other	1,409.8	1,378.7	1,394.6	(15.2)	15.8
<b>Total Spending</b>	<b>41,830.0</b>	<b>44,741.1</b>	<b>45,557.3</b>	<b>3,727.4</b>	<b>816.2</b>

\* Includes \$326.8 million appropriation in FY 2017 to MMB enacted in Chapter 2

**E-12 Education**

State appropriations from all sources for E-12 Education totaled \$20.5 billion for FY 2018-19, of which 91.3 percent was from the General Fund (\$18.8 billion). E-12 education appropriations from the General Fund were \$491.5 million above the February 2017 forecast and were primarily allocated to a two percent increase to the basic per pupil funding formula in both fiscal years of the biennium and to enhanced early childhood education funding.

**Higher Education**

The overall operating budget for Higher Education totaled \$3.4 billion for FY 2018-19, with virtually all appropriations (97.8 percent) coming from the General Fund. Compared to the February 2017 forecast, this represents a \$210 million increase in General Fund appropriations. The increased General Fund appropriations were primarily allocated to increase the Minnesota State Colleges and University system, which received \$106.3 million, or 7.9 percent, in additional appropriations from the General Fund compared to the forecast. The Office of Higher Education (OHE) and University of Minnesota system's General Fund appropriations increased by \$49.1 million (or 10.5 percent) and 54.6 million (or 4.3 percent), respectively, compared to the forecast. Of the OHE increase in FY 2018-19, \$36 million was appropriated for increases in the state grant.

**Property Tax Aids and Credits**

Funding for tax aids and credits totaled \$3.6 billion from all funding sources in FY 2018-19, with virtually all of this funding from the state's General Fund. Compared to the forecast, FY 2018-19 appropriations for aids and credits in the General Fund were \$189.5 million higher. The budget increases were allocated to local government aid (\$93.2

million), school building and agricultural credits (\$35.5 million), and county program aid (\$25.5 million).

**Health and Human Services**

The appropriations for Health and Human Services (HHS) totaled \$36.1 billion for all funds in FY 2018-19, \$3.6 billion higher than the previous biennium. General Fund appropriations in FY 2018-19 were projected to be \$13.9 billion, or 38.4 percent of the all funds total. Total FY 2018-19 HHS appropriations from the General Fund were \$466.3 million lower than the forecast and \$2.1 billion higher than FY 2016-17. Appropriations from the HCAF in FY 2018-19 increased by \$391.9 million compared to the forecast. Of this amount, \$388.9 million resulted from the increased MA appropriations.

**Agriculture and Rural Development**

The Agriculture and Rural Development budget totaled \$380.1 million in FY 2018-19. The General Fund budget totaled \$231.5 million (60.9 percent of the all funds budget) for the same period. The enacted General Fund budget was \$11.4 million above the forecast and \$7.8 million above FY 2016-17.

**Environment and Natural Resources**

Total funding for Environment and Natural Resources was \$1.9 billion for FY 2018-19. The General Fund budget totaled \$319 million (17.1 percent of all funds) for the same period. The enacted General Fund budget was \$4.9 million above the February 2017 forecast and \$72.7 million lower than FY 2016-17.

**Energy and Utilities**

The Energy and Utilities budget for FY 2018-19 totaled \$350.4 million, with \$25.4 million, or 7.3 percent, from the General Fund. All funds appropriations were \$11.6 million, or

## STATE BUDGET OVERVIEW AND HIGHLIGHTS

3.4 percent, above the February 2017 forecast, and 48.6 million, or 16.1 percent, above FY 2016-17. General Fund appropriations were \$860,000 less than the forecast and \$4.9 million less than 2016-17.

### **Commerce and Consumer Protection**

The Commerce and Consumer Protection budget for FY 2018-19 totaled \$768.9 million, with \$178.3 million, or 23.2 percent, from the General Fund. All funds appropriations were \$660.8 million, or 611.3 percent, above the February 2017 forecast, and General Fund appropriations were \$135.1 million, or 312.9 percent, above the forecast. The enacted budget included a \$142 million appropriation in FY 2018-19 to the Department of Commerce from the General Fund to support a one-time health reinsurance program.

### **Jobs and Economic Growth**

The Jobs and Economic Growth budget for FY 2018-19 totaled \$1.3 billion, with \$223.2 million, or 17.4 percent, from the General Fund. All funds appropriations were \$42.7 million, or 3.4 percent, above the February 2017 forecast, and General Fund appropriations were \$25 million, or 12.6 percent, above the forecast.

### **Judiciary and Public Safety**

The Judiciary and Public Safety budget for FY 2018-19 totaled \$2.7 billion, with \$2.3 billion, or 85.8 percent, from the General Fund. All funds appropriations were \$169.8 million, or 6.7 percent, above the February 2017 forecast, and General Fund appropriations were \$155.6 million, or 7.2 percent, above the forecast. This increase supported agency operating increases, as well as sufficient funding to provide 2.5 percent annual salary increases for the judicial branch, 3.5 percent annual salary increases for the Department of Corrections, and 3.5

percent annual salary increases for other agencies within the jurisdiction.

### **Transportation and Public Safety**

Funding for the Transportation and Public Safety budget totaled \$8.1 billion in all funds for FY 2018-19, with \$339.5 million from the General Fund. All funds appropriations were \$917.8 million, or 12.7 percent, above the February 2017 forecast and General Fund appropriations were \$95.9 million, or 39.4 percent, above the forecast. The enacted budget credited the revenue from the sales tax on motor vehicle repair parts, sales tax on short-term motor vehicle rentals, additional rental motor vehicle tax, and the sales tax on motor vehicle leases to the HUTDF. Previously the receipts from these collections were deposited in the General Fund. Therefore, the General Fund revenue declined by \$205.2 million as a result of this change and the HUTDF revenue increased by the same amount. Revenues in the HUTDF are constitutionally allocated to several transportation related funds. Appropriations from the Trunk Highway Fund, the County State-Aid Highway Fund, and the Municipal State-Aid Street Fund increased in the enacted budget as a result of this reallocation of existing taxes.

### **State Government**

The State Government budget for FY 2018-19 totaled \$1.1 billion in all funds, and included \$773.5 million, or 67.3 percent, from the General Fund. All funds appropriations were \$60.1 million, or 5.5 percent, above the February 2017 forecast and General Fund appropriations were \$58.6 million, or 7 percent, below the forecast. Compared to the previous biennium, all funds appropriations in FY 2018-19 decreased by \$378.5 million. Most of the decline compared to FY 2016-17 is attributable to a one-time FY 2017 General Fund appropriation of

## STATE BUDGET OVERVIEW AND HIGHLIGHTS

\$326.9 million made to MMB for health insurance premium subsidies. This appropriation distorts comparisons between the enacted budget and FY 2016-17.

### **Veterans and Military Affairs**

The Veterans and Military Affairs budget totaled \$601.6 million in FY 2018-19. The General Fund budget totaled \$205.2 million (34.1 percent of the all funds budget for the same period). The enacted General Fund budget was \$12.1 million above the forecast, but \$878,000 lower than FY 2016-17.

### **Debt Service Capital Projects and Other**

Total General Fund appropriations for debt service capital projects and grants for the FY 2018-19 biennium were \$1.4 billion. New general obligation bonding authorizations in 2017 First Special Session, Chapter 8, the 2017 Capital Investment Act, totaled \$987.9 million, which was \$187.9 million higher than the \$800 million capital investment bill that was assumed in the February 2017 forecast. (Typically, budget forecasts for odd-numbered session years assume a significantly smaller capital investment bill, but because a capital investment act was not enacted in the 2016 session, the February 2017 forecast assumed a larger capital investment bill in 2017.) General Fund debt service appropriations in FY 2018-19 increased by \$12.5 million compared to forecast. The capital investment act also included \$14.4 million of General Fund capital projects appropriations. Of that amount, \$3.3 million was appropriated in FY 2017 for debt service payments on the Lewis and Clark project and Minnesota Housing Finance agency bonds, and \$11 million was appropriated in FY 2017 for nonbondable projects. The General Fund Debt Service and Capital Projects budget in FY 2018-19 increased by \$15.8 million compared to the

forecast and declined by \$15.2 million compared to FY 2016-17.

### **STRUCTURAL BALANCE FY 2018-19 AND FY 2020-21**

Looking ahead at the effect of the FY 2018-19 enacted budget on the next biennium shows that the state's General Fund balance in FY 2020-21 is projected to be positive. After the 2017 sessions and the subsequent Ramsey County District Court actions, the FY 2020-21 budget is projected to be balanced with \$375.6 million unallocated. This unallocated number represents the "budgetary balance" and includes unallocated money carried forward from prior biennia. Another measurement of fiscal health is structural balance, which compares a single biennium's revenue collections with its appropriations. The structural balance calculation does not include money carried forward from one biennium to the next.

The FY 2018-19 enacted budget is not structurally balanced between current revenues and current spending. Instead, the FY 2018-19 enacted budget is balanced with \$729.6 million carried forward from the balance in FY 2016-17. Current revenues for FY 2018-19 are projected to total \$45 billion, while projected appropriations are estimated to total \$45.5 billion. Projected appropriations in FY 2018-19 exceed General Fund resources by \$551 million. Table 8 shows the relationship between FY 2018-19 current resources and appropriations.

The February 2017 forecast projected that the FY 2020-21 budget would have a structural balance of \$2.1 billion between current revenues and current spending. The enactment of the FY 2018-19 budget reduced the structural balance in FY 2020-21 to \$254.1 million. Table 7 shows that projected

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revenues in FY 2020-21 will be \$1.1 billion lower than the February 2017 forecast and projected appropriations will increase by \$784.1 million.

Although the FY 2018-19 enacted budget is not structurally balanced in FY 2018-19, structural balance significantly improves in the FY 2020-21 planning years. As shown in Table 8, General Fund revenue is projected to grow by \$3.3 billion in FY 2020-21 when compared to FY 2018-19, and appropriations are projected to grow by \$2.4 billion over the same period. Overall, this indicates that

appropriations are growing at a slower pace than revenues over the four years of the projection period. More importantly for budget stability, the quicker pace of revenue growth compared to appropriations growth is projected to return the General Fund to structural balance in FY 2020-21. General Fund revenues are projected to be \$48.3 billion in FY 2020-21 and projected appropriations are \$48 billion. This indicates that the General Fund in FY 2020-21 is structurally balanced between current resources and current spending, at \$254.1 million.

<b>Table 7 - General Fund Biennial Budget -- FY 2020-21 Planning Estimates</b> <i>(dollars in thousands)</i>			
	<b>Feb 2017 Forecast Base</b>	<b>Enacted Budget</b>	<b>Change: Enacted - Fest Base</b>
Current Resources (excluding carryforward)	49,357.3	48,271.0	(1,086.3)
Total Projected Appropriations	47,232.8	48,016.9	784.1
<b>Projected Structural Balance</b>	<b>2,124.5</b>	<b>254.1</b>	<b>(1,870.4)</b>

<b>Table 8 - General Fund Biennial Budget -- FY 2018-19 Comparison of Enacted FY 2018-19 Budget to FY 2020-21 Planning Estimates</b> <i>(dollars in thousands)</i>			
	<b>FY 2018-19 Enacted Budget</b>	<b>FY 2020-21 Enacted Budget</b>	<b>Change: FY 2020-21 FY 2018-19</b>
Current Resources (excluding carryforward)	45,006.1	48,271.0	3,264.9
Total Projected Appropriations	45,557.3	48,016.9	2,459.6
<b>Projected Structural Balance</b>	<b>(551.2)</b>	<b>254.1</b>	<b>805.3</b>

## CHAPTER 2 STATE REVENUES

Tax policy changes affecting state revenues were enacted in four chapters during the 2017 legislative sessions. Chapter 1, enacted during the 2017 Regular Session prior to the February forecast, conformed Minnesota law to federal law for tax changes enacted since December 31, 2014. 2017 First Special Session, Chapter 1, the Omnibus Tax Act, contained broad tax policy changes and reduced estimated revenues in FY 2018-19 by \$454.2 million compared to the February 2017 forecast. 2017 First Special Session, Chapter 3, the Omnibus Transportation Act, changed the allocation of certain state revenues from the General Fund to the Highway User Tax Distribution Fund (HUTDF) to enhance transportation funding, which reduced estimated General Fund revenue in FY 2018-19 by \$205.2 million. Finally, a provision in 2017 First Special Session, Chapter 8, the Omnibus Capital Investment Act, expanded the eligibility for sales tax refunds provided through the greater Minnesota job expansion program.

State revenues for FY 2018-19 was projected to total \$81.1 billion, a decrease of \$62.4 million from the February 2017 forecast and an increase of \$4.6 billion from the FY 2016-17 biennium. Most of the decrease was in the General Fund, and was attributable to the individual income tax, statewide property tax, and sales tax. Furthermore, Chapter 3 changed the disposition of several

transportation-related revenues that were previously credited to the General Fund. These revenues were reallocated to the HUTDF, which, based on existing constitutional distribution formulas, generated a FY 2018-19 increase of \$102.2 million to the Trunk Highway Fund, \$56.5 million to the County State-Aid Highway Fund, and \$14.8 million to the Municipal State-Aid Street Fund. (See page 121 for a discussion of this revenue reallocation.)

### **Individual Income Taxes**

2017 First Special Session, Chapter 1, established several new income tax credits and subtractions, and expanded existing credits and subtractions. Together, these changes reduced General Fund revenues by \$250.9 million in FY 2018-19 compared to the February 2017 forecast. The single largest policy change established a subtraction for taxable Social Security income, decreasing General Fund revenue by \$117.2 million in FY 2018-19. Under this change, which is effective for tax year 2017, the maximum subtraction is \$4,500 for married couples filing joint returns, \$3,500 for single and head of household filers, and \$2,250 for married couples filing separate returns. The maximum subtraction is only available for filers with income below a threshold amount and is reduced proportionally as income rises. Both the maximum subtraction and the threshold amount are adjusted annually for inflation.



STATE REVENUES

<b>Table 1 - State Revenues</b>					
<b>All Funds Biennial Revenue by Tax Type and Fund</b>					
<i>(dollars in thousands)</i>					
	<b>FY 2016-17 Revenue*</b>	<b>FY 2018-19 Forecast Base</b>	<b>FY 2018-19 Enacted Budget</b>	<b>Change: Enacted - FY 2016-17</b>	<b>Change: Enacted - Fcst. Base</b>
<b>General Fund</b>					
Income	21,926,606	24,401,300	24,150,432	2,223,826	(250,868)
Sales	10,579,980	11,466,302	11,209,444	629,464	(256,858)
Corporate	2,615,321	2,622,627	2,620,957	5,636	(1,670)
Statewide Property	1,692,111	1,742,176	1,646,006	(46,105)	(96,170)
Cigarette and Tobacco Products	1,241,537	1,251,390	1,239,240	(2,297)	(12,150)
Insurance Gross Earnings & Fire Marshal	735,689	775,818	775,818	40,129	-
Medical Assistance Surcharges	551,361	551,254	551,254	(107)	-
Estate	322,316	314,800	279,900	(42,416)	(34,900)
Deed Transfer Tax	227,217	251,099	251,099	23,882	-
Mortgage Registry Tax	240,102	213,288	213,288	(26,814)	-
Liquor, Wine, and Beer	176,878	182,240	182,110	5,232	(130)
Lawful Gambling	118,258	132,200	132,200	13,942	-
Other Tax Revenues/Refunds	(1,041)	(5,500)	(5,500)	(4,459)	-
Nontax Revenues	<u>1,518,187</u>	<u>1,402,253</u>	<u>1,397,790</u>	<u>(120,397)</u>	<u>(4,463)</u>
<b>Subtotal for General Fund:</b>	<b>41,944,522</b>	<b>45,301,247</b>	<b>44,644,038</b>	<b>2,699,516</b>	<b>(657,209)</b>
<b>Other Funds</b>					
Federal Fund	21,078,072	23,111,677	23,111,677	2,033,605	-
Highway User Tax Distribution Fund	4,164,451	4,460,566	4,633,848	469,397	173,282
Special Revenue Fund	2,498,381	2,196,496	2,192,835	(305,546)	(3,661)
Health Care Access Fund	1,466,643	1,598,089	1,591,989	125,346	(6,100)
Trunk Highway Fund	977,452	941,788	1,303,088	325,636	361,300
Transit Assistance	647,776	733,490	736,684	88,908	3,194
Other	<u>3,710,530</u>	<u>2,843,757</u>	<u>2,910,530</u>	<u>(800,000)</u>	<u>66,773</u>
<b>Subtotal for Other Funds:</b>	<b>34,543,305</b>	<b>35,885,863</b>	<b>36,480,651</b>	<b>1,937,346</b>	<b>594,788</b>
<b>Total State Revenues All Funds</b>	<b>76,487,827</b>	<b>81,187,110</b>	<b>81,124,689</b>	<b>4,636,862</b>	<b>(62,421)</b>

\* As adjusted by FY 2017 changes made by the 2017 Legislature.

<b>Table 2 - State Revenues</b>						
<b>General Fund Changes Compared to Forecast</b>						
<i>(dollars in thousands)</i>						
	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
<b>Income</b>						
Social Security Subtraction	(57,000)	(60,200)	(117,200)	(63,100)	(66,200)	(129,300)
Student Loan Payments Nonrefundable Credit	(26,900)	(27,800)	(54,700)	(28,800)	(29,800)	(58,600)
Child and Dependent Care Credit Changes	(16,900)	(18,900)	(35,800)	(21,000)	(23,100)	(44,100)
529 Plans Nonrefundable Credit Changes	(10,000)	(10,400)	(20,400)	(10,600)	(11,000)	(21,600)
WI Reciprocity Refundable Credit	(8,200)	(5,800)	(14,000)	(6,100)	(6,400)	(12,500)
Beginning Farmer Nonrefundable Credits	-	(5,300)	(5,300)	(6,600)	(6,900)	(13,500)
Working Family Credit Modifications	(1,600)	(1,600)	(3,200)	(5,000)	(5,100)	(10,100)
Other Changes	<u>(3,564)</u>	<u>3,296</u>	<u>(268)</u>	<u>3,321</u>	<u>3,771</u>	<u>7,092</u>
<b>Total Income Tax Changes:</b>	<b>(124,164)</b>	<b>(126,704)</b>	<b>(250,868)</b>	<b>(137,879)</b>	<b>(144,729)</b>	<b>(282,608)</b>

## STATE REVENUES

	FY 2018	FY 2019	FY 2018-19	FY 2020	FY 2021	FY 2020-21
<b>Sales</b>						
Reallocation of Transportation-Related Revenues	(99,732)	(105,432)	(205,164)	(221,244)	(223,144)	(444,388)
Modify Real and Personal Property Def (incl FY 17 effect)	(7,240)	(6,900)	(14,140)	(7,100)	(7,300)	(14,400)
Exemption by Refund, Electr. Component Wholesaler	(4,700)	(4,700)	(9,400)	(4,700)	(4,700)	(9,400)
Exemption, Telecom Equipment (Fiber and Conduit)	(3,000)	(3,500)	(6,500)	(3,700)	(3,800)	(7,500)
Exemption, Stadium Suite Licenses	(3,100)	(3,200)	(6,300)	(3,300)	(3,400)	(6,700)
Exemption, Special Fuels for Off-Highway Business Use	(2,400)	(2,800)	(5,200)	(2,900)	(3,000)	(5,900)
Exemption, Sales from Vending Machines	(1,700)	(1,900)	(3,600)	(2,000)	(2,000)	(4,000)
Other Changes	<u>(5,514)</u>	<u>(1,580)</u>	<u>(7,094)</u>	<u>1,473</u>	<u>2,024</u>	<u>3,497</u>
<b>Total Sales Tax Changes:</b>	<b>(127,386)</b>	<b>(130,012)</b>	<b>(257,398)</b>	<b>(243,471)</b>	<b>(245,320)</b>	<b>(488,791)</b>
<b>Corporate</b>						
Research & Development Credit Modifications	(10,600)	(8,400)	(19,000)	(8,900)	(9,800)	(18,700)
Revised Definition of Financial Institution	5,000	5,000	10,000	5,000	5,000	10,000
Insurance Company Income Shelter Change	2,000	2,000	4,000	2,000	2,000	4,000
Other Changes	<u>1,100</u>	<u>2,230</u>	<u>3,330</u>	<u>3,330</u>	<u>4,430</u>	<u>7,760</u>
<b>Total Corporate Tax Changes:</b>	<b>(2,500)</b>	<b>830</b>	<b>(1,670)</b>	<b>1,430</b>	<b>1,630</b>	<b>3,060</b>
<b>Estate</b>						
Modify General Exclusion to \$3m	(15,200)	(19,600)	(34,800)	(30,200)	(44,300)	(74,500)
Exempt Recapture Related to Eminent Domain	<u>(50)</u>	<u>(50)</u>	<u>(100)</u>	<u>(50)</u>	<u>(50)</u>	<u>(100)</u>
<b>Total Estate Tax Changes:</b>	<b>(15,250)</b>	<b>(19,650)</b>	<b>(34,900)</b>	<b>(30,250)</b>	<b>(44,350)</b>	<b>(74,600)</b>
<b>Statewide Property</b>						
C/I Exempt first \$100k, Freeze Levy at 2018 Level	(30,260)	(65,210)	(95,470)	(85,530)	(109,100)	(194,630)
Fiscal Disparities Refund	-	<u>(700)</u>	<u>(700)</u>	<u>(700)</u>	<u>(700)</u>	<u>(1,400)</u>
<b>Total Statewide Property Tax Changes:</b>	<b>(30,260)</b>	<b>(65,910)</b>	<b>(96,170)</b>	<b>(86,230)</b>	<b>(109,800)</b>	<b>(196,030)</b>
<b>Cigarette and Tobacco Products</b>						
Cigarette Tax Rate, Repeal Indexing	(1,800)	(7,200)	(9,000)	(12,700)	(18,000)	(30,700)
Moist Snuff Tax Rate, Repeal Indexing	(300)	(1,200)	(1,500)	(2,200)	(3,200)	(5,400)
Modify Tax Rate, Premium Cigars	(1,600)	(1,700)	(3,300)	(1,800)	(1,800)	(3,600)
Modify Tax Rate Application, Moist Snuff Containers	800	900	1,700	1,000	1,000	2,000
Cigarette In Lieu of Sales Tax	<u>(70)</u>	<u>20</u>	<u>(50)</u>	<u>90</u>	<u>300</u>	<u>390</u>
<b>Total Cigarette and Tobacco Products Tax Changes:</b>	<b>(2,970)</b>	<b>(9,180)</b>	<b>(12,150)</b>	<b>(15,610)</b>	<b>(21,700)</b>	<b>(37,310)</b>
<b>Alcoholic Beverages</b>						
Small Wineries Credit	<u>(40)</u>	<u>(90)</u>	<u>(130)</u>	<u>(90)</u>	<u>(100)</u>	<u>(190)</u>
<b>Total Alcoholic Beverages Tax Changes:</b>	<b>(40)</b>	<b>(90)</b>	<b>(130)</b>	<b>(90)</b>	<b>(100)</b>	<b>(190)</b>
<b>Total General Fund Changes</b>	<b>(302,570)</b>	<b>(350,716)</b>	<b>(653,286)</b>	<b>(512,100)</b>	<b>(564,369)</b>	<b>(1,076,469)</b>

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Chapter 1 included several credits and subtractions to reduce the expense of higher education. Altogether, these provisions reduced FY 2018-19 General Fund revenue by \$54.9 million compared to forecast. Primarily, Chapter 1 created a non-refundable credit for student loan payments, reducing General Fund revenues in FY 2018-19 by \$54.7 million. The maximum credit amount is \$500 per eligible individual making qualified student loan payments related to an undergraduate or graduate degree program at a public or nonprofit institution. The credit is only available to filers with annual loan payments totaling more than ten percent of the filer's adjusted gross income above \$10,000. Under the new law, the maximum credit amount decreases based on the amount of total payments relative to an individual's adjusted gross income. Chapter 1 also established a subtraction for the discharge of student loan debt. Under this subtraction, a taxpayer with discharged student loan debt under Minnesota's teacher shortage loan forgiveness program or following the completion of a qualified income-driven repayment plan may subtract the discharged loan amount from their taxable income. Chapter 1 also established a non-refundable individual income tax credit of \$2,500 for licensed K-12 teachers who complete a master's degree program in a core content area directly related to their field of licensure. To qualify, the teacher must give direct classroom instruction in the core content area. To be eligible for the credit, the teacher must begin a master's degree program after June 30, 2017, and complete it during the taxable year in which the credit is claimed.

Chapter 1 included several tax incentives for saving. To encourage saving for the cost of higher education, Chapter 1 made contributing to a 529 college savings plan

eligible for an income tax credit or a subtraction. The maximum credit is \$500 and begins to phase out for incomes in excess of \$75,000. Filers who do not claim the credit, or are ineligible due to their income level, may claim a subtraction. Under the new law, the maximum subtraction is \$3,000 for married couples filing joint returns and \$1,500 for all other filers. The 529 credit and subtraction reduced General Fund revenue by \$20.4 million in FY 2018-19 compared to forecast. Chapter 1 also created a subtraction for the interest or dividends earned on first-time home buyer savings accounts. Eligible costs include down payments, allowable closing costs, and the cost of construction or financing the construction of a single-family residence. This subtraction reduced General Fund revenue by \$90,000 in FY 2018-19 compared to forecast.

Chapter 1 increased the state's maximum child and dependent care credit to match the federal maximum credit amount beginning in tax year 2017. For one child, Minnesota's credit increased from \$720 to \$1,050. For two or more children, the state credit increased from \$1,440 to \$2,100. Chapter 1 also increased the maximum income at which the child and dependent care credit phases out. The maximum income at which a filer is eligible for the credit increased from \$39,510 to \$62,000. The phaseout change is effective for tax year 2017. Altogether, these modifications reduced General Fund revenue by \$35.8 million in FY 2018-19 compared to the February 2017 forecast.

Chapter 1 modified the working family tax credit. Beginning in tax year 2017, on-reservation earnings of American Indians are included in the earnings used to calculate the credit, which results in higher credit amounts. This modification reduced General Fund

revenue by \$3.2 million in FY 2018-19. In addition, beginning in tax year 2019, the age at which a taxpayer with no qualifying children is eligible for the credit was lowered from 25 to 21. This change reduced the planning estimates for General Fund revenue by \$6.7 million in FY 2020-21 compared to forecast.

Chapter 1 created a refundable credit for Minnesota residents with income taxed by Wisconsin, effective only in years when no income tax reciprocity agreement with Wisconsin is in effect. Currently there is no such agreement between Minnesota and Wisconsin. The refundable credit reduced General Fund revenue by \$14 million in FY 2018-19 compared to forecast. Chapter 1 also appropriated \$300,000 in FY 2018-19 to the Department of Revenue to complete an updated reciprocity benchmark study beginning with tax year 2017 returns. Results of the benchmark study must be reported to the Legislature by March 1, 2019.

Chapter 1 also created two new income tax credits to aid early-career farmers, the beginning farmer incentive credit and the beginning farmer management credit. The beginning farmer incentive credit is a tax credit for owners of agricultural assets (land, livestock, facilities, or machinery located in Minnesota) who rent or sell these assets to a beginning farmer. The credit is designed to encourage assistance to farmers early in their careers. If an asset owner conducts business with a beginning farmer, the asset owner is eligible for a tax credit equal to 5 percent of the sale price of the asset (up to \$32,000), 10 percent of the gross rental income in each of the first three years of a rental agreement (up to \$7,000 per year), or 15 percent of the cash equivalent of the gross rental income of the first three years of a share-rent agreement (up

### **Tax Terminology: Exclusions, Subtractions, Additions, and Credits**

#### **Exclusions**

The calculation of tax liability begins with the determination of gross income. Gross income equals all income minus exclusions. A tax exclusion sets aside certain types of income as nontaxable, meaning that those items do not enter into the calculation of gross income.

#### **Deductions/Subtractions**

Once gross income is determined after applying any exclusions, taxable income is determined by reducing gross income through allowable deductions (commonly called subtractions in the computation of Minnesota taxable income). Two common examples of federal deductions are business expenses and charitable contributions. At the state level, subtractions exist for K-12 education-related expenses and military retirement pensions, among others.

#### **Additions**

Additions are items that must be added back to taxable income for Minnesota income tax purposes. Certain deductions allowed at the federal level may not be allowed (or allowed in the same way) for Minnesota income tax. For example, interest earned on another state's bonds may not be taxable at the federal level but is considered taxable income by Minnesota. In addition, deductions for Section 179 expensing are not allowed in the same way in Minnesota as at the federal level, and therefore those deductions must be calculated differently (i.e. added back to taxable income) for Minnesota income tax purposes.

#### **Credits**

The computation of federal and state tax liability is the result of applying the tax rate to the individual's amount of taxable income (as determined after exclusions, deductions, and additions are applied). Credits are the last step in determining the amount of tax owed and provide a dollar-for-dollar reduction in tax liability.

## STATE REVENUES

to \$15,000 per year). If the amount of the credit exceeds tax liability, the excess may be carried forward for up to 15 subsequent tax years. The beginning farmer management credit is equal to 100 percent of the cost of participating in an approved financial management program, up to \$1,500, for up to three years. Together, these income tax credits reduced General Fund revenue by \$5.3 million in FY 2019 compared to forecast and reduced the planning estimates in FY 2020-2021 by \$13.5 million compared to forecast.

Finally, due to low participation, Chapter 1 repealed the Greater Minnesota Internship tax credit. This refundable credit was allowed against the corporate franchise tax and individual income tax for employers outside the eleven-county metropolitan area who hired interns under a program administered by the Office of Higher Education in conjunction with higher education institutions. The maximum credit was \$2,000 per intern, limited to \$2 million per year. However, for tax year 2016, fewer than five allocations had been made to employers. The repeal is anticipated to generate \$10,000 in FY 2019 General Fund revenue compared to forecast.

### **Corporate Franchise Taxes**

The enacted budget reduced corporate franchise tax revenue in the General Fund by \$1.7 million compared to the February 2017 forecast and increased revenue by \$5.6 million compared to FY 2016-17. The largest change made to the corporate franchise tax in the enacted budget was the expansion of the research and development credit. The rate at which second tier qualified expenses qualify for the credit was increased from 2.5 percent to 4 percent. This change reduced General

Fund revenue by \$19 million in FY 2018-19 compared to forecast. This credit also reduced Minnesota personal income tax revenue by \$600,000 in FY 2018-19 compared to forecast.

Chapter 1 also increased corporate franchise tax revenues through three modifications to tax policy:

- modifying the definition of financial institutions to ensure that non-corporate subsidiaries and affiliates of financial institutions are included in determining the income and apportionment factors of the businesses;
- accelerating individual income tax collection for the installment sales of pass-through entities by nonresidents or by residents who move out of Minnesota; and
- imposing the corporate franchise tax on certain insurance companies that do not meet the federal income definition of an insurance company or that are domiciled outside of Minnesota and in a jurisdiction that does not impose retaliatory tax.

Together, these policy changes reduced General Fund revenue by \$17.3 million in FY 2018-19 compared to the forecast.

### **Statewide Property Taxes**

Chapter 1 reduced General Fund revenue from the statewide business property tax by \$96.2 million in FY 2018-19 compared to forecast and by \$46.1 million compared to FY 2016-17. The enacted budget reduced statewide business property tax revenue by enacting two changes: the first \$100,000 of commercial-industrial property value is exempted from the tax, and the levy amount will not automatically inflate each year and will remain set at the payable 2018 level. In

## STATE REVENUES

FY 2020-21, the total revenue is projected to be \$194.6 million lower than forecast.

Chapter 1 also established a distribution of the state general levy paid by properties within a municipality back to the municipality. To be eligible, a municipality must lie within the metropolitan area but outside the metropolitan transit taxing district, and have a net fiscal disparities contribution tax capacity in excess of eight percent of the municipality's total net tax capacity. Three municipalities were estimated to be eligible for the distribution: the city of Coates in Dakota County, the city of Rogers in Hennepin County, and the township of Louisville in Scott County. Beginning in FY 2019, the total distribution to the three municipalities was estimated to be \$700,000 annually.

### **Estate Taxes**

The enacted budget reduced total estate taxes collected in FY 2018-19 by \$34.9 million compared to the February 2017 forecast and by \$42.4 million compared to FY 2016-17. Chapter 1 increased the estate tax general exclusion amount from \$1.8 million to \$2.1 million for decedents dying in 2017. This change included a phased-in increase of the general exclusion amount to \$3 million for decedents dying in 2020 and later. This change was phased in over three years. This higher exclusion amount reduced revenue by \$34.8 million in FY 2018-19, and reduced General Fund planning estimates by \$74.6 million in FY 2020-21 compared to forecast. Chapter 1 also made corresponding adjustments to the subtraction for qualified farmland and small business property to keep the total amount that may be excluded from a Minnesota taxable estate the same at \$5 million. Chapter 1 also exempted qualified

farm or small business property transferred to a governmental entity through eminent domain from the recapture tax. This change reduced General Fund revenue by \$50,000 annually compared to forecast.

### **Sales Taxes**

The enacted budget reduced total sales tax revenue in FY 2018-19 to the General Fund by \$256.8 million compared to the February 2017 forecast and increased sales tax revenue by \$629.4 million compared to FY 2016-17. Chapter 1 enacted a series of sales tax exemptions, remittance requirements, and other changes, which changed sales tax collection in the FY 2018-19 budget.

Chapter 1 exempted certain types of tangible personal property and digital products from Minnesota's general sales tax: special fuels used for off-highway business use, fiber and conduit telecommunications equipment, products sold through vending machines, precious metal bullion, sales of digital products from jukeboxes, admission to Minnesota State High School League events, sales at certain non-profit fundraising events lasting up to 10 days, admission to Super Bowl related events and parking services, and membership dues to non-profit youth and family activity facilities such as the JCC or YMCA. In total, these changes reduced General Fund sales tax revenue by \$21.6 million in FY 2018-19 compared to forecast.

Chapter 1 also exempted from the sales tax construction materials for several projects: ice arena and other related facilities in the cities of Plymouth and Duluth, property destroyed in the Madelia and Melrose fires, a new professional soccer stadium in St. Paul, and a nonprofit grocery store in Trimont. Together, these exemptions reduced General

## STATE REVENUES

Fund sales tax revenue by \$13 million in FY 2018-19 compared to the forecast.

Chapter 1 also expanded the maximum amounts of sales tax exemptions allowed under the greater Minnesota business program. The annual exemption amount allowed was raised from \$2 million to \$5 million, and the cumulative exemption amount allowed was raised from \$10 million to \$40 million. This change, expected to benefit a wholesale electronic component distribution center, reduced General Fund revenue by \$9.4 million in FY 2018-19. In addition, Chapter 8 contained a statutory change to this program that allows a siding production facility located in the Hoyt Lakes area to qualify for the program despite not being located in a greater Minnesota city. This change reduced the planning estimates for General Fund revenue in FY 2020-21 by \$1.8 million compared to the forecast.

Chapter 1 also enacted certain collection and remittance requirements for marketplace providers. Internet marketplace providers located in the state will be required to collect and remit sales tax to the state unless sellers on the marketplace site are already collecting the tax. This change will go into effect July 1, 2019, or earlier if the U.S. Supreme Court or Congress allows for the state's collection of sales tax by remote sellers. This change increased projected General Fund sales tax revenue by \$8.6 million in FY 2020-21.

Chapter 1 revised the definition for real property as it applies to sales tax collection to conform with recent court decisions. Generally, for sales of tangible personal property, the sales tax is due on sales to the final user. However, for construction contractors who purchase items incorporated

into real property, the items purchased are considered to be used by the contractor, and therefore contractors pay sales tax at the time of their purchase. This modification to the definition of real property affects when the sales tax is due, and reduced General Fund sales tax revenue by \$14.1 million in FY 2018-19 compared to the forecast. Chapter 1 also revised the definition of admission to a place of amusement or athletic event to exclude the amount paid for a license to use a private suite, private skybox, or private box seat. This change reduced FY 2018-19 General Fund revenue by \$6.3 million compared to the forecast.

Chapter 1 dedicates half of the estimated sales tax collected from the sale of personal fireworks to the Special Revenue Fund. Under the new law, 25 percent of the total revenue will be deposited into a new volunteer fire assistance grant account in the Special Revenue Fund, and 25 percent to the fire safety account in the Special Revenue Fund. These new dedications reduced FY 2018-19 General Fund revenues compared to forecast by \$170,000 and increased the Special Revenue Fund by the same amount. Half of the sales collections from personal fireworks sales will continue to be deposited in the General Fund.

### **Cigarette and Tobacco Excise Taxes**

The enacted budget reduced General Fund revenue in FY 2018-19 from cigarette and tobacco excise taxes by \$12.2 million compared to the February 2017 forecast and by \$2.5 million compared to FY 2016-17. Chapter 1 made several changes to the way cigarette and tobacco products are taxed by repealing the annual inflation adjustment and setting the base rate for the excise tax on cigarettes at the current rate of 15.2 cents per

## STATE REVENUES

cigarette (\$3.04 per pack). In addition, Chapter 1 modified the tax for moist snuff so that an equal rate applies to each 1.2 ounce container or amount, if the moist snuff is sold in a container holding more than 1.2 ounces. Chapter 1 also reduced the maximum tax on a premium cigar from \$3.50 to \$0.50.

### **Alcoholic Beverages Taxes**

The enacted budget reduced FY 2018-19 General Fund revenue from alcoholic beverage taxes by \$130,000 compared to forecast and increased revenue by \$5.2 million compared to FY 2016-17. Chapter 1 established a credit for the alcohol excise tax for small wineries, which are defined as in-state or out-of-state wineries making less than 75,000 gallons of wine or cider per year. The credit must not exceed the lesser of the liability for tax or \$136,275.

### **Other Tax and Non-Tax Items**

Chapter 1 provided an additional \$3 million in border city enterprise zone tax reductions in FY 2018. This program provides tax incentives (including sales tax exemptions, employer income tax credits, and property tax credits) for new or existing businesses located in a border city enterprise zone to encourage the business to expand its operation, begin operation, or remain in the zone. DOR is authorized to allocate \$3 million in General Fund tax reductions on a

per capita basis among the cities of Breckenridge, Dilworth, East Grand Forks, Moorhead, and Ortonville. Each of the eligible cities must determine that a tax reduction under the program is necessary to retain or attract a specific business before the commissioner may extend its share of the program. A qualifying city may choose whether to use the allocation for tax reductions under the regular border city enterprise zone program or the border city development zone program. A city's allocation remains available until used.

Chapter 1 required the Department of Revenue to consult with the Pollution Control Agency to determine a more accurate ton-to-dollar amount for the collection of Solid Waste taxes. At an estimated new rate of \$3.50 per ton, this change reduced FY 2018-19 General Fund revenue by \$140,000 compared to the forecast.

### **Other Funds**

Chapter 1 enacted a retroactive exemption of supplemental medical assistance payments from the MinnesotaCare tax on healthcare providers. This change reduced revenue to the Health Care Access Fund (HCAF) by \$6.1 million in FY 2018-19 and by \$1.1 million in FY 2020-21 compared to forecast. Chapter 1 offset this decrease in revenue to the HCAF through a General Fund transfer of \$7.2 million in FY 2020.



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### **Federal Conformity**

Chapter 1, the Federal Conformity Tax Act, enacted prior to the February 2017 forecast during the regular session, conformed Minnesota law to federal tax law for changes enacted since December 31, 2014. Compared to the November 2016 forecast, federal conformity reduced General Fund revenue by \$21.7 million in FY 2016-17, increased revenue by \$21.5 million in FY 2018-19, and decreased planning estimates by \$90.5 million in FY 2020-21. Key provisions in Chapter 1 included expanding the working family credit phase-out range, increasing allowable limits for bonus depreciation and section 179 expensing, and adding an exception under Subpart F that allowed for active financing income to remain untaxed.

Because Chapter 1 was enacted before the February 2017 forecast, the changes from Chapter 1 are compared to the November 2016 forecast and were included in the February 2017 Forecast estimates.

## **CHAPTER 3 E-12 EDUCATION**

The E-12 Education budget included appropriations for early childhood programs, elementary and secondary schools, extended day programs, adult education programs, community education programs, and libraries. For FY 2018-19, appropriations totaled \$20.5 billion, of which \$18.8 billion, or 91.3 percent, was from the General Fund. E-12 Education comprises 41.2 percent of total General Fund appropriations and is the largest General Fund spending area.

The changes discussed in this chapter were enacted in 2017 First Special Session, Chapter 5, the Omnibus Education Act, which provided most education finance provisions for FY 2018-19, and Chapter 1, the Omnibus Tax Act, which contained the maximum effort loan aid program. Together, Chapter 1 and Chapter 5 increased E-12 General Fund appropriations in FY 2018-19 by \$486.5 million, or 2.7 percent, above the February 2017 forecast. The E-12 General Fund budget for FY 2018-19 is \$1.3 billion more than the FY 2016-17 budget.

### **Basic Revenue**

The basic revenue formula is the primary funding source for public schools. Basic revenue equals the formula allowance multiplied by a school district's adjusted pupil units. Chapter 5 increased the formula allowance by two percent in each year of the FY 2018-19 biennium to \$6,188 in FY 2018 and \$6,312 in FY 2019. The changes in the

formula allowance increased the FY 2018-19 General Fund appropriations by \$367.3 million above the February 2017 forecast. Basic revenue represents 62.8 percent of total E-12 General Fund appropriations for FY 2018-19.

Nonpublic pupil aid, nonpublic pupil transportation, and early childhood family education are statutorily linked to the basic formula allowance. The value of the basic formula allowance determines, in part, the appropriation for each of these linked programs. Therefore, the increases to the basic formula allowance increased General Fund appropriations for these linked programs by \$4.2 million for FY 2018-19 above the February 2017 forecast. American Indian tribal contract aid, which is also linked to the basic formula allowance, is discussed below.

### **Early Childhood Education**

Chapter 5 appropriated \$50 million from the General Fund for FY 2018-19 for school readiness plus, a new prekindergarten program for at-risk four-year-olds paid on the E-12 payment schedule shift. School districts and charter schools may partner with a Head Start, private, or community-based organization to deliver services. Children qualifying for participation in the program at no cost include those who are eligible for free or reduced-priced lunch, English language learners, homeless or foster children, children

eligible for special education, or those otherwise at risk. Districts and charter schools may use a sliding-scale fee for children who do not exhibit a risk factor. School readiness plus funding is available for FY 2018-19 only.

Chapter 5 increased the FY 2018-19 early learning scholarship appropriation by \$20.7 million above the February 2017 forecast, for a total biennial General Fund appropriation of \$140.4 million. The program provides prekindergarten students from low-income families with scholarships that can be used to enroll in high-quality early childhood programs. High-quality early childhood programs are those that have received a three or four star rating from the Parent Aware rating program. Chapter 5 capped the amount of scholarship funding appropriated directly to four-star Parent Aware rated program sites (commonly known as “pathway two” scholarships) at the FY 2017 funding level.

Chapter 5 also appropriated an additional \$1.1 million over forecast from the General Fund in FY 2018-19 for the parent-child home grant programs, for a total biennial appropriation of \$1.8 million. In this program, low-income families with a child between the ages of two and four receive visits from trained home visitors to support early literacy, school readiness, and parenting skills. Families receive two visits per week for two years.

### **Compensatory Revenue**

Compensatory revenue is a component of the larger General Education program. General Education provides revenue to public schools through various revenue programs. Compensatory revenue, specifically, provides state aid to school districts and charter

schools based on their concentration of low-income students at each education site. Income is measured by a student’s eligibility for the free and reduced lunch program.

Chapter 5 enhanced the current compensatory revenue program by codifying the compensatory pilot grant appropriation as a component of compensatory revenue and thereby including it in the forecasted overall general education program. Compensatory pilot grants as a stand-alone program were first enacted in 2005 and were renewed biennially to provide funding for selected districts to implement a more flexible compensatory education program to narrow the achievement gap. The seven districts that received the compensatory pilot grants will receive the additional compensatory revenue. The districts are Anoka-Hennepin, Brooklyn Center, Osseo, Robbinsdale, Rochester, South Washington, and Albert Lea.

Adding the compensatory pilot grants as a component of the compensatory revenue program increased compensatory revenue in FY 2018-19 by \$13.9 million, compared to the February 2017 forecast. However, the increase is \$9.3 million more than the February 2017 forecast for the original compensatory pilot grants as a stand-alone direct appropriation. The new compensatory revenue in FY 2018-19 attributable to the compensatory pilot grants is the same as the pilot grant appropriation in FY 2016-17; however, the compensatory revenue program is paid to schools on the E-12 payment schedule shift, which depresses the amount of the additional appropriations in FY 2018-19. As a result, the FY 2018-19 appropriation increase is \$732,000 less than the pilot grant appropriation was in FY 2016-17 because the new compensatory component will be allocated to schools on the payment schedule.

E-12 EDUCATION

<b>Table 1 - E-12 Education</b>					
<b>All Funds Biennial Spending/Appropriations by Agency &amp; Fund</b>					
<i>(dollars in thousands)</i>					
<b>Agency</b>	<b>FY 2016-17*</b>	<b>FY 2018-19 Forecast Base</b>	<b>FY 2018-19 Enacted Budget</b>	<b>Change: Enacted - FY 2016-17</b>	<b>Change: Enacted - Fcst. Base</b>
<b>Department of Education</b>					
General Fund	17,383,319	18,230,394	18,707,701	1,324,382	477,307
Special Revenue Fund	25,229	25,568	25,568	339	-
Endowment and Permanent School Fund	57,876	63,275	63,275	5,399	-
Gift Fund	189	157	157	(32)	-
Federal Funds	<u>1,575,524</u>	<u>1,678,343</u>	<u>1,678,343</u>	<u>102,819</u>	<u>-</u>
Subtotal for Department of Education:	19,042,137	19,997,737	20,475,044	1,432,907	477,307
<i>Dedicated/Constitutional Funds</i>					
Arts and Cultural Heritage Fund	<u>4,334</u>	<u>66</u>	<u>5,066</u>	<u>732</u>	<u>5,000</u>
Subtotal Dedicated/Const. Funds:	4,334	66	5,066	732	5,000
<b>Total Department of Education:</b>	<b>19,046,471</b>	<b>19,997,803</b>	<b>20,480,110</b>	<b>1,433,639</b>	<b>482,307</b>
<b>Perpich Center for Arts Education</b>					
General Fund	13,844	13,946	15,308	1,464	1,362
Special Revenue Fund	8,274	8,706	8,706	432	-
Gift Fund	7	10	10	3	-
Federal Fund	<u>431</u>	<u>395</u>	<u>395</u>	<u>(36)</u>	<u>-</u>
Subtotal Perpich Center for Arts Education:	22,556	23,057	24,419	1,863	1,362
<i>Dedicated/Constitutional Funds</i>					
Arts and Cultural Heritage Fund	<u>1,376</u>	<u>24</u>	<u>24</u>	<u>(1,352)</u>	<u>-</u>
Subtotal Dedicated/Const. Funds:	1,376	24	24	(1,352)	-
<b>Total Perpich Center for Arts Education:</b>	<b>23,932</b>	<b>23,081</b>	<b>24,443</b>	<b>511</b>	<b>1,362</b>
<b>State Academies</b>					
General Fund	25,672	25,590	28,378	2,706	2,788
Special Revenue Fund	6,538	7,407	7,407	869	-
Gift Fund	16	20	20	4	-
Federal Fund	<u>441</u>	<u>453</u>	<u>453</u>	<u>12</u>	<u>-</u>
<b>Total State Academies:</b>	<b>32,667</b>	<b>33,470</b>	<b>36,258</b>	<b>3,591</b>	<b>2,788</b>
<b>Board of Teaching**</b>					
General Fund	1,027	1,936	6,974	5,947	5,038
Special Revenue Fund	<u>10</u>	<u>20</u>	<u>20</u>	<u>10</u>	<u>-</u>
<b>Total Board of Teaching:</b>	<b>1,037</b>	<b>1,956</b>	<b>6,994</b>	<b>5,957</b>	<b>5,038</b>

E-12 EDUCATION

Agency	FY 2016-17*	FY 2018-19 Forecast Base	FY 2018-19 Enacted Budget	Change: Enacted - FY 2016-17	Change: Enacted - Fest. Base
<b>Totals by Fund</b>					
General Fund	17,423,862	18,271,866	18,758,361	1,334,499	486,495
Special Revenue Fund	40,051	41,701	41,701	1,650	-
Endowment and Permanent School Fund	57,876	63,275	63,275	5,399	-
Gift Fund	212	187	187	(25)	-
Federal Funds	<u>1,576,396</u>	<u>1,679,191</u>	<u>1,679,191</u>	<u>102,795</u>	<u>-</u>
Subtotal for Regular Funds:	19,098,397	20,056,220	20,542,715	1,444,318	486,495
<i>Dedicated/Constitutional Funds</i>					
Arts & Cultural Heritage Fund	<u>5,710</u>	<u>90</u>	<u>5,090</u>	<u>(620)</u>	<u>5,000</u>
Subtotal Dedicated/Const. Funds:	5,710	90	5,090	(620)	5,000
<b>Total for Budget Area</b>	<b>19,104,107</b>	<b>20,056,310</b>	<b>20,547,805</b>	<b>1,443,698</b>	<b>491,495</b>

\* As adjusted by FY 2017 changes made by the 2017 Legislature.

\*\*Beginning January 1, 2018, the responsibilities of the Board of Teaching are transferred to the Professional Educator Licensing and Standards Board.

Additionally, Chapter 5 established that each school district must use a portion of its total compensatory revenue for extended time activities designed to provide students with additional learning opportunities outside the regular school day. For FY 2018, districts must use 1.7 percent of compensatory revenue for extended time activities, for FY 2019 the amount increases to 3.5 percent, and for FY 2020 and later, the amount is equal to 3.5 percent, plus the percentage change in formula allowance in any subsequent year.

### Community Partnership Programs

Chapter 5 established the education partnerships coalition fund, a two-tiered grant program for coalitions of education partnerships to improve educational and developmental outcomes of children. The tier one grants are sustaining grants for well-established education partnerships to support ongoing operations and stability. The tier two grants are implementation grants to expand the activities of education partnerships that

are in the planning, development, or early implementation phases. The Commissioner of Education is required to develop criteria for each tier, an application process, and a grant awards process.

Tier one recipients for FY 2018-19, which included the Northside Achievement Zone and the St. Paul Promise Neighborhood, received a General Fund appropriation increase of \$400,000 over FY 2016-17, for a total tier one FY 2018-19 appropriation of \$5.2 million. Chapter 5 appropriated \$960,000 from the General Fund for FY 2018-19 for the new tier two grants. For FY 2018-19, the tier two recipients are the Northfield Healthy Community Initiative, the Jones Family Foundation for the Every Hand Joined program, and the United Way of Central Minnesota for Student Success program. For FY 2020 and later, tier two grants must be awarded on a competitive basis, as determined by the Commissioner of Education.

### **Maximum Effort Loan Aid**

Chapter 1, the Omnibus Tax Act, established a new maximum effort loan aid program to reduce current or future tax levies for eligible districts by appropriating \$6.6 million from the General Fund for FY 2018-19. Enacted in 1959, the maximum effort school loans were designed to assist districts with a low tax base to finance local school facility construction projects. A district with a maximum effort loan outstanding on June 30, 2016, is eligible for aid equal to 20 percent of accumulated interest paid by the district on its maximum effort loan. A district with a minimum effort loan outstanding on June 30, 2017, is also eligible to receive aid equal to 20 percent of its future minimum effort interest that will be paid by the district through June 30, 2021. This program will continue to provide aid to eligible districts until it sunsets in FY 2022. (See page 19 of the *2016 Fiscal Review* for additional discussion of the maximum effort loan program.)

### **Pupil Transportation Adjustment**

Chapter 5 appropriated \$3.8 million from the General Fund for FY 2018-19 to assist districts and charter schools in which transportation expenses exceed transportation revenues. This new, ongoing pupil transportation adjustment is calculated using a formula based on the difference between the district's prior-year excess pupil transportation costs and the district's prior-year transportation sparsity revenue. The district or charter school's transportation sparsity revenue is increased by the amount of the transportation adjustment and paid on the E-12 payment schedule. The planning estimate for FY 2020-21 for this program is \$4 million.

### **College Entrance Exam Reimbursements**

Chapter 5 revised the requirements for reimbursement of the costs of nationally recognized college entrance exams. Districts will only receive reimbursement for one college entrance exam per grade 11 or 12 student who is eligible for free or reduced-price lunch. Previously, reimbursement was available to all high school students for one college entrance exam during grade 11 or 12. To account for the change, the FY 2018-19 General Fund appropriation was reduced by \$3 million compared to the FY 2016-17 biennium, for a total appropriation of \$3 million for FY 2018-19.

### **Charter School Building Lease Aid**

Chapter 5 modified the charter school building lease aid provision to allow postsecondary enrollment options students to be included in the pupil count. The modification increased the FY 2018-19 General Fund appropriation by \$367,000 above the February 2017 forecast, for a total appropriation of \$151.7 million.

### **Educational Stability for Students in Foster Care**

Chapter 5 appropriated \$1 million from the General Fund in FY 2018-19 to promote educational stability for students living in foster care. This new, one-time pilot program provides transportation grants to help keep students enrolled in their school of origin when placed in a foster care setting outside the school's district boundaries.

E-12 EDUCATION

**Table 2 - E-12 Education**  
**General Fund Changes Compared to Forecast**  
*(dollars in thousands)*

<b>Appropriation Changes</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
<b>Department of Education</b>						
Basic Revenue Formula Allowance Increase	116,466	250,808	367,274	266,121	268,536	534,657
Compensatory Revenue	6,593	7,325	13,918	7,325	7,325	14,650
Crosswinds Transition Adjustment	339	301	640	301	301	602
Graduation Incentives Program	25	-	25	-	-	-
Extended Time - Prairie Lakes	35	39	74	39	39	78
Pupil Transportation Adjustment	1,800	2,000	3,800	2,000	2,000	4,000
Nonpublic Pupil Transportation	323	684	1,007	395	36	431
Nonpublic Pupil Aid	59	238	297	146	13	159
African American Registry	100	100	200	-	-	-
Agricultural Educator Grants	250	250	500	250	250	500
Alternative Teacher Prep Grants	750	-	750	-	-	-
AP/IB STEM Grants	250	250	500	250	250	500
Civic Education Grants	-	-	-	(125)	(125)	(250)
Collaborative Urban Educator	220	220	440	220	220	440
Compensatory Pilot Grants	(2,325)	(2,325)	(4,650)	(2,325)	(2,325)	(4,650)
Concurrent Enrollment Teacher Training Grants	375	375	750	375	375	750
Education Innovation Partnerships (FY 2017)	(410)	-	(410)	-	-	-
Education Innovation Partnerships	410	-	410	-	-	-
Foster Kids Educational Stability Grants	1,000	-	1,000	-	-	-
Grow Your Own	500	500	1,000	500	500	1,000
Interdistrict Desegregation Transportation	(861)	(861)	(1,722)	(861)	(861)	(1,722)
MN Center for the Book	50	50	100	-	-	-
MN Foundation for Student Organizations	-	-	-	43	43	86
Math Corps	250	250	500	250	250	500
Museums and Education Centers	59	59	118	59	59	118
Statewide Regional Partnership	375	375	750	375	375	750
Principals' Academy	50	50	100	50	50	100
Race 2 Reduce Water Conservation Grants	-	(307)	(307)	(307)	(307)	(614)
Reading Corps	1,325	1,325	2,650	2,325	2,325	4,650
Recovery Grant Programs	250	250	500	250	250	500
Rock 'n' Read	500	-	500	-	-	-
Rural CTE Consortium	1,500	1,500	3,000	3,000	3,000	6,000
Sanneh Foundation	1,000	-	1,000	-	-	-
SMSU Special Ed Teacher Education Program (FY 2017)	(253)	-	(253)	-	-	-
SMSU Special Ed Teacher Education Program	253	-	253	-	-	-
Starbase STEM Program (FY 2017)	(850)	-	(850)	-	-	-
Starbase STEM Program	850	(500)	350	-	-	-
Teacher Shortage Loan Forgiveness	500	-	500	-	-	-
Tribal Contract Schools	1,640	2,088	3,728	211	-	211
College Entrance Exam Reimbursements	(1,500)	(1,500)	(3,000)	(1,500)	(1,500)	(3,000)
Charter School Lease Aid (Include PSEO Pupils)	168	199	367	214	229	443
Special Education (Adjustment for Closed Programs)	(345)	(393)	(738)	(393)	(393)	(786)
Early Repayment Aid Incentive	150	150	300	150	150	300

E-12 EDUCATION

<b>Appropriation Changes</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
Debt Service Reduction (Crosswinds Sale)	(10,000)	-	(10,000)	-	-	-
Maximum Effort Loan Aid	3,290	3,290	6,580	3,290	3,290	6,580
Early Learning Scholarships	10,325	10,325	20,650	10,825	10,825	21,650
Early Childhood Family Education (ECFE)	919	1,999	2,918	2,127	2,147	4,274
School Readiness Plus	22,229	27,771	50,000	2,910	-	2,910
Parent-Child Home Grant	550	550	1,100	550	550	1,100
Northside Achievement Zone	100	100	200	100	100	200
St. Paul Promise Neighborhood	100	100	200	100	100	200
Greater MN Education Partnership Pilots	480	480	960	480	480	960
Board of School Administrators	-	-	-	(231)	(231)	(462)
Dyslexia Specialist	123	123	246	123	123	246
Board of Teaching Staff Transfer	(836)	(845)	(1,681)	(934)	(1,023)	(1,957)
MDE Operating Increase	3,000	3,000	6,000	1,000	1,000	2,000
Mainframe IT System Enhancements	<u>2,750</u>	<u>500</u>	<u>3,250</u>	-	-	-
<b>Department of Education Total</b>	<b>166,425</b>	<b>310,893</b>	<b>477,307</b>	<b>299,678</b>	<b>298,426</b>	<b>598,104</b>
<b>Board of Teaching*</b>						
Operating Increase	629	666	1,295	564	564	1,128
SmART Services	124	144	268	149	154	303
New Licensing System IT Costs	924	870	1,794	119	-	119
Licensing Staff from MDE	836	845	1,681	934	1,023	1,957
Transfer to Special Revenue	-	-	-	(1,882)	(1,882)	(3,764)
<b>Board of Teaching Total</b>	<b>2,513</b>	<b>2,525</b>	<b>5,038</b>	<b>(116)</b>	<b>(141)</b>	<b>(257)</b>
<b>Minnesota State Academies</b>						
Operating Increase	972	1,316	2,288	400	400	800
Facility Safety Improvements	<u>250</u>	<u>250</u>	<u>500</u>	-	-	-
<b>Minnesota State Academies Total</b>	<b>1,222</b>	<b>1,566</b>	<b>2,788</b>	<b>400</b>	<b>400</b>	<b>800</b>
<b>Perpich Center for Arts Education</b>						
Crosswinds Closure Fees & Severance Payments	<b>1,362</b>	-	<b>1,362</b>	-	-	-
<b>Total General Fund Changes</b>	<b>171,522</b>	<b>314,984</b>	<b>486,495</b>	<b>299,962</b>	<b>298,685</b>	<b>598,647</b>

\*Beginning January 1, 2018, the responsibilities of the Board of Teaching are transferred to the Professional Educator Licensing and Standards Board.

**Grow Your Own**

Chapter 5 increased the FY 2018-19 General Fund appropriation for the Grow Your Own program by \$1 million above the February 2017 forecast, for a total biennial appropriation of \$3 million. The grants are available to school districts with more than 30 percent minority students to provide tuition scholarships or stipends to nonlicensed employees and community

members to participate in an approved nonconventional teacher preparation program.

**Reading Corps**

Chapter 5 increased the FY 2018-19 General Fund appropriation for the Reading Corps by \$2.7 million above the February 2017 forecast, for a total biennial appropriation of



E-12 EDUCATION

<b>Table 3 - E-12 Education</b> <b>Revenue Changes Compared to Forecast</b> <i>(dollars in thousands)</i>							
Revenue Changes by Agency	Fund	FY 2018	FY 2019	FY 2018-19	FY 2020	FY 2021	FY 2020-21
<b>Department of Education</b>							
Board of School Administrators Fees (Transfer to Special Revenue Fund)	General	-	-	-	(215)	(215)	(430)
Board of School Administrators Fees (Transfer from General Fund)	Special Revenue	-	-	-	215	215	430
<b>Department of Education Total</b>		-	-	-	-	-	-
<b>Professional Educator Licensing &amp; Standards Board*</b>							
New Teacher Licensure Fees	General	-	38	38	-	-	-
Teacher Licensure Revenue (Transfer to Special Revenue Fund)	General	-	-	-	(1,860)	(1,860)	(3,720)
New Teacher Licensure Fees	Special Revenue	-	-	-	38	38	76
Teacher Licensure Revenue (Transfer from General Fund)	Special Revenue	-	-	-	1,860	1,860	3,720
<b>Professional Educator Licensing &amp; Standards Board Total</b>		-	38	38	38	38	76
<b>Total Revenue Changes by Fund</b>							
General Fund		-	38	38	(2,075)	(2,075)	(4,150)
Special Revenue Fund		-	-	-	2,113	2,113	4,226
<b>Total Revenue Changes for Budget Area</b>		-	38	38	38	38	76

\*Beginning January 1, 2018, the responsibilities of the Board of Teaching are transferred to the Professional Educator Licensing and Standards Board.

\$13.9 million. The program places trained AmeriCorps members in early childhood through grade three classrooms across the state to provide students with reading tutoring to boost literacy and reduce the achievement gap. The planning estimate for FY 2020-21 in this program is \$15.9 million.

**Rural Career and Technical Education (CTE) Consortium**

Chapter 5 appropriated \$3 million from the General Fund for FY 2018-19 for rural CTE consortium grants. The new grant program supports a voluntary collaboration of regional school districts, higher education institutions,

and other private and public partners in providing career and technical education opportunities to students within the region. The planning estimate is \$6 million for FY 2020-21, when the program will expand to include two additional regions in rural Minnesota. The appropriation is available until FY 2022.

**Sanneh Foundation**

Chapter 5 appropriated \$1 million one-time in FY 2018-19 for a grant to the Sanneh Foundation to provide all-day, in-school, and after-school academic and behavioral interventions for low-performing and

chronically absent students. The program primarily serves students from ethnically and racially diverse backgrounds, many of whom are English language learners, in the Twin Cities metro area to help reduce the gap in education performance among students of racial different backgrounds.

### **Special Education Adjustment for Closed Programs**

Chapter 5 included a provision to allow the Department of Education to adjust prior-year special education aid to exclude costs that were eliminated for closed programs or for services that were transferred to a cooperative unit. In part, special education aid is paid to districts based on their costs in the prior year. The provision prevents districts from receiving aid for special education services that are no longer provided. Chapter 5 reduced the FY 2018-19 General Fund special education aid appropriation by \$738,000 from the February 2017 forecast to account for one closed program.

### **American Indian Tribal Contract Aid**

Tribal contract aid supplements federal aid for the four schools in Minnesota operated by the federal Bureau of Indian Affairs. Chapter 5 increased the maximum American Indian tribal contract aid appropriated at the state level from \$1,500 per pupil to \$3,230 per pupil for FY 2018-2019 only. Tribal contract aid also increases whenever the basic formula allowance is increased, through a statutory link. As described above, the basic formula allowance in FY 2018 and FY 2019 increased by two percent each year. The combined changes increased the FY 2018-19 appropriation for tribal contract aid by \$3.7 million above the February 2017 forecast. The total FY 2018-19 appropriation was \$7.6 million from the General Fund.

### **Agency Budgets**

Chapter 5 increased FY 2018-19 operating budget appropriations for the Department of Education (MDE), the Board of Teaching/Professional Educator Licensing and Standards Board (PELSB), and the Minnesota State Academies for the Deaf and Blind. MDE's General Fund appropriation for FY 2018-19 increased by a net total of \$7.8 million above the February 2017 forecast. Of that amount, \$246,000 was for a dyslexia specialist and \$3.3 million was for updates to the mainframe data systems at MDE. \$1.7 million of MDE staff expenses were transferred to the new PELSB.

In addition to the \$1.7 million transfer from MDE to PELSB, Chapter 5 appropriated \$3.4 million from the General Fund to PELSB for FY 2018-19, of which \$1.8 million was designated for technology costs related to a new licensing system and \$268,000 was designated for administrative services to be delivered by the state's Small Agency Resource Team. Beginning in FY 2020, Special Revenue Fund revenues from PELSB licensing fees will be appropriated for PELSB activities, resulting in a \$3.8 million biennial reduction to the PELSB General Fund appropriation and an equal increase in Special Revenue Fund appropriations.

Chapter 5 increased the FY 2018-19 General Fund appropriation for the Minnesota State Academies by \$2.8 million over FY 2016-17, of which \$500,000 was for one-time facility safety improvements.

Chapter 5 removed the authority of the Perpich Center for the Arts to operate the Crosswinds School and directed the Commissioner of Administration to offer the Crosswinds building for sale. Chapter 5

## E-12 EDUCATION

assumed the sale would generate \$10 million in General Fund savings for FY 2019 because of a reduction in the amount of the required annual transfer from the General Fund to the Bond Fund. Chapter 5 also appropriated \$1.4 million one-time from the General Fund to the Perpich Center for the Arts in FY 2018-19 for severance payments and required fees related to the closure of the Crosswinds School.

### **Cancelled and Reappropriated Funds**

Unspent General Fund appropriations for three E-12 grant programs (Education Innovation Partners, Southwest Minnesota State University special education teacher education program, and Starbase science, technology, engineering, and math program) were scheduled to expire at the end of FY 2017. The grant recipients requested that the unspent funds be made available for use through the FY 2018-19 biennium. Chapter 5 cancelled the unspent portion, totaling \$1.5 million, and reappropriated an equal amount for FY 2018-19 as a one-time appropriation for each organization.

## **CHAPTER 4 HIGHER EDUCATION**

Chapter 89, the Omnibus Higher Education Act, appropriated \$3.4 billion to support higher education in FY 2018-19. The enacted budget was \$221.2 million (7.1 percent) more than the February 2017 forecast and \$174 million (5.5 percent) more than FY 2016-17. Chapter 89 primarily appropriated funds that support the Office of Higher Education (OHE), the Minnesota State Colleges and Universities (Minnesota State\*), the University of Minnesota, and Mayo Clinic. The majority of appropriations were from the General Fund, but the University of Minnesota received a \$4.3 million appropriation from the Health Care Access Fund (HCAF) for primary care education initiatives.

2017 First Special Session, Chapter 8, the Omnibus Capital Investment Act, appropriated an additional \$119.9 million for capital improvement projects at the University of Minnesota and \$92.3 million at Minnesota State. More details on the projects funded by these appropriations can be found in the Capital Investment chapter of this report on page 123 and in Appendix C on page 131.

### **OFFICE OF HIGHER EDUCATION**

OHE's total all funds appropriation of \$531.6 million was a \$49.1 million (10.2 percent)

increase over the February 2017 forecast and included increased funding for financial aid programs, agency operations, and various other initiatives. \$8.1 million of the total appropriation was for OHE's administration, and included \$3 million in new appropriations for operating increases, anticipated information technology upgrades, and cybersecurity enhancements for the agency.

The largest portion of the OHE appropriation was for an expansion of the state grant program that provided financial aid to lower- and middle-income Minnesota students attending institutions within the state. Chapter 89 increased the program's FY 2018-19 General Fund appropriation by \$36 million compared to the forecast. This increase funded two changes in the calculation of grant awards: a 10 percent reduction in the assigned family responsibility for all student types, and setting the living and miscellaneous expense allowance at 101 percent of the federal poverty guidelines for a one person household in Minnesota for nine months (the previous allowance was set at 100 percent of the federal poverty guidelines). The total FY 2018-19 appropriation for this program was \$396.6 million, which exceeds the FY 2016-17 appropriation by \$34 million (9.4 percent).

\*During the 2016 interim, the Board of Trustees of the Minnesota State Colleges and Universities voted to change how the institution refers to itself from "MnSCU" to "Minnesota State." The institution's full legal name in statute is unchanged. Individual colleges and universities are free to keep or change their names. This report uses "Minnesota State" where appropriate.

HIGHER EDUCATION

<b>Table 1 - Higher Education</b> <b>All Funds Biennial Spending/Appropriations by Agency &amp; Fund</b> <i>(dollars in thousands)</i>					
Agency	FY 2016-17*	FY 2018-19 Forecast Base	FY 2018-19 Enacted Budget	Change: Enacted - FY 2016-17	Change: Enacted - Fest. Base
<b>Office of Higher Education</b>					
General Fund	477,405	467,461	516,531	39,126	49,070
Gift Fund	15	-	-	(15)	-
Federal Fund	7,892	7,121	7,121	(771)	-
Special Revenue Fund	<u>8,032</u>	<u>7,898</u>	<u>7,898</u>	<u>(134)</u>	<u>-</u>
<b>Total Office of Higher Education:</b>	<b>493,344</b>	<b>482,480</b>	<b>531,550</b>	<b>38,206</b>	<b>49,070</b>
<b>Minnesota State</b>					
General Fund	1,346,441	1,346,632	1,452,938	106,497	106,306
Environment and Natural Resources Fund	<u>1,384</u>	<u>-</u>	<u>500</u>	<u>(884)</u>	<u>500</u>
<b>Total Minnesota State:</b>	<b>1,347,825</b>	<b>1,346,632</b>	<b>1,453,438</b>	<b>105,613</b>	<b>106,806</b>
<b>University of Minnesota</b>					
General Fund	1,254,598	1,252,698	1,307,322	52,724	54,624
Clean Water Fund	-	-	2,015	2,015	2,015
Health Care Access Fund	4,314	4,314	4,314	-	-
Special Revenue Fund	44,719	44,706	44,706	(13)	-
Environment and Natural Resources Fund	<u>33,197</u>	<u>-</u>	<u>8,660</u>	<u>(24,537)</u>	<u>8,660</u>
<b>Total University of Minnesota:</b>	<b>1,336,828</b>	<b>1,301,718</b>	<b>1,367,017</b>	<b>30,189</b>	<b>65,299</b>
<b>Mayo Clinic</b>					
General Fund	<u>2,702</u>	<u>2,702</u>	<u>2,702</u>	<u>-</u>	<u>-</u>
<b>Total Mayo Clinic:</b>	<b>2,702</b>	<b>2,702</b>	<b>2,702</b>	<b>-</b>	<b>-</b>
<b>Totals by Fund</b>					
General Fund	3,081,146	3,069,493	3,279,493	198,347	210,000
Gift Fund	15	-	-	(15)	-
Federal Fund	7,892	7,121	7,121	(771)	-
Special Revenue Fund	52,751	52,604	52,604	(147)	-
Health Care Access Fund	<u>4,314</u>	<u>4,314</u>	<u>4,314</u>	<u>-</u>	<u>-</u>
Subtotal for Regular Funds:	3,146,118	3,133,532	3,343,532	197,414	210,000
<i>Dedicated/Constitutional Funds</i>					
Environment and Natural Resources Fund	34,581	-	9,160	(25,421)	9,160
Clean Water Fund	<u>-</u>	<u>-</u>	<u>2,015</u>	<u>2,015</u>	<u>2,015</u>
Subtotal Dedicated/Const. Funds:	<u>34,581</u>	<u>-</u>	<u>11,175</u>	<u>(23,406)</u>	<u>11,175</u>
<b>Total for Budget Area</b>	<b>3,180,699</b>	<b>3,133,532</b>	<b>3,354,707</b>	<b>174,008</b>	<b>221,175</b>

\* As adjusted by FY 2017 changes made by the 2017 Legislature.

## HIGHER EDUCATION

Several student loan repayment programs and organizations received new or increased appropriations in FY 2018-19, including the new agricultural educators loan forgiveness (\$100,000) and aviation degree loan forgiveness (\$50,000) programs, the existing large animal veterinarian loan forgiveness program (\$750,000), and the Loan Repayment Assistance Program of Minnesota, which received a grant to provide student debt relief to attorneys providing legal advice or representation to low-income clients (\$50,000).

Chapter 89 appropriated money from the General Fund for several new initiatives in FY 2018-19, including:

- hiring a statewide campus sexual violence prevention and response coordinator, staffed through OHE (\$300,000);
- assistance for students facing financial emergencies that would prevent them from completing their terms or programs and for schools with demonstrable homeless student populations (\$350,000);
- grants to teaching candidates from underrepresented racial or ethnic groups, or teaching candidates who teach in license fields or economic development regions within the state designated as shortage areas (\$1 million);
- grants to students with intellectual and developmental disabilities (\$400,000); and
- direct aid to Minnesota Life College to provide need-based scholarships and tuition reduction (\$2 million).

Chapter 89 also appropriated General Fund increases to several other OHE-administered programs in FY 2018-19 compared to the February 2017 forecast, including child care grants for postsecondary students (\$20,000), stipends awarded to eligible students attending certain summer academic

enrichment programs (\$50,000), and grants for research into spinal cord and traumatic brain injuries (\$5 million). All other programs funded through OHE continued to receive appropriations at the FY 2018-19 forecasted level.

### **MINNESOTA STATE COLLEGES AND UNIVERSITIES**

Chapter 89 appropriated \$1.5 billion from the General Fund to Minnesota State in FY 2018-19. This appropriation is \$106.3 million (8.4 percent) more than the February 2017 forecast, and is \$106.4 million more than FY 2016-17 (8.4 percent). Minnesota State's total appropriation was allocated in three parts: \$66.1 million for the central office of Minnesota State and for services shared across campuses; \$8.2 million for the Learning Network of Minnesota, the core telecommunications network infrastructure for the Minnesota State system; and \$1.4 billion for operations and maintenance (O&M). The first two amounts were unchanged from both the previous biennium and the forecasted level, while the O&M appropriation was a \$106.3 million increase over forecast.

The appropriation increase to O&M in FY 2018-19 included:

- \$91.1 million for general campus support and tuition relief, with an additional \$6 million to be distributed among Minnesota State campuses outside the seven-county metropolitan area apart from Minnesota State's internal campus allocation process;
- \$8 million to begin replacing Minnesota State's integrated student record system, which has provided students, faculty, and staff with application, registration, housing, financial aid, transcript,

HIGHER EDUCATION

**Table 2 - Higher Education**  
**General Fund Changes Compared to Forecast**  
*(dollars in thousands)*

<b>Appropriation Changes</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
<b>Office of Higher Education</b>						
Agency Operating Increase	1,500	1,500	3,000	1,500	1,500	3,000
Agricultural Educators Loan Forgiveness Program	50	50	100	50	50	100
Aviation Degree Loan Forgiveness Program	25	25	50	25	25	50
Campus Sexual Violence Prevention and Response Coordinator	150	150	300	150	150	300
Child Care Grants	10	10	20	10	10	20
Emergency Assistance for Postsecondary Students	175	175	350	175	175	350
Grants to Teaching Candidates	500	500	1,000	500	500	1,000
Large Animal Veterinarian Loan Forgiveness Program	375	375	750	375	375	750
Loan Repayment Assistance Program	25	25	50	25	25	50
Minnesota Life College	1,000	1,000	2,000	1,000	1,000	2,000
Spinal Cord and Traumatic Brain Injury Research Grants	2,500	2,500	5,000	2,500	2,500	5,000
State Grant Program	17,925	18,075	36,000	18,075	18,075	36,150
Students with Intellectual and Developmental Disabilities Grants	200	200	400	200	200	400
Summer Academic Enrichment Program	<u>25</u>	<u>25</u>	<u>50</u>	<u>25</u>	<u>25</u>	<u>50</u>
<b>OHE Total</b>	<b>24,460</b>	<b>24,610</b>	<b>49,070</b>	<b>24,610</b>	<b>24,610</b>	<b>49,220</b>
<b>Minnesota State Colleges and Universities</b>						
Cook County Higher Education Board	60	60	120	60	60	120
Campus Support	50,543	40,543	91,086	40,543	40,543	81,086
Health Force	100	-	100	-	-	-
Integrated Student Record System	4,000	4,000	8,000	4,000	4,000	8,000
Supplemental Aid to Non-Metro Colleges	3,000	3,000	6,000	3,000	3,000	6,000
Workforce Development Scholarships	-	<u>1,000</u>	<u>1,000</u>	<u>500</u>	<u>500</u>	<u>1,000</u>
<b>Minnesota State Total</b>	<b>57,703</b>	<b>48,603</b>	<b>106,306</b>	<b>48,103</b>	<b>48,103</b>	<b>96,206</b>
<b>University of Minnesota</b>						
Base Adjustment	(188)	(188)	(376)	(188)	(188)	(376)
Core Mission Support	18,975	8,975	27,950	8,975	8,975	17,950
Health Training Restoration	7,000	7,000	14,000	7,000	7,000	14,000
MnDRIVE	4,000	4,000	8,000	4,000	4,000	8,000
Morris Campus - Scholarship Payment Assistance	500	500	1,000	500	500	1,000
Students with Intellectual & Developmental Disabilities Program	50	-	50	-	-	-
System Special - Natural Resources Research Institute	<u>2,000</u>	<u>2,000</u>	<u>4,000</u>	<u>2,000</u>	<u>2,000</u>	<u>4,000</u>
<b>University of Minnesota Total</b>	<b>32,337</b>	<b>22,287</b>	<b>54,624</b>	<b>22,287</b>	<b>22,287</b>	<b>44,574</b>
<b>Total General Fund Changes</b>	<b>114,500</b>	<b>95,500</b>	<b>210,000</b>	<b>95,000</b>	<b>95,000</b>	<b>190,000</b>

## HIGHER EDUCATION

- accounting, and human resource services for over twenty years;
- \$1 million to create and implement a workforce development scholarship program at Minnesota State's two-year colleges, designed to encourage enrollment in programs leading to employment in high-demand occupations, including advanced manufacturing, agriculture, health care services, and information technology;
- \$400,000 for the Cook County Higher Education Board for academic support services in northeastern Minnesota, a \$120,000 increase compared to the February 2017 forecast; and
- \$100,000 one-time for Winona State University in partnership with HealthForce Minnesota to develop educational materials to increase awareness of career opportunities in senior care.

Chapter 89 also established limits on Minnesota State tuition increases for the 2017-18 and 2018-19 school years. The enacted budget requires that tuition must not increase by more than one percent in the 2017-18 school year at two-year colleges and must not exceed 2017-18 levels in the 2018-19 school year at either two-year colleges or four-year universities. Chapter 89 exempted differential tuition for courses or programs from this limitation where costs of delivery have increased due to extraordinary circumstances outside the control of Minnesota State.

### UNIVERSITY OF MINNESOTA

Chapter 89 appropriated \$1.4 billion to the University of Minnesota for FY 2018-19, an increase of \$65.3 million (five percent) over the February 2017 forecast. The majority of FY 2018-19 appropriations (\$1.3 billion) are

from the General Fund (99.7 percent). The General Fund appropriation to the University of Minnesota increased by \$54.6 million (4.4 percent) compared to the February 2017 forecast and \$52.7 million (4.2 percent) compared to FY 2016-17. As noted above, \$4.3 million of the total appropriation was from the HCAF, an amount unchanged from both the forecast and the previous biennium.

New appropriations in Chapter 89 included:

- \$28 million for general support of the University of Minnesota's core mission;
- \$14 million for health training restoration including: support for faculty physicians teaching at particular sites, the mobile dental clinic, and the expansion of geriatric education and family programs;
- \$8 million for cancer care research through the MnDRIVE program;
- \$1 million for the Morris campus to cover the cost of tuition waivers for Indian students;
- \$50,000 in one-time money for development and implementation of a plan to offer an academic program for students with intellectual or developmental disabilities; and
- \$4 million for the Natural Resources Research Institute.

Chapter 89 also reduced a standing appropriation for the University that was established in the 2014 session. Originally, the University received \$3.5 million per year from the General Fund for 26 years as payment for estimated debt service on bonds sold under the University's authority. The appropriation was enacted before the bonds were sold, and \$3.5 million was estimated as the necessary appropriation to satisfy the total debt service amount. The University bonds were sold in March 2016. With the bond sale completed and the actual terms of the payment schedule known, the enacted budget



## HIGHER EDUCATION

limited the appropriation schedule to 25 years. Additionally, appropriations for FY 2016-17 were held at \$3.5 million per year, but the future standing appropriation was reduced to \$3.3 million per year for the remaining 23 years.

### **MAYO CLINIC**

Chapter 89 appropriated \$2.7 million in FY 2018-19 from the General Fund to the Mayo Clinic to support medical training. Of this amount, \$1.3 million is for the medical training of students who are residents of Minnesota, and the remaining \$1.4 million is to provide stipends for up to 27 family practice resident physicians. These amounts are unchanged from both forecasted levels and the previous biennium.

### **ADDITIONAL PROVISIONS**

Additional noteworthy provisions in Chapter 89 include:

- a requirement that proposed mandatory student activity fee increases greater than two percent at either the University of Minnesota or Minnesota State be approved by a majority of students voting in a campus referendum;
- a request that the University of Minnesota develop a plan for outreach and

recruitment that increases the number of students from greater Minnesota enrolled on the Twin Cities campus;

- a process to begin reforming developmental education at public postsecondary institutions to reduce the number of students and the time spent in non-credit bearing courses where possible;
- the authorization of county-based scholarship programs funded by unencumbered revenues received by a county from mining or mineral taxes;
- several provisions regarding the use of fetal tissue in research at the University of Minnesota, including a requirement that researchers receive approval from a fetal tissue research committee before commencing research using fetal tissue, a legislative report on the use of fetal tissue at the University, and a request that the Office of Legislative Auditor conduct a comprehensive review of research involving fetal tissue at the University; and
- the creation of a process for OHE to review and take appropriate action on student complaints arising at non-profit or for-profit private schools, out-of-state public postsecondary schools, or private career schools.

## **CHAPTER 5 PROPERTY TAX AIDS AND CREDITS**

Chapter 1, the Omnibus Tax Act, was enacted during the 2017 First Special Session. It appropriated a total of \$3.6 billion in FY 2018-19, \$189.5 million above the February 2017 forecast and \$290.1 million more than in FY 2016-17. The increase of aids in Chapter 1 resulted primarily from a one-time prepayment of local government aid in FY 2019, significant ongoing increases to local government aid (LGA) and county program aid (CPA), a major modification to the sustainable forest incentive act (SFIA) program, and several new spending measures. (The education changes enacted in Chapter 1 are discussed in the E-12 chapter of this report.)

### **Property Tax Refunds**

Chapter 1 modified two property tax refund programs for a total cost of \$9.6 million greater than forecast. First, Chapter 1 modified several aspects of the SFIA program and increased property tax refunds by \$10.5 million in FY 2018-19. The most noteworthy modification was the removal of the provision that prevented a parcel of land that exceeded 60,000 acres and was subject to a single conservation easement from participation in the program. This change added approximately 187,000 acres of qualifying land, located in four counties (Aitkin, Itasca, Koochiching, and St. Louis). Other changes to the program included: allowing longer covenants of 20 or 50 years; establishing a new calculation for incentive payments that is based on a percentage of the property tax that would be paid on the land

instead of a fixed amount per acre; and allowing for early withdrawal from the SFIA program without penalty when a government or nonprofit entity acquires a conservation easement on the property or when the land is subject to a fee, easement acquisition, or lease to the state for the purpose of a paved trail.

Second, Chapter 1 modified the homestead credit refund calculation. For refunds based on rent paid in 2015 and taxes payable in 2016, homeowners who claim a simplified home office deduction will be required to reduce their homestead taxes used to claim the homestead credit refund by the taxes apportioned to the home office. Prior to this change, apportionment was only required if the owner claimed depreciation deductions for business use of the home. This change reduced property tax refunds by \$870,000 in FY 2018-19 compared to the forecast.

### **Local Aids**

Chapter 1 increased FY 2018-19 property tax aids by \$142.9 million compared to the forecast, and by \$155.8 million compared to FY 2016-17. The largest portion of this increase was a one-time \$78 million prepayment of LGA in FY 2019. The prepayment of LGA in FY 2019 creates a corresponding one-time LGA reduction in FY 2020. Chapter 1 also increased the overall LGA appropriation by \$15 million annually beginning in FY 2019. In addition, Chapter 1 modified the LGA formula to add a sparsity adjustment factor for small- and medium-

PROPERTY TAX AIDS AND CREDITS

<b>Table 1 - Tax Aids and Credits</b>					
<b>All Funds Biennial Spending/Appropriations by Fund</b>					
<i>(dollars in thousands)</i>					
<b>Fund/Program</b>	<b>FY 2016-17*</b>	<b>FY 2018-19 Forecast Base</b>	<b>FY 2018-19 Enacted Budget</b>	<b>Change: Enacted - FY 2016-17</b>	<b>Change: Enacted - Fcst. Base</b>
<b>General Fund</b>					
Property Tax Refunds	1,302,519	1,379,420	1,387,770	85,251	8,350
City Local Government Aid	1,036,286	1,038,796	1,053,935	17,649	15,139
City Local Government Aid One Time Prepayment	-	-	78,022	78,022	78,022
County Program Aid	419,364	418,476	443,976	24,612	25,500
Payment in Lieu of Taxes (PILT)	63,539	67,142	70,892	7,353	3,750
Riparian Protection Aid	-	-	18,000	18,000	18,000
School Building Bond Agricultural Credit	-	-	35,500	35,500	35,500
ICWA Aid to Counties	-	-	5,000	5,000	5,000
Lewis and Clark Joint Powers Board	1,300	2,400	-	(1,300)	(2,400)
Bonding					
Other Tax Aids and Credits	514,970	545,643	551,075	36,105	5,432
Transfer to Legacy Funds	(30)	-	(2,776)	(2,746)	(2,776)
<b>Total General Fund:</b>	<b>3,337,948</b>	<b>3,451,877</b>	<b>3,641,394</b>	<b>303,446</b>	<b>189,517</b>
<b>Special Revenue Fund</b>	14,094	926	926	(13,168)	-
<b>Health Care Access Fund</b>	628	418	418	(210)	-
<b>Highway User Tax Distribution Fund</b>	48	40	40	(8)	-
<b>Environmental Fund</b>	<u>1</u>	<u>2</u>	<u>2</u>	<u>1</u>	-
<b>Total Other Funds:</b>	<b>14,771</b>	<b>1,386</b>	<b>1,386</b>	<b>(13,385)</b>	<b>-</b>
<b>Total for Aids and Credits</b>	<b>3,352,719</b>	<b>3,453,263</b>	<b>3,642,780</b>	<b>290,061</b>	<b>189,517</b>

\* As adjusted by FY 2017 changes made by the 2017 Legislature.

sized cities. These additional factors generated a slightly higher proportion of the \$15 million increase for eligible cities than these cities would have received without the sparsity adjustments. Chapter 1 also included a one-time grant of \$1.4 million to the city of Melrose in FY 2018 for fire remediation efforts.

Chapter 1 appropriated a total of \$442.5 million for CPA in FY 2018-19. This is an increase of \$25.5 million compared to the forecast, and an additional \$24.6 million compared to FY 2016-17. Beginning in FY 2019, Chapter 1 increased the CPA allocation for Tax Base Equalization Aid (TBEA) by

\$25.5 million annually. The basic TBEA formula was modified by increasing the per capita amount from \$185 to \$190 and reducing the tax base offset from 9.45 percent to 9 percent of adjusted net tax capacity. Changes were also made to the TBEA formula to assist counties that have been excluded from the formula by rapidly increasing property values, particularly in the heavily agricultural areas of the state. A new provision was added to guarantee that each county will receive a minimum distribution of at least 0.27 percent of the TBEA allocation. Counties will also be prevented from losing more than five percent of their TBEA distribution in a single year.

PROPERTY TAX AIDS AND CREDITS

<b>Table 2 - Tax Aids and Credits</b> <b>General Fund Changes Compared to Forecast</b> <i>(dollars in thousands)</i>						
<b>Appropriation Changes</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
<b>Property Tax Refunds</b>						
SFIA Update	5,200	5,300	10,500	5,500	5,800	11,300
Other changes	(380)	(1,770)	(2,150)	(885)	(385)	(1,270)
<b>Property Tax Refunds Total</b>	<b>4,820</b>	<b>3,530</b>	<b>8,350</b>	<b>4,615</b>	<b>5,415</b>	<b>10,030</b>
<b>Local Aids</b>						
County Program Aid	-	25,500	25,500	25,500	25,500	51,000
Riparian Protection Aid to Counties	8,000	10,000	18,000	10,000	10,000	20,000
Indian Child Welfare Act (ICWA) Aid to Counties	-	5,000	5,000	5,000	5,000	10,000
Local Government Aid Increase	-	15,000	15,000	15,000	15,000	30,000
City Local Government Aid One Time Prepayment	-	78,022	78,022	(78,022)	-	(78,022)
Modifications to PILT program	-	3,750	3,750	3,600	3,600	7,200
Repeal Lewis and Clark Debt Service Aid	(1,300)	(2,400)	(3,700)	(2,400)	(2,400)	(4,800)
Other Changes	889	450	1,339	-	-	-
<b>Local Aids Total</b>	<b>7,589</b>	<b>135,322</b>	<b>142,911</b>	<b>(21,322)</b>	<b>56,700</b>	<b>35,378</b>
<b>Credits</b>						
School Building Bond Agricultural Credit	-	35,500	35,500	45,900	52,600	98,500
Other changes	-	-	-	(140)	(150)	(290)
<b>Credits Total</b>	<b>-</b>	<b>35,500</b>	<b>35,500</b>	<b>45,760</b>	<b>52,450</b>	<b>98,210</b>
<b>Appropriations and Transfers</b>						
Transfer to Health Care Access Fund	-	-	-	7,200	-	7,200
Transfer to Legacy Funds	1,545	1,231	2,776	-	-	-
Repeal Greater MN Internship	-	(20)	(20)	(20)	(20)	(40)
<b>Appropriations and Transfers Total</b>	<b>1,545</b>	<b>1,211</b>	<b>2,756</b>	<b>7,180</b>	<b>(20)</b>	<b>7,160</b>
<b>General Fund Changes Total</b>	<b>13,954</b>	<b>175,563</b>	<b>189,517</b>	<b>36,233</b>	<b>114,545</b>	<b>150,778</b>

Chapter 1 established a new aid program to assist counties and watershed districts that have elected to enforce and implement state riparian buffer requirements. Chapter 1 and Chapter 93, the Omnibus Environment and Natural Resources Act, collectively appropriated \$18 million from the General Fund to the Department of Revenue in FY 2018-19 for this program. (Chapter 1 appropriated \$14 million and Chapter 93 appropriated \$4 million.) Under this new

program, payments are made to counties based upon their total acres of certain agricultural land and total miles of public watercourses and public drainage system ditches. The aid is shared proportionally between watershed districts and counties, depending on which entity has assumed jurisdiction for enforcing state riparian buffer requirements. Payments to a county must not be greater than \$200,000 or less than \$50,000 and only counties assuming jurisdiction for

## PROPERTY TAX AIDS AND CREDITS

enforcing the buffer requirements (or counties where a watershed district has assumed jurisdiction) are eligible for the payments.

Chapter 1 also established an aid program to reimburse counties and tribes for costs incurred under the Indian Child Welfare Act for out-of-home placement of children. Chapter 1 appropriated \$5 million annually, beginning in FY 2019, to make the aid payments.

Chapter 1 increased payments made through the Payment In Lieu of Taxes (PILT) program. Beginning in FY 2019, PILT payments for natural resources land were increased from \$1.50 to \$2.00 per acre. This change increased PILT appropriations by \$3.8 million annually compared to forecast.

Chapter 1 also repealed a debt service aid payment for the Lewis and Clark Joint Powers Board. The repeal of this aid program reduced FY 2018-19 General Fund appropriations by \$3.7 million compared to forecast.

### **Property Tax Credits**

Chapter 1 created a new property tax credit equal to 40 percent of the tax on the property attributable to school district bonded debt levies for all property classified as agricultural (excluding the house, garage, and surrounding one acre of land of an agricultural homestead). The credit was funded through an open and standing appropriation, estimated to be \$35.5 million in FY 2019 and \$98.2 million in FY 2020-21.

### **Legacy Funds**

The Legacy funds receive revenue generated from a constitutionally dedicated sales tax equal to three-eighths of one percent. As discussed in the State Revenues chapter of this report, Chapter 1 enacted a number of reductions to sales tax revenues as well as to tobacco sales taxes. These changes also create a corresponding reduction to Legacy funds revenue.

To hold the Legacy funds harmless, the enacted budget transferred \$2.8 million from the General Fund to reimburse the Legacy funds for the revenue losses associated with Chapter 1 sales tax in FY 2018-19. This is a one-time transfer.

## **CHAPTER 6 HEALTH AND HUMAN SERVICES**

The FY 2018-19 Health and Human Services (HHS) budget was enacted in four chapters in the 2017 sessions. 2017 First Special Session, Chapter 6, was the HHS Omnibus Act, which included the operating budgets for the Department of Human Services (DHS), the Department of Health (MDH), the Health-Related Licensing Boards, the Emergency Services Regulatory Board (EMSRB), the Council on Disability, the Ombudsman for Mental Health and Developmental Disabilities, and the Ombudsperson for Families. 2017 First Special Session, Chapter 5, the Omnibus E-12 Education Finance Act, provided a \$4.9 million appropriation from the General Fund for children's mental health grants to DHS.

In the 2017 regular session, Chapter 2 enacted an individual insurance market premium assistance program that provided a 25 percent subsidy to help individuals purchase medical insurance in the individual market in calendar year 2017. Eligible individuals received a reduction in their monthly premium amount and the state reimbursed insurance carriers the amount of reductions provided to individuals. Chapter 2 included a transfer of \$326.9 million in FY 2017 from the budget reserve account to the General Fund and a General Fund appropriation to the Department of Management and Budget (MMB) to pay the subsidy payments to the insurance carriers. Chapter 2 is discussed in detail on page 55, but the appropriations to MMB are included

in the State Government and Veterans chapter of this report on page 93.

Also in the 2017 regular session, Chapter 13 enacted a reinsurance program to help stabilize the individual health insurance market. This included transfers in FY 2018-19 from the Health Care Access Fund (HCAF) of \$400.8 million and from the General Fund of \$142 million to the Special Revenue Fund. A sidebar on page 78 explains this program in detail, and the appropriations to fund this program are discussed in the Jobs and Economic Growth, Energy and Utilities, and Commerce and Consumer Protection chapter on page 71.

### **Summary**

Table 1 on page 49 shows that the total HHS appropriations enacted in Chapter 6 for FY 2018-19 were \$36.1 billion, compared to \$32.5 billion in FY 2016-17 and \$36.2 billion in the February 2017 forecast. The enacted General Fund budget for FY 2018-19 totaled \$13.9 billion, and the HCAF totaled \$1.1 billion. The Federal Funds appropriation remains the single largest appropriation in the HHS budget, with \$19.2 billion in FY 2018-19.

The enacted HHS budget reduced total all funds appropriations for FY 2018-19 by \$53.2 million compared to the February 2017 forecast. This change included reduced General Fund appropriations of \$466.3

HEALTH AND HUMAN SERVICES

**Table 1 - Health and Human Services**  
**All Funds Biennial Spending by Agency & Fund**  
*(dollars in thousands)*

<b>Agency</b>	<b>FY 2016-17</b>	<b>FY 2018-19 Forecast Base</b>	<b>FY 2018-19 Enacted Budget</b>	<b>Change: Enacted - FY 2016-17</b>	<b>Change: Enacted - Fcst. Base</b>
<b>Department of Human Services</b>					
General Fund	11,635,780	14,193,690	13,706,288	2,070,508	(487,402)
General Fund Federal Reimbursement	(64,159)	(64,554)	(80,150)	(15,991)	(15,596)
State Government Special Revenue Fund	8,789	8,548	8,548	(241)	-
Special Revenue Fund	1,328,289	1,096,487	1,096,487	(231,802)	-
Health Care Access Fund	1,098,737	615,644	1,006,278	(92,459)	390,634
Gift Fund	150	153	153	3	-
Federal Fund	16,911,376	18,702,434	18,702,434	1,791,058	-
Federal TANF Fund	<u>351,870</u>	<u>385,204</u>	<u>385,204</u>	<u>33,334</u>	<u>-</u>
<b>Total Department of Human Services:</b>	<b>31,270,832</b>	<b>34,937,606</b>	<b>34,825,242</b>	<b>3,554,410</b>	<b>(112,364)</b>
<b>Department of Health</b>					
General Fund	181,661	182,172	217,103	35,442	34,931
MERC	158,964	157,682	157,682	(1,282)	-
State Government Special Revenue Fund	101,633	105,314	107,555	5,922	2,241
Special Revenue Fund	136,663	142,104	142,104	5,441	-
Clean Water Fund	10,827	-	9,894	(933)	9,894
Health Care Access Fund	74,739	71,544	72,900	(1,839)	1,356
Gift Fund	163	-	-	(163)	-
Environmental Fund	1,469	1,468	1,468	(1)	-
Remediation Fund	504	504	504	-	-
Federal Fund	508,395	497,106	497,106	(11,289)	-
Federal TANF Fund	<u>23,426</u>	<u>23,426</u>	<u>23,426</u>	<u>-</u>	<u>-</u>
<b>Total Department of Health:</b>	<b>1,198,444</b>	<b>1,181,320</b>	<b>1,229,742</b>	<b>31,298</b>	<b>48,422</b>
<b>Health Related Boards</b>					
State Government Special Revenue Fund	42,079	40,550	49,465	7,386	8,915
Special Revenue Fund	1,784	1,731	1,731	(53)	-
Federal Fund	<u>369</u>	<u>666</u>	<u>666</u>	<u>297</u>	<u>-</u>
<b>Total Health Related Boards:</b>	<b>44,232</b>	<b>42,947</b>	<b>51,862</b>	<b>7,630</b>	<b>8,915</b>
<b>Disability Council</b>					
General Fund	1,251	1,258	1,785	534	527
Gift Fund	64	12	12	(52)	-
Special Revenue Fund	<u>367</u>	<u>12</u>	<u>12</u>	<u>(355)</u>	<u>-</u>
<b>Total Disability Council:</b>	<b>1,682</b>	<b>1,282</b>	<b>1,809</b>	<b>127</b>	<b>-</b>
<b>MH/DD Ombudsman</b>					
General Fund	4,492	4,764	4,834	342	70
Special Revenue Fund	<u>46</u>	<u>-</u>	<u>-</u>	<u>(46)</u>	<u>-</u>
<b>Total MH/DD Ombudsman:</b>	<b>4,538</b>	<b>4,764</b>	<b>4,834</b>	<b>296</b>	<b>70</b>

HEALTH AND HUMAN SERVICES

Agency	FY 2016-17	FY 2018-19 Forecast Base	FY 2018-19 Enacted Budget	Change: Enacted - FY 2016-17	Change: Enacted - Fcst. Base
<b>Ombudsperson for Families</b>					
General Fund	845	906	925	80	19
Special Revenue Fund	<u>162</u>	<u>298</u>	<u>298</u>	<u>136</u>	-
<b>Total Ombudsperson for Families:</b>	<b>1,007</b>	<b>1,204</b>	<b>1,223</b>	<b>216</b>	-
<b>MNsure</b>					
Special Revenue Fund	-	-	-	-	-
Federal Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total MNsure:</b>	-	-	-	-	-
<b>Emergency Medical Services Regulatory Board</b>					
General Fund	6,241	6,074	7,263	1,022	1,189
Special Revenue Fund	3,471	2,712	2,712	(759)	-
Gift Fund	9	-	-	(9)	-
Federal Fund	<u>250</u>	<u>260</u>	<u>260</u>	<u>10</u>	-
<b>Total EMSRB:</b>	<b>9,971</b>	<b>9,046</b>	<b>10,235</b>	<b>264</b>	-
<b>Totals by Fund</b>					
General Fund	11,766,111	14,324,310	13,858,048	2,091,937	(466,262)
MERC	158,964	157,682	157,682	(1,282)	-
State Government Special Revenue Fund	152,501	154,412	165,568	13,067	11,156
Special Revenue Fund	1,470,782	1,243,344	1,243,344	(227,438)	-
Clean Water Fund	10,827	-	9,894	(933)	9,894
Health Care Access Fund	1,173,476	687,188	1,079,178	(94,298)	391,990
Gift Fund	386	165	165	(221)	-
Environmental Fund	1,469	1,468	1,468	(1)	-
Remediation Fund	504	504	504	-	-
Federal Fund	17,420,390	19,200,466	19,200,466	1,780,076	-
Federal TANF Fund	<u>375,296</u>	<u>408,630</u>	<u>408,630</u>	<u>33,334</u>	-
<b>Total For Budget Area</b>	<b>32,530,706</b>	<b>36,178,169</b>	<b>36,124,947</b>	<b>3,594,241</b>	<b>(53,222)</b>

million, and increased appropriations of \$392 million from the HCAF, \$11.2 million from the State Government Special Revenue Fund (SGSR), and \$9.9 million from the Clean Water Fund.

**General Fund Change Summary**

The enacted HHS budget reduced FY 2018-19 General Fund expenditures by \$466.3 million compared to the February 2017 forecast. As shown in Table 2, this change included a reduction in appropriations to

DHS of \$503 million, an increase in appropriations to MDH of \$34.9 million, and increases totaling \$1.8 million to the other agencies in the HHS budget jurisdiction. In addition, Chapter 6 included General Fund revenue changes (see Table 3 on page 57) that reduced revenue by \$8.1 million in FY 2018-19. Together, the changes in appropriations and revenue produced a net reduction of \$458.2 million in FY 2018-19 in the General Fund compared to the February 2017 forecast.



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**Table 2 - Health and Human Services  
General Fund Appropriations Change Detail Compared to Forecast**  
*(dollars in thousands)*

<b>Appropriations Changes</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
<b>Department of Human Services</b>						
Health Care	(178,272)	(431,257)	(609,529)	(16,700)	(433,741)	(450,441)
Continuing Care	4,586	3,065	7,651	6,571	(6,740)	(169)
Children and Families	(6,569)	8,059	1,490	4,503	6,871	11,374
Chemical and Mental Health	6,766	8,461	15,227	742	9,575	10,317
Direct Care and Treatment	18,451	18,128	36,579	20,794	22,076	42,870
Central Office Operations	<u>29,975</u>	<u>15,609</u>	<u>45,584</u>	<u>28,065</u>	<u>28,097</u>	<u>56,162</u>
<b>Total Department of Human Services</b>	<b>(125,063)</b>	<b>(377,935)</b>	<b>(502,998)</b>	<b>43,975</b>	<b>(373,862)</b>	<b>(329,887)</b>
<b>Department of Health</b>	<b>20,768</b>	<b>14,163</b>	<b>34,931</b>	<b>24,140</b>	<b>25,144</b>	<b>49,284</b>
<b>Emergency Medical Services Regulatory Board</b>	<b>630</b>	<b>559</b>	<b>1,189</b>	<b>561</b>	<b>561</b>	<b>1,122</b>
<b>Council on Disability</b>	<b>264</b>	<b>263</b>	<b>527</b>	<b>227</b>	<b>229</b>	<b>456</b>
<b>Ombudsman for Mental Health and Developmental Disabilities</b>	<b>25</b>	<b>45</b>	<b>70</b>	<b>45</b>	<b>45</b>	<b>90</b>
<b>Ombudsperson for Families</b>	<b>7</b>	<b>12</b>	<b>19</b>	<b>12</b>	<b>12</b>	<b>24</b>
<b>Total General Fund Changes</b>	<b>(103,369)</b>	<b>(362,893)</b>	<b>(466,262)</b>	<b>68,960</b>	<b>(347,871)</b>	<b>(278,911)</b>

**DEPARTMENT OF HUMAN SERVICES**

**Health Care**

Chapter 6 reduced General Fund appropriations in FY 2018-19 for health care programs by \$609.5 million compared to the February 2017 forecast. Two provisions accounted for nearly all of this reduction. First, Chapter 6 included a provision that appropriated \$388.9 million from the HCAF to pay for medical assistance (MA) expenditures that otherwise would have been appropriated from the General Fund. Second, the enacted budget delayed \$173.3 million of payments to managed care plans for capitation payments due in the month of May 2019, requiring that they be paid in July 2019 instead. Existing state law permanently delays capitation payments in the month of

June. The payment delay achieved reduced appropriations in FY 2018-19 and increased projected appropriations in FY 2020-21. Chapter 6 also delayed capitation payments of \$197.7 million from May 2021 to July 2021, which is in fiscal year 2022 and beyond the budget planning period used in the 2017 budget setting session. This resulted in a net reduction of \$24.4 million in General Fund projected appropriations in FY 2020-21.

Other health care provisions in Chapter 6 reduced the projected increase in capitation payments for MA by 0.5 percent in FY 2019, which reduced the General Fund appropriation for MA by \$17.5 million. Chapter 6 revised the planned implementation date to April 2018 for a provision to implement periodic data

matching to verify MA eligibility, which was enacted in 2015 and scheduled to be implemented in July 2017. This change resulted in an \$11.5 million reduction to the appropriation for MA in FY 2018-19.

Chapter 6 enacted an expansion of Minnesota's Integrated Health Partnership (IHP) program, which began in 2013 with a federal grant. The IHP program promotes better health outcomes for individuals by working with providers to deliver comprehensive care. Under the IHP, providers receive a specified payment to manage all care for an individual and may share in savings or costs if the actual cost of providing the care is less or more than expected. The expansion in Chapter 6 included revisions to the existing program to make it easier for providers to participate and to include additional MA enrollees in the program, which reduced MA appropriations in FY 2018-19 by \$9.3 million and planning estimates in FY 2020-21 by \$33.8 million, compared to the February 2017 forecast.

A provision in Chapter 6 enacted a change to the MA program that would terminate MA coverage for individuals who do not respond to requests for information to confirm eligibility within a reasonable amount of time, resulting in a reduced MA appropriation of \$13.1 million in FY 2018-19 compared to forecast. Chapter 6 also enacted a rate increase for dental providers, which increased the General Fund appropriation for MA by \$3.6 million in FY 2018-19 compared to forecast. In addition, Chapter 6 enacted a requirement relating to bulk purchase in MA of incontinence supplies. This provision reduced MA appropriations by \$2 million in FY 2018-19 compared to forecast.

An intergovernmental transfer from Hennepin County was repealed in Chapter 6, which reduced General Fund revenue by \$13.6 million in FY 2018-19 compared to forecast (see Table 3). This repeal responded to a change in federal regulations that eliminated this funding mechanism for the MA program.

Appendix E on page 143 has a list of all the health care provisions enacted in Chapter 6.

### **Continuing Care**

Chapter 6 enacted continuing care provisions that increased General Fund appropriations by \$7.7 million compared to the February 2017 forecast as shown in Table 1. Appendix E (on page 143) contains a detailed listing of the enacted changes. Chapter 6 expanded the return to community initiative, which provides services to individuals who are not yet eligible for MA with the goal of delaying their eligibility. This expansion added new categories of eligible individuals, created a new grant to provide support services for caregivers who are close to experiencing burnout, and created a new licensed individual community living support service. The new licensed individual community support service expanded the services that home care providers, licensed by MDH, can provide.

Chapter 6 also enacted a rate increase for the self-directed workforce (personal care attendants), with a new General Fund appropriation of \$24 million in FY 2018-19. Chapter 6 also modified the payment methodology for elderly waiver providers and increased General Fund appropriations for those providers by \$2.6 million over forecast in FY 2018-19. In addition, Chapter 6 modified the disability waiver rate setting

methodology (DWRS), which reduced General Fund appropriations by \$4.9 million in FY 2018-19 compared to forecast. The DWRS change included a requirement that DHS apply to the federal government for an additional year of banding under the DWRS methodology, which limits the effect of the payment methodology on provider rates so that the rates will not reflect full implementation of the DWRS framework, enacted in 2012, until 2022.

Beginning June 1, 2019, the enacted budget increased the income eligibility amount for disabled individuals to 81 percent of the federal poverty guidelines. The current level is 80 percent of the federal poverty guidelines. This change increased General Fund appropriations in FY 2018-19 by \$45,000 over forecast and had a projected increase in General Fund planning estimates of \$1.5 million in FY 2020-21.

Chapter 6 established a county share for administration of MNCHOICES, the assessment tool used by counties to determine which services disabled individuals receive under waiver programs. The county share was set at 15.7 percent in FY 2018-19 and 18.1 percent in FY 2020-21 and thereafter. This reduced the state appropriation for MA by \$19.3 million in FY 2018-19 compared to forecast.

Chapter 6 included additional funding from the General Fund in FY 2018-19 compared to the 2017 February forecast, of \$2.1 million for deaf and hard of hearing services; a one-time increase of \$2 million for the home and community based service (HCBS) innovation pool, a grant program for HCBS providers to try new initiatives to improve services; and \$455,000 for payment modifications to rates

for intermediate care facilities for people with developmental disabilities for vacant bed and therapeutic leave days.

### **Children and Families**

The enacted budget increased net General Fund appropriations over the February 2017 forecast amount by \$1.5 million in FY 2018-19 for programs in the children and families area of DHS. A complete list of the changes in Chapter 6 is in Appendix E on page 143. Chapter 6 modified child care assistance programs to comply with federal requirements and streamline program administration. These provisions increased General Fund appropriations by \$18.6 million in FY 2018-19. Also, Chapter 6 enacted provisions that enhanced program integrity in child care assistance programs, which reduced General Fund appropriations in FY 2018-19 by \$15.3 million. The enacted program integrity changes targeted fraud and abuse in child care programs. Chapter 6 also reallocated \$18 million in federal child care development block grant funds in FY 2018 to reduce state General Fund expenditures for child care programs. This reallocation is a permitted use of the federal funds.

Chapter 6 increased General Fund appropriations over forecast for several existing grant programs, including \$1.1 million in FY 2018-19 for the safe harbor for sexually exploited youth program, a one-time \$2 million increase in FY 2018-19 for community action grants (including \$500,000 for family assets for independence grants), a one-time \$300,000 grant for co-parenting education, and \$750,000 for food shelf programs, including a provision allowing food shelf programs to purchase diapers to distribute to food shelf recipients. Chapter 6 also included \$2.5 million in one-time

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appropriations in FY 2018-19 for DHS housing programs. Specifically, these appropriations included \$750,000 for long-term homelessness support services, \$1.2 million for supportive housing programs for adults with mental illness, \$400,000 for transitional housing, and \$200,000 for emergency shelter programs.

Chapter 6 appropriated \$370,000 from the General Fund in FY 2018-19 for a change to the group residential housing program (GRH) to allow presumptive eligibility for certain individuals, making it easier for providers to receive payment for individuals who have a short stay and cannot be located to provide information to confirm eligibility. Also, Chapter 6 appropriated \$2.1 million for supplemental GRH rates for providers in St. Louis, Anoka, and Olmsted counties.

The enacted budget modified existing programs and established new services to access new federal funding available through MA to support housing services for people with disabilities and very low income who otherwise would be homeless. To support these changes, Chapter 6 increased FY 2018-19 General Fund appropriations by \$2.7 million, compared to forecast, for DHS programs that support community living.

### **Chemical and Mental Health**

Chapter 6 included additional General Fund appropriations for FY 2018-19 for DHS chemical and mental health programs. The enacted budget phased in a redesign, over four years, of the substance use disorder (SUD) treatment system. The redesign streamlines the program and promotes better results for individuals who seek treatment for substance use. These provisions included a reduction of \$1.1 million in FY 2018-19

compared to forecast and a planning estimate increase of \$7.2 million in FY 2020-21. The phased-in redesign transformed the SUD system in Minnesota from a non-medical social service program that is not eligible for federal funding under the MA program to a model that provides medical withdrawal management services through the MA program and receives federal funding. Chapter 6 also included a waiver request to allow short-term services to be provided in settings that would otherwise be considered institutions for mental disease, which are not eligible for reimbursement under federal MA regulations without a waiver.

The enacted budget included an initiative to redesign intensive mental health services for children and appropriated \$4.8 million one-time in FY 2018-19 from the General Fund for this purpose. Most of the funding under this initiative was to replace lost federal funds for children who receive services in residential treatment facilities that no longer qualify for federal funding because they have been determined to be institutions for mental disease. This funding source is available through FY 2019 while the state works with a contracted vendor to develop recommendations for a comprehensive and sustainable continuum of intensive mental health services for children.

Chapter 6 appropriated an additional \$2.4 million over forecast in FY 2018-19 from the General Fund for an increase in chemical dependency provider rates, and an additional \$2.2 million over forecast from the General Fund for a new mental health innovation grant program. The grant program would promote collaborative efforts for communities to deliver comprehensive mental health services in the community for individuals who leave mental health facilities

**Individual Insurance Market Premium Assistance**

Chapter 2 provided funding for a 25 percent reduction to monthly premiums paid by individuals who purchased health insurance on the individual market for calendar year 2017 and who were not eligible for advance premium tax credits or coverage in a public program. The program, administered by MMB, provided a subsidy to insurance carriers to reimburse the carriers for the reduction provided to the eligible individuals.

Chapter 2 transferred \$326.9 million in FY 2017 from the budget reserve to the General Fund. Of this amount, \$311.8 million was appropriated from the General Fund in FY 2017 to MMB for subsidies of individual health insurance premiums, \$157,000 was appropriated from the General Fund in FY 2017 to the Legislative Auditor to conduct audits of the premium subsidy program, and \$15 million was appropriated from the General Fund in FY 2017 to MMB to reimburse insurance carriers for the cost of out-of-network services provided to individuals with certain medical conditions who were undergoing treatment and who were required to change insurance carriers in 2017 because their health insurance plan was no longer available and their current health provider was not included in the network of the new health insurance carrier.

In the 2017 First Special Session, the Legislature anticipated that the \$311.8 million appropriation made in Chapter 2 for premium assistance payments would exceed the amount necessary to pay the subsidies for individuals who purchased health insurance for 2017. As a result, Chapter 6, the Omnibus Health and Human Services Act, subsequently reduced the amount of unexpended funds that would be returned to the budget reserve account (as originally required in Chapter 2) by \$98.8 million.

Chapter 6 allocated the \$98.8 million to two provisions. One provision appropriated up to \$16.5 million to DHS for central office operations, contingent on a determination by MMB that the appropriated amount in Chapter 2 exceeded the projected expenditures under the premium assistance plan. The other provision reduced the amount of unexpended funds that cancelled to the General Fund by up to \$82.3 million if the Medical Assistance forecast trend increase is not reduced by 0.5 percent.

On July 17, 2017, MMB announced that the amount needed for payments under the premium assistance program was less than \$200 million, allowing for the reduction in the amount transferred to the budget reserve account in Chapter 6.

such as community behavioral health hospitals and regional treatment centers.

Several grant programs received one-time FY 2018-19 General Fund appropriations in Chapter 6, including \$500,000 for fetal

alcohol syndrome grants, \$1 million for grants to provide services to individuals experiencing a first psychotic episode, \$1 million for housing supports programs for individuals with mental illness, \$400,000 for assertive community treatment services, \$300,000 for respite services, and \$800,000

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for mental health crisis services. The Omnibus E-12 Education Finance Act (2017 First Special Session, Chapter 5) appropriated \$4.9 million one-time in FY 2018-19 from the General Fund for school-linked mental health grants. This funding was for intermediate school districts to develop innovative community-based projects that improve mental health outcomes for children.

Appendix E on page 143 has a complete list of chemical and mental health changes enacted in Chapter 6.

### **Direct Care and Treatment**

The enacted budget increased General Fund appropriations for direct care and treatment (DCT) programs at DHS in FY 2018-19 by \$36.6 million over forecast. Of this increase, \$25.4 million was for staffing to improve patient outcomes and promote a safe working environment for staff and \$10.3 million was for community based services. The community based services appropriation included \$8.3 million for an operating deficit for the Minnesota state operated community services (MSOCS) program and \$2 million to provide start-up funds to open a maximum of ten new MSOCS facilities per year. Chapter 6 also appropriated \$896,000 one-time from the General Fund in FY 2018-19 to pay the lease through June 30, 2019 for the child and adolescent behavioral health services facility in the city of Willmar. The appropriations for DCT facilities had corresponding increases in cost of care recoveries revenue, which are deposited into the General Fund. As shown in Table 3, the total additional recoveries in FY 2018-19 were \$6.2 million.

### **Central Office**

The Central Office Operations of DHS received new General Fund appropriations in

Chapter 6 totaling \$45.6 million over forecast in FY 2018-19. These appropriations included \$32.7 million for an operating adjustment. Chapter 6 increased General Fund appropriations for systems modernization projects for the integrated service delivery system and Medicaid management information system by \$17.3 million in FY 2018-19. Chapter 6 transferred \$1.5 million of the DHS central office General Fund appropriation for FY 2018-19 to the Office of Legislative Auditor (OLA) to pay for the costs of hiring additional staff to audit DHS programs and for new managed care audit responsibilities of the OLA enacted in Chapter 6. The enacted budget also appropriated \$6.4 million in FY 2018-19 from the General Fund to implement new licensing requirements, largely due to new federal regulations, for child care providers.

## **DEPARTMENT OF HEALTH**

The Department of Health (MDH) received new General Fund appropriations totaling \$34.9 million in FY 2018-19 compared to the February 2017 forecast. The new appropriations in Chapter 6 included an additional \$12 million in FY 2018-19 for the MDH home visiting program for pregnant and parenting teens. The planning estimate in FY 2020-21 for this program increased by \$33 million over forecast. Chapter 6 also appropriated \$3.2 million in FY 2018-19 for additional staff to address a backlog and increased ongoing caseload of complaints related to vulnerable adults in long-term care and health care settings. Also, Chapter 6 appropriated \$6.3 million in FY 2018-19 from the General Fund for an MDH operating adjustment.

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**Table 3 - Health and Human Services  
Revenue Changes Compared to Forecast**  
*(dollars in thousands)*

Revenue Changes by Agency	Fund	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
<b>Department of Human Services</b>							
Family Foster Care Liability Insurance	General	(150)	(150)	(300)	(150)	(150)	(300)
Revenue Loss from IGT Repeal	General	(6,792)	(6,792)	(13,584)	(6,792)	(6,792)	(13,584)
DCT Operations Cost of Care Recoveries	General	1,352	1,352	2,704	1,352	1,352	2,704
MA Recoveries-SIRS	General	1,750	1,750	3,500	1,750	1,750	3,500
MN Security Hospital Staffing-Recoveries	General	1,035	1,505	2,540	1,821	2,108	3,929
Fines for Maltreatment in DHS-Licensed Facilities	General	45	45	90	45	45	90
Mental Health Innovation Grants	General	(1,000)	(1,000)	(2,000)	(1,000)	(1,000)	(2,000)
TEFRA Fee Reduction	General	(515)	(515)	(1,030)	(515)	(515)	(1,030)
<b>Department of Human Services Total</b>		<b>(4,275)</b>	<b>(3,805)</b>	<b>(8,080)</b>	<b>(3,489)</b>	<b>(3,202)</b>	<b>(6,691)</b>
<b>Department of Health</b>							
Protection of Vulnerable Adults in Health Care Settings-Licensing Fee	SGSR	-	688	688	688	1,032	1,720
Body Art Regulation	SGSR	184	215	399	215	215	430
Health Occupations Program	SGSR	77	77	154	96	90	186
Food, Pools, and Lodging	SGSR	799	799	1,598	799	799	1,598
Wells and Borings	SGSR	199	199	398	199	199	398
Nonrefundable Fee Clarification	SGSR	70	70	140	70	70	140
Housing with Services Establishments Exemption	SGSR	(108)	(108)	(216)	(108)	(108)	(216)
New Board of Occupational Therapy Practice	SGSR	(184)	(370)	(554)	(382)	(390)	(772)
Prescribed Pediatric Extended Care Licensure	SGSR	57	4	61	31	4	35
Delay Implementation of Radon Licensure	SGSR	(258)	(189)	(447)	(10)	-	(10)
<b>Department of Health Total</b>		<b>836</b>	<b>1,385</b>	<b>2,221</b>	<b>1,598</b>	<b>1,911</b>	<b>3,509</b>
<b>Board of Medical Practice</b>							
New Fee	SGSR	-	100	100	100	100	200
HPSP Transfer to New Administering Board	SGSR	40	40	80	40	40	80
<b>Board of Medical Practice Total</b>		<b>40</b>	<b>140</b>	<b>180</b>	<b>140</b>	<b>140</b>	<b>280</b>
<b>Board of Physical Therapy</b>							
HPSP Transfer to New Administering Board	SGSR	(40)	(40)	(80)	(40)	(40)	(80)
<b>Board of Occupational Therapy Practice</b>							
Transfer Fee Revenue from MDH	SGSR	184	370	554	382	390	772
<b>Total Revenue Changes by Fund</b>							
General Fund		(4,275)	(3,805)	(8,080)	(3,489)	(3,202)	(6,691)
State Government Special Revenue (SGSR) Fund		1,020	1,855	2,875	2,080	2,401	4,481
<b>Total Revenue Changes for Budget Area</b>		<b>(3,255)</b>	<b>(1,950)</b>	<b>(5,205)</b>	<b>(1,409)</b>	<b>(801)</b>	<b>(2,210)</b>

## HEALTH AND HUMAN SERVICES

Chapter 6 transferred \$5 million one-time from the General Fund in FY 2018 to a new public health response contingency account. MDH may use these funds to address unexpected and unfunded public health needs in the event of a disease outbreak or pandemic. The funds in the account are statutorily appropriated and are available until expended.

Chapter 6 included appropriations in FY 2018-19 from the General Fund for grant programs, including \$1 million for the safe harbor for sexually exploited youth program, \$1.1 million for a physician assistant and advanced practice registered nurse clinical training grant program, one-time increases of \$1 million for grants to federally qualified health centers, \$1 million for a home and community based services provider scholarship program, \$500,000 for advanced care planning grants, and a \$1 million one-time appropriation for accountable community for health opioid abuse prevention grants.

MDH received new appropriations for FY 2018-19 totaling \$2.2 million from the State Government Special Revenue Fund (SGSR). There were also revenue changes compared to the February 2017 forecast attributable to changes in Chapter 6, which are shown in Table 3.

Chapter 6 appropriated \$554,000 from the SGSR for MDH licensing activities for body art professionals. This appropriation was funded by a fee increase for body art licenses. Also, Chapter 6 enacted a fee increase for food, pools, and lodging activities, which increased SGSR revenue by \$1.6 million for FY 2018-19 and also increased SGSR appropriations by \$1.6 million. An exemption

for some housing with services establishments was enacted in Chapter 6, which reduced revenue by \$210,000 to the SGSR in FY 2018-19 and also reduced related SGSR appropriations by \$6,000. Chapter 6 established a new license for prescribed pediatric extended care facilities. This new licensure activity increased SGSR revenue by \$61,000 over forecast in FY 2018-19 and increased SGSR appropriations by \$61,000 in FY 2018-19. Chapter 6 also delayed implementation of licensing for radon mitigation professionals, resulting in a revenue reduction of \$447,000 in FY 2018-19 compared to forecast and an appropriation reduction of \$90,000.

### **HEALTH-RELATED LICENSING BOARDS**

All direct appropriated funding for the Health-Related Licensing Boards is from the SGSR. In FY 2018-19, Chapter 6 increased appropriations for the Boards by \$8.9 million over forecast, mostly for operating adjustments, information technology services, and additional staffing. Chapter 6 also transferred the licensing activities for occupational therapy providers from MDH to a new Board of Occupational Therapy Practice. This provision transferred \$554,000 of SGSR licensing fee revenue in FY 2018-19 from MDH to the new board and appropriated \$702,000 in FY 2018-19 from the SGSR to the new board.

Chapter 6 also transferred administration of the health professional services program from the Board of Physical Therapy to the Board of Medical Practice. For FY 2018-19, this change reduced the Board of Physical Therapy appropriation by \$1.7 million and



## HEALTH AND HUMAN SERVICES

increased the appropriation for the Board of Medical Practice by the same amount.

### **OTHER AGENCIES**

Chapter 6 included new General Fund appropriations of \$1.2 million in FY 2018-19 for the Emergency Medical Services Regulatory Board for an operating

adjustment, an increase in its regional grant program, and for information technology services. The enacted budget also included increases in General Fund appropriations for operating adjustments in FY 2018-19 for the Council on Disability (\$527,000), Ombudsman for Mental Health and Developmental Disabilities (\$70,000), and the Ombudsperson for Families (\$19,000).

**CHAPTER 7**  
**ENVIRONMENT AND NATURAL RESOURCES;**  
**AGRICULTURE AND RURAL DEVELOPMENT**

Appropriations for the Environment and Natural Resources, and Agriculture and Rural Development budget areas were enacted in six chapters during the 2017 session:

- Chapter 7 appropriated \$5 million in FY 2017 to the Board of Water and Soil Resources (BWSR) for wetland replacement credits;
- Chapter 88 made appropriations for the Agriculture budget area;
- Chapter 91 made appropriations from the constitutionally dedicated/legacy funds;
- Chapter 93 made appropriations for the Environment and Natural Resources budget area;
- Chapter 94 made appropriations for the Housing Finance Agency; and
- Chapter 96 made appropriations from the Environment and Natural Resources Trust Fund.

This chapter describes budget changes for both the Environment and Natural Resources, and Agriculture and Rural Development budget jurisdictions in the enacted FY 2018-19 budget. Table 1 shows the enacted budget compared to the previous biennium and to the February 2017 forecast for each of the agencies in these areas. Appropriations from

one of the constitutionally dedicated funds to an agency are shown separately from the regular operating budget of the agency. The constitutionally dedicated funds are not considered part of the regular operating budget of the agency. (See page 137 for the section on Constitutional and Dedicated Funds).

Total non-dedicated appropriations for the Environment and Natural Resources budget are \$1.5 billion for FY 2018-19, a 5.3 percent decrease compared to the previous biennium and a 3.9 percent compared to the forecast. Total non-dedicated appropriations for the Agriculture and Rural Development budget are \$360.9 million for FY 2018-19, a six percent increase compared to the previous biennium, and a 4.6 percent increase compared to the forecast. The enacted budget appropriated \$5 million from the General Fund in FY 2017 to acquire wetland banking credits to replace those wetlands drained or filled as a result of repairing or replacing public roads. The enacted budget also appropriated a total of \$426.7 million from the constitutionally dedicated funds for FY 2018-19.

ENVIRONMENT AND NATURAL RESOURCES; AGRICULTURE AND RURAL DEVELOPMENT

<b>Table 1 - Environment &amp; Natural Resources; and Agriculture &amp; Rural Development</b>					
<b>All Funds Biennial Spending/Appropriations by Agency &amp; Fund</b>					
<i>(dollars in thousands)</i>					
<b>Agency</b>	<b>FY 2016-17*</b>	<b>FY 2018-19 Forecast Base</b>	<b>FY 2018-19 Enacted Budget</b>	<b>Change: Enacted - FY 2016-17</b>	<b>Change: Enacted - Fest. Base</b>
<b>Pollution Control Agency</b>					
General Fund	19,337	11,786	13,345	(5,992)	1,559
State Govt Special Revenue Fund	157	158	158	1	-
Special Revenue Fund	73,483	67,988	67,988	(5,495)	-
Environmental Fund	153,273	153,216	163,464	10,191	10,248
Remediation Fund	62,669	58,374	63,016	346	4,642
Closed Landfill Investment Fund	-	-	3,000	3,000	3,000
Federal Fund	<u>45,267</u>	<u>44,299</u>	<u>44,299</u>	<u>(968)</u>	<u>-</u>
Subtotal for PCA:	354,186	335,821	355,270	1,084	19,449
<i>Dedicated/Constitutional Funds</i>					
Env & Natural Resources Trust Fund	349	-	1,100	751	1,100
Clean Water Fund	<u>55,434</u>	<u>-</u>	<u>52,080</u>	<u>(3,354)</u>	<u>52,080</u>
Subtotal Dedicated/Const. Funds:	55,783	-	53,180	(2,603)	53,180
<b>Total PCA:</b>	<b>409,969</b>	<b>335,821</b>	<b>408,450</b>	<b>(1,519)</b>	<b>72,629</b>
<b>Department of Natural Resources</b>					
General Fund	213,001	200,135	220,773	7,772	20,638
Special Revenue Fund	289,417	253,107	253,107	(36,310)	-
Natural Resources Fund	188,591	185,104	206,415	17,824	21,311
Game and Fish Fund	229,353	219,199	228,912	(441)	9,713
Remediation Fund	2,496	202	202	(2,294)	-
Endowment Fund	3	-	-	(3)	-
Permanent School Fund	591	409	409	(182)	-
Gift Fund	5,965	2,759	2,759	(3,206)	-
Federal Fund	<u>36,096</u>	<u>44,994</u>	<u>44,994</u>	<u>8,898</u>	<u>-</u>
Subtotal for DNR:	965,514	905,910	957,572	(7,942)	51,662
<i>Dedicated/Constitutional Funds</i>					
Env & Natural Resources Trust Fund	54,154	-	22,585	(31,569)	22,585
Outdoor Heritage Fund	215,390	-	86,139	(129,251)	86,139
Clean Water Fund	25,973	-	16,892	(9,081)	16,892
Parks and Trails Fund	<u>61,154</u>	<u>1,313</u>	<u>55,595</u>	<u>(5,559)</u>	<u>54,282</u>
Subtotal Dedicated/Const. Funds:	356,671	1,313	181,211	(175,460)	179,898
<b>Total DNR:</b>	<b>1,322,185</b>	<b>907,223</b>	<b>1,138,783</b>	<b>(183,402)</b>	<b>231,560</b>
<b>Board of Water and Soil Resources</b>					
General Fund	32,847	48,328	28,475	(4,372)	(19,853)
Special Revenue Fund	8,843	7,790	7,790	(1,053)	-
Federal Fund	<u>7,932</u>	<u>6,100</u>	<u>6,100</u>	<u>(1,832)</u>	<u>-</u>
Subtotal for BWSR:	49,622	62,218	42,365	(7,257)	(19,853)

ENVIRONMENT AND NATURAL RESOURCES; AGRICULTURE AND RURAL DEVELOPMENT

Agency	FY 2016-17*	FY 2018-19 Forecast Base	FY 2018-19 Enacted Budget	Change: Enacted - FY 2016-17	Change: Enacted - Fct. Base
<i>Dedicated/Constitutional Funds</i>					
Env & Natural Resources Trust Fund	6,193	-	17,311	11,118	17,311
Outdoor Heritage Fund	58,449	-	17,260	(41,189)	17,260
Clean Water Fund	<u>121,965</u>	<u>-</u>	<u>95,508</u>	<u>(26,457)</u>	<u>95,508</u>
<i>Subtotal Dedicated/Const. Funds:</i>	<i>186,607</i>	<i>-</i>	<i>130,079</i>	<i>(56,528)</i>	<i>130,079</i>
<b>Total BWSR:</b>	<b>236,229</b>	<b>62,218</b>	<b>172,444</b>	<b>(63,785)</b>	<b>110,226</b>
<b>Minnesota Conservation Corps</b>					
General Fund	910	910	910	-	-
Natural Resources Fund	<u>980</u>	<u>980</u>	<u>980</u>	<u>-</u>	<u>-</u>
<b>Total MN Cons Corps:</b>	<b>1,890</b>	<b>1,890</b>	<b>1,890</b>	<b>-</b>	<b>-</b>
<b>Metropolitan Council Regional Parks</b>					
General Fund	6,140	5,740	5,080	(1,060)	(660)
Natural Resources Fund	<u>11,340</u>	<u>11,340</u>	<u>12,000</u>	<u>660</u>	<u>660</u>
Subtotal for Metro Parks:	17,480	17,080	17,080	(400)	-
<i>Dedicated/Constitutional Funds</i>					
Env & Natural Resources Trust Fund	1,125	-	1,500	375	1,500
Clean Water Fund	2,450	-	1,900	(550)	1,900
Parks and Trails Fund	<u>35,304</u>	<u>-</u>	<u>35,475</u>	<u>171</u>	<u>35,475</u>
<i>Subtotal Dedicated/Const. Funds:</i>	<i>38,879</i>	<i>-</i>	<i>38,875</i>	<i>(4)</i>	<i>38,875</i>
<b>Total Metro Parks:</b>	<b>56,359</b>	<b>17,080</b>	<b>55,955</b>	<b>(404)</b>	<b>38,875</b>
<b>Minnesota Zoo</b>					
General Fund	16,500	16,500	18,210	1,710	1,710
Natural Resources Fund	320	320	320	-	-
Special Revenue Fund	27,962	31,523	31,523	3,561	-
Gift Fund	4,755	3,639	3,639	(1,115)	-
Federal Fund	<u>78</u>	<u>-</u>	<u>-</u>	<u>(78)</u>	<u>-</u>
Subtotal for MN Zoo:	49,615	51,982	53,692	4,078	1,710
<i>Dedicated/Constitutional Funds</i>					
Env & Natural Resources Trust Fund	787	-	591	(196)	591
Arts and Cultural Heritage Fund	<u>3,716</u>	<u>53</u>	<u>3,553</u>	<u>(163)</u>	<u>3,500</u>
<i>Subtotal Dedicated/Const. Funds:</i>	<i>4,504</i>	<i>53</i>	<i>4,144</i>	<i>(360)</i>	<i>4,091</i>
<b>Total MN Zoo:</b>	<b>54,119</b>	<b>52,035</b>	<b>57,836</b>	<b>3,718</b>	<b>5,801</b>
<b>Science Museum</b>					
General Fund	2,158	2,158	2,158	-	-
<i>Dedicated/Constitutional Funds</i>					
Env & Natural Resources Trust Fund	784	-	-	(784)	-
<b>Total Science Museum:</b>	<b>2,942</b>	<b>2,158</b>	<b>2,158</b>	<b>(784)</b>	<b>-</b>

ENVIRONMENT AND NATURAL RESOURCES; AGRICULTURE AND RURAL DEVELOPMENT

Agency	FY 2016-17*	FY 2018-19 Forecast Base	FY 2018-19 Enacted Budget	Change: Enacted - FY 2016-17	Change: Enacted - Fct. Base
<b>Minnesota Board of Tourism</b>					
General Fund	29,438	28,496	30,005	567	1,509
Special Revenue Fund	<u>3,599</u>	<u>2,744</u>	<u>2,744</u>	<u>(855)</u>	-
<b>Total Explore MN Tourism:</b>	<b>33,037</b>	<b>31,240</b>	<b>32,749</b>	<b>(288)</b>	<b>1,509</b>
<b>Closed Landfill Investment Fund</b>					
<b>Payback</b>					
General Fund	<u>71,315</u>	-	-	<u>(71,315)</u>	-
<b>Total CLIF:</b>	<b>71,315</b>	-	-	<b>(71,315)</b>	-
<u>Environment &amp; Natural Resources</u>					
Non-Dedicated Fund	1,544,816	1,408,299	1,462,776	(82,040)	54,477
Dedicated/Constitutional Funds	<u>643,227</u>	<u>1,366</u>	<u>407,489</u>	<u>(235,738)</u>	<u>406,123</u>
<b>Subtotal: Environment &amp; Natural Resources</b>	<b>2,188,043</b>	<b>1,409,665</b>	<b>1,870,265</b>	<b>(317,778)</b>	<b>460,600</b>
<b>Department of Agriculture</b>					
General Fund	96,497	100,418	105,454	8,957	5,036
Special Revenue Fund	13,176	15,109	15,109	1,933	-
Agricultural Fund	69,920	76,852	81,116	11,196	4,264
Remediation Fund	3,507	3,897	3,912	405	15
Gift Fund	58	90	90	32	-
Federal Fund	<u>28,040</u>	<u>27,705</u>	<u>27,705</u>	<u>(335)</u>	-
Subtotal for Dept. of Agriculture:	211,198	224,071	233,386	22,188	9,315
<i>Dedicated/Constitutional Funds</i>					
Env & Natural Resources Trust Fund	865	313	1,338	473	1,026
Arts and Cultural Heritage Fund	-	-	300	300	300
Clean Water Fund	<u>22,927</u>	-	<u>17,566</u>	<u>(5,361)</u>	<u>17,566</u>
Subtotal Dedicated/Const. Funds:	23,791	313	19,204	(4,587)	18,892
<b>Total Dept. of Agriculture:</b>	<b>234,989</b>	<b>224,383</b>	<b>252,590</b>	<b>17,601</b>	<b>28,207</b>
<b>Board of Animal Health</b>					
General Fund	12,871	10,768	10,876	(1,995)	108
Special Revenue Fund	225	182	182	(43)	-
Federal Funds	<u>1,689</u>	<u>1,225</u>	<u>1,225</u>	<u>(464)</u>	-
<b>Total Board of Animal Health:</b>	<b>14,785</b>	<b>12,175</b>	<b>12,283</b>	<b>(2,502)</b>	<b>108</b>
<b>Agriculture Utilization Research Institute</b>					
General Fund	<u>7,286</u>	<u>7,286</u>	<u>7,586</u>	<u>300</u>	<u>300</u>
<b>Total AURI:</b>	<b>7,286</b>	<b>7,286</b>	<b>7,586</b>	<b>300</b>	<b>300</b>
<b>Housing Finance Agency</b>					
General Fund	<u>107,096</u>	<u>101,596</u>	<u>107,596</u>	<u>500</u>	<u>6,000</u>
<b>Total HFA:</b>	<b>107,096</b>	<b>101,596</b>	<b>107,596</b>	<b>500</b>	<b>6,000</b>

ENVIRONMENT AND NATURAL RESOURCES; AGRICULTURE AND RURAL DEVELOPMENT

Agency	FY 2016-17*	FY 2018-19 Forecast Base	FY 2018-19 Enacted Budget	Change: Enacted - FY 2016-17	Change: Enacted - Fct. Base
<b>Agriculture and Rural Development</b>					
Non-Dedicated Funds	340,365	345,128	360,851	20,486	15,723
Dedicated/Constitutional Funds	<u>23,791</u>	<u>313</u>	<u>19,204</u>	<u>(4,587)</u>	<u>18,892</u>
<b>Subtotal: Agriculture &amp; Rural Development</b>	<b>364,156</b>	<b>345,440</b>	<b>380,055</b>	<b>15,899</b>	<b>34,615</b>
<b>Totals by Fund, Combined Budget Jurisdictions</b>					
General Fund	615,396	534,121	550,468	(64,928)	16,347
State Govt Special Revenue Fund	157	158	158	1	-
Special Revenue Fund	416,705	378,443	378,443	(38,262)	-
Environmental Fund	153,273	153,216	163,464	10,191	10,248
Remediation Fund	68,672	62,473	67,130	(1,543)	4,657
Closed Landfill Investment Fund	-	-	3,000	3,000	3,000
Natural Resources Fund	201,231	197,744	219,715	18,484	21,971
Game and Fish Fund	229,353	219,199	228,912	(441)	9,713
Agricultural Fund	69,920	76,852	81,116	11,196	4,264
Endowment Fund	3	-	-	(3)	-
Permanent School Fund	591	409	409	(182)	-
Gift Fund	10,778	6,488	6,488	(4,290)	-
Federal Fund	<u>119,101</u>	<u>124,323</u>	<u>124,323</u>	<u>5,222</u>	-
Subtotal for Non-Dedicated Funds:	1,885,181	1,753,426	1,823,626	(61,554)	70,200
<i>Dedicated/Constitutional Funds</i>					
Env & Natural Resources Trust Fund	64,257	313	44,425	(19,832)	44,113
Outdoor Heritage Fund	273,839	-	103,399	(170,440)	103,399
Clean Water Fund	228,749	-	183,946	(44,803)	183,946
Parks & Trails Fund	96,458	1,313	91,070	(5,388)	89,757
Arts & Cultural Heritage Fund	<u>3,716</u>	<u>53</u>	<u>3,853</u>	<u>137</u>	<u>3,800</u>
Subtotal Dedicated/Const. Funds:	667,019	1,679	426,693	(240,326)	425,015
<b>Total for Budget Area</b>	<b>2,552,199</b>	<b>1,755,105</b>	<b>2,250,319</b>	<b>(301,880)</b>	<b>495,215</b>

\* As adjusted by FY 2017 changes made by the 2017 Legislature.

**Environment and Natural Resources**

**Pollution Control Agency**

The enacted non-dedicated budget appropriated \$355.3 million to the Pollution Control Agency (PCA), a \$1.1 million increase (0.3 percent) compared to the FY 2016-17 budget, and a \$19.5 million increase (5.8 percent) compared to the February 2017 forecast. \$1.6 million of the increase came from the General Fund, with the remainder

from the Environmental Fund and the Remediation Fund.

Budget highlights include:

- General Fund increases of \$500,000 for the Environmental Quality Board and \$5 million for a general operations increase and a \$3.9 million General Fund reduction for existing services that were switched to Environmental Funds appropriations;

- Environmental Fund increases of \$4.7 million for a general operations increase, and \$800,000 for data systems improvements;
- a Closed Landfill Investment Fund appropriation of \$3 million for feasibility studies, engineering, and cleanup-related activities associated with adding the freeway landfill in city of Burnsville to the closed landfill cleanup program; and
- Remediation Fund appropriations of \$838,000 for general operating increases and \$3 million for increased petroleum cleanup efforts.

#### **Department of Natural Resources**

The enacted non-dedicated budget appropriated \$957.6 million to the Department of Natural Resources (DNR), \$51.7 million (5.7 percent) above the February 2017 forecast, and \$7.9 million (0.8 percent) less than FY 2016-17. Almost half of the increase compared to the forecast is related to fee increases in the Game and Fish Fund and in the Natural Resources Fund. The General Fund portion of the agency's budget was increased by \$20.6 million in FY 2018-19 compared to the forecast.

Budget highlights include:

- General Fund increases of \$6.1 million for a general operations increase, \$5.5 million for forestry programs, \$5 million for additional conservation officers, \$1 million for local parks and trails grants, and \$2 million for expected legal expenses;
- Natural Resources Fund appropriations of \$4.8 million for a general operations increase, \$9.8 million for state parks, \$1.2 million for snowmobile trails, \$500,000 for ATV trails, and \$5 million for forest management;

- Game and Fish Fund appropriations of \$8.3 million for a general operations increase for the fish and wildlife division, \$820,000 for the Aquatic Invasive Species Research Center at the University of Minnesota, and \$500,000 for continued monitoring of chronic wasting disease in the wild deer herd in southern Minnesota; and
- fee increases in the following areas: fishing and deer hunting licenses (\$8 million annually); state park daily and annual fees (\$3 million annually); snowmobile registration (\$2 million annually); and all-terrain vehicle registration (\$1.3 million annually). These fee increases were enacted to address current and projected deficits in the respective dedicated accounts and to cover enacted operational increases.

#### **Board of Water and Soil Resources**

The enacted non-dedicated budget appropriated \$42.4 million to the Board of Water and Soil Resources (BWSR), \$19.9 million (31.9 percent) below the February forecast, and \$7.3 million (14.6 percent) below FY 2016-17. The BWSR FY 2018-19 forecasted budget included \$22 million for soil and water conservation districts that was part of the General Fund forecast for FY 2018-19. However, the enacted budget appropriated \$22 million from the constitutionally dedicated Clean Water Fund (as it did in FY 2016-17) for the districts. Chapter 93 increased BWSR's administration appropriation by \$1.1 million compared to forecast and also appropriated \$480,000 for dredging of the Minnesota River to improve barge traffic. The enacted budget also made a number of changes to the buffer requirements originally enacted in the 2015 Legislative Session.

### **Buffer Requirement Changes**

2015 First Special Session, Chapter 4, enacted a statute that amended the state's buffer requirements for public waters and public ditches by requiring a strip of land averaging 50 feet in width, with a minimum width of 30 feet containing perennially rooted vegetation, to be placed adjacent to public waters, and requiring a strip of land with a minimum width of 16.5 feet containing perennially rooted vegetation to be placed adjacent to public ditches. These buffers, or certain authorized alternative riparian water quality practices, were required to be in place for public waters by November 1, 2017, and for public ditches by November 1, 2018.

Chapter 93 made a number of changes to state buffer laws, including:

- authorizing Soil and Water Conservation Districts (SWCDs) to approve alternative practices based on local conditions that landowners may adopt in lieu of placing buffers. Prior to this change, only the Board of Water and Soil Resources (BWSR) could approve alternative practices;
- requiring any seed mixes used to comply with buffer requirements to be verified compliant with plant export and seed laws in order to prevent contamination with Palmer amaranth or other noxious weed seeds;
- requiring SWCDs to grant landowners a conditional buffer compliance waiver until July 1, 2018, if they have filed a parcel-specific riparian protection compliance plan with the SWCD by November 1, 2017; and
- appropriating \$4 million from the General Fund to the Department of Revenue for riparian protection aid. This was in addition to \$6 million in FY 2018 and \$8 million in each subsequent fiscal year appropriated for this purpose in 2017 First Special Session, Chapter 1, the Omnibus Tax Act. (See page 46 for a detailed section about riparian protection aid.)

### **Minnesota Zoo**

The enacted non-dedicated budget appropriated \$53.7 million to the Minnesota Zoo in FY 2018-19, \$1.7 million (3.3 percent) above the February forecast, and \$4.1 million (8.2 percent) above FY 2016-17. This increase was to support general zoo operations.

### **Minnesota Board of Tourism**

The enacted budget appropriated \$32.7 million in FY 2018-19 to the Minnesota Board of Tourism, \$1.5 million (4.8 percent) above the February forecast, and \$288,000 (one percent) below FY 2016-17. The increase compared to the forecast budget

included \$900,000 for local special events promotion grants and \$500,000 for website improvements.

### **Other Agencies**

The FY 2018-19 non-dedicated operating budgets for Metropolitan Regional Parks, the Minnesota Conservation Corps, and the Science Museum remained unchanged compared to the February 2017 forecast. Together the enacted budget for these agencies appropriated a total of \$21.1 million.



ENVIRONMENT AND NATURAL RESOURCES; AGRICULTURE AND RURAL DEVELOPMENT

<b>Table 2 - Environment &amp; Natural Resources; Agriculture &amp; Rural Development</b>						
<b>General Fund Changes Compared to Forecast</b>						
<i>(dollars in thousands)</i>						
<b>Appropriation Changes</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
<b>Pollution Control Agency</b>						
Environmental Quality Board Increase	250	250	500	250	250	500
Move appropriation to Environmental Fund	(1,946)	(1,946)	(3,892)	(1,946)	(1,946)	(3,892)
Operating Increase	<u>2,346</u>	<u>2,605</u>	<u>4,951</u>	<u>2,605</u>	<u>2,605</u>	<u>5,210</u>
<b>PCA Total</b>	<b>650</b>	<b>909</b>	<b>1,559</b>	<b>909</b>	<b>909</b>	<b>1,818</b>
<b>Department of Natural Resources</b>						
Conservation Easement Oversight	125	125	250	125	125	250
Sustainable Timber Harvest Study	500	-	500	-	-	-
Forestry Data System	1,869	1,131	3,000	1,131	1,131	2,262
Forest County Road Maintenance	500	500	1,000	500	500	1,000
Increased Private Forest Management	500	500	1,000	500	500	1,000
State Forestry Incentive Act Admin.	215	312	527	312	312	624
Local Parks and Recreation Area Grants	250	250	500	250	250	500
Local Trail Connections Grants	250	250	500	250	250	500
Snowmobile Trail Grants	130	-	130	-	-	-
Conservation Officer/Enforcement Increase	2,500	2,500	5,000	2,500	2,500	5,000
Lake Koronis Invasive Species Extension	167	-	167	-	-	-
Legal Support Costs	1,965	-	1,965	-	-	-
Operating Increase	<u>2,204</u>	<u>3,895</u>	<u>6,099</u>	<u>3,895</u>	<u>3,895</u>	<u>7,790</u>
<b>DNR Total</b>	<b>11,175</b>	<b>9,463</b>	<b>20,638</b>	<b>9,463</b>	<b>9,463</b>	<b>18,926</b>
<b>Board of Water and Soil Resources</b>						
Soil & Water Conservation Districts (1)	(11,000)	(11,000)	(22,000)	(11,000)	(11,000)	(22,000)
Wetland Conservation Efficiencies	300	-	300	-	-	-
Conservation Easement Oversight	125	125	250	125	125	250
Minnesota River Dredging	240	240	480	240	240	480
Operating Increase	<u>482</u>	<u>635</u>	<u>1,117</u>	<u>635</u>	<u>635</u>	<u>1,270</u>
<b>BWSR Total</b>	<b>(9,853)</b>	<b>(10,000)</b>	<b>(19,853)</b>	<b>(10,000)</b>	<b>(10,000)</b>	<b>(20,000)</b>
<b>Metropolitan Council Regional Parks</b>						
General Fund Reduction	<b>(330)</b>	<b>(330)</b>	<b>(660)</b>	<b>(330)</b>	<b>(330)</b>	<b>(660)</b>
<b>Minnesota Zoo</b>						
Operating Increase	<b>817</b>	<b>893</b>	<b>1,710</b>	<b>893</b>	<b>893</b>	<b>1,786</b>
<b>Minnesota Board of Tourism</b>						
Local Special Events Promotion Grants	900	-	900	-	-	-
Website Improvements	500	-	500	-	-	-
Operating Increase	<u>36</u>	<u>73</u>	<u>109</u>	<u>73</u>	<u>73</u>	<u>146</u>
<b>Tourism Total</b>	<b>1,436</b>	<b>73</b>	<b>1,509</b>	<b>73</b>	<b>73</b>	<b>146</b>
<b>Subtotal: Environment &amp; Natural Resources</b>	<b>3,895</b>	<b>1,008</b>	<b>4,903</b>	<b>1,008</b>	<b>1,008</b>	<b>2,016</b>

ENVIRONMENT AND NATURAL RESOURCES; AGRICULTURE AND RURAL DEVELOPMENT

<b>Appropriation Changes</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
<b>Department of Agriculture</b>						
Noxious Weed & Plant Prevention	425	425	850	-	-	-
Rapid Response Plant Pathogens & Pests	250	250	500	-	-	-
Industrial Hemp Program	200	200	400	-	-	-
Wolf-Livestock Prevention Grants	120	120	240	-	-	-
Deposit in Pollinator Habitat & Research Acct	250	250	500	-	-	-
Verification Crop Damage from Elk	30	30	60	30	30	60
Ag. Growth Research Innovation (AGRI) Grants	3,021	3,076	6,097	4,040	4,040	8,080
Move Wood Product Incentive Prog to AGRI	(3,000)	(3,000)	(6,000)	(3,000)	(3,000)	(6,000)
Increase Farm Advocates Program	40	40	80	40	40	80
Tractor Roll-Over Bar Grants	150	-	150	-	-	-
Metro State University Urban Ag Program	400	-	400	-	-	-
MN Turf Seed Council (make one-time)	-	-	-	(108)	(108)	(216)
Move Food Certificate Fee to Ag Fund	(50)	(50)	(100)	(50)	(50)	(100)
Operating Increase	<u>658</u>	<u>1,201</u>	<u>1,859</u>	<u>1,201</u>	<u>1,201</u>	<u>2,402</u>
<b>Agriculture Total</b>	<b>2,494</b>	<b>2,542</b>	<b>5,036</b>	<b>2,153</b>	<b>2,153</b>	<b>4,306</b>
<b>Board of Animal Health</b>						
Operating Increase	<b>36</b>	<b>72</b>	<b>108</b>	<b>72</b>	<b>72</b>	<b>144</b>
<b>Agriculture Utilization Research Institute</b>						
Operating Increase	<b>150</b>	<b>150</b>	<b>300</b>	<b>150</b>	<b>150</b>	<b>300</b>
<b>Housing Finance Agency</b>						
Workforce Housing Grants	2,000	2,000	4,000	2,000	2,000	4,000
Rental Assistance for Mobile Students	1,750	-	1,750	-	-	-
Family Homeless Prevention Grants	<u>250</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>HFA Total</b>	<b>4,000</b>	<b>2,000</b>	<b>6,000</b>	<b>2,000</b>	<b>2,000</b>	<b>4,000</b>
<b>Subtotal: Agriculture &amp; Rural Development</b>	<b>6,680</b>	<b>4,764</b>	<b>11,444</b>	<b>4,375</b>	<b>4,375</b>	<b>8,750</b>
<b>Total General Fund Changes</b>	<b>10,575</b>	<b>5,772</b>	<b>16,347</b>	<b>5,383</b>	<b>5,383</b>	<b>10,766</b>

Note: (1) Appropriation for the Soil & Water Conservation Districts (SWCD) was in the General Fund for the February 2016 Forecast.

The 2017 Legislature made the \$11 million/year appropriation for the SWCDs from the Clean Water Fund

**Agriculture and Rural Development**

Department of Agriculture were increased by \$5 million compared to the forecast.

**Department of Agriculture**

The enacted non-dedicated budget for FY 2018-19 appropriated \$233.4 million to the Department of Agriculture, \$9.3 million (4.2 percent) above the February forecast, and \$22.2 million (10.5 percent) above FY 2016-17. Total General Fund appropriations for the

Budget highlights for FY 2018-19 include:

- a \$1.4 million increase from the General Fund to address noxious or invasive plants and weeds;
- \$6.1 million from the General Fund for increased grants from the Agricultural

Growth Research and Innovation program;

- a \$6 million one-time General Fund reduction, due to a delay in incentive payments for a facility using forestry products;
- \$1.9 million from the General Fund for a general operations increase; and
- \$1.2 million from the Agricultural Fund for additional costs associated with disposing of waste pesticides. This appropriation increase was funded by a fee increase.

**Board of Animal Health**

The enacted non-dedicated budget appropriated \$12.3 million to the Board of Animal Health in FY 2018-19, \$108,000 (one percent) above the February forecast, and \$2.5 million (16.9 percent) below FY 2016-17.

**Agriculture Utilization Research Institute**

The enacted non-dedicated budget appropriated \$7.6 million to the Agriculture Utilization Research Institute in FY 2018-19, \$300,000 (4.1 percent) above the February forecast, and \$300,000 million (4.1 percent) above FY 2016-17.

**Housing Finance Agency**

The enacted non-dedicated budget appropriated \$107.6 million in FY 2018-19 to the Housing Finance Agency (HFA), \$6 million (5.9 percent) above the February forecast, and \$500,000 (0.5 percent) above FY 2016-17. The increase from forecast included \$4 million for workforce housing, \$1.8 million for rental assistance to highly mobile students, and \$250,000 for family homeless prevention grants.

**Table 3 - Environment & Natural Resources, and Agriculture & Rural Development Budget Areas**  
**Revenue Changes Compared to Forecast**  
*(dollars in thousands)*

Revenue Changes by Agency	Fund	FY 2018	FY 2019	FY 2018-19	FY 2020	FY 2021	FY 2020-21
<b>Department of Natural Resources</b>							
Sales Tax from Park Fee Increase	Outdoor Heritage	3	3	6	4	4	8
Sales Tax from Park Fee Increase	Clean Water	3	3	6	4	4	8
Sales Tax from Park Fee Increase	Parks & Trails	1	1	2	1	1	2
Sales Tax from Park Fee Increase	Arts & Cultural Her	2	2	4	3	3	6
Sales Tax Veterans Free Park Pass	Natural Resources	(50)	(50)	(100)	(50)	(50)	(100)
Increase State Park Fee & Pass	Natural Resources	2,200	2,670	4,870	3,100	3,500	6,600
Increase Snowmobile Registration	Natural Resources	2,000	2,000	4,000	2,000	2,000	4,000
Deputy Registrar Snowmobile Fees	Natural Resources	10	10	20	10	10	20
Increase ATV Registration	Natural Resources	650	1,300	1,950	1,300	1,300	2,600
Increase Hydropower Permit Fees	Natural Resources	45	45	90	45	45	90

ENVIRONMENT AND NATURAL RESOURCES; AGRICULTURE AND RURAL DEVELOPMENT

<b>Revenue Changes by Agency</b>	<b>Fund</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
Fort Ridgely State Park Fee Exemption	Natural Resources	(49)	(49)	(98)	(49)	(49)	(98)
Non-Resident Non-Motorized Boat Fee	Natural Resources	(45)	(45)	(90)	(45)	(45)	(90)
Hunting & Fishing License Increase	Game & Fish	4,211	8,038	12,249	8,038	8,038	16,076
Minnow License Fee Exemption	Game & Fish	(1)	(1)	(2)	(1)	(1)	(2)
Land Sales Authorization	Natural Resources	73	53	126	53	53	106
Land Sales Authorization	Special Revenue	594	-	594	-	-	-
Land Sales Authorization	Outdoor Heritage	46	-	46	-	-	-
<b>DNR Total</b>		<b>9,693</b>	<b>13,980</b>	<b>23,673</b>	<b>14,413</b>	<b>14,813</b>	<b>29,226</b>
<b>Subtotal: Environment &amp; Natural Resources</b>		<b>9,693</b>	<b>13,980</b>	<b>23,673</b>	<b>14,413</b>	<b>14,813</b>	<b>29,226</b>
<b>Department of Agriculture</b>							
Move Food Certificate Fee to Ag Fund	General	(110)	(110)	(220)	(110)	(110)	(220)
Move Food Certificate Fee to Ag Fund	Agricultural	110	110	220	110	110	220
Increase Food Certification Fee	Agricultural	72	72	144	72	72	144
Waste Pesticide Fee Increase	Agricultural	600	600	1,200	600	600	1,200
<b>Dept. of Agriculture Total</b>		<b>672</b>	<b>672</b>	<b>1,344</b>	<b>672</b>	<b>672</b>	<b>1,344</b>
<b>Subtotal: Agriculture and Rural Development</b>		<b>672</b>	<b>672</b>	<b>1,344</b>	<b>672</b>	<b>672</b>	<b>1,344</b>
<b>Total Revenue Changes by Fund</b>							
General Fund		(110)	(110)	(220)	(110)	(110)	(220)
Natural Resources Fund		4,834	5,934	10,768	6,364	6,764	13,128
Game & Fish Fund		4,210	8,037	12,247	8,037	8,037	16,074
Special Revenue Fund		594	-	594	-	-	-
Outdoor Heritage Fund		49	3	52	4	4	8
Clean Water Fund		3	3	6	4	4	8
Parks & Trails Fund		1	1	2	1	1	2
Arts & Cultural Heritage Fund		2	2	4	3	3	6
Agricultural Fund		782	782	1,564	782	782	1,564
<b>Total Revenue Changes for Budget Area</b>		<b>10,365</b>	<b>14,652</b>	<b>25,017</b>	<b>15,085</b>	<b>15,485</b>	<b>30,570</b>

**CHAPTER 8**  
**JOBS AND ECONOMIC GROWTH, ENERGY AND**  
**UTILITIES, COMMERCE AND CONSUMER PROTECTION**

Appropriations for the Jobs and Economic Growth, Energy and Utilities, and Commerce and Consumer Protection budget jurisdictions were enacted in two chapters in the 2017 legislative sessions. Chapter 13 created and provided funding for the Minnesota premium security plan and Chapter 94, the Omnibus Jobs and Economic Growth, Energy and Utilities, Commerce and Consumer Protection Act, made appropriations to the Department of Employment and Economic Development (DEED), the Department of Labor and Industry (DOLI), the Department of Commerce (DOC), and several other agencies.

This chapter describes the fiscal changes enacted in the FY 2018-19 budget to three Senate budget jurisdictions. Initially, the chapter describes the combined effect on all three budget jurisdictions, but also examines the details by individual budget area.

Total all funds appropriations in the enacted budget in the Jobs and Economic Growth, Energy and Utilities, and Commerce and Consumer Protection budget areas were \$2.4 billion for FY 2018-19, an increase of \$715.5 million (42.4 percent) compared to the February 2017 forecast. This total was \$491.2 million (25.7 percent) higher than FY 2016-

17. General Fund appropriations totaled \$426.9 million in FY 2018-19, an increase of \$159.3 million compared to the February 2017 forecast, and \$49.3 million higher than FY 2016-17. Table 1 compares the enacted budget to the February 2017 forecast and FY 2016-17 for all three budget areas.

**JOBS AND ECONOMIC GROWTH**

Total all funds appropriations in the Jobs and Economic Growth budget area in FY 2018-19 were \$1.3 billion. This was \$42.7 million (3.4 percent) above the February 2017 forecast, but \$212.4 million (14.2 percent) less than FY 2016-17. General Fund appropriations were \$25 million above the forecast and \$81.4 million lower than FY 2016-17.

**Department of Employment and Economic Development**

The enacted budget for DEED in FY 2018-19 was \$924.4 million, an increase of \$21.2 million compared to the February 2017 forecast. General Fund appropriations in FY 2018-19 totaled \$208 million, an increase of \$21.9 million compared to the forecast. Chapter 94 increased direct appropriations from the Workforce Development Fund in FY 2018-19 by \$19.3 million compared to the forecast.

<b>Table 1 - Jobs &amp; Economic Growth, Energy &amp; Utilities, Commerce &amp; Consumer Protection</b>					
<b>All Funds Biennial Spending/Appropriations by Agency &amp; Fund</b>					
<i>(dollars in thousands)</i>					
<b>Agency</b>	<b>FY 2016-17*</b>	<b>FY 2018-19 Forecast Base</b>	<b>FY 2018-19 Enacted Budget</b>	<b>Change: Enacted - FY 2016-17</b>	<b>Change: Enacted - Fcst. Base</b>
<b>Employment and Economic Development</b>					
General Fund	291,371	186,142	208,002	(83,369)	21,860
Renewable Development Fund	-	-	150	150	150
Petroleum Tank Release Cleanup Fund	19,639	12,400	12,400	(7,239)	-
Workforce Development Fund	131,731	111,253	109,419	(22,313)	(1,834)
Gift Fund	494	456	456	(38)	-
Remediation Fund	2,137	1,400	1,400	(737)	-
Federal Fund	512,162	514,732	514,732	2,570	-
Special Revenue Fund	<u>112,385</u>	<u>76,798</u>	<u>77,798</u>	<u>(34,587)</u>	<u>1,000</u>
<b>Total DEED:</b>	<b>1,069,919</b>	<b>903,181</b>	<b>924,357</b>	<b>(145,563)</b>	<b>21,176</b>
<b>Labor and Industry</b>					
General Fund	2,986	2,404	3,566	580	1,162
Workforce Development Fund	2,380	2,613	4,447	2,067	1,834
Workers Compensation Special Fund	172,857	182,142	182,142	9,285	-
Federal Fund	12,240	10,490	10,490	(1,750)	-
State Government Special Revenue Fund	56,633	60,401	60,641	4,008	240
Special Revenue Fund	<u>10,884</u>	<u>11,850</u>	<u>12,150</u>	<u>1,266</u>	<u>300</u>
<b>Total Labor and Industry:</b>	<b>257,979</b>	<b>269,900</b>	<b>273,436</b>	<b>15,456</b>	<b>3,536</b>
<b>Bureau of Mediation Services</b>					
General Fund	4,829	4,744	4,968	139	224
Special Revenue Fund	<u>105</u>	<u>88</u>	<u>88</u>	<u>(17)</u>	<u>-</u>
<b>Total Bureau of Mediation Services:</b>	<b>4,934</b>	<b>4,832</b>	<b>5,056</b>	<b>122</b>	<b>224</b>
<b>Workers Compensation Court of Appeals</b>					
Workers Compensation Special Fund	<u>3,730</u>	<u>3,826</u>	<u>3,826</u>	<u>96</u>	<u>-</u>
<b>Total WCCA:</b>	<b>3,730</b>	<b>3,826</b>	<b>3,826</b>	<b>96</b>	<b>-</b>
<b>Public Facilities Authority</b>					
General Fund	-	-	1,800	1,800	1,800
Special Revenue Fund	<u>399</u>	<u>271</u>	<u>271</u>	<u>(128)</u>	<u>-</u>
Subtotal for Regular Funds:	399	271	2,071	1,672	1,800
<i>Dedicated/Constitutional Funds</i>					
Clean Water Fund	<u>53,470</u>	<u>-</u>	<u>16,000</u>	<u>(37,470)</u>	<u>16,000</u>
Subtotal Dedicated/Const. Funds:	53,470	-	16,000	(37,470)	16,000
<b>Total Public Facilities Authority:</b>	<b>53,869</b>	<b>271</b>	<b>18,071</b>	<b>(35,798)</b>	<b>17,800</b>

JOBS AND ECONOMIC GROWTH, ENERGY AND UTILITIES, COMMERCE AND CONSUMER PROTECTION

Agency	FY 2016-17*	FY 2018-19 Forecast Base	FY 2018-19 Enacted Budget	Change: Enacted - FY 2016-17	Change: Enacted - Fcst. Base
<b>Iron Range Resources and Rehabilitation Board</b>					
General Fund	5,331	4,825	4,825	(506)	-
Iron Range Resources and Rehab Fund	75,555	48,824	48,824	(26,731)	-
Economic Protection Trust Fund	<u>24,913</u>	<u>5,426</u>	<u>5,426</u>	<u>(19,487)</u>	-
<b>Total IRRRB:</b>	<b>105,799</b>	<b>59,075</b>	<b>59,075</b>	<b>(46,724)</b>	-
<b>Totals by Fund, Jobs and Economic Growth</b>					
General Fund	304,517	198,115	223,161	(81,356)	25,046
Renewable Development Fund	-	-	150	150	150
Petroleum Tank Release Cleanup Fund	19,639	12,400	12,400	(7,239)	-
Workforce Development Fund	134,111	113,865	113,865	(20,246)	-
Gift Fund	494	456	456	(38)	-
Remediation Fund	2,137	1,400	1,400	(737)	-
Federal Fund	524,402	525,223	525,223	821	-
Special Revenue Fund	123,773	89,007	90,307	(33,466)	1,300
Workers Compensation Special Fund	176,587	185,968	185,968	9,381	-
State Government Special Revenue Fund	56,633	60,401	60,641	4,008	240
Iron Range Resources and Rehab Fund	75,555	48,824	48,824	(26,731)	-
Economic Protection Trust Fund	<u>24,913</u>	<u>5,426</u>	<u>5,426</u>	<u>(19,487)</u>	-
Subtotal for Regular Funds:	1,442,761	1,241,085	1,267,821	(174,941)	26,736
<i>Dedicated/Constitutional Funds</i>					
Clean Water Fund	<u>53,470</u>	-	<u>16,000</u>	<u>(37,470)</u>	<u>16,000</u>
Subtotal Dedicated/Const. Funds:	53,470	-	16,000	(37,470)	16,000
<b>Subtotal: Jobs and Economic Growth</b>	<b>1,496,231</b>	<b>1,241,085</b>	<b>1,283,821</b>	<b>(212,411)</b>	<b>42,736</b>
<b>Public Utilities Commission</b>					
General Fund	14,778	14,930	14,930	152	-
Special Revenue Fund	<u>2,519</u>	<u>2,556</u>	<u>2,556</u>	<u>37</u>	-
<b>Total Public Utilities Commission:</b>	<b>17,297</b>	<b>17,486</b>	<b>17,486</b>	<b>189</b>	-
<b>Commerce*</b>					
General Fund	15,525	11,372	10,512	(5,013)	(860)
Renewable Development Fund	-	-	11,742	11,742	11,742
Petroleum Tank Release Cleanup Fund	16,533	21,074	21,074	4,541	-
Federal Fund	249,954	286,358	286,358	36,403	-
Special Revenue Fund	<u>2,480</u>	<u>2,480</u>	<u>3,220</u>	<u>740</u>	<u>740</u>
<b>Total Commerce:</b>	<b>284,492</b>	<b>321,284</b>	<b>332,906</b>	<b>48,413</b>	<b>11,622</b>
<b>Totals by Fund, Energy and Utilities</b>					
General Fund	30,303	26,302	25,442	(4,861)	(860)
Renewable Development Fund	-	-	11,742	11,742	11,742
Petroleum Tank Release Cleanup Fund	16,533	21,074	21,074	4,541	-

JOBS AND ECONOMIC GROWTH, ENERGY AND UTILITIES, COMMERCE AND CONSUMER PROTECTION

Agency	FY 2016-17*	FY 2018-19 Forecast Base	FY 2018-19 Enacted Budget	Change: Enacted - FY 2016-17	Change: Enacted - Fcst. Base
Federal Fund	249,954	286,358	286,358	36,403	-
Special Revenue Fund	<u>4,999</u>	<u>5,036</u>	<u>5,776</u>	<u>777</u>	<u>740</u>
<b>Subtotal: Energy and Utilities</b>	<b>301,789</b>	<b>338,770</b>	<b>350,392</b>	<b>48,602</b>	<b>11,622</b>
<b>Commerce*</b>					
General Fund	42,774	43,176	178,267	135,493	135,091
Gift Fund	1	-	-	(1)	-
Workers Compensation Special Fund	1,503	1,502	1,502	(1)	-
Federal Fund	1,707	1,200	1,200	(507)	-
Special Revenue Fund	<u>68,172</u>	<u>62,215</u>	<u>587,935</u>	<u>519,763</u>	<u>525,720</u>
<b>Total Commerce:</b>	<b>114,157</b>	<b>108,093</b>	<b>768,904</b>	<b>654,747</b>	<b>660,811</b>
<b>Totals by Fund, Commerce and Consumer Protection</b>					
General Fund	42,774	43,176	178,267	135,493	135,091
Gift Fund	1	-	-	(1)	-
Workers Compensation Special Fund	1,503	1,502	1,502	(1)	-
Federal Fund	1,707	1,200	1,200	(507)	-
Special Revenue Fund	<u>68,172</u>	<u>62,215</u>	<u>587,935</u>	<u>519,763</u>	<u>525,720</u>
<b>Subtotal: Commerce and Consumer Protection</b>	<b>114,157</b>	<b>108,093</b>	<b>768,904</b>	<b>654,747</b>	<b>660,811</b>
<b>Totals by Fund, Combined Budget Jurisdictions</b>					
General Fund	377,594	267,593	426,870	49,276	159,277
Renewable Development Fund	-	-	11,892	11,892	11,892
Petroleum Tank Release Cleanup Fund	36,172	33,474	33,474	(2,698)	-
Workforce Development Fund	134,111	113,865	113,865	(20,246)	-
Gift Fund	495	456	456	(38)	-
Remediation Fund	2,137	1,400	1,400	(737)	-
Federal Fund	776,063	812,780	812,780	36,717	-
Special Revenue Fund	196,944	156,258	684,018	487,074	527,760
Workers Compensation Special Fund	178,089	187,470	187,470	9,381	-
State Government Special Revenue Fund	56,633	60,401	60,641	4,008	240
Iron Range Resources and Rehab Fund	75,555	48,824	48,824	(26,731)	-
Economic Protection Trust Fund	<u>24,913</u>	<u>5,426</u>	<u>5,426</u>	<u>(19,487)</u>	<u>-</u>
Subtotal for Regular Funds:	1,858,708	1,687,948	2,387,117	540,237	687,277
<i>Dedicated/Constitutional Funds</i>					
Clean Water Fund	<u>53,470</u>	-	<u>16,000</u>	<u>(37,470)</u>	<u>16,000</u>
Subtotal Dedicated/Const. Funds:	53,470	-	16,000	(37,470)	16,000
<b>Total for Budget Area</b>	<b>1,912,178</b>	<b>1,687,948</b>	<b>2,403,117</b>	<b>490,939</b>	<b>715,169</b>

\* The Department of Commerce's budget is divided between two Senate committee jurisdictions. Funding for the department's energy resources division and telecommunications division are in the Energy and Utilities budget. All other Commerce divisions are in the Commerce and Consumer Protection budget.



Based on statutory appropriations in current law, an increase in direct appropriations reduces the amount that is available for the Job Skills Partnership Board (JSPB). By law, the available funds in the Workforce Development Fund are appropriated to the JSPB, and must be used for employment training and dislocated worker programs. Therefore, by increasing the direct appropriations from the Workforce Development Fund by \$19.3 million compared to the forecast, the enacted budget reduced the JSPB employment and training appropriation by the same amount.

Budget highlights enacted in Chapter 94 included:

- \$20 million in FY 2018 from the General Fund for one-time broadband development grants;
- \$25 million in FY 2018-19 from the General Fund for the Minnesota Investment Fund;
- \$17 million in FY 2018-19 from the General Fund for the Minnesota Job Creation Fund;
- \$28.6 million in FY 2018-19 from the General Fund for the vocational rehabilitation program; and
- \$14 million in FY 2018-19 from the General Fund and \$13.7 million in FY 2018-19 from the Workforce Development Fund to provide extended employment services to persons with disabilities.

**Department of Labor and Industry**

The enacted budget appropriated a total of \$273.4 million in FY 2018-19 to DOLI, an increase of \$3.5 million compared to the February 2017 forecast, and \$15.5 million compared to FY 2016-17. The department is primarily funded through direct and statutory appropriations from the Workers Compensation Fund and other special

revenue funds. General Fund appropriations in FY 2018-19 totaled \$3.6 million, an increase of \$1.2 million compared to the forecast.

Of DOLI’s appropriations in FY 2018-19, the enacted budget appropriated \$1 million from the General Fund for a new program to prevent wage theft. In addition, Chapter 94 reduced construction code and licensing fees to more closely align fee revenues with program funding needs. Previously, the fees generated more revenue than DOLI’s programs required. (See Table 3 on page 79 for a list of fee reductions.)

**Public Facilities Authority**

Chapter 94 appropriated \$1.8 million from the General Fund in FY 2018 for three infrastructure projects located in New Trier, Newport, and Clearwater.

**Rochester Destination Medical Center**

FY 2018-19 will be the first biennium in which state aid is provided for the Rochester Destination Medical Center (DMC). The enacted budget appropriated a total of \$13.7 million from the General Fund for FY 2018-19, which was the same as the forecast. This appropriation, originally enacted in 2013, provided general infrastructure aid and state transit aid to the city of Rochester to pay for the public costs of establishing and building the DMC. The statutory appropriation depends on a formula that includes a local matching contribution and certified expenditures. The match and the conditions of the formula governing the state appropriations are anticipated to be satisfied in FY 2018-19, which will make the city eligible to receive appropriations under the 2013 law. The planning estimates in FY 2020-21 project a \$58.2 million appropriation.

<b>Table 2 - Jobs &amp; Economic Growth, Energy &amp; Utilities, Commerce &amp; Consumer Protection</b>						
<b>General Fund Changes Compared to Forecast</b>						
<i>(dollars in thousands)</i>						
<b>Appropriation Changes</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
<b>Employment and Economic Development</b>						
Minnesota Investment Fund	1,500	1,500	3,000	1,500	1,500	3,000
Job Creation Fund	2,000	2,000	4,000	1,500	1,500	3,000
Greater MN BDPI Grant Program	-	-	-	487	487	974
Workforce Housing Grants	(2,000)	(2,000)	(4,000)	(2,000)	(2,000)	(4,000)
Emerging Entrepreneur Fund	(250)	(250)	(500)	250	250	500
Emerging Entrepreneur Fund 2017 Cancellation Adjustment	376	-	376	-	-	-
MN Film & TV Board - Job Production Fund	(1,000)	(1,000)	(2,000)	(1,000)	(1,000)	(2,000)
MN Film & TV Board - Operating Adjustment	(162)	(162)	(324)	(162)	(162)	(324)
Contaminated Site Cleanup & Development Grants	375	375	750	500	500	1,000
Greater MN Community Design Pilot	250	-	250	-	-	-
Enterprise Minnesota Inc.	-	-	-	(875)	(875)	(1,750)
Neighborhood Development Center	-	-	-	(750)	(750)	(1,500)
Business Development and Assistance Services-MEDA	-	-	-	(1,175)	(1,175)	(2,350)
White Earth Nation Integrated Business Development System	-	-	-	(125)	(125)	(250)
Eastside Enterprise Center	300	-	300	-	-	-
Central MN Opportunity	500	-	500	-	-	-
Childcare Business Startups	519	-	519	-	-	-
Small Business Development Center	250	-	250	-	-	-
East Phillips Neighborhood Predesign Grant	319	-	319	-	-	-
Mille Lacs Economic Relief Program	150	-	150	-	-	-
CEDA Study	275	-	275	-	-	-
Pillsbury United Communities	2,000	-	2,000	-	-	-
Border to Border Broadband Grants	20,000	-	20,000	-	-	-
Getting to Work Program	100	100	200	-	-	-
Pathways to Prosperity	(500)	(500)	(1,000)	2,000	2,000	4,000
Youth at Work	(500)	(500)	(1,000)	(250)	(250)	(500)
SE Asian Communities	(500)	(500)	(1,000)	-	-	-
Grants to Promote Economic Self Sufficiency	(750)	(750)	(1,500)	(500)	(500)	(1,000)
Women and High Wage and Demand Grants	(500)	(500)	(1,000)	(250)	(250)	(500)
American Indian Communities - OIC	-	-	-	(250)	(250)	(500)
Construction Careers Foundation	-	-	-	(1,000)	(1,000)	(2,000)
YWCA St. Paul	(250)	(250)	(500)	(250)	(250)	(500)
YWCA Minneapolis	(375)	(375)	(750)	(375)	(375)	(750)
EMERGE Community Development Grants	(1,000)	(1,000)	(2,000)	(1,000)	(1,000)	(2,000)
Minneapolis Foundation-North At Work Grant	(1,000)	(1,000)	(2,000)	(1,000)	(1,000)	(2,000)
Community Grants - Latino Community-CLUES	(750)	(750)	(1,500)	(750)	(750)	(1,500)
Ujamaa Place	(600)	(600)	(1,200)	(600)	(600)	(1,200)
Twin Cities R!SE - Hard-to-Train Individuals	(600)	(600)	(1,200)	(600)	(600)	(1,200)
AccessAbility	350	-	350	-	-	-
Vocational Rehabilitation Program	3,500	3,500	7,000	-	-	-
Extended Employment Program	1,000	1,000	2,000	3,000	3,000	6,000

JOBS AND ECONOMIC GROWTH, ENERGY AND UTILITIES, COMMERCE AND CONSUMER PROTECTION

<b>Appropriation Changes</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
Centers for Independent Living	250	250	500	250	250	500
Cost of Living Study	(150)	(150)	(300)	(150)	(150)	(300)
Operating Budget Adjustment	712	1,183	1,895	1,183	1,183	2,366
Capacity Building Grants	<u>(500)</u>	<u>(500)</u>	<u>(1,000)</u>	<u>(500)</u>	<u>(500)</u>	<u>(1,000)</u>
<b>DEED Total</b>	<b>23,339</b>	<b>(1,479)</b>	<b>21,860</b>	<b>(2,892)</b>	<b>(2,892)</b>	<b>(5,784)</b>
<b>Labor and Industry</b>						
Operating Budget Adjustment	74	88	162	88	88	176
Wage Theft Prevention Initiative	<u>500</u>	<u>500</u>	<u>1,000</u>	<u>500</u>	<u>500</u>	<u>1,000</u>
<b>Labor and Industry Total</b>	<b>574</b>	<b>588</b>	<b>1,162</b>	<b>588</b>	<b>588</b>	<b>1,176</b>
<b>Bureau of Mediation Services</b>						
Operating Budget Adjustment	<b>74</b>	<b>150</b>	<b>224</b>	<b>150</b>	<b>150</b>	<b>300</b>
<b>Public Facilities Authority</b>						
New Trier Infrastructure	300	-	300	-	-	-
Clear Lake & Clearwater Wastewater Facility	900	-	900	-	-	-
Ramsey/Washington Recycling & Energy Center	<u>600</u>	-	<u>600</u>	-	-	-
<b>Public Facilities Authority Total</b>	<b>1,800</b>	-	<b>1,800</b>	-	-	-
<b>Subtotal: Jobs and Economic Growth</b>	<b>25,787</b>	<b>(741)</b>	<b>25,046</b>	<b>(2,154)</b>	<b>(2,154)</b>	<b>(4,308)</b>
<b>Commerce*</b>						
Healthy Asbestos Insulation Removal	150	150	300	150	150	300
Low Income Weatherization Grants (Equipment)	(150)	(150)	(300)	(150)	(150)	(300)
Competitive Rates EITE	<u>(430)</u>	<u>(430)</u>	<u>(860)</u>	<u>(430)</u>	<u>(430)</u>	<u>(860)</u>
<b>Subtotal: Energy and Utilities</b>	<b>(430)</b>	<b>(430)</b>	<b>(860)</b>	<b>(430)</b>	<b>(430)</b>	<b>(860)</b>
<b>Commerce*</b>						
Prepare and Submit State Innovation Waiver (Chapter 13)	155	-	155	-	-	-
Transfer to Premium Security Plan Account (Chapter 13)	71,000	71,000	142,000	-	-	-
Financial Services Inclusion Program	400	400	800	400	400	800
Exodus Lending Grant	100	-	100	-	-	-
Base Adjustment	(4,465)	(4,465)	(8,930)	(4,465)	(4,465)	(8,930)
Security Staffing Increase	373	373	746	373	373	746
Financial Education and Outreach	200	-	200	-	-	-
NCOIL Membership	<u>20</u>	-	<u>20</u>	-	-	-
<b>Subtotal: Commerce and Consumer Protection</b>	<b>67,783</b>	<b>67,308</b>	<b>135,091</b>	<b>(3,692)</b>	<b>(3,692)</b>	<b>(7,384)</b>
<b>Total General Fund Changes</b>	<b>93,140</b>	<b>66,137</b>	<b>159,277</b>	<b>(6,276)</b>	<b>(6,276)</b>	<b>(12,552)</b>

\* The Department of Commerce's budget is divided between two Senate committee jurisdictions. Funding for the department's energy resources division and telecommunications division are in the Energy and Utilities budget. All other Commerce divisions are in the Commerce and Consumer Protection budget.

**Minnesota Premium Security Plan**

Chapter 13 enacted the Minnesota premium security plan, which is a reinsurance program for the individual health insurance market. Reinsurance covers part of the risk assumed by an insurance company in issuing a health insurance contract. The plan is to be administered by the Minnesota Comprehensive Health Association (MCHA), which formerly ran the state's high risk pool for individuals with preexisting conditions who were declined coverage in the individual market prior to enactment of the Affordable Care Act. Chapter 13 was enacted to respond to significant premium increases in the individual market by covering a share of the claims of high-cost individuals. Chapter 13 appropriated a total of \$542.9 million in FY 2018-19 one-time for payments and administration of the Minnesota premium security plan. Of this amount, \$142.2 million was from the General Fund and \$400.8 million was from the Health Care Access Fund (HCAF).

The plan pays health insurance claims in the individual market between an attachment point and reinsurance cap (set at \$50,000 and \$250,000, respectively, for plan year 2018) at a coinsurance rate of 80 percent (for plan year 2018). The attachment point is the threshold amount for an individual's claims in a plan year, beyond which claims are eligible for reinsurance payments. The reinsurance cap is the amount after which individual claims are no longer eligible for reinsurance payments. The coinsurance rate is the rate at which MCHA will reimburse an insurer for claims incurred by an individual above the attachment point and below the reinsurance cap. For example, if an individual incurs \$100,000 in claims for a plan year, MCHA will reimburse the insurer in the amount of \$40,000 ( $\$100,000 - \$50,000$  (attachment point)  $\times$  80 percent (coinsurance rate)). For 2019 and future years, the board of MCHA sets the payment parameters. The attachment point must be no less than \$50,000, the reinsurance cap must be no greater than \$250,000, and the coinsurance rate must be set between 50 percent and 80 percent.

Chapter 13 made the reinsurance plan contingent upon state receipt of a waiver from the federal government under the Affordable Care Act to allow the state to receive federal funding that would otherwise have been received by individuals in the form of premium subsidies if the reinsurance plan had not been enacted. The reinsurance plan is funded by the state in FY 2018-19 one-time for plan years 2018 and 2019 with \$400 million transferred from the HCAF and \$142 million transferred from the General Fund to the premium security account in the Special Revenue Fund. If the state does receive federal funding as a result of the waiver application, Chapter 13 requires the federal funds to be the first source of funding for the program. The federal funds must offset the General Fund and HCAF appropriations. The General Fund and HCAF appropriations will be returned to the fund from which they were appropriated if they are not expended by June 31, 2021. Chapter 13 also appropriated \$750,000 from the HCAF to MCHA in FY 2018 for startup costs, and appropriated \$155,000 from the General Fund to the Department of Commerce in FY 2018 to prepare the federal waiver request.

<b>Table 3 - Jobs &amp; Economic Growth, Energy &amp; Utilities, Commerce &amp; Consumer Protection</b> <b>Revenue Changes Compared to Forecast</b> <i>(dollars in thousands)</i>							
Revenue Changes by Agency	Fund	FY 2018	FY 2019	FY 2018-19	FY 2020	FY 2021	FY 2020-21
<b>Employment and Economic Development</b>							
Minnesota Investment Fund Onetime Usage Exception	General	<u>1,232</u>	-	<u>1,232</u>	-	-	-
<b>Employment and Economic Development Total</b>		<b>1,232</b>	<b>-</b>	<b>1,232</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Labor and Industry</b>							
Workers Compensation Increase for OAHs Salary Increases	Workers Compensation Special	537	537	1,074	537	537	1,074
Construction Code and Licensing Fee Reductions	Special Revenue	(2,603)	(2,603)	(5,206)	(2,603)	(2,603)	(5,206)
Public Accommodation Code Enforcement Assessments	State Government Special Revenue	<u>120</u>	<u>120</u>	<u>240</u>	<u>120</u>	<u>120</u>	<u>240</u>
<b>Labor and Industry Total</b>		<b>(1,946)</b>	<b>(1,946)</b>	<b>(3,892)</b>	<b>(1,946)</b>	<b>(1,946)</b>	<b>(3,892)</b>
<b>Subtotal: Senate Jurisdiction</b>		<b>(714)</b>	<b>(1,946)</b>	<b>(2,660)</b>	<b>(1,946)</b>	<b>(1,946)</b>	<b>(3,892)</b>
<b>Commerce*</b>							
Competitive Rates EITE Assessment Revenue	General	(430)	(430)	(860)	(430)	(430)	(860)
Utility Grid Assessment Extension Revenue	Special Revenue	500	-	500	-	-	-
Transfer from Renewable Development Fund to Renewable Development Account	Renewable Development Account	27,017	13,306	40,323	13,099	17,698	30,797
Transfer from Made in Minnesota Account to Renewable Development Account	Renewable Development Account	<u>54,410</u>	-	<u>54,410</u>	-	-	-
<b>Subtotal: Energy and Utilities</b>		<b>81,497</b>	<b>12,876</b>	<b>94,373</b>	<b>12,669</b>	<b>17,268</b>	<b>29,937</b>
<b>Commerce*</b>							
Funding Flexibility Change - Assessment Revenue Reduction	General	(5,032)	(5,032)	(10,064)	(5,032)	(5,032)	(10,064)
Funding Flexibility Change - Special Revenue Fund Revenue	Special Revenue	4,885	4,885	9,770	4,885	4,885	9,770
Securities Funding - Revenue (Broker Dealer Fee/ IAR Fee Increases)	General	2,660	2,660	5,320	2,660	2,660	5,320
Auto Theft Prevention Fund Redirection	General	(1,300)	(1,300)	(2,600)	(1,300)	(1,300)	(2,600)
Auto Theft Prevention Fund Redirection	Special Revenue	<u>1,300</u>	<u>1,300</u>	<u>2,600</u>	<u>1,300</u>	<u>1,300</u>	<u>2,600</u>
<b>Subtotal: Commerce and Consumer Protection</b>		<b>2,513</b>	<b>2,513</b>	<b>5,026</b>	<b>2,513</b>	<b>2,513</b>	<b>5,026</b>

<b>Revenue Changes by Agency</b>	<b>Fund</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
<b>Total Revenue Changes by Fund</b>							
General Fund		(2,870)	(4,102)	(6,972)	(4,102)	(4,102)	(8,204)
Special Revenue Fund		4,082	3,582	7,664	3,582	3,582	7,164
Workers Compensation Special Fund		537	537	1,074	537	537	1,074
State Government Special Revenue Fund		120	120	240	120	120	240
Renewable Development Account		81,427	13,306	94,733	13,099	17,698	30,797
<b>Total Revenue Changes for Budget Area</b>		<b>83,296</b>	<b>13,443</b>	<b>96,739</b>	<b>13,236</b>	<b>17,835</b>	<b>31,071</b>

\* The Department of Commerce's budget is divided between two Senate committee jurisdictions. Funding for the department's energy resources division and telecommunications division are in the Energy and Utilities budget. All other Commerce divisions are in the Commerce and Consumer Protection budget.

## ENERGY AND UTILITIES

Total all funds appropriations for the Energy and Utilities budget jurisdiction in FY 2018-19 were \$350.4 million, \$11.6 million above the February forecast and \$48.6 million above FY 2016-17. The enacted budget for the PUC for FY 2018-19 was \$17.5 million, which was the same as the forecast amount and \$189,000 above FY 2016-17.

The enacted budget for the DOC's energy and telecommunications divisions in FY 2018-19 totaled \$332.9 million, an increase of \$11.6 million compared to the February 2017 forecast and an increase of \$48.4 million compared to 2016-17. General Fund appropriations in FY 2018-19 were \$10.5 million, a decrease of \$860,000 compared to the forecast, and \$5 million less than FY 2016-17.

Chapter 94 established the renewable development account (RDA), a separate account in the Special Revenue Fund. The account was established to provide a greater degree of legislative oversight over funds previously contained in the Renewable Development Fund. Previously, state law required Xcel Energy to deposit nuclear fuel storage cask fees into the Renewable Development Fund and administer a grant

program to support renewable energy using the fund's resources. Chapter 94 maintains those fees, but now requires the revenue generated and the balance of funds in the Renewable Development Fund to be deposited into the RDA. Funds from the Made in Minnesota account, an account in the Special Revenue Fund supported by fee revenue from Xcel Energy, are also transferred into the RDA. Chapter 94 appropriated \$10.7 million in FY 2018-19 from the RDA for the Made in Minnesota solar energy incentive program. Table 3 below outlines revenues for the RDA.

## COMMERCE AND CONSUMER PROTECTION

The enacted all funds budget appropriated a total of \$768.9 million for DOC's financial institutions, insurance, enforcement, and administrative divisions in FY 2018-19. This appropriation is \$660.8 million higher than the February 2017 forecast and \$654.7 million higher than FY 2016-17. General Fund appropriations in FY 2018-19 were \$178.3 million, an increase of \$135.1 million compared to the forecast and \$135 million more than FY 2016-17. Most of the appropriation increases to DOC are attributable to Chapter 13, which appropriated \$142.1 million one-time from

the General Fund and \$400.8 million one-time from the Health Care Access Fund for the Minnesota premium security plan. (See page 78 for a discussion about Chapter 13.)

Chapter 94 modified DOC's assessment authority over financial institutions to eliminate the need for a direct biennial legislative appropriation. In prior years, the department received a General Fund appropriation for regulatory responsibilities relating to financial institutions, and had statutory authority to assess those financial institutions for 103 percent of funds expended to examine and regulate them. Assessment revenue was deposited in the General Fund and the department received a General Fund appropriation for the regulatory

activities. Chapter 94 created the financial institutions account in the Special Revenue Fund, enabled the department to assess financial institutions for the department's estimated regulatory and examination costs, and required the department to deposit the assessment revenue in the financial institutions account. Chapter 94 established a statutory appropriation from the account to the department, and this change eliminates the need for a direct appropriation from the General Fund beginning in FY 2018-19.

Chapter 94 contained numerous provisions affecting forecasted revenue for both the General Fund and several special revenue funds. These changes can be found in Table 3.

## **CHAPTER 9 JUDICIARY AND PUBLIC SAFETY**

Four chapters enacted the Judiciary and Public Safety budget in FY 2018-19. Chapter 95, the Omnibus Judiciary and Public Safety Act, provided funding for the courts, Department of Corrections (DOC), and the Department of Public Safety (DPS). 2017 First Special Session, Chapter 4, the State Government and Veterans Act, appropriated the FY 2018-19 budget for the Department of Human Rights. 2017 First Special Session, Chapter 1, the Omnibus Tax Act, made a \$1.4 million appropriation to DPS. Chapter 72 appropriated \$36,000 in FY 2018 from the General Fund to DOC for claims against the state.

The FY 2018-19 Judiciary and Public Safety budget totaled \$2.7 billion, of which \$2.3 billion was appropriated from the General Fund. General Fund appropriations in FY 2018-19 increased by a net amount of \$155.6 million, or 7.2 percent, over the February 2017 forecast, and \$146.7 million, or 7.2 percent, over FY 2016-17. The enacted budget also included \$4.9 million in revenue reduction in FY 2018-19 for court filing and motion fee reductions and other revenue changes. See Table 3 on page 91 for a list of the court fee reductions.

The majority of the appropriation increases in FY 2018-19 were for salary and health insurance increases. Chapter 95 provided funding for 2.5 percent salary increases each year for the judiciary and approximately 3.5 percent increases (including earned step increases) each year for DOC and the other departments and boards in this budget area.

Chapter 95 increased non-General Fund appropriations in FY 2018-19 by a total of \$14.2 million compared to the February 2017 forecast. This included \$2.8 million for an increase in firefighter training and education and \$1.4 million for emergency response teams in St. Paul, Duluth, Moorhead, and St. Cloud. The remainder of non-General Fund spending was for salary and health insurance increases.

Table 1 displays the all funds Judiciary and Public Safety budget for FY 2018-19. Table 2 shows General Fund incremental changes in the new budget compared to the February 2017 forecast.

### **Supreme Court**

Chapter 95 appropriated a total of \$104.5 million in FY 2018-19 from the General Fund to the Supreme Court, an increase of \$8.4 million, or 8.8 percent, above the forecast. \$77 million was for the Supreme Court for operations, and \$27.4 million was for Civil Legal Services, which provides legal representation in civil matters to low-income people who could not otherwise afford an attorney. The Supreme Court operations appropriation included \$8.9 million to allow salary increases for Supreme Court justices and court staff of 2.5 percent each year, \$2 million for increased court information security, and \$993,000 for the development of a harassment restraining order officer notification system. The Civil Legal Services appropriation was an increase of \$1.1 million, or 4.4 percent, compared to the forecast.



JUDICIARY AND PUBLIC SAFETY

**Table 1 - Judiciary and Public Safety**  
**All Funds Biennial Spending/Appropriations by Agency & Fund**  
*(dollars in thousands)*

Agency	FY 2016-17*	FY 2018-19 Forecast Base	FY 2018-19 Enacted Budget	Change: Enacted - FY 2016-17	Change: Enacted - Fest. Base
<b>Supreme Court</b>					
General Fund	95,807	96,022	104,455	8,648	8,433
Special Revenue Fund	9,755	8,098	8,098	(1,657)	-
Gift Fund	2,312	2,728	2,728	416	-
Federal Fund	<u>8,738</u>	<u>9,438</u>	<u>9,438</u>	<u>700</u>	<u>-</u>
<b>Total Supreme Court:</b>	<b>116,612</b>	<b>116,286</b>	<b>124,719</b>	<b>8,107</b>	<b>8,433</b>
<b>Court of Appeals</b>					
General Fund	<b>23,496</b>	<b>23,958</b>	<b>24,940</b>	<b>1,444</b>	<b>982</b>
<b>District Courts</b>					
General Fund	545,339	557,388	589,955	44,616	32,567
Special Revenue Fund	3,974	4,479	4,479	505	-
Gift Fund	365	203	203	(162)	-
Federal Fund	<u>24,126</u>	<u>23,617</u>	<u>23,617</u>	<u>(509)</u>	<u>-</u>
<b>Total District Court:</b>	<b>573,804</b>	<b>585,687</b>	<b>618,254</b>	<b>44,450</b>	<b>32,567</b>
<b>Guardian ad Litem</b>					
General Fund	29,352	30,578	32,870	3,518	2,292
Special Revenue Fund	1,540	1,608	1,608	68	-
Gift Fund	<u>5</u>	<u>-</u>	<u>-</u>	<u>(5)</u>	<u>-</u>
<b>Total Guardian ad Litem:</b>	<b>30,897</b>	<b>32,186</b>	<b>34,478</b>	<b>3,581</b>	<b>2,292</b>
<b>Tax Court</b>					
General Fund	<b>3,745</b>	<b>2,784</b>	<b>3,355</b>	<b>(390)</b>	<b>571</b>
<b>Uniform Laws Commission</b>					
General Fund	<b>181</b>	<b>186</b>	<b>186</b>	<b>5</b>	<b>-</b>
<b>Board on Judicial Standards</b>					
General Fund	<b>1,067</b>	<b>972</b>	<b>972</b>	<b>(95)</b>	<b>-</b>
<b>Legal Professions Board</b>					
Special Revenue Fund	<b>14,713</b>	<b>14,743</b>	<b>14,743</b>	<b>30</b>	<b>-</b>
<b>Public Defense Board</b>					
General Fund	160,989	165,324	174,259	13,270	8,935
Special Revenue Fund	1,341	-	-	(1,341)	-
Gift Fund	233	120	120	(113)	-
Federal Fund	<u>50</u>	<u>-</u>	<u>-</u>	<u>(50)</u>	<u>-</u>
<b>Total Public Defense Board:</b>	<b>162,613</b>	<b>165,444</b>	<b>174,379</b>	<b>11,766</b>	<b>8,935</b>
<b>Peace Officers Standards and Training</b>					
Special Revenue Fund	8,585	8,308	8,308	(277)	-
General Fund	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>
<b>Total Peace Officers Standards and Training:</b>	<b>8,585</b>	<b>8,308</b>	<b>20,308</b>	<b>11,723</b>	<b>12,000</b>

JUDICIARY AND PUBLIC SAFETY

Agency	FY 2016-17*	FY 2018-19 Forecast Base	FY 2018-19 Enacted Budget	Change: Enacted - FY 2016-17	Change: Enacted - Fcst. Base
<b>Private Detective Board</b>					
General Fund	376	378	383	7	5
<b>Department of Human Rights</b>					
General Fund	8,089	8,324	8,973	884	649
Special Revenue Fund	848	480	480	(368)	-
Gift Fund	34	-	-	(34)	-
Federal Fund	<u>308</u>	<u>812</u>	<u>812</u>	<u>504</u>	<u>-</u>
<b>Total Department of Human Rights:</b>	<b>9,279</b>	<b>9,616</b>	<b>10,265</b>	<b>986</b>	<b>649</b>
<b>Department of Public Safety</b>					
General Fund	196,932	187,436	205,020	8,088	17,584
State Government Special Revenue Fund	79,363	87,188	87,426	8,063	238
Special Revenue Fund	76,827	60,069	73,869	(2,958)	13,800
Environmental Fund	142	144	144	2	-
Trunk Highway Fund	4,620	4,650	4,793	173	143
Gift Fund	574	716	716	142	-
Federal Fund	<u>147,908</u>	<u>109,148</u>	<u>109,148</u>	<u>(38,760)</u>	<u>-</u>
<b>Total Department of Public Safety:</b>	<b>506,366</b>	<b>449,351</b>	<b>481,116</b>	<b>(25,250)</b>	<b>31,765</b>
<b>MMB-DPS Non-Operations</b>					
General Fund	22,388	922	922	(21,466)	-
<b>Department of Corrections</b>					
General Fund	1,094,227	1,098,740	1,170,321	76,094	71,581
Special Revenue Fund	29,200	27,208	27,208	(1,992)	-
Gift Fund	30	18	18	(12)	-
Federal Fund	<u>12,109</u>	<u>8,030</u>	<u>8,030</u>	<u>(4,079)</u>	<u>-</u>
<b>Total Department of Corrections:</b>	<b>1,135,566</b>	<b>1,133,996</b>	<b>1,205,577</b>	<b>70,011</b>	<b>71,581</b>
<b>Sentencing Guidelines</b>					
General Fund	1,236	1,282	1,324	88	42
<b>Totals by Fund</b>					
General Fund	2,183,224	2,174,294	2,329,935	146,711	155,641
State Government Special Revenue Fund	79,363	87,188	87,426	8,063	238
Special Revenue Fund	146,783	124,993	138,793	(7,990)	13,800
Environmental Fund	142	144	144	2	-
Trunk Highway Fund	4,620	4,650	4,793	173	143
Gift Fund	3,553	3,785	3,785	232	-
Federal Fund	<u>193,239</u>	<u>151,045</u>	<u>151,045</u>	<u>(42,194)</u>	<u>-</u>
<b>Total for Budget Area</b>	<b>2,610,924</b>	<b>2,546,099</b>	<b>2,715,921</b>	<b>104,997</b>	<b>169,822</b>

\* As adjusted by FY 2017 changes enacted during the 2017 sessions.

**Court of Appeals**

Chapter 95 appropriated \$24.9 million in FY 2018-19 from the General Fund to the Court of Appeals, an increase of \$982,000, or 4.1 percent, above the forecast. As with the Supreme Court, the appropriation included funding to provide salary increases of 2.5 percent each year for court of appeals judges and court staff.

**District Courts**

Chapter 95 appropriated \$590 million in FY 2018-19 from the General Fund to the District Courts, an increase of \$32.6 million, or 5.9 percent, over forecast. This appropriation included funding to provide judge and staff salary increases of 2.5 percent each year. Chapter 95 appropriated \$1.7 million for two new judgeships in the seventh and ninth judicial districts. The seventh judicial district includes the north central Minnesota counties of Becker, Benton, Clay, Douglas, Mille Lacs, Morrison, Otter Tail, Stearns, Todd and Wadena. The ninth judicial district includes the northwestern Minnesota counties of Aitkin, Beltrami, Cass, Clearwater, Crow Wing, Hubbard, Itasca, Kittson, Koochiching, Lake of the Woods, Mahnommen, Marshall, Norman, Pennington, Polk, Red Lake and Roseau. Chapter 95 also appropriated \$2.3 million for court translation and psychological exams for defendants and \$3.4 million for additional specialty drug court funding.

**Guardian ad Litem Board**

Chapter 95 appropriated \$32.9 million in FY 2018-19 from the General Fund to the Guardian ad Litem Board, an increase of \$2.3 million over forecast. Of this amount, \$1.3 million was for health insurance and salary increases, and \$1 million was to hire new attorneys to comply with federal and state service staffing mandates.

**Tax Court**

Chapter 95 appropriated \$3.4 million in FY 2018-19 from the General Fund to the Tax Court, an increase of \$571,000, or 20.2 percent, over forecast. Of this amount, \$512,000 was for the operating costs of a new case management system, \$15,000 was for rulemaking costs and \$44,000 was to fund salary and insurance increases.

**Uniform Laws Commission**

Chapter 95 appropriated \$186,000 in FY 2018-19 from the General Fund to the Uniform Claims Commission. This was the amount forecasted for the commission.

**Board of Judicial Standards**

Chapter 95 appropriated \$972,000 in FY 2018-19 from the General Fund to the Board of Judicial Standards. This was the amount forecasted for the board.

**Board of Public Defense**

Chapter 95 appropriated \$174.3 million in FY 2018-19 from the General Fund to the Board of Public Defense, an increase of \$8.9 million, or 5.4 percent, compared to the forecast. The appropriation provided funding for employee compensation, health insurance, and caseload reduction.

**Peace Officer Standards and Training Board**

Chapter 95 appropriated \$12 million in FY 2018-19 from the General Fund to the Peace Officer Standards and Training Board for reimbursement to local governments for peace officer training. In addition, it appropriated \$8.3 million from the Special Revenue Fund, an increase of \$127,000, or 1.6 percent, over forecast, for salary and health insurance increases and peace officer de-escalation training.

**Private Detective Board**

Chapter 95 appropriated \$383,000 in FY

## JUDICIARY AND PUBLIC SAFETY

2018-19 from the General Fund to the Private Detective Board, an increase of \$5,000 above the forecast, for salary and health insurance increases.

### **Sentencing Guidelines Commission**

Chapter 95 appropriated \$1.3 million in FY 2018-19 from the General Fund to the Sentencing Guidelines Commission. This was an increase of \$42,000 over forecast, and was for salary and health insurance increases.

## **DEPARTMENT OF PUBLIC SAFETY**

The enacted budget for the Department of Public Safety (DPS) totaled \$390.5 million in FY 2018-19. This is a \$31.8 million, or 7.1 percent, increase above the forecast. General Fund appropriations to DPS totaled \$205 million in FY 2018-19, or \$17.6 million (9.4 percent) above the forecast and \$8.1 million (4.1 percent) above FY 2016-17.

DPS receives appropriations in the Judiciary and Public Safety budget as well as in the Transportation and Public Safety budget. The Transportation and Public Safety divisions of DPS received appropriations in 2017 First Special Session, Chapter 3, the Omnibus Transportation and Public Safety Act. See the Transportation and Public Safety chapter on page 113 of this report for further discussion about DPS appropriations.

### **Public Safety Divisions**

Chapter 95 appropriated \$390.5 million in FY 2018-19 to DPS for criminal justice and public safety related activities, an increase of \$22 million above the forecast for these divisions. The increase included additional General Fund appropriations for salaries, health insurance, and additional personnel for the Bureau of Criminal Apprehension and Alcohol and Gambling Enforcement Division, as well as Special Revenue Fund

increases for the State Fire Marshal, the Board of Firefighter Training and Education, and the statewide Emergency Communication Network.

### **Homeland Security and Emergency Management**

The enacted budget appropriated \$6.6 million in FY 2018-19 from the General Fund to the Office of Homeland Security and Emergency Management, an increase of \$1.9 million compared to the forecast. The increase included \$1.3 million to Roseau County to reimburse costs incurred from the flooding of the Roseau River in 1999 and 2002. The appropriation increase also included \$439,000 for salary and health insurance costs, \$100,000 for bomb squad reimbursements, and \$150,000 for nonprofit security grants. Chapter 95 also appropriated \$1.4 million from the Special Revenue Fund for one-time grants to fund emergency response teams in St. Paul, Duluth, Moorhead and St. Cloud.

Similar to the approach taken in the FY 2016-17 budget, Chapter 95 established a General Fund transfer to the disaster contingency account in the Special Revenue Fund of up to \$10 million that is contingent upon the fiscal year 2016-17 General Fund closing balance. If the FY 2016-17 closing balance exceeds the balance projected in the February 2017 forecast, the increase (up to \$10 million) will be transferred to the disaster contingency account. If it is required, the transfer must be completed by September 30, 2017. (See page 8 of the *2015 Fiscal Review* for a discussion of contingent transfers in the FY 2016-17 budget). Money in the disaster contingency account is used to pay for the immediate public costs associated with disaster relief after a disaster occurs. (see the *2014 Fiscal Review*, page 51, for a detailed discussion of the account).

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**Table 2 - Judiciary and Public Safety Budget  
General Fund Changes Compared to Forecast**  
*(dollars in thousands)*

<b>Appropriation Changes</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
<b>Supreme Court</b>						
Judge Compensation	39	81	120	81	81	162
Judge Health Care	14	24	38	24	24	48
Employee Compensation	908	1,842	2,750	1,842	1,842	3,684
Employee Health Care	505	909	1,414	909	909	1,818
Information Security	984	984	1,968	984	984	1,968
HRO Short Form Notification System	-	993	993	993	993	1,986
<b>Supreme Court Total</b>	<b>2,450</b>	<b>4,833</b>	<b>7,283</b>	<b>4,833</b>	<b>4,833</b>	<b>9,666</b>
<b>Civil Legal Services</b>						
Salary and Caseload Reduction	575	575	1,150	575	575	1,150
<b>Court of Appeals</b>						
Judge Compensation	100	205	305	205	205	410
Judge Health Care	28	50	78	50	50	100
Employee Compensation	129	261	390	261	261	522
Employee Health Care	75	134	209	134	134	268
<b>Court of Appeals Total</b>	<b>332</b>	<b>650</b>	<b>982</b>	<b>650</b>	<b>650</b>	<b>1,300</b>
<b>District Courts</b>						
Judge Compensation	1,436	2,937	4,373	2,937	2,937	5,874
Judge Health Care	458	824	1,282	824	824	1,648
Employee Compensation	3,806	7,708	11,514	7,708	7,708	15,416
Employee Health Care	2,856	5,134	7,990	5,134	5,134	10,268
Two New Judgeships	884	818	1,702	818	818	1,636
Mandated Services Deficit	1,164	1,164	2,328	1,164	1,164	2,328
Treatment Court Sustainability	1,689	1,689	3,378	1,689	1,689	3,378
<b>District Court Total</b>	<b>12,293</b>	<b>20,274</b>	<b>32,567</b>	<b>20,274</b>	<b>20,274</b>	<b>40,548</b>
<b>Guardian ad Litem</b>						
Employee Compensation	210	438	648	438	438	876
Employee Health Care	258	386	644	386	386	772
Compliance with State and Federal Mandates	400	600	1,000	600	600	1,200
<b>Guardian ad Litem Total</b>	<b>868</b>	<b>1,424</b>	<b>2,292</b>	<b>1,424</b>	<b>1,424</b>	<b>2,848</b>
<b>Tax Court</b>						
Case Management System	256	256	512	256	256	512
Employee Compensation and Health Care	16	28	44	28	28	56
Rulemaking	15	-	15	-	-	-
<b>Tax Court Total</b>	<b>287</b>	<b>284</b>	<b>571</b>	<b>284</b>	<b>284</b>	<b>568</b>
<b>Board of Public Defense</b>						
Caseload Reduction	500	1,000	1,500	1,000	1,000	2,000
Employee Compensation	1,366	2,457	3,823	2,457	2,457	4,914

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<b>Appropriation Changes</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
Employee Health Care	<u>1,421</u>	<u>2,191</u>	<u>3,612</u>	<u>2,191</u>	<u>2,191</u>	<u>4,382</u>
<b>Board of Public Defense Total</b>	<b>3,287</b>	<b>5,648</b>	<b>8,935</b>	<b>5,648</b>	<b>5,648</b>	<b>11,296</b>
<b>Private Detective Board</b>						
Employee Compensation and Health Care	2	3	5	3	3	6
<b>Department of Human Rights</b>						
Employee Compensation and Health Care	231	418	649	418	418	836
<b>Peace Officer Standards and Training</b>						
Peace Officer Training and Assistance	6,000	6,000	12,000	6,000	6,000	12,000
<b>Sentencing Guidelines</b>						
Employee Compensation and Health Care	14	28	42	28	28	56
<b>Department of Public Safety (DPS)</b>						
<b>Homeland Security and Emergency Management</b>						
Employee Compensation and Health Care	191	248	439	248	248	496
Roseau County Ditch Reimbursement	1,250	-	1,250	-	-	-
Bomb Squad Reimbursement	50	50	100	50	50	100
Supplemental Non-Profit Security Grants	<u>150</u>	<u>-</u>	<u>150</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Subtotal Homeland Security and Emergency Management</b>	<b>1,641</b>	<b>298</b>	<b>1,939</b>	<b>298</b>	<b>298</b>	<b>596</b>
<b>Bureau of Criminal Apprehension</b>						
Employee Compensation and Health Care	2,094	2,939	5,033	2,939	2,939	5,878
Predatory Offender Registry Replacement	2,100	2,000	4,100	400	400	800
BCA Criminal Investigators/Analysts	681	682	1,363	682	682	1,364
Firearms Examiner	250	250	500	250	250	500
Criminal History System Maintenance Staff	250	250	500	250	250	500
Drug Forensic Scientist	150	150	300	150	150	300
HRO Short Form Notification System	<u>-</u>	<u>169</u>	<u>169</u>	<u>47</u>	<u>47</u>	<u>94</u>
<b>Subtotal Bureau of Criminal Apprehension</b>	<b>5,525</b>	<b>6,440</b>	<b>11,965</b>	<b>4,718</b>	<b>4,718</b>	<b>9,436</b>
<b>Alcohol and Gambling Enforcement</b>						
Employee Compensation and Health Care	105	155	260	155	155	310
Alcohol Enforcement Agents	<u>180</u>	<u>180</u>	<u>360</u>	<u>180</u>	<u>180</u>	<u>360</u>
<b>Subtotal Alcohol and Gambling Enforcement</b>	<b>285</b>	<b>335</b>	<b>620</b>	<b>335</b>	<b>335</b>	<b>670</b>
<b>Office of Justice Programs</b>						
Employee Compensation and Health Care	176	232	408	232	232	464
Pathways to Policing	-	400	400	400	400	800
Terrorism Recruitment Prevention Grants	250	250	500	-	-	-
Sex Trafficking Grants	<u>180</u>	<u>180</u>	<u>360</u>	<u>180</u>	<u>180</u>	<u>360</u>
<b>Subtotal Office of Justice Programs</b>	<b>606</b>	<b>1,062</b>	<b>1,668</b>	<b>812</b>	<b>812</b>	<b>1,624</b>

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<b>Appropriation Changes</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
<b>Fire Remediation Grants</b>	1,392	-	1,392	-	-	-
<b>Total Department of Public Safety</b>	<b>9,449</b>	<b>8,135</b>	<b>17,584</b>	<b>6,163</b>	<b>6,163</b>	<b>12,326</b>
<b>Department of Corrections (DOC)</b>						
<b>Institutions</b>						
Employee Compensation	9,823	18,026	27,849	18,026	18,026	36,052
Employee Health Care	2,329	3,477	5,806	3,477	3,477	6,954
Offender Health Care Contract	11,400	-	11,400	5,628	5,628	11,256
Prison Rape Elimination Act	500	631	1,131	631	631	1,262
Operating Costs - Food and Utilities	2,150	2,150	4,300	2,150	2,150	4,300
MN.IT Maintain Current Tech Services	<u>2,969</u>	<u>2,969</u>	<u>5,938</u>	<u>2,969</u>	<u>2,969</u>	<u>5,938</u>
<b>Subtotal Institutions</b>	<b>29,171</b>	<b>27,253</b>	<b>56,424</b>	<b>32,881</b>	<b>32,881</b>	<b>65,762</b>
<b>Community Services</b>						
Employee Compensation	932	1,511	2,443	1,511	1,511	3,022
Employee Health Care	286	427	713	427	427	854
DOC Community Supervision	696	696	1,392	696	696	1,392
CCA County Increase	2,100	2,100	4,200	2,100	2,100	4,200
CPO County Increase	230	230	460	230	230	460
Outpatient Sex Offender Treatment	150	150	300	150	150	300
Alternatives to Incarceration	160	160	320	160	160	320
MN.IT Maintain Current Tech Services	<u>345</u>	<u>345</u>	<u>690</u>	<u>345</u>	<u>345</u>	<u>690</u>
<b>Subtotal Community Services</b>	<b>4,899</b>	<b>5,619</b>	<b>10,518</b>	<b>5,619</b>	<b>5,619</b>	<b>11,238</b>
<b>Operations Support</b>						
Employee Compensation	392	639	1,031	639	639	1,278
Employee Health Care	119	177	296	177	177	354
Critical Technology Modernization	1,500	1,500	3,000	1,500	1,500	3,000
MN.IT Maintain Current Tech Services	<u>138</u>	<u>138</u>	<u>276</u>	<u>138</u>	<u>138</u>	<u>276</u>
<b>Subtotal Operations Support</b>	<b>2,149</b>	<b>2,454</b>	<b>4,603</b>	<b>2,454</b>	<b>2,454</b>	<b>4,908</b>
<b>Corrections Claims</b>	36	-	36	-	-	-
<b>Total Department of Corrections</b>	<b>36,255</b>	<b>35,326</b>	<b>71,581</b>	<b>40,954</b>	<b>40,954</b>	<b>81,908</b>
<b>Total General Fund Changes</b>	<b>72,043</b>	<b>83,598</b>	<b>155,641</b>	<b>87,254</b>	<b>87,254</b>	<b>174,508</b>

Chapter 1 appropriated \$1.4 million in FY 2018-19 from the General Fund to the DPS Homeland Security and Emergency Management Division for five remediation grants.

**Bureau of Criminal Apprehension**

Chapter 95 appropriated \$113.7 million in FY 2018-19 from the General Fund to the Bureau of Criminal Apprehension, an increase of \$12 million, or 11.8 percent, compared to the forecast. Of the increase, \$5 million was for salary and insurance increases. The remainder included \$4.1 million to replace the state's

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predatory offender registry; \$2.7 million for additional criminal investigators, forensic scientists and criminal history registry technicians; and \$169,000 for the development of a harassment restraining order officer notification system.

### **State Fire Marshal**

Chapter 95 appropriated \$12.7 million in FY 2018-19 from the Special Revenue Fund to the State Fire Marshal, an increase of \$1.2 million, or 10.4 percent, above forecast. Of this amount, \$588,000 was for salary and insurance increases and \$600,000 was for inspection of Medicaid-funded senior living facilities.

### **Board of Firefighter Training and Education**

Chapter 95 appropriated \$10 million in FY 2018-19 from the Special Revenue Fund to the Board of Firefighter Training and Education, an increase of \$2.8 million over forecast. The appropriation funded increased firefighter training and the Minnesota Air Rescue Team.

### **Alcohol and Gambling Enforcement**

Chapter 95 appropriated \$3.9 million in FY 2017-18 from the General Fund to the Alcohol and Gambling Enforcement Division, an increase of \$620,000, or 19 percent, over forecast. The increase was for salary and insurance increases and two additional alcohol and gambling field agents.

### **Office of Justice Programs**

Chapter 95 appropriated \$79.4 million in FY 2017-18 from the General Fund to the Office of Justice Programs, an increase of \$1.7 million, or 2.2 percent, over forecast. Of the increase, \$408,000 was for salary and insurance increases. The remainder of the increase provided funding for the following initiatives:

- \$400,000 for a Pathway to Policing minority recruitment program;
- \$500,000 for terrorism recruitment prevention grants; and
- \$360,000 for sex-trafficking prevention grants.

### **Emergency Communication Networks**

Chapter 95 appropriated \$154.4 million in FY 2018-19 from the 911-Emergency Fund to the Emergency Communication Networks Division, an increase of \$238,000 over forecast. The increase was for salary and health insurance increases.

## **DEPARTMENT OF CORRECTIONS**

The enacted budget was \$1.2 billion in FY 2018-19 for the Department of Corrections (DOC), an increase of \$71.6 million, or 6.4 percent compared to the forecast, and an increase of \$70 million, or 6.2 percent, compared to FY 2016-17. In addition, Chapter 95 appropriated \$9.2 million in FY 2017 from the General Fund for a deficiency payment on the department's offender health care contract.

### **Institutions**

Chapter 95 increased the FY 2018-19 Institutions Division appropriation by \$56.4 million, or 7.1 percent, compared to the forecast. The increase included funding for the following initiatives:

- \$33.7 million for salary and health insurance increases;
- \$11.4 million for offender health care increases;
- \$5.9 million to the Office of MN.IT Services (MN.IT) to maintain current information technology services;
- \$4.3 million for food and utility increases; and,
- \$1.1 million for complying with the federal Prison Rape Elimination Act.



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<b>Table 3 - Judiciary</b> <b>Revenue Changes Compared to Forecast</b> <i>(dollars in thousands)</i>							
Revenue Changes by Agency	Fund	FY 2018	FY 2019	FY 2018-19	FY 2020	FY 2021	FY 2020-21
Tax Court							
Small Claims Jurisdiction to \$15,000	General	(3)	(3)	(6)	(3)	(3)	(6)
Supreme Court							
Collection of Overdue Fines and Fees	General	663	994	1,657	994	994	1,988
Civil Court Filing Fee (\$310 to \$285)	General	(2,069)	(2,759)	(4,828)	(2,759)	(2,759)	(5,518)
Motion Fee Civil, Family (\$100 to \$75)	General	(615)	(820)	(1,435)	(820)	(820)	(1,640)
Motion Fee Child Support (\$100 to \$50)	General	(13)	(17)	(30)	(17)	(17)	(34)
HRO Respondent Filing Fee Elimination	General	<u>(110)</u>	<u>(132)</u>	<u>(242)</u>	<u>(132)</u>	<u>(132)</u>	<u>(264)</u>
<b>Total Supreme Court</b>	General	<b>(2,144)</b>	<b>(2,734)</b>	<b>(4,878)</b>	<b>(2,734)</b>	<b>(2,734)</b>	<b>(5,468)</b>
<b>Total Revenue Changes for Budget Area</b>	<b>General</b>	<b>(2,147)</b>	<b>(2,737)</b>	<b>(4,884)</b>	<b>(2,737)</b>	<b>(2,737)</b>	<b>(5,474)</b>

**Community Services**

The enacted budget increased the FY 2018-19 Community Services Division appropriation by \$10.5 million, or 4.3 percent, compared to the forecast. The increase included funding for the following initiatives:

- \$3.2 million for salary and health insurance increases;
- \$4.2 million for the community correction act subsidy;
- \$1.4 million for DOC community supervision;
- \$460,000 for county probation officer reimbursements;
- \$300,000 for community based outpatient sex offender treatment;
- \$690,000 to MN.IT to maintain current information technology services; and
- \$320,000 for an alternative to incarceration grant program.

**Operations Support**

Chapter 95 increased the Operations Support appropriation in FY 2018-19 by \$4.6 million, or 9 percent above forecast. The increase included \$1.3 million for salary and health insurance increases, \$276,000 to MN.IT to maintain current information technology

services, and \$3 million for DOC information technology upgrades and staffing.

**DEPARTMENT OF HUMAN RIGHTS**

The enacted budget for the Department of Human Rights totaled \$10.3 million in FY 2018-19. All of the department’s funding was from the General Fund, and was \$649,000 (7.8 percent) more than the forecast and \$884,000 (10.9 percent) more than FY 2016-17. The appropriation provided funding for employees’ compensation and health insurance increases.

**COURT FEE REDUCTIONS AND COURT FINE AND FEE COLLECTIONS**

Chapter 95 reduced a number of court fees, which are fees that must be paid for various court filings associated with litigation. Chapter 95 made reductions to four separate filing fees:

- the civil court filing fee was reduced from \$310 to \$285;
- the civil and family court motion fee was reduced from \$100 to \$75;

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- the child support modification motion fee was reduced from \$100 to \$50; and
- the harassment restraining order respondent filing fee of \$310 was eliminated.

Court filing fees are deposited in the General Fund. Therefore, a reduction in fees reduces resources in the General Fund. In total, the fee reductions are anticipated to save litigants \$6.5 million in FY 2018-19, and reduce General Fund revenue by the same amount.

In addition, Chapter 95 authorized DPS to share offenders' social security numbers with the judicial branch for court fine and fee debt collection. This initiative will result in a \$1.7 million increase in FY 2018-19 General Fund receipts. Together, the court filing fee reduction and the debt collection initiative will reduce FY 2018-19 General Fund revenue by \$4.9 million compared to the forecast.

## **CHAPTER 10 STATE GOVERNMENT; VETERANS AND MILITARY AFFAIRS**

2017 First Special Session, Chapter 4, the Omnibus State Government and Veterans Act, contained FY 2018-19 appropriations for the Legislature, constitutional officers, and administrative state agencies, and was the primary act that established the FY 2018-19 budget in this jurisdiction. Chapter 2 provided temporary health care premium assistance in the individual market, and appropriated \$326.9 million in FY 2017 to the Department of Management and Budget (MMB) and the Office of the Legislative Auditor (OLA) (see page 78 for detail on this act). General Fund appropriations for State Government and Veterans totaled \$978.7 million for FY 2018-19 and biennial funding from all sources totaled \$1.8 billion. The FY 2018-19 all-funds budget in this jurisdiction was \$73.2 million more than the February 2017 forecast, and \$432.6 million less than FY 2016-17. Table 1, on page 97, summarizes the State Government and Veterans budget across all funds. Table 2, on page 105, details General Fund changes for State Government and Veterans agencies.

### **LEGISLATURE**

Chapter 4 appropriated \$164.3 million in FY 2018-19 for the operations of the Legislature, of which \$164.1 million came from the General Fund. The Governor line-item vetoed the appropriations for the House of Representatives and Senate. The House of Representatives and Senate filed a lawsuit

seeking a judicial declaration that the vetoes were null and void, based on a claim that the vetoes violated the separation of powers clause of the Minnesota Constitution. On June 26, 2017, the Ramsey County District Court provided up to 90 days of funding, equal to \$16.2 million, in FY 2018 (\$8.1 million for the House of Representatives and \$8.1 million for the Senate) to continue the operations of the legislative branch during this litigation. As of the date of the publication of this report, the Governor's appeal from the trial court's order was still pending before the Minnesota Supreme Court. (See sidebar on page 95 for a detailed discussion of this matter.)

The joint legislative offices under the direction of the Legislative Coordinating Commission (LCC) received \$34.9 million in FY 2018-19 from the General Fund, an increase of \$1.1 million over the forecast. A joint nonpartisan Legislative Budget Office was established in Chapter 4 with funding starting in FY 2019. (See sidebar on page 94.) Funding was also included for upgrades and repairs to the information technology data center of the Office of the Revisor of Statutes (Revisor), to be located in the State Office Building (SOB), and a reduction in payments for current leased space that will no longer be needed when the Revisor moves all operations into the SOB. Chapter 4 appropriated one-time funding to the LCC for the Legislative Reference Library to digitally

preserve audio recordings of legislative committee hearings and floor sessions. The General Fund appropriation for OLA included \$130,000 in one-time funding for staff to perform transit financial activity reviews for the Metropolitan Council's Transportation Division, in addition to \$50,000 in one-time funding for OLA reviews related to the State Auditor, the Department of Administration's small agency assistance program, and the State Historic Preservation Office (SHPO). The LCC was authorized to use its appropriation for central administrative staff to support the work of the Office on the Economic Status of Women.

## CONSTITUTIONAL OFFICERS

### Governor

Chapter 4 appropriated \$7.2 million from the General Fund for FY 2018-19 for the Office of the Governor. This appropriation is the same as the appropriation in FY 2016-17.

### State Auditor

The General Fund appropriations for FY 2018-19 to the State Auditor were \$19.8 million. This amount included new funding of \$356,000 above the forecast for costs of staff retention and additional technology staffing. Chapter 4 eliminated the statutorily appropriated Audit Enterprise Fund that was established in FY 2014 and, instead, required local government audit fees to be deposited in the General Fund as nondedicated fee revenue. Direct appropriations from the General Fund will then cover the costs of the audit practice division. Chapter 4 appropriated \$15 million for this function in FY 2018-19, which was the same amount that was forecasted to be spent from the Audit Enterprise Fund. \$978,000 is forecasted to remain unspent in the Audit Enterprise Fund at the end of FY 2017 and will be transferred to the General Fund.

### Legislative Budget Office

Chapter 4 established a nonpartisan Legislative Budget Office (LBO) to analyze fiscal effect of legislation and to prepare fiscal notes. The LBO will be a joint office under the control of the LCC and is charged with providing the House of Representatives and Senate with nonpartisan, accurate, and timely information on the fiscal impact of proposed legislation. At present, MMB is responsible for managing the process of developing fiscal notes. Consistent with the current practice for fiscal notes coordinated by MMB, each department or agency of state government, including the judicial branch, will be required to supply information for fiscal notes upon request of the LBO. Chapter 4 allows the LBO to adopt standards and guidelines as it relates to timelines for responses and access to data necessary for the preparation of fiscal notes. Agencies are required to comply with the standards and guidelines established. The LCC is required to contract with MMB to maintain, and upgrade if necessary, the fiscal note tracking system housed at MMB. \$864,000 was appropriated from the General Fund in FY 2019 for the establishment of the office, including hiring a director and staff. The responsibility for the development of fiscal notes and local impact notes will be transferred to the LBO effective January 8, 2019.

Prior to the establishment of the office, the LBO Transition Planning Task Force will meet to develop a plan for the orderly transfer of the duties from MMB to the LBO. Members of the task force include two members from the House of Representatives, two members from the Senate, the legislative auditor, the commissioner of MMB, and the state budget director. The chief fiscal analyst in the House of Representatives, the lead fiscal analyst in the Senate, and two members from executive branch agencies will serve as ex-officio, nonvoting members of the task force. The task force is required to submit a preliminary report to the Legislature no later than January 15, 2018, and a final report no later than December 1, 2018.

**Attorney General**

Chapter 4 appropriated a total of \$74.3 million for the Attorney General in FY 2018-19, \$44.3 million of which was a direct appropriation from the General Fund. The General Fund appropriation was not increased over forecast for FY 2018-19. An increase of \$1.6 million from other funds was appropriated, which included funding for increased investigations and enforcement work on behalf of the Health-Related Licensing Boards.

**Secretary of State**

Chapter 4 appropriated \$30.5 million to the Secretary of State for FY 2018-19, of which General Fund direct appropriations totaled \$20.4 million. Chapter 4 established a voting equipment grant account in the Special Revenue Fund and appropriated \$7 million one-time in FY 2018-19 from the General Fund to the new account, which allows the Secretary of State to provide grants to local units of government for electronic voting systems assistive voting technology or an electronic roster system.

**Governor’s Line-Item Veto of Legislative Appropriation**

On May 30, 2017, the Governor used his line-item veto authority on the FY 2018-19 General Fund appropriations for the House of Representatives and Senate, which were contained in 2017 First Special Session, Chapter 4, the Omnibus State Government and Veterans Act. The combined total of these appropriations was \$129.2 million for FY 2018-19. The vetoed appropriations were identical to amounts recommended in the Governor’s FY 2018-19 budget as presented to the Legislature in January 2017 and in the Governor’s revised budget recommendations in March 2017. The \$34.9 million appropriation to the LCC was not affected by the line-item veto of the appropriations to the House of Representatives and Senate.

In his May 30, 2017, veto message regarding the line-item vetoes, the Governor acknowledged that he vetoed the House of Representatives and Senate appropriations in order to renegotiate provisions of omnibus bills that he had already signed into law:

“I am line-item vetoing the appropriations for the Senate and House of Representatives to bring the Leaders back to the table to negotiate provisions in the Tax, Education and Public Safety bills that I cannot accept.”

At the time the Governor sent this message, the Legislature had adjourned the 2017 First Special Session *sine die*, which prevented the Legislature from attempting to override the vetoes.

The House of Representatives and Senate decided to challenge the constitutionality of the Governor’s line-item vetoes. On June 2, 2017, the LCC authorized the retention of the law firm of Kelley, Wolter & Scott, P.A., to represent the House of Representatives and Senate in litigation challenging the Governor’s line-item vetoes and in any related litigation necessary to obtain an operating budget for the Legislature.

The House of Representatives and Senate filed a complaint in Ramsey County District Court on June 13, 2017, seeking a declaratory judgment and injunctive relief declaring the Governor’s vetoes in violation of the separation of powers clause in the Minnesota Constitution, and therefore unconstitutional, null, and void. In the alternative to this request, the House of Representatives and

**Governor's Line-Item Veto of Legislative Appropriation (continued)**

Senate sought an order from the court compelling MMB to allot the funds necessary for the Legislature to exercise its official and constitutional duties. The case was assigned to Judge John H. Guthmann, the Chief Judge of the Second Judicial District (Ramsey County).

Soon after the complaint was filed, the parties to the litigation filed a stipulation with Judge Guthmann requesting the court to decide the constitutional challenge presented by the complaint first, leaving the issue of whether to order continued funding for the official and constitutional duties of the House of Representatives and Senate for a later phase of district court proceedings.

Furthermore, the stipulation also requested that Judge Guthmann order temporary funding in FY 2018 for the House of Representatives and and Senate, based on a fractional share of the FY 2017 appropriations, during the time period necessary for a district court decision on the constitutional challenge and the appellate review of that decision. The stipulation explicitly stated that a portion of the funds provided to the Senate were to be used for rental payments for the Minnesota Senate Building and debt service payments for the parking garage in that building. Judge Guthmann issued an order consistent with the stipulation on June 26, 2017. The order provided that the temporary funding for the House of Representatives and Senate would remain in place until October 1, 2017, or until completion of appellate review of the pending decision on constitutionality of the line-item vetoes.

Judge Guthmann heard oral arguments on the constitutional challenge on June 26, 2017, and issued an order on July 19, 2017, invalidating Governor Dayton's line-item vetoes of the appropriations to the House of Representatives and Senate. Judge Guthmann's order concluded that:

“...Governor Dayton improperly used his line-item veto authority to gain a repeal or modification of unrelated policy legislation by effectively eliminating a co-equal branch of government. Therefore, under the unique and limited circumstances of this case, the Governor's line-item veto of the Legislature's appropriations offended the Separation of Powers clause of the Minnesota Constitution.”

The parties submitted a joint petition to the Minnesota Supreme Court for direct review of the District Court decision, bypassing the Minnesota Court of Appeals. On July 26, 2017, the Supreme Court issued an order granting accelerated review and setting Monday, August 28, 2017, as the date for oral argument on the issues before the Supreme Court. After the oral argument, the Supreme Court issued an order on September 8, 2017, that directed the House of Representatives and Senate and the Governor to enter into mediation. The Supreme Court also directed the parties to file informal memoranda regarding the constitutionality of judicially directed funding, other remedies available to the court, and any jurisdictional challenges. Lastly, the Supreme Court also directed the parties to file a statement regarding the status of the carryforward accounts for the House of Representatives and Senate, including the date by which those funds would be exhausted.

At the time of publication of the *2017 Fiscal Review*, the Supreme Court had not yet issued a decision on this case and Judge Guthmann's decision and order providing temporary functional funding remained in effect. Further information about the status of the appropriations for the House of Representatives and Senate will be provided in the *2018 Fiscal Review*.

## STATE GOVERNMENT; VETERANS AND MILITARY AFFAIRS

**Table 1 - State Departments, Military and Veterans Affairs**  
**All Funds Biennial Spending/Appropriations by Agency & Fund**  
*(dollars in thousands)*

<b>Agency</b>	<b>FY 2016-17*</b>	<b>FY 2018-19 Forecast Base</b>	<b>FY 2018-19 Enacted Budget</b>	<b>Change: Enacted - FY 2016-17</b>	<b>Change: Enacted - Fest. Base</b>
<b>Legislature</b>					
General Fund	174,538	162,962	51,104	(123,434)	(111,858)
Outdoor Heritage Fund	1,953	-	1,164	(789)	1,164
Arts & Cultural Heritage Fund	11	-	9	(2)	9
Clean Water Fund	9	-	15	6	15
Parks and Trails Fund	4	-	7	3	7
Health Care Access Fund	319	256	256	(63)	-
Gift Fund	23	22	22	(1)	-
Federal Fund	83	-	-	(83)	-
Minnesota Resources Fund	13	12	12	(1)	-
Special Revenue Fund	659	338	338	(321)	-
Environment and Natural Resource Fund	<u>1,929</u>	<u>35</u>	<u>1,240</u>	<u>(689)</u>	<u>1,205</u>
<b>Total Legislature:</b>	<b>179,541</b>	<b>163,625</b>	<b>54,167</b>	<b>(125,374)</b>	<b>(109,458)</b>
<b>Governor</b>					
General Fund	7,231	7,232	7,232	1	-
Special Revenue Fund	<u>2,936</u>	<u>2,652</u>	<u>2,652</u>	<u>(284)</u>	<u>-</u>
<b>Total Governor:</b>	<b>10,167</b>	<b>9,884</b>	<b>9,884</b>	<b>(283)</b>	<b>-</b>
<b>State Auditor</b>					
General Fund	4,420	4,466	19,789	15,369	15,323
Special Revenue Fund	<u>1,395</u>	<u>1,546</u>	<u>1,546</u>	<u>151</u>	<u>-</u>
<b>Total State Auditor:</b>	<b>5,815</b>	<b>6,012</b>	<b>21,335</b>	<b>15,520</b>	<b>15,323</b>
<b>Attorney General</b>					
General Fund	44,249	44,250	44,250	1	-
Environmental Fund	145	290	290	145	-
Remediation Fund	250	500	500	250	-
Federal Fund	3,737	4,212	4,212	475	-
State Government Special Revenue Fund	4,774	4,774	4,774	0	-
Special Revenue Fund	<u>19,708</u>	<u>20,408</u>	<u>20,408</u>	<u>700</u>	<u>-</u>
<b>Total Attorney General:</b>	<b>72,863</b>	<b>74,434</b>	<b>74,434</b>	<b>1,571</b>	<b>-</b>
<b>Secretary of State</b>					
General Fund	13,262	13,373	20,373	7,111	7,000
Special Revenue Fund	<u>7,092</u>	<u>10,100</u>	<u>10,100</u>	<u>3,008</u>	<u>-</u>
<b>Total Secretary of State:</b>	<b>20,354</b>	<b>23,473</b>	<b>30,473</b>	<b>10,119</b>	<b>7,000</b>
<b>Campaign Finance &amp; Public Disclosure Board</b>					
General Fund	5,098	4,725	4,749	(349)	24
Special Revenue Fund	<u>2,642</u>	<u>2,869</u>	<u>2,869</u>	<u>227</u>	<u>-</u>
<b>Total Campaign Finance &amp; Public Disclosure Board:</b>	<b>7,740</b>	<b>7,594</b>	<b>7,618</b>	<b>(122)</b>	<b>24</b>

STATE GOVERNMENT; VETERANS AND MILITARY AFFAIRS

Agency	FY 2016-17*	FY 2018-19 Forecast Base	FY 2018-19 Enacted Budget	Change: Enacted - FY 2016-17	Change: Enacted - Fct. Base
<b>Investment Board</b>					
General Fund	278	278	278	-	-
Special Revenue Fund	<u>10,965</u>	<u>12,285</u>	<u>12,285</u>	<u>1,320</u>	-
<b>Total Investment Board:</b>	<b>11,243</b>	<b>12,563</b>	<b>12,563</b>	<b>1,320</b>	-
<b>Administrative Hearings</b>					
General Fund	797	766	796	(1)	30
Environmental Fund	100	100	100	0	-
Workers' Compensation Special Fund	<u>14,500</u>	<u>14,500</u>	<u>15,574</u>	<u>1,074</u>	<u>1,074</u>
<b>Total Administrative Hearings:</b>	<b>15,397</b>	<b>15,366</b>	<b>16,470</b>	<b>1,073</b>	<b>1,104</b>
<b>MN.IT Services</b>					
General Fund	11,895	5,244	5,304	(6,591)	60
Special Revenue Fund	<u>45,876</u>	<u>15,177</u>	<u>15,177</u>	<u>(30,699)</u>	-
<b>Total MN.IT Services:</b>	<b>57,771</b>	<b>20,421</b>	<b>20,481</b>	<b>(37,290)</b>	<b>60</b>
<b>Administration</b>					
General Fund	49,551	44,527	49,801	250	5,274
Arts & Cultural Heritage Fund	21,292	264	20,801	(491)	20,537
Endowment and Permanent School Fund	850	600	600	(250)	-
Gift Fund	311	389	389	78	-
Federal Fund	3,197	4,549	4,549	1,352	-
Special Revenue Fund	<u>100,422</u>	<u>84,050</u>	<u>84,250</u>	<u>(16,172)</u>	<u>200</u>
<b>Total Administration:</b>	<b>175,622</b>	<b>134,378</b>	<b>160,389</b>	<b>(15,234)</b>	<b>26,011</b>
<b>Capitol Area Architectural &amp; Planning Board</b>					
General Fund	<u>698</u>	<u>690</u>	<u>697</u>	<u>(1)</u>	<u>7</u>
<b>Total Capitol Area Architectural &amp; Planning Board:</b>	<b>698</b>	<b>690</b>	<b>697</b>	<b>(1)</b>	<b>7</b>
<b>Management and Budget</b>					
General Fund	394,141	65,340	69,513	(324,628)	4,173
Special Revenue Fund	<u>24,759</u>	<u>23,900</u>	<u>23,900</u>	<u>(859)</u>	-
<b>Total Management and Budget:</b>	<b>418,900</b>	<b>89,240</b>	<b>93,413</b>	<b>(325,487)</b>	<b>4,173</b>
<b>MMB Non Operating</b>					
General Fund	9,628	9,850	9,850	222	-
Debt Service Fund	649	650	650	1	-
Workers' Compensation Special Fund	200	200	200	-	-
Federal Fund	15,803	15,804	15,804	1	-
State Government Special Revenue Fund	<u>800</u>	<u>800</u>	<u>800</u>	-	-
<b>Total MMB Non Operating:</b>	<b>27,080</b>	<b>27,304</b>	<b>27,304</b>	<b>224</b>	-
<b>Indirect Cost Receipts &amp; Opt Out SEGIP</b>					
General Fund	<u>(40,703)</u>	<u>(39,828)</u>	<u>(43,840)</u>	<u>(3,137)</u>	<u>(4,012)</u>
<b>Total Indirect Cost Receipts:</b>	<b>(40,703)</b>	<b>(39,828)</b>	<b>(43,840)</b>	<b>(3,137)</b>	<b>(4,012)</b>



STATE GOVERNMENT; VETERANS AND MILITARY AFFAIRS

Agency	FY 2016-17*	FY 2018-19 Forecast Base	FY 2018-19 Enacted Budget	Change: Enacted - FY 2016-17	Change: Enacted - Fct. Base
<b>Revenue Department</b>					
General Fund	286,285	290,616	311,585	25,300	20,969
Health Care Access Fund	3,498	3,498	3,498	-	-
Highway User Tax Distribution Fund	4,366	4,366	4,366	-	-
Environmental Fund	606	606	606	-	-
Special Revenue Fund	<u>8,302</u>	<u>10,235</u>	<u>10,427</u>	<u>2,125</u>	<u>192</u>
<b>Total Revenue Department:</b>	<b>303,057</b>	<b>309,321</b>	<b>330,482</b>	<b>27,425</b>	<b>21,161</b>
<b>Gambling Control Board</b>					
Special Revenue Fund	<u>6,584</u>	<u>6,648</u>	<u>6,879</u>	<u>295</u>	<u>231</u>
<b>Total Gambling Control Board:</b>	<b>6,584</b>	<b>6,648</b>	<b>6,879</b>	<b>295</b>	<b>231</b>
<b>Racing Commission</b>					
General Fund	341	-	-	(341)	-
Special Revenue Fund	<u>4,464</u>	<u>5,510</u>	<u>5,538</u>	<u>1,074</u>	<u>28</u>
<b>Total Racing Commission:</b>	<b>4,805</b>	<b>5,510</b>	<b>5,538</b>	<b>733</b>	<b>28</b>
<b>Amateur Sports Commission</b>					
General Fund	3,484	600	608	(2,876)	8
Special Revenue Fund	<u>153</u>	<u>153</u>	<u>153</u>	<u>-</u>	<u>-</u>
<b>Total Amateur Sports Commission:</b>	<b>3,637</b>	<b>753</b>	<b>761</b>	<b>(2,876)</b>	<b>8</b>
<b>Minnesotans of African Heritage Council</b>					
General Fund	<u>947</u>	<u>802</u>	<u>809</u>	<u>(138)</u>	<u>7</u>
<b>Total MN of African Heritage Council:</b>	<b>947</b>	<b>802</b>	<b>809</b>	<b>(138)</b>	<b>7</b>
<b>Latino Affairs Council</b>					
General Fund	<u>767</u>	<u>772</u>	<u>971</u>	<u>204</u>	<u>199</u>
<b>Total Latino Affairs Council:</b>	<b>767</b>	<b>772</b>	<b>971</b>	<b>204</b>	<b>199</b>
<b>Asian-Pacific Council</b>					
General Fund	723	728	921	198	193
Special Revenue Fund	<u>24</u>	<u>32</u>	<u>32</u>	<u>8</u>	<u>-</u>
<b>Total Asian-Pacific Council:</b>	<b>747</b>	<b>760</b>	<b>953</b>	<b>206</b>	<b>193</b>
<b>Indian Affairs Council</b>					
General Fund	1,145	1,152	1,164	19	12
Arts & Cultural Heritage Fund	2,616	40	2,680	64	2,640
Special Revenue Fund	<u>54</u>	<u>-</u>	<u>-</u>	<u>(54)</u>	<u>-</u>
<b>Total Indian Affairs Council:</b>	<b>3,815</b>	<b>1,192</b>	<b>3,844</b>	<b>29</b>	<b>2,652</b>
<b>Minnesota Historical Society</b>					
General Fund	47,527	46,313	49,313	1,786	3,000
Arts & Cultural Heritage Fund	35,763	1,039	29,159	(6,604)	28,120
Special Revenue Fund	<u>341</u>	<u>400</u>	<u>400</u>	<u>59</u>	<u>-</u>
<b>Total Minnesota Historical Society:</b>	<b>83,631</b>	<b>47,752</b>	<b>78,872</b>	<b>(4,759)</b>	<b>31,120</b>

STATE GOVERNMENT; VETERANS AND MILITARY AFFAIRS

Agency	FY 2016-17*	FY 2018-19 Forecast Base	FY 2018-19 Enacted Budget	Change: Enacted - FY 2016-17	Change: Enacted - Fct. Base
<b>Arts Board</b>					
General Fund	15,052	15,060	15,073	21	13
Arts & Cultural Heritage Fund	57,426	939	59,045	1,619	58,106
Gift Fund	82	82	82	-	-
Federal Fund	1,490	1,540	1,540	50	-
Special Revenue Fund	<u>26</u>	<u>-</u>	<u>-</u>	<u>(26)</u>	<u>-</u>
<b>Total Arts Board:</b>	<b>74,076</b>	<b>17,621</b>	<b>75,740</b>	<b>1,664</b>	<b>58,119</b>
<b>Humanities Center</b>					
General Fund	1,445	1,350	1,900	455	550
Arts & Cultural Heritage Fund	<u>4,478</u>	<u>62</u>	<u>5,214</u>	<u>736</u>	<u>5,152</u>
<b>Total Humanities Center:</b>	<b>5,923</b>	<b>1,412</b>	<b>7,114</b>	<b>1,191</b>	<b>5,702</b>
<b>Accountancy Board</b>					
General Fund	<u>1,280</u>	<u>1,282</u>	<u>1,294</u>	<u>14</u>	<u>12</u>
<b>Total Accountancy Board:</b>	<b>1,280</b>	<b>1,282</b>	<b>1,294</b>	<b>14</b>	<b>12</b>
<b>Architecture, Engineering Board</b>					
General Fund	<u>1,578</u>	<u>1,588</u>	<u>1,603</u>	<u>25</u>	<u>15</u>
<b>Total Architecture, Engineering Board:</b>	<b>1,578</b>	<b>1,588</b>	<b>1,603</b>	<b>25</b>	<b>15</b>
<b>Cosmetologist Examiners Board</b>					
General Fund	<u>5,149</u>	<u>5,168</u>	<u>5,560</u>	<u>411</u>	<u>392</u>
<b>Total Cosmetologist Examiners Board:</b>	<b>5,149</b>	<b>5,168</b>	<b>5,560</b>	<b>411</b>	<b>392</b>
<b>Barber Examiners Board</b>					
General Fund	<u>646</u>	<u>650</u>	<u>684</u>	<u>38</u>	<u>34</u>
<b>Total Barber Examiners Board:</b>	<b>646</b>	<b>650</b>	<b>684</b>	<b>38</b>	<b>34</b>
<b>Contingent Accounts</b>					
General Fund	<u>298</u>	<u>500</u>	<u>500</u>	<u>202</u>	<u>-</u>
<b>Total Contingent Accounts:</b>	<b>298</b>	<b>500</b>	<b>500</b>	<b>202</b>	<b>-</b>
<b>Tort Claims &amp; Other Claims</b>					
General Fund	<u>2,059</u>	<u>322</u>	<u>322</u>	<u>(1,737)</u>	<u>-</u>
<b>Total Tort Claims &amp; Other Claims:</b>	<b>2,059</b>	<b>322</b>	<b>322</b>	<b>(1,737)</b>	<b>-</b>
<b>Minnesota State Retirement System</b>					
General Fund	<u>16,896</u>	<u>29,964</u>	<u>29,964</u>	<u>13,068</u>	<u>-</u>
<b>Total Minnesota State Retirement System:</b>	<b>16,896</b>	<b>29,964</b>	<b>29,964</b>	<b>13,068</b>	<b>-</b>
<b>Public Employees Retirement Association</b>					
General Fund	<u>12,000</u>	<u>32,000</u>	<u>32,000</u>	<u>20,000</u>	<u>-</u>
<b>Total Public Employees Retirement Association:</b>	<b>12,000</b>	<b>32,000</b>	<b>32,000</b>	<b>20,000</b>	<b>-</b>

STATE GOVERNMENT; VETERANS AND MILITARY AFFAIRS

Agency	FY 2016-17*	FY 2018-19 Forecast Base	FY 2018-19 Enacted Budget	Change: Enacted - FY 2016-17	Change: Enacted - Fct. Base
<b>Teachers Retirement Association</b>					
General Fund	<u>59,662</u>	<u>59,662</u>	<u>59,662</u>	-	-
<b>Total Teachers Retirement Association:</b>	<b>59,662</b>	<b>59,662</b>	<b>59,662</b>	-	-
<b>St. Paul Teachers Retirement Association</b>					
General Fund	<u>19,654</u>	<u>19,654</u>	<u>19,654</u>	-	-
<b>Total St. Paul Teachers Retirement Association:</b>	<b>19,654</b>	<b>19,654</b>	<b>19,654</b>	-	-
<b>Totals By Fund, State Departments</b>					
General Fund	1,152,021	832,058	773,483	(378,538)	(58,575)
Debt Service Fund	649	650	650	1	-
Endowment & Permanent School Fund	850	600	600	(250)	-
Environmental Fund	851	996	996	145	-
Federal Fund	24,310	26,105	26,105	1,795	-
Gift Fund	416	493	493	77	-
Health Care Access Fund	3,817	3,754	3,754	(63)	-
Highway User Tax Distribution Fund	4,366	4,366	4,366	-	-
Remediation Fund	250	500	500	250	-
Special Revenue Fund	236,402	196,303	196,954	(39,448)	651
State Govt. Special Revenue Fund	5,574	5,574	5,574	-	-
Workers' Compensation Special Fund	<u>14,700</u>	<u>14,700</u>	<u>15,774</u>	<u>1,074</u>	<u>1,074</u>
Subtotal: State Departments Jurisdiction	1,444,206	1,086,098	1,029,248	(414,958)	(56,850)
<i>Dedicated/Constitutional Funds</i>					
Minnesota Resources Fund	13	12	12	(1)	-
Env & Natural Resources Trust Fund	1,929	35	1,240	(689)	1,205
Outdoor Heritage Fund	1,953	-	1,164	(789)	1,164
Clean Water Fund	9	-	15	6	15
Parks & Trails Fund	4	-	7	3	7
Arts & Cultural Heritage Fund	<u>121,586</u>	<u>2,344</u>	<u>116,908</u>	<u>(4,678)</u>	<u>114,564</u>
Subtotal Dedicated/Const. Funds:	125,494	2,391	119,346	(6,149)	116,955
<b>Subtotal: State Departments</b>	<b>1,569,700</b>	<b>1,088,489</b>	<b>1,148,594</b>	<b>(421,107)</b>	<b>60,105</b>
<b>Military Affairs</b>					
General Fund	60,706	39,808	48,332	(12,374)	8,524
Federal Fund	153,346	156,400	156,400	3,054	-
Special Revenue Fund	3,001	3,204	3,204	203	-
Environment and Natural Resource Fund	-	-	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
<b>Total Military Affairs:</b>	<b>217,053</b>	<b>199,412</b>	<b>208,936</b>	<b>(8,117)</b>	<b>9,524</b>
<b>Veterans Affairs</b>					
General Fund	145,411	153,358	156,907	11,496	3,549
Gift Fund	1,030	1,139	1,139	108	-
Federal Fund	43,486	11,187	11,187	(32,299)	-
Special Revenue Fund	<u>206,153</u>	<u>223,461</u>	<u>223,461</u>	<u>17,308</u>	-
<b>Total Veterans Affairs:</b>	<b>396,080</b>	<b>389,145</b>	<b>392,694</b>	<b>(3,387)</b>	<b>3,549</b>

STATE GOVERNMENT; VETERANS AND MILITARY AFFAIRS

Agency	FY 2016-17*	FY 2018-19 Forecast Base	FY 2018-19 Enacted Budget	Change: Enacted - FY 2016-17	Change: Enacted - Fct. Base
<b>Totals by Fund</b>					
General Fund	206,117	193,166	205,239	(878)	12,073
Federal Fund	196,832	167,587	167,587	(29,245)	-
Gift Fund	1,030	1,139	1,139	108	-
Special Revenue Fund	<u>209,154</u>	<u>226,665</u>	<u>226,665</u>	<u>17,511</u>	-
Subtotal: Military & Veterans Affairs Jurisdiction	613,133	588,557	600,630	(12,504)	12,073
<i>Dedicated/Constitutional Funds</i>					
Env & Natural Resources Trust Fund	-	-	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Subtotal Dedicated/Const. Funds:	-	-	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
<b>Subtotal: Military &amp; Veterans Affairs</b>	<b>613,133</b>	<b>588,557</b>	<b>601,630</b>	<b>(11,504)</b>	<b>13,073</b>
<b>Totals by Fund, Combined Budget Jurisdictions</b>					
General Fund	1,358,138	1,025,224	978,722	(379,416)	(46,502)
Debt Service Fund	649	650	650	1	-
Endowment & Permanent School Fund	850	600	600	(250)	-
Environmental Fund	851	996	996	145	-
Federal Fund	221,142	193,692	193,692	(27,450)	-
Gift Fund	1,446	1,631	1,631	185	-
Health Care Access Fund	3,817	3,754	3,754	(63)	-
Highway User Tax Distribution Fund	4,366	4,366	4,366	-	-
Remediation Fund	250	500	500	250	-
Special Revenue Fund	445,556	422,968	423,619	(21,937)	651
State Govt. Special Revenue Fund	5,574	5,574	5,574	0	-
Workers' Compensation Special Fund	<u>14,700</u>	<u>14,700</u>	<u>15,774</u>	<u>1,074</u>	<u>1,074</u>
Subtotal for Regular Funds	2,057,339	1,674,655	1,629,878	(427,461)	(44,777)
<i>Dedicated/Constitutional Funds</i>					
Minnesota Resources Fund	13	12	12	(1)	-
Env & Natural Resources Trust Fund	1,929	35	2,240	311	2,205
Outdoor Heritage Fund	1,953	-	1,164	(789)	1,164
Clean Water Fund	9	-	15	6	15
Parks & Trails Fund	4	-	7	3	7
Arts & Cultural Heritage Fund	<u>121,586</u>	<u>2,344</u>	<u>116,908</u>	<u>(4,678)</u>	<u>114,564</u>
Subtotal Dedicated/Const. Funds:	<u>125,494</u>	<u>2,391</u>	<u>120,346</u>	<u>(5,149)</u>	<u>117,955</u>
<b>Total for Budget Area</b>	<b>2,182,834</b>	<b>1,677,045</b>	<b>1,750,223</b>	<b>(432,610)</b>	<b>73,178</b>

\* As adjusted by FY 2017 changes made by the 2017 Legislature.

**STATE AGENCIES**

**Office of MN.IT Services**

The enacted budget appropriated \$20.5 million in FY 2018-19 for the Office of MN.IT Services (MN.IT). The direct General

Fund portion of the budget was \$5.3 million for FY 2018-19, an increase of \$60,000 over forecast, for increased compensation costs and to maintain the current level of agency operations. Chapter 4 enacted a loan of \$110 million to MN.IT from the General Fund in FY 2018, to be repaid in FY 2019. Since this

loan will be repaid within the biennium, it will not change biennial appropriations. The loan responds to an anticipated cash flow shortfall that will result from an agency-wide consolidation of information technology, and is similar to MN.IT cash flow loans enacted in the previous two biennia.

MN.IT is also supported by the Enterprise Technology Revolving Fund, which receives state agency reimbursements for services provided to state and local government agencies. MN.IT charges agencies for computer services; telecommunication services; enterprise application development; establishment of information technology standards; and MN.IT's internal security, planning, and management operations. Estimated MN.IT spending from the Enterprise Technology Revolving Fund in FY 2018-19 is \$894 million.

### **Department of Administration**

Chapter 4 appropriated a total of \$160.4 million in FY 2018-19 to the Department of Administration, including \$49.8 million from the General Fund. General Fund appropriations included additional funding to pay for increased compensation costs, maintain the current level of agency operations, and fund the State Demographic Center's participation in the federal 2020 Census and reporting requirements for the annual American Community Survey. Chapter 4 appropriated \$18.8 million from the General Fund for in lieu of rent, an increase of \$2.4 million over forecast, to pay for space costs for the Legislature, for the Congressionally chartered veterans' organizations, for the services for the blind vending operators, for ceremonial areas in the Capitol and the Governor's residence, and for ceremonial grounds and monuments and

memorials in the Capitol area. The department also acts as the fiscal agent for \$20.8 million appropriated from the constitutionally dedicated Legacy funds, for activities such as public broadcasting, zoos, and museums. (See Appendix D, page 137, for details on the Omnibus Legacy Act.)

Chapter 4 transferred funding for and duties of the State Historic Preservation Office (SHPO) from the Minnesota Historical Society (MHS) to the Department of Administration, effective March 1, 2018. The OLA was requested to conduct a review of the office prior to the transfer. \$300,000 in FY 2018-19 was appropriated from the General Fund to the Department of Administration to supplement the funding transferred from MHS.

Chapter 4 granted statutory authority to the department to charge fees for events held in the State Capitol and on the ceremonial grounds. The fee revenue is deposited in a Special Revenue Fund account and statutorily appropriated to cover costs incurred in support of special and private events. The fee revenue is \$100,000 in each fiscal year and will be initially used to fund an events coordinator.

Over 80 percent of Department of Administration functions are funded with non-General Fund appropriations, consisting primarily of internal service and enterprise funds. Internal service funds are established with deposits of fees charged primarily to state agencies for support services, such as insurance, fleet management, consulting, sale of office supplies, mail services, and the leasing of facilities under the custodial control of the Department of Administration. Enterprise funds are generated through fees

charged to governmental entities, citizens, and businesses through the state bookstore, surplus property sales, and cooperative purchasing of products and services. Appropriations from internal service and enterprise funds totaled \$265.5 million in FY 2018-19. This is in addition to \$160.4 million of other non-General Fund appropriations to the department in FY 2018-19.

The Department of Administration serves as the fiscal agent for public broadcasting grants that totaled \$5.6 million for FY 2018-19, of which \$400,000 was a one-time appropriation in FY 2018-19. In addition, \$324,000 was appropriated in FY 2018-19 from the General Fund for transfer to the Minnesota Film and TV Board.

#### **Department of Management and Budget**

The FY 2018-19 operating budget for the Department of Management and Budget (MMB) totaled \$93.4 million, \$69.5 million of which was appropriated directly from the General Fund. The General Fund appropriation was \$4.2 million more than the February 2017 forecast for the following initiatives: \$1.8 million for increased compensation costs and to maintain the current level of agency operations and \$2.4 million to support increased system security and risk management for the department's enterprise financial, procurement, and human resource systems.

Prior to the February 2017 forecast, Chapter 2 appropriated \$326.8 million from the General Fund to MMB in FY 2017 for subsidies of individual premiums. Under

Chapter 2, MMB must make payments to health insurance carriers on behalf of insured individuals to reduce individuals' premiums (see page 55 for details of the individual insurance market premium assistance program in Chapter 2). Chapter 2 also appropriated \$157,000 to OLA in FY 2017 from the General Fund. These appropriations were enacted prior to the February 2017 forecast and were incorporated in the forecast, which skews a comparison between the enacted budget and FY 2016-17.

#### **Department of Revenue**

The Department of Revenue (DOR) budget totaled \$330.5 million for FY 2018-19, including direct General Fund appropriations of \$311.6 million. Chapter 4 included new General Fund appropriations of \$15.5 million over the February 2017 forecast to meet increased compensation costs and maintain the current level of agency operations, and \$160,000 in one-time funding for administration of the first-time home buyer savings account enacted in Chapter 1. See page 21 for additional details on this program.

The Minnesota State Board of Assessors, which had been supported by DOR's appropriations, will now be fully supported by fee revenue. Chapter 4 increased the licensing fees, shifted the deposit of those fees from the General Fund into an account in the Special Revenue Fund, and statutorily appropriated the revenue to DOR for board expenses. In FY 2018-19, the loss to the General Fund is \$70,000, while the fee revenue deposited in the Special Revenue Fund account is \$192,000.

## STATE GOVERNMENT; VETERANS AND MILITARY AFFAIRS

**Table 2 - State Departments, Military and Veterans Affairs**  
**General Fund Changes Compared to Forecast**  
*(dollars in thousands)*

<b>Appropriation Changes</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
<b>Legislature</b>						
Governor Line-Item Veto of Senate Appropriation	(32,299)	(32,105)	(64,404)	(32,105)	(32,105)	(64,210)
Ramsey County Court Order 90 day Funding	8,072	-	8,072	-	-	-
<b>Senate</b>						
Governor Line-Item Veto of House Appropriation	(32,383)	(32,383)	(64,766)	(32,383)	(32,383)	(64,766)
Ramsey County Court Order 90 day Funding	8,096	-	8,096	-	-	-
<b>House</b>						
Legislative Auditor Transit Funding Audits	130	-	130	-	-	-
Legislative Auditor Reviews	50	-	50	-	-	-
Reference Library Digitization	177	-	177	-	-	-
Revisor's Office Server Room & Move	250	(87)	163	(87)	(87)	(174)
LCC Operating Budget Reduction	(120)	(120)	(240)	(120)	(120)	(240)
Legislative Budget Office	-	864	864	818	818	1,636
<b>Legislature Total:</b>	<b>(48,027)</b>	<b>(63,831)</b>	<b>(111,858)</b>	<b>(63,877)</b>	<b>(63,877)</b>	<b>(127,754)</b>
<b>State Auditor</b>						
Staff Retention	55	99	154	99	99	198
Technology Staffing	101	101	202	101	101	202
Direct Appropriation for Audit Practice	7,361	7,606	14,967	7,606	7,606	15,212
<b>State Auditor Total:</b>	<b>7,517</b>	<b>7,806</b>	<b>15,323</b>	<b>7,806</b>	<b>7,806</b>	<b>15,612</b>
<b>Secretary of State</b>						
Election Equipment Grant Funding	7,000	-	7,000	-	-	-
<b>Campaign Finance &amp; Public Disclosure Board</b>						
Operating Adjustment	8	16	24	16	16	32
<b>Administrative Hearings</b>						
Operating Adjustment	2	4	6	4	4	8
Expedited Data Practices Hearing Costs	12	12	24	12	12	24
<b>Administrative Hearings Total:</b>	<b>14</b>	<b>16</b>	<b>30</b>	<b>16</b>	<b>16</b>	<b>32</b>
<b>MN.IT Services</b>						
Operating Adjustment	20	40	60	40	40	80
<b>Administration</b>						
Operating Adjustment	658	763	1,421	763	763	1,526
In Lieu of Rent Increase	1,216	1,233	2,449	1,233	1,233	2,466
Census 2020	190	190	380	190	190	380
Transfer of State Historic Preservation Office	300	-	300	200	200	400
TV & Film Board Grant	162	162	324	162	162	324
Emergency & AMBER Alert Upgrades - MPR	400	-	400	-	-	-
<b>Administration Total:</b>	<b>2,926</b>	<b>2,348</b>	<b>5,274</b>	<b>2,548</b>	<b>2,548</b>	<b>5,096</b>

## STATE GOVERNMENT; VETERANS AND MILITARY AFFAIRS

<b>Appropriation Changes</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
<b>Capitol Area Architectural &amp; Planning Bd (CAAPB)</b>						
Operating Adjustment	2	5	7	5	5	10
<b>MN Management &amp; Budget</b>						
Enterprise Security & Risk Management	1,165	1,172	2,337	922	922	1,844
Operating Adjustment	<u>632</u>	<u>1,204</u>	<u>1,836</u>	<u>1,204</u>	<u>1,204</u>	<u>2,408</u>
<b>MMB Total:</b>	<b>1,797</b>	<b>2,376</b>	<b>4,173</b>	<b>2,126</b>	<b>2,126</b>	<b>4,252</b>
<b>Revenue Department</b>						
Operating Adjustment	5,727	9,782	15,509	9,782	9,782	19,564
First Time Home Buyers Savings Admin Costs	160	-	160	-	-	-
Income Tax Reciprocity Study	300	-	300	-	-	-
Tax Administration Law Changes	<u>2,500</u>	<u>2,500</u>	<u>5,000</u>	<u>2,500</u>	<u>2,500</u>	<u>5,000</u>
<b>Department of Revenue Total:</b>	<b>8,687</b>	<b>12,282</b>	<b>20,969</b>	<b>12,282</b>	<b>12,282</b>	<b>24,564</b>
<b>MN Amateur Sports Commission (MASC)</b>						
Operating Adjustment	3	5	8	5	5	10
<b>Minnesotans of African Heritage Council</b>						
Operating Adjustment	2	5	7	5	5	10
<b>Latino Affairs Council</b>						
Operating Adjustment	91	108	199	108	108	216
<b>Asian-Pacific Council</b>						
Operating Adjustment	93	100	193	100	100	200
<b>Indian Affairs Council</b>						
Operating Adjustment	4	8	12	8	8	16
<b>Minnesota Historical Society</b>						
Operating Adjustment	500	1,000	1,500	1,000	1,000	2,000
Digital Preservation Project	<u>750</u>	<u>750</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Historical Society Total:</b>	<b>1,250</b>	<b>1,750</b>	<b>3,000</b>	<b>1,000</b>	<b>1,000</b>	<b>2,000</b>
<b>Minnesota Arts Board</b>						
Operating Adjustment	4	9	13	9	9	18
<b>Minnesota Humanities Center</b>						
General Operating Support Increase	25	25	50	25	25	50
Veterans Defense Project	<u>250</u>	<u>250</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Humanities Center Total:</b>	<b>275</b>	<b>275</b>	<b>550</b>	<b>25</b>	<b>25</b>	<b>50</b>
<b>Accountancy Board</b>						
Operating Adjustment	4	8	12	8	8	16
<b>Architectural/Engineering Board</b>						
Operating Adjustment	5	10	15	10	10	20



STATE GOVERNMENT; VETERANS AND MILITARY AFFAIRS

Appropriation Changes	FY 2018	FY 2019	FY 2018-19	FY 2020	FY 2021	FY 2020-21
<b>Cosmetology Examiners Board</b>						
Operating Adjustment	121	131	252	131	131	262
Information Technology Services	<u>70</u>	<u>70</u>	<u>140</u>	<u>70</u>	<u>70</u>	<u>140</u>
<b>Cosmetology Board Total:</b>	<b>191</b>	<b>201</b>	<b>392</b>	<b>201</b>	<b>201</b>	<b>402</b>
<b>Barber Examiners Board</b>						
Operating Adjustment	10	12	22	12	12	24
Information Technology Services	<u>6</u>	<u>6</u>	<u>12</u>	<u>6</u>	<u>6</u>	<u>12</u>
<b>Barber Board Total:</b>	<b>16</b>	<b>18</b>	<b>34</b>	<b>18</b>	<b>18</b>	<b>36</b>
<b>Public Employees Retirement Association</b>						
MERF Aid Reallocation	-	-	-	(10,000)	(10,000)	(20,000)
<b>Opt Out Of State Employee Group Insurance</b>	<b>(2,006)</b>	<b>(2,006)</b>	<b>(4,012)</b>	<b>(2,006)</b>	<b>(2,006)</b>	<b>(4,012)</b>
<b>Subtotal: State Government Jurisdiction</b>	<b>(20,124)</b>	<b>(38,451)</b>	<b>(58,575)</b>	<b>(49,547)</b>	<b>(49,547)</b>	<b>(99,094)</b>
<b>Military Affairs</b>						
Operating Adjustment	41	83	124	83	83	166
State Enlistment & Retention Bonus Programs	<u>5,179</u>	<u>3,221</u>	<u>8,400</u>	<u>3,221</u>	<u>3,221</u>	<u>6,442</u>
<b>Military Affairs Total</b>	<b>5,220</b>	<b>3,304</b>	<b>8,524</b>	<b>3,304</b>	<b>3,304</b>	<b>6,608</b>
<b>Veterans Affairs</b>						
Operating Adjustment	481	968	1,449	968	968	1,936
New Duluth Veterans' Cemetery	500	500	1,000	500	500	1,000
MN GI Bill Expanded Uses	200	200	400	200	200	400
Veterans Journey Home Grant	<u>350</u>	<u>350</u>	<u>700</u>	-	-	-
<b>Veterans Affairs Total</b>	<b>1,531</b>	<b>2,018</b>	<b>3,549</b>	<b>1,668</b>	<b>1,668</b>	<b>3,336</b>
<b>Subtotal: Military and Veterans Affairs</b>	<b>6,751</b>	<b>5,322</b>	<b>12,073</b>	<b>4,972</b>	<b>4,972</b>	<b>9,944</b>
<b>Total General Fund Changes</b>	<b>(13,373)</b>	<b>(33,129)</b>	<b>(46,502)</b>	<b>(44,575)</b>	<b>(44,575)</b>	<b>(89,150)</b>

**Office of Administrative Hearings**

The Office of Administrative Hearings (OAH) has a budget of \$16.5 million for FY 2018-19, \$15.6 million of which is from the Workers' Compensation Special Fund, and included an increase of \$1 million for salary increases for workers' compensation judges to support salary parity with judges in the Judicial Branch. Chapter 4 also appropriated \$796,000 to the OAH from the General Fund, an increase of \$30,000 over forecast, for the

increased costs of expedited data practices hearings and agency operations.

\$34,000 was appropriated in FY 2017 from the General Fund to address an operating budget deficiency for the cost of data practices complaints.

The OAH also received \$6 million in FY 2018-19 from the Administrative Hearings Fund. Receipts in the Administrative Hearings Fund are generated by charges to

other state agencies and local governments for hearing costs involving public challenges to government actions.

### **Gambling Control Board**

Chapter 4 appropriated \$6.9 million in FY 2018-19 to maintain regulatory oversight of lawful gambling. The appropriation was from the lawful gambling regulation account in the Special Revenue Fund. This was a \$231,000 increase over the forecast to fund increased board operating costs and the conversion to using MN.IT Services for information technology services and necessary cybersecurity.

### **Racing Commission**

Chapter 4 appropriated \$5.5 million in FY 2018-19 in all funds from direct and statutory appropriations for the Racing Commission's administrative and regulatory expenses, and for the Breeders' Fund, which provides support to the horse industry. The revenue for these appropriations is derived from racetrack fees, card club fees, occupational license fees, and reimbursements. Chapter 4 appropriated \$1.7 million to the commission from the Special Revenue Fund for FY 2018-19, including a \$28,000 increase over forecast for increased operating costs.

### **State Lottery**

Chapter 4 limited the biennial State Lottery operating budget to \$65.5 million in FY 2018-19. Total lottery sales revenues for FY 2018-19 are estimated to be \$1.2 billion. Total payments to the state from these revenues in FY 2018-19 are estimated to be \$281 million, and will be allocated to the General Fund, Environment and Natural Resources Fund, Game and Fish Fund, Natural Resources Fund, and compulsive gambling appropriations.

### **Amateur Sports Commission**

Chapter 4 appropriated \$608,000 to the Amateur Sports Commission from the General Fund in FY 2018-19. This amount was a small operating increase in the commission's budget over FY 2016-17. Chapter 4 canceled \$7.2 million of the FY 2017 General Fund appropriation for the Mighty Ducks indoor ice arena air quality grants program.

### **Minnesota Historical Society**

Chapter 4 appropriated a total of \$78.9 million in FY 2018-19 to the Minnesota Historical Society (MHS). Of this amount, \$49.3 million was from the General Fund for operating expenses and for the historic structures grant program, an increase of \$3 million above the forecast. The increase was for compensation costs and to maintain the current level of agency operations (\$1.5 million) and for the digital preservation of historical documents (\$1.5 million). Chapter 4 transferred the funding for and duties of the State Historic Preservation Office (SHPO) from MHS to the Department of Administration, effective March 1, 2018. The transferred funding included the unexpended amount of an annual federal grant (\$940,000 per year) and the state historic structure tax credit/grant in lieu of credit program. The state historic structure tax credit/grant is funded with both General Fund (forecasted to be \$2 million in FY 2018-19) and Special Revenue Fund fees (forecasted to be \$400,000 in FY 2018-19).

MHS also received a \$29.2 million appropriation for FY 2018-19 from the Arts and Cultural Heritage Fund in Chapter 91, for grants to local, county, regional, and other historical or cultural organizations. MHS

must allocate these grants through a competitive process for programs and partnerships with other organizations to protect and enhance access to history and cultural heritage.

### **Councils**

Chapter 4 increased the direct appropriations from the General Fund in FY 2018-19 for each of the four minority councils by a total of \$411,000 above the February 2017 forecast. The increased appropriations maintain the current level of agency operations and pay for increased compensation for each of the councils. Specifically, the appropriations were \$809,000 to the Minnesota African Heritage Council, \$971,000 to the Minnesota Council on Latino Affairs (including additional funding for one new staff position), \$921,000 to the Council on Asian-Pacific Minnesotans (including additional funding for one partial new staff position), and \$1.2 million to the Indian Affairs Council.

### **Licensing Boards**

Appropriations for the operations of the state licensing boards are made from the General Fund. Fee revenue is not retained by the boards and is deposited in the General Fund as a nondedicated receipt. Chapter 4 contained appropriations in FY 2018-19 for the following boards:

- \$684,000 to the Board of Barbers, an increase of \$34,000 above the forecast, for increased compensation costs, to maintain the current level of agency operations, and to offset the cost of information technology services provided by MN.IT Services;
- \$1.6 million to the Architecture, Engineering, and Land Surveying Board, an increase of \$15,000 above the forecast,

for increased compensation costs and to maintain the current level of agency operations;

- \$1.3 million to the Accountancy Board, an increase of \$12,000 above the forecast, for increased compensation costs and to maintain the current level of agency operations; and
- \$5.6 million to the Cosmetology Board, an increase of \$392,000 above the forecast, for increased compensation costs, to maintain the current level of agency operations, and to offset the cost of information technology services provided by MN.IT Services. Modifications to the licensing of eyelash technicians will result in \$56,000 in additional fee revenue deposited in the General Fund in FY 2018-19. Chapter 4 also requires the Board of Cosmetology to submit quarterly reports on inspections to the Legislature.

### **Department of Military Affairs**

The total FY 2018-19 budget for the Department of Military Affairs is \$208.9 million, primarily from federal funds (\$156.4 million). General Fund appropriations to the department were \$48.3 million for FY 2018-19.

The General Fund appropriation increased by \$8.5 million compared to forecast. Of this increase, \$124,000 was for increased compensation costs and to maintain the current level of agency operations, and the remainder was for a projected deficit in the incentives programs to recruit and retain National Guard service members. The total amount appropriated for enlistments in FY 2018-19 was \$22.2 million. To address a projected FY 2017 deficit in enlistment incentives, the department may transfer up to

\$2 million from a FY 2016-17 appropriation for operation and maintenance. Enlistment incentives are available until June 30, 2021, except that any unspent amount allocated to a bonus or incentive program will be canceled upon receipt of federal funds in the same amount to support administration of that program. Changes in the federal tuition assistance program managed by the federal government have imposed additional restrictions for users, which caused service members to use the State Tuition Reimbursement program at a higher rate than originally forecasted.

Chapter 4 increased the individual rate maximum grant amount from \$2,000 to \$4,000 from the Support Our Troops account. The account is made up of private contributions and a \$30 annual contribution when purchasing the Support Our Troops license plate. Money from the account is appropriated in equal shares to the Department of Military Affairs and the Department of Veterans Affairs.

### **Department of Veterans Affairs**

The total FY 2018-19 budget for the Department of Veterans Affairs is \$392.7 million. Chapter 4 appropriated \$156.9 million from the General Fund, an increase of \$3.2 million above the forecast. The increase funded increased compensation costs and to maintain the current level of agency operations; the operating costs of the new Duluth veterans cemetery; and a one-time grant to Veterans Journey Home, an organization that offers emotional healing and support to veterans. The following

appropriations were specified in Chapter 4 and received forecasted funding for FY 2018-19:

- \$706,000 for grants to specified veterans service organizations including the Disabled American Veterans Military Order of the Purple Heart, the American Legion, Veterans of Foreign Wars, Vietnam Veterans of America, AMVETS, and Paralyzed Veterans of America;
- \$1.5 million for a grant to the Minnesota Assistance Council for Veterans;
- \$400,000 for honor guards at funerals for service members;
- \$400,000 for administrative costs of Minnesota's GI Bill;
- \$200,000 to administer the gold star program for surviving family members of deceased veterans; and
- \$2.2 million for the county veterans service office grant program.

Chapter 4 requires the department to provide a report to the Legislature regarding reserve amounts maintained in veterans' homes special revenue accounts. The department must seek opportunities to maximize federal reimbursement of Medicare-eligible expenses and veterans' home funds may be reduced in the future based on Medicare receipts.

Chapter 4 expanded the scope of the Minnesota GI Bill program to include other professional and educational benefits and increased caps on benefits. The General Fund cost of this expansion was \$400,000 in FY 2018-19.

STATE GOVERNMENT; VETERANS AND MILITARY AFFAIRS

<b>Table 3 - State Departments, Military and Veterans Affairs</b> <b>Revenue Changes Compared to Forecast</b> <i>(dollars in thousands)</i>							
Revenue Changes by Agency	Fund	FY 2018	FY 2019	FY 2018-19	FY 2020	FY 2021	FY 2020-21
<b>State Auditor</b>							
Audit Enterprise Fund End Balance	General Fund	978	-	978	-	-	-
Audit Practice Fees	General Fund	<u>7,361</u>	<u>7,606</u>	<u>14,967</u>	<u>7,606</u>	<u>7,606</u>	<u>15,212</u>
<b>State Auditor Total</b>		<b>8,339</b>	<b>7,606</b>	<b>15,945</b>	<b>7,606</b>	<b>7,606</b>	<b>15,212</b>
<b>Administration</b>							
Private Events Fee Authority	Special Revenue	<b>100</b>	<b>100</b>	<b>200</b>	<b>100</b>	<b>100</b>	<b>200</b>
<b>Revenue Department</b>							
Assessor Fees to Special Revenue	General Fund	(35)	(35)	(70)	(35)	(35)	(70)
Assessor Fees Transfer & Increase	Special Revenue	<u>96</u>	<u>96</u>	<u>192</u>	<u>96</u>	<u>96</u>	<u>192</u>
<b>Revenue Department Total</b>		<b>61</b>	<b>61</b>	<b>122</b>	<b>61</b>	<b>61</b>	<b>122</b>
<b>Cosmetology Examiners Board</b>							
Eyelash Technicians License Fees	General Fund	<b>28</b>	<b>28</b>	<b>56</b>	<b>28</b>	<b>28</b>	<b>56</b>
<b>Subtotal: State Government Jurisdiction</b>		<b>8,528</b>	<b>7,795</b>	<b>16,323</b>	<b>7,795</b>	<b>7,795</b>	<b>15,590</b>
<b>Total Revenue Changes by Fund</b>							
General Fund		8,332	7,599	15,931	7,599	7,599	15,198
Special Revenue Fund		196	196	392	196	196	392
<b>Total Revenue Changes for Budget Area</b>		<b>8,528</b>	<b>7,795</b>	<b>16,323</b>	<b>7,795</b>	<b>7,795</b>	<b>15,590</b>

Chapter 4 authorized the department to use funds from the statutorily appropriated Support Our Troops Special Revenue Fund account for any uncompensated burial costs for eligible dependents who receive a no-fee or reduced-fee burial in a state veteran cemetery. The account is made up of private contributions and a \$30 annual contribution when purchasing the Support Our Troops license plate. Money from the account is appropriated in equal shares to the Department of Military Affairs and the Department of Veterans Affairs.

**Other**

Chapter 4 also appropriated money in FY 2018-19 to the following agencies and programs:

- \$2.1 million of direct General Fund appropriations for the Campaign Finance and Public Disclosure Board, an increase of \$24,000 compared to the forecast, for increased compensation costs and to maintain the current level of agency operations;
- \$15.1 million from the General Fund and \$59 million from the Arts and Cultural

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- Heritage Fund (in Chapter 92) to the Minnesota State Arts Board;
- \$1.9 million from the General Fund for the Minnesota Humanities Center, which includes a \$50,000 general operating support increase; \$650,000 for grants for the healthy eating here at home program (to provide incentives for low-income Minnesotans to use federal Supplemental Nutrition Assistance Program (SNAP) benefits for purchases at Minnesota-based farmers markets); and \$500,000 in one-time grant funding for the Veterans Defense Project (a nonprofit formed for the purpose of educating the public about the unique issues facing combat veterans in the criminal justice system);
  - \$697,000 from the General Fund for the Capitol Area Architectural and Planning Board, an increase of \$7,000 above the FY 2018-19 forecast, for increased compensation costs and to maintain the current level of agency operations;
  - \$278,000 from the General Fund for the operations of the State Board of Investment, with the remainder of the board's \$12.5 million biennial budget generated from statutorily appropriated fees assessed against the assets of the funds that the board invests;
  - \$322,000 from the General Fund to cover tort claims made against the state;
  - \$1.5 million for contingent accounts, including \$500,000 from the General Fund, \$800,000 from the State Government Special Revenue Fund, and \$200,000 from the Workers' Compensation Special Revenue Fund, to support eligible and unexpected spending needs from those funds; and
  - \$4 million in estimated General Fund savings due to agency appropriation reductions in FY 2018-19 as the result of permitting employees to opt out of insurance coverage under the State Employee Group Insurance Program (SEGIP). The reductions made in FY 2019 must be reflected as reductions in agency budgets for FY 2020-21.

**PENSIONS**

Chapter 4 appropriated \$106.9 million from the General Fund in FY 2018-19 for public retirement fund programs. Specifically, the act included \$30 million for both the consolidated legislators and constitutional officer plan and the judges plan, \$32 million for the state contribution to PERA to reduce MERF unfunded liabilities and to reduce the state contribution to \$12 million in FY 2020-21, \$59.7 million to reduce the unfunded liabilities of the Statewide Teachers Retirement Fund, and \$19.7 million for the St. Paul Teachers' Retirement Plan.

## **CHAPTER 11 TRANSPORTATION AND PUBLIC SAFETY**

The Transportation and Public Safety budget, comprising appropriations for the Department of Transportation (MnDOT), the Metropolitan Council, and the Department of Public Safety (DPS), was enacted in Chapter 3 in the 2017 First Special Session. The enacted budget appropriated a total of \$8.1 billion in all funds for FY 2018-19, an increase of \$988.7 million, or 13.8 percent, over FY 2016-17, and an increase of \$917.8 million, or 12.7 percent, over the February 2017 forecast.

As shown in Table 1 on page 114, of the \$8.1 billion in total appropriations for FY 2018-19, \$6.7 billion was appropriated to the Department of Transportation (MnDOT); \$847.6 million was appropriated to the Metropolitan Council for metro-area transit operations, including bus transit and rail transit; and \$554.8 million was appropriated to the Department of Public Safety (DPS) for transportation-related programs.

General Fund appropriations for Transportation and Public Safety total \$339.5 million for FY 2018-19, an increase of \$62.7 million, or 22.7 percent, from FY 2016-17, and an increase of \$95.9 million, or 39.4 percent, from the February 2017 forecast. Table 2 on page 116 displays General Fund

appropriation changes, by agency, for FY 2018-19 and FY 2020-21.

### **DEPARTMENT OF TRANSPORTATION**

The enacted budget appropriated a total of \$6.7 billion to MnDOT in FY 2018-19, an increase of \$812.5 million, or 13.7 percent, over FY 2016-17 biennial spending, and an increase of \$808.5 million, or 13.6 percent, over the February 2017 forecast.

Of MnDOT's total appropriations, \$3.4 billion, or 50.4 percent, is from the Trunk Highway Fund (THF), which receives revenues from the motor fuels tax, vehicle registration tax, and motor vehicle sales tax (MVST). Beginning in FY 2018, the THF will also receive revenues from the existing sales taxes on motor vehicle repair parts and motor vehicle rentals, as well as a portion of the existing sales tax on motor vehicle leases (see "Revenues" section on page 121 for additional information).

The THF also receives federal highway aid for road construction. In FY 2018-19, federal highway aid was \$1.2 billion, or approximately 34.9 percent of MnDOT's total THF appropriation.

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<b>Table 1 - Transportation and Public Safety</b> <b>All Funds Biennial Spending/Appropriations by Agency &amp; Fund</b> <i>(dollars in thousands)</i>					
Agency	FY 2016-17*	FY 2018-19 Forecast Base	FY 2018-19 Enacted Budget	Change: Enacted - FY 2016-17	Change: Enacted - Fest. Base
<b>Department of Transportation</b>					
General Fund	66,573	37,116	54,291	(12,282)	17,175
Trunk Highway Fund	2,966,204	2,704,767	3,400,671	434,467	695,904
State Airports Fund	53,354	40,700	58,203	4,849	17,503
County State Aid Highway Fund	1,341,011	1,524,089	1,583,666	242,655	59,577
Municipal State Aid Street Fund	365,978	382,856	397,666	31,688	14,810
Special Revenue Fund	226,980	158,086	158,086	(68,894)	-
State Govt Special Revenue Fund	19,299	19,300	19,300	1	-
Highway User Tax Distribution Fund	213	236	236	23	-
Transit Assistance Fund	117,645	124,968	128,162	10,517	3,194
Federal Fund	776,392	945,467	945,467	169,075	-
Endowment Fund	-	<u>20</u>	<u>20</u>	<u>20</u>	<u>-</u>
Subtotal for Dept of Transportation:	5,933,649	5,937,605	6,745,768	812,119	808,163
<i>Dedicated/Constitutional Funds</i>					
Env & Natural Resources Trust Fund	-	-	345	345	345
Subtotal Dedicated/Const. Funds:	-	-	345	345	345
<b>Total Dept. of Transportation:</b>	<b>5,933,649</b>	<b>5,937,605</b>	<b>6,746,113</b>	<b>812,464</b>	<b>808,508</b>
<b>Metropolitan Council</b>					
General Fund	182,752	179,640	250,851	68,099	71,211
Transit Assistance Fund	<u>529,188</u>	<u>596,736</u>	<u>596,736</u>	<u>67,548</u>	<u>-</u>
<b>Total Metropolitan Council:</b>	<b>711,940</b>	<b>776,376</b>	<b>847,587</b>	<b>135,647</b>	<b>71,211</b>
<b>Department of Public Safety</b>					
General Fund	27,474	26,836	34,352	6,878	7,516
Trunk Highway Fund	199,096	205,482	214,911	15,815	9,429
Highway User Tax Distribution Fund	1,753	18,246	18,308	16,555	62
Special Revenue Fund	187,179	156,712	177,796	(9,383)	21,084
State Govt Special Revenue Fund	3,913	2,820	2,820	(1,093)	-
Gift Fund	160	132	132	(28)	-
Federal Fund	<u>94,651</u>	<u>106,488</u>	<u>106,488</u>	<u>11,837</u>	<u>-</u>
<b>Total Dept. of Public Safety:</b>	<b>514,226</b>	<b>516,716</b>	<b>554,807</b>	<b>40,581</b>	<b>38,091</b>
<b>Totals by Fund</b>					
General Fund	276,799	243,592	339,494	62,695	95,902
Trunk Highway Fund	3,165,300	2,910,249	3,615,582	450,282	705,333
State Airports Fund	53,354	40,700	58,203	4,849	17,503
County State Aid Highway Fund	1,341,011	1,524,089	1,583,666	242,655	59,577
Municipal State Aid Street Fund	365,978	382,856	397,666	31,688	14,810
Special Revenue Fund	414,159	314,798	335,882	(78,277)	21,084
Highway User Tax Distribution Fund	1,966	18,482	18,544	16,578	62
Federal Fund	871,043	1,051,955	1,051,955	180,912	-
Transit Assistance Fund	646,833	721,704	724,898	78,065	3,194
State Govt Special Revenue Fund	23,212	22,120	22,120	(1,092)	-
Gift Fund	160	132	132	(28)	-
Endowment Fund	-	<u>20</u>	<u>20</u>	<u>20</u>	<u>-</u>
Subtotal for Regular Funds:	7,159,815	7,230,697	8,148,162	988,347	917,465



TRANSPORTATION AND PUBLIC SAFETY

Agency	FY 2016-17*	FY 2018-19 Forecast Base	FY 2018-19 Enacted Budget	Change: Enacted - FY 2016-17	Change: Enacted - Fest. Base
<i>Dedicated/Constitutional Funds</i>					
Env & Natural Resources Trust Fund	-	-	345	345	345
<b>Total for Budget Area</b>	<b>7,159,815</b>	<b>7,230,697</b>	<b>8,148,507</b>	<b>988,692</b>	<b>917,810</b>

\* As adjusted by FY 2017 changes made by the 2017 Legislature.

**Aeronautics**

Chapter 3 directly appropriated \$59.8 million in FY 2018-19 to the Office of Aeronautics. Of this total, \$42.6 million was from the State Airports Fund for airport development and assistance grants, which was \$14 million over the February 2017 forecast. This increase included two one-time appropriations in FY 2018 for named airport improvement projects (\$2.3 million for Rochester International Airport and \$6.6 million for Duluth International Airport) and a one-time appropriation of \$250,000 in FY 2018 for a planning study at St. Cloud Regional Airport.

The enacted budget included \$13.6 million for Office of Aeronautics operations in FY 2018-19, including \$10.5 million from the State Airports Fund and \$3.1 million from the THF. This appropriation is the same as the forecasted funding for the office.

The Office of Aeronautics appropriation from the State Airports Fund included \$3.5 million one-time in FY 2018 for renovation and additions to the Civil Air Patrol training facility at the South St. Paul airport, as well as the forecasted amount of \$160,000 in FY 2018-19 for Civil Air Patrol operations.

**Greater Minnesota Transit**

The enacted budget appropriated \$147.8 million in state funds to MnDOT for assistance to locally run transit services

outside of the seven-county metropolitan area. This is a decrease of \$10.9 million, or 6.9 percent, from appropriations in FY 2016-17, and a decrease of \$13.3 million, or 8.3 percent, from the February 2017 forecast. Chapter 3 made a one-time reduction of \$16.8 million in FY 2018 from the General Fund transit appropriation, relative to forecast.

The majority of the greater Minnesota transit appropriations (87.4 percent) are statutorily appropriated from the Transit Assistance Fund, which receives portions of MVST revenues and motor vehicle leasing sales tax (MVLST) revenues. The remainder of state funding is directly appropriated from the General Fund (11.5 percent) and THF (1.1 percent).

Total MVST revenues are constitutionally dedicated for transportation purposes, with 60 percent allocated to the Highway User Tax Distribution Fund (HUTDF) for state and local roads, 36 percent to the metropolitan area transit account in the Transit Assistance Fund, and four percent to the greater Minnesota transit account in the Transit Assistance Fund.

MVLST revenues are statutorily dedicated, and Chapter 3 changed the allocation for the first time since FY 2009. Previously, the first \$32 million of annual revenues were deposited in the General Fund, and all

TRANSPORTATION AND PUBLIC SAFETY

<b>Table 2 - Transportation and Public Safety General Fund Changes Compared to Forecast</b> <i>(dollars in thousands)</i>						
<b>Appropriation Changes</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
<b>Department of Transportation</b>						
Greater MN Transit one-time reduction	(16,825)	-	(16,825)	-	-	-
Metro Area TMO Funding	150	150	300	-	-	-
Rail Safety activities	800	800	1,600	800	800	1,600
Port Development	1,100	-	1,100	-	-	-
Grand Rapids Rail Study	1,000	-	1,000	-	-	-
Metro county roads - one-time	5,000	5,000	10,000	-	-	-
Town roads - one-time	2,000	2,000	4,000	-	-	-
Small city roads - one-time	<u>8,000</u>	<u>8,000</u>	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Dept of Transportation Total</b>	<b>1,225</b>	<b>15,950</b>	<b>17,175</b>	<b>800</b>	<b>800</b>	<b>1,600</b>
<b>Metropolitan Council</b>						
One-time appropriation increase	30,000	40,000	70,000	-	-	-
Suburban transit demo project	1,000	-	1,000	-	-	-
Guideway status report costs	<u>211</u>	<u>-</u>	<u>211</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Met Council Total</b>	<b>31,211</b>	<b>40,000</b>	<b>71,211</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Department of Public Safety</b>						
Operational increases	333	493	826	493	493	986
State Patrol helicopter purchase	5,750	-	5,750	-	-	-
OTS MnCRASH system maintenance	<u>470</u>	<u>470</u>	<u>940</u>	<u>470</u>	<u>470</u>	<u>940</u>
<b>Dept of Public Safety Total</b>	<b>6,553</b>	<b>963</b>	<b>7,516</b>	<b>963</b>	<b>963</b>	<b>1,926</b>
<b>Total General Fund Changes</b>	<b>38,989</b>	<b>56,913</b>	<b>95,902</b>	<b>1,763</b>	<b>1,763</b>	<b>3,526</b>

remaining revenues were allocated 50 percent to the greater Minnesota transit account in the Transit Assistance Fund and 50 percent to the County State-Aid Highway Fund (CSAH) for metropolitan county roads and bridges. Beginning in FY 2018, the General Fund allocation will be eliminated, and the greater Minnesota transit account will receive 38 percent of the total MVLST revenues. This will result in a \$3.2 million increase for greater Minnesota transit from this source in FY 2018-19, compared to the February 2017 forecast.

**Passenger Rail**

Chapter 3 appropriated \$1 million from the General Fund in FY 2018-19 to the Office of Passenger Rail, which coordinates development of future passenger rail corridors and provides technical support for regional rail planning and development. This represents forecasted funding for the office.

**Freight**

Chapter 3 appropriated \$4.2 million from the General Fund for freight operations in FY 2018-19, of which \$1.1 million was a one-time appropriation for a port development project in Red Wing. This project originally received an appropriation in FY 2015 but was

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not completed before the scheduled cancellation of the appropriation at the end of FY 2017. Therefore, the remaining unencumbered amount of \$1.1 million was cancelled in FY 2017 and appropriated for the same purpose in FY 2018.

The total General Fund appropriation also included a \$1 million one-time appropriation in FY 2018 for a rail project in Grand Rapids, and an ongoing \$1.6 million appropriation in FY 2018-19 for additional rail safety activities.

The enacted budget also appropriated \$5.5 million for freight from the THF, which represents forecasted funding from this fund.

### **Safe Routes to School**

Chapter 3 appropriated \$1 million in FY 2018-19 from the General Fund for grants to local jurisdictions for Safe Routes to School programs that encourage walking and bicycling to school. This represents forecasted state funding for the program, which also awards grants using funds from the federal Safe Routes to School program.

### **State Roads**

Of the \$3.4 billion of total THF spending by MnDOT in FY 2018-19, \$1.9 billion, or 55.5 percent, was appropriated for state road construction, engineering, and design. This is an increase of \$363.3 million, or 23.8 percent, from FY 2016-17 and an increase of \$495.5 million, or 35.6 percent, over the February 2017 forecast. State road construction spending includes an additional \$361.3 million of federal highway funds over the FY 2018-19 forecast.

Chapter 3 also appropriated \$669.9 million from the THF for state road operations and

maintenance, an increase of \$76.2 million, or 12.8 percent, over the FY 2018-19 forecast. In addition, the biennial THF appropriation for state road program planning and delivery increased by \$57.2 million over its \$461.3 million forecast amount, an increase of 12.4 percent.

The enacted budget appropriated \$466.4 million in FY 2018-19 from the THF for debt service payments on trunk highway bonds for state road construction. This includes \$11.3 million for debt service on a new \$940 million trunk highway bond authorization enacted in Chapter 3. The remainder of the appropriation is for debt service payments on trunk highway bonds that were authorized in prior legislative sessions.

The THF receives constitutionally dedicated portions of the three main highway user taxes (motor fuels tax, vehicle registration tax, and motor vehicle sales tax) that are initially deposited in the HUTDF. Beginning in FY 2018, the THF will also receive revenues from several existing taxes that were newly dedicated to the HUTDF in Chapter 3 (see “Revenues” section on page 121 for additional information).

### **Local Roads**

Chapter 3 appropriated \$1.6 billion in FY 2018-19 from the County State-Aid Highway Fund (CSAH) for construction and maintenance of county state-aid roads and \$397.7 million from the Municipal State-Aid Street Fund (MSAS) for construction and maintenance of municipal state-aid roads, increases of 18.1 percent and 8.7 percent, respectively, over FY 2016-17. CSAH funds are allocated to all 87 counties, and MSAS funds are allocated to cities with a population

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of 5,000 or greater, based on existing statutory distribution formulas.

CSAH and MSAS receive constitutionally dedicated portions of the three main highway user taxes (motor fuels tax, vehicle registration tax, and motor vehicle sales tax) that are initially deposited in the HUTDF. Beginning in FY 2018, CSAH and MSAS will also receive revenues from several existing taxes that were newly dedicated to the HUTDF in Chapter 3 (see “Revenues” section on page 121 for additional information).

The enacted budget also contained several one-time local road appropriations from the General Fund in FY 2018-19:

- \$10 million for county highways in the seven metro counties;
- \$4 million for town roads; and
- \$10 million for construction and maintenance of city streets in municipalities with a population of under 5,000 that are not otherwise eligible for state-aid assistance.

Chapter 3 also changed the allocation formula for proceeds of the motor vehicle lease sales tax (MVLST) to provide a new statutorily dedicated source of ongoing funding for repair and replacement of local bridges. For FY 2018-19, this will be \$25.2 million, to be deposited in the Minnesota State Transportation Fund for this purpose. The MVLST allocation changes also resulted in a \$3.2 million increase in FY 2018-19, compared to the February 2017 forecast base, for the five metro counties (excluding Hennepin and Ramsey) that receive funds from this source (see “Revenues” section on page 121 for additional information).

### **Agency Management**

Chapter 3 appropriated \$148.7 million in FY 2018-19 for MnDOT agency management, including administration, financial services, and building management. This amount includes \$108,000 from the General Fund, and the remainder from the THF. This appropriation was an increase of \$17 million, or 11 percent, over the February 2017 forecast, to provide for increased funding for MnDOT building services.

### **METROPOLITAN COUNCIL**

Chapter 3 appropriated a total of \$847.6 million in FY 2018-19 to the Metropolitan Council for metropolitan transit operations and transportation planning. This is an increase of \$135.6 million, or 19.1 percent, over FY 2016-17 spending, and \$71.2 million, or 9.2 percent, over the February 2017 forecast.

The appropriation included \$70 million to address a projected metropolitan transit biennial deficit, \$1 million for continuation of a demonstration project of intercity bus service by suburban replacement service providers, and \$211,000 for costs of a required guideway status report. These are one-time appropriations.

### **DEPARTMENT OF PUBLIC SAFETY**

The Department of Public Safety (DPS) received \$554.8 million in total appropriations for the FY 2018-19 biennium for transportation-related activities. The appropriation was an increase of \$40.6 million, or 7.9 percent, over the previous biennium, and an increase of \$38.1 million, or 7.4 percent, over the February 2017 forecast.

TRANSPORTATION AND PUBLIC SAFETY

<b>Table 3 - Transportation and Public Safety Revenue Changes Compared to Forecast (dollars in thousands)</b>							
Revenue Changes by Agency	Fund	FY 2018	FY 2019	FY 2018-19	FY 2020	FY 2021	FY 2020-21
<b>Department of Transportation</b>							
Sales Tax on Auto Parts Dedication	General	(31,532)	(31,532)	(63,064)	(145,644)	(145,644)	(291,288)
Sales Tax on Auto Parts Dedication	HUTDF	31,532	31,532	63,064	145,644	145,644	291,288
Sales Tax on Rental Cars	General	(17,200)	(19,700)	(36,900)	(20,500)	(21,300)	(41,800)
Sales Tax on Rental Cars	HUTDF	17,200	19,700	36,900	20,500	21,300	41,800
Additional Rental Car Tax	General	(24,400)	(27,900)	(52,300)	(29,000)	(30,200)	(59,200)
Additional Rental Car Tax	HUTDF	24,400	27,900	52,300	29,000	30,200	59,200
MV Leasing Sales Tax	General	(26,600)	(26,300)	(52,900)	(26,100)	(26,000)	(52,100)
MV Leasing Sales Tax	HUTDF	10,395	10,923	21,318	11,319	11,484	22,803
MV Leasing Sales Tax	Transit Asst	1,960	1,234	3,194	702	472	1,174
MV Leasing Sales Tax	CSAH	1,960	1,234	3,194	702	472	1,174
MV Leasing Sales Tax	State Transpo	12,285	12,909	25,194	13,377	13,572	26,949
Federal highway funds increase	Trunk Highway	215,400	145,900	361,300	145,900	145,900	291,800
Electric Vehicle Surcharge	HUTDF	10	30	40	45	60	105
Port Development Carryforward	General	1,100	-	1,100	-	-	-
Overweight Truck Permits	Special Revenue	490	490	980	490	490	980
Rail - MRSI Grant Conversion	Special Revenue	<u>(4,130)</u>	<u>-</u>	<u>(4,130)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Dept of Transportation Total</b>		<b>212,870</b>	<b>146,420</b>	<b>359,290</b>	<b>146,435</b>	<b>146,450</b>	<b>292,885</b>
<b>Department of Public Safety</b>							
License fees - motorcycle safety fund	General	(17)	(17)	(34)	(17)	(17)	(34)
License fees - motorcycle safety fund	Special Revenue	17	17	34	17	17	34
Special license plates contribution	Special Revenue	<u>5</u>	<u>7</u>	<u>12</u>	<u>9</u>	<u>11</u>	<u>20</u>
<b>Dept of Public Safety Total</b>		<b>5</b>	<b>7</b>	<b>12</b>	<b>9</b>	<b>11</b>	<b>20</b>
<b>Total Revenue Changes by Fund</b>							
General Fund		(98,649)	(105,449)	(204,098)	(221,261)	(223,161)	(444,422)
Highway User Tax Distribution Fund		83,537	90,085	173,622	206,508	208,688	415,196
Transit Assistance Fund		1,960	1,234	3,194	702	472	1,174
County State-Aid Highway Fund		1,960	1,234	3,194	702	472	1,174
State Transportation Fund		12,285	12,909	25,194	13,377	13,572	26,949
Trunk Highway Fund		215,400	145,900	361,300	145,900	145,900	291,800
Special Revenue Fund		(3,618)	514	(3,104)	516	518	1,034
<b>Total Revenue Changes for Budget Area</b>		<b>212,875</b>	<b>146,427</b>	<b>359,302</b>	<b>146,444</b>	<b>146,461</b>	<b>292,905</b>

The increase includes \$14.1 million for ongoing agency operating budget increases in FY 2018-19, of which \$8.5 million was from the THF, \$4.8 million was from the Special Revenue Fund, \$826,000 was from the General Fund, and \$62,000 was from the HUTDF.

DPS receives appropriations in the Transportation and Public Safety budget as well as in the Judiciary and Public Safety budget. The Judiciary and Public Safety divisions of DPS received appropriations in Chapter 95, the Omnibus Judiciary and Public Safety Act. See the Judiciary and Public Safety chapter on page 82 of this report for further discussion about DPS appropriations.

#### **Administration and Related Services**

Chapter 3 appropriated \$27.1 million in FY 2018-19 for administration, support, and technical services of DPS, including \$13.7 million from the THF, \$10.6 million from the General Fund, and \$2.8 million from the HUTDF. This was an increase of \$774,000, or 2.9 percent, over the February 2017 forecast for this program.

#### **State Patrol**

Chapter 3 appropriated \$200.3 million from the THF, \$22.8 million from the General Fund, and \$1.7 million from the HUTDF for biennial State Patrol operations, for a total FY 2018-19 increase of \$15.2 million, or 7.3 percent, compared to the February 2017 forecast. The increase includes a one-time appropriation in FY 2018 of \$5.8 million from the General Fund for the purchase of a helicopter for state patrol purposes and an ongoing biennial increase of \$946,000 from the THF for an increase in State Patrol trainee salaries.

#### **Driver and Vehicle Services**

The enacted budget appropriated \$126.2 million from the Special Revenue Fund and \$16.5 million from the HUTDF for FY 2018-2019 operations of Driver and Vehicle Services (DVS), an increase of \$21 million, or 17.3 percent, over the February 2017 forecast. This includes a one-time appropriation of \$16 million from the Special Revenue Fund for operations and maintenance of the new Minnesota Licensing and Registration System and an ongoing biennial appropriation of \$312,000 from the Special Revenue Fund for maintenance of the automated knowledge test system. All DVS appropriations from the Special Revenue Fund are supported by proceeds from fees collected on DVS licensing and vehicle transactions.

#### **Traffic Safety**

The enacted budget appropriated \$963,000 from the THF and \$940,000 from the General Fund in FY 2018-19 to the Office of Traffic Safety (OTS). This is an increase of \$989,000, or 108 percent, over the February 2017 forecast. The THF appropriation assists the office in leveraging \$40 million biennially in federal traffic safety funding. The new General Fund appropriation is for ongoing maintenance of the Office's crash record system, which is required by state law.

#### **Pipeline Safety**

Chapter 3 appropriated \$2.9 million for FY 2018-19 from the Special Revenue Fund to the Office of Pipeline Safety. This is an increase of \$85,000, or three percent, over the February 2017 forecast, and is funded through pipeline safety inspection fee revenue.

**REVENUES**

Chapter 3 contained several significant revenue changes, which largely affected the HUTDF. Any revenues deposited in this fund are constitutionally distributed to the THF, CSAH, and MSAS. Therefore, these funds will receive increased revenues beginning in FY 2018, relative to the February 2017 forecast. Accordingly, Chapter 3 also contained increased appropriations from these funds for transportation programs in FY 2018-19.

The most significant revenue changes contained in Chapter 3 were shifts of existing General Fund tax revenues to transportation-related funds. These are the sales tax on motor vehicle repair parts, the sales tax on short-term motor vehicle rentals, the additional rental motor vehicle tax, and the sales tax on motor vehicle leases.

Table 3 summarizes the revenue changes contained in Chapter 3.

**Sales tax on motor vehicle repair parts**

The revenues from this 6.5 percent general sales tax on motor vehicle repair and replacement parts are \$504 million in FY 2018-19, of which \$63.1 million will be deposited in the HUTDF. The remainder will continue to be deposited in the General Fund. Beginning in FY 2020, the biennial amount deposited in the HUTDF will increase to \$291.3 million.

**Sales tax on short-term motor vehicle rentals**

100 percent of the revenues from this 6.5 percent general sales tax on short-term (not more than 28 days) rental motor vehicles will be deposited in the HUTDF beginning in FY

2018. The biennial revenues are \$36.9 million in FY 2018-19 and \$41.8 million in FY 2020-21.

**Additional rental motor vehicle tax**

Short-term motor vehicle rentals are subject not only to the 6.5 percent general sales tax, but an additional 9.2 percent rental motor vehicle tax. 100 percent of the revenues from this tax will be deposited in the HUTDF beginning in FY 2018, amounting to \$52.3 million in FY 2018-19 and \$59.2 million in FY 2020-21.

**Sales tax on motor vehicle leases (MVLST)**

The revenues raised from the 6.5 percent MVLST are statutorily dedicated, and Chapter 3 changed this allocation for the first time since FY 2009. Previously, the first \$32 million of annual revenues were deposited in the General Fund, and all remaining revenues were allocated 50 percent to the greater Minnesota transit account in the Transit Assistance Fund and 50 percent to CSAH for county roads and bridges in the metro counties of Anoka, Carver, Dakota, Scott, and Washington.

Chapter 3 eliminated the General Fund allocation beginning in FY 2018, and the total revenues will be distributed:

- 38 percent to the greater Minnesota transit account (\$73.6 million in FY 2018-19);
- 38 percent to CSAH for the five metro counties (\$73.6 million);
- 13 percent to the State Transportation Fund for funding of local bridges (\$25.2 million); and
- 11 percent to the HUTDF (\$21.3 million).

Under the new distribution in Chapter 3, the greater Minnesota transit account and CSAH

## TRANSPORTATION AND PUBLIC SAFETY

will each receive an increase of \$3.2 million in FY 2018-19 over the February 2017 forecast amount for MVLST.

### **Other Revenues**

Chapter 3 authorized a new \$75 surcharge on the annual registration of an electric vehicle, beginning on January 1, 2018. This surcharge is projected to raise \$40,000 in FY 2018-19 and \$105,000 in FY 2020-21, which will be deposited in the HUTDF.

Chapter 3 also changed the allocation of a portion of revenues from the two-wheeled

vehicle endorsement fee on a duplicate driver's license, reducing General Fund biennial receipts by \$34,000 beginning in FY 2018, and instead depositing this amount in the Motorcycle Safety Fund.

The enacted budget created a new annual special permit to allow haulers of road construction materials to exceed motor vehicle weight limits for six- and seven-axle vehicles. Proceeds from the issuance of permits are \$980,000 biennially and will be deposited in the bridge inspection and signing account in the Special Revenue Fund.

### **REAL ID**

The federal REAL ID Act was enacted by Congress in 2005. The Act established minimum standards for state-issued driver's licenses and identification cards ("licenses"). A REAL ID-compliant license is required for federal purposes (defined as accessing federal facilities, entering nuclear power plants, and boarding federally regulated commercial aircrafts). Because licenses are issued by states, a state must enact a state law in order to comply with the federal law. Since 2005, there have been several federal extensions of the deadline to begin issuing compliant licenses for federal purposes.

In response to the REAL ID Act, Minnesota enacted a law in 2009 that prohibited DPS from taking any action to plan for or to implement the REAL ID Act in Minnesota. (Laws 2009, Chapter 92). This prohibition remained in place until 2016, when the law was amended to allow the department to plan for REAL ID. The prohibition on implementing REAL ID remained in place. (Laws 2016, Chapter 83.)

Chapter 76 makes changes to state law to comply with the federal REAL ID Act. The prohibition on implementing REAL ID was repealed. Minnesota will begin to issue licenses that comply with the federal standard on or before October 1, 2018. These REAL ID-compliant licenses will be accepted for federal purposes. Chapter 76 also authorized the issuance of non-compliant licenses as an alternative to a REAL ID-compliant license. A non-compliant license is similar to a license issued prior to the enactment of this law, and a non-compliant license cannot be used for federal purposes.

Chapter 76 appropriated \$3.3 million in FY 2019 from the driver services operating account in the Special Revenue Fund to DPS to implement the requirements of Chapter 76. This was a one-time appropriation. In subsequent years, there will be additional costs related to the implementation of REAL ID compliant cards, for which funding has not yet been appropriated.



## CHAPTER 12 CAPITAL INVESTMENT

Two chapters enacted during the 2017 sessions contained funding for capital improvements. 2017 First Special Session, Chapter 8, authorized capital improvement projects that were primarily paid for with general obligation debt financing. This act also included direct appropriations, user-financed debt authorizations, and appropriation bonds. Chapter 4 appropriated capital investment funds to make agricultural improvement loans to Minnesota farmers. Together, these chapters appropriated \$1.2 billion for new capital projects.

Chapter 8 appropriated \$1.1 billion for one-time capital investment projects and programs and authorized the sale and issuance of debt. \$1 billion of the total amount appropriated in chapter 8 was in general obligation bonds. Debt service on these bonds is paid from the General Fund. Chapter 8 appropriated \$58.5 million in appropriation bonds and \$22.4 million in user-financed debt. Appropriation bonds, unlike general obligation bonds, are debt instruments that are not backed by the full faith, credit, and taxing powers of the state. Appropriation bonds have been discussed in detail in previous editions of this report. (For more information, see page 99 of the *2011 Fiscal Review*, page 12 of the *2012 Fiscal Review*, and page 114 of the *2013 Fiscal Review*.) Also, Chapter 8 directly appropriated \$26.6 million in FY 2017 for several capital improvement projects. Of this amount, \$11.6 million was from the General Fund and \$15 million was from the

renewable development account in the Special Revenue Fund.

Chapter 8 cancelled the remaining uncommitted amounts from several prior capital investment appropriations. These cancellations totaled \$28.1 million, and were counted as an offset of new general obligation bond authorizations for the purpose of calculating debt service costs. The net of new general obligation bond authorizations and cancellations in Chapter 8 was \$987.9 million, which is the amount used to forecast debt service costs. The full debt service effect of Chapter 8, and all forecasted debt service obligations, are found in Table 1 below.

Typically, the Department of Management and Budget (MMB) forecasts annual General Fund supported debt service payments based on the presumption that the enactment of capital investment bills follows a biennial cycle in which the bulk of capital improvement appropriations are enacted in even-numbered session years, with relatively smaller appropriations enacted in odd-numbered session years. These amounts are based on ten-year averages of the approximate sizes of capital investment bills enacted into law. The February 2016 forecast assumed that capital investment bills would appropriate \$800 million in General Fund supported debt in even-numbered years, and \$230 million in odd-numbered years (a biennial amount of \$1 billion). However, no capital improvement appropriations were enacted in the 2016 session before the start of FY 2017. As a result, MMB adjusted their

CAPITAL INVESTMENT

<b>Table 1 - Biennial Budget Balance - Debt Service Fund</b>					
<i>(dollars in thousands)</i>					
<b>Transfer in by Fund Base</b>	<b>FY 2016-17</b>	<b>FY 2018-19 Forecast Base</b>	<b>FY 2018-19 Enacted Budget</b>	<b>Change: Enacted - FY 2016-17</b>	<b>Change: Enacted - Forecast Base</b>
General Fund	1,138,500	1,142,817	1,155,301	16,801	12,484
Maximum Effort School Loan	62,908	311	311	(62,597)	-
MN State Colleges and Universities	62,480	65,500	72,407	9,927	6,907
Rural Finance Administration	19,822	11,272	11,272	(8,550)	-
Special Revenue Fund	2,428	2,411	2,411	(17)	-
Trunk Highway Fund	374,264	436,154	447,450	73,186	11,296
Investment Receipts & Other Revenue	933,484	61,429	61,429	(872,055)	-
Balance Forward	1,741,495	1,544,948	1,544,948	(196,547)	-
<b>Total Transfers In:</b>	<b>4,335,381</b>	<b>3,264,842</b>	<b>3,295,529</b>	<b>(1,039,852)</b>	<b>30,687</b>
<b>Spending:</b>	<b><u>2,675,141</u></b>	<b><u>1,767,142</u></b>	<b><u>1,797,829</u></b>	<b><u>(877,312)</u></b>	<b><u>30,687</u></b>
<b>Budgetary Balance</b>	<b>1,660,240</b>	<b>1,497,700</b>	<b>1,497,700</b>	<b>(162,540)</b>	<b>-</b>

methodology for the November 2016 and February 2017 forecasts, assuming instead that capital investment appropriations would total \$800 million in the 2017 session before resuming the typical pattern in the 2018 session. Because the February 2017 forecast assumed that \$800 million of capital investment appropriations would be enacted in both 2017 and 2018, the combined amount of \$1.6 billion in those years assumed a much more significant debt service increase in FY 2018-19 than the typical pattern (of \$1 billion in combined capital investment appropriations).

The February 2017 forecast estimated the debt service payments on \$800 million of general obligation bonds to be \$53.1 million in FY 2018-19 and \$129.3 million in FY 2020-21. The debt service for the net issuance of \$987.9 million in general obligation bonds authorized in Chapter 8 is \$65.6 million in FY 2018-19, and \$159.7 million in FY 2020-21. Compared to the forecast, the debt service payments

attributable to Chapter 8 are \$12.5 million and \$30.4 million higher for FY 2018-19 and FY 2020-21, respectively. The total General Fund debt service appropriation (for Chapter 8 and all other outstanding state general obligation debt) in the enacted budget was \$1.2 billion in FY 2018-19, which was \$16.8 million higher than in the FY 2016-17 biennium. Total General Fund debt service in FY 2020-21 is \$1.2 billion.

Chapter 8 appropriated \$212.3 million in FY 2018 for capital improvements in higher education. Of this amount, \$119.9 million was for the University of Minnesota, including \$28.3 million for an advanced materials science building in Duluth, and \$66.7 million for a health sciences facility at the Twin Cities campus. Chapter 8 appropriated \$92.3 million to Minnesota State Colleges and Universities, including \$11.2 million and \$25.3 million for campus reconfigurations at Hibbing Community College and Winona State University, respectively.

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Chapter 8 appropriated \$128.2 million in FY 2018 to the Department of Natural Resources and other state agencies for recreation and environmental protection purposes. This amount included \$11.6 million for flood hazard mitigation grants; \$15.4 million for dam renovation and repair; and \$18 million for park, state recreation area, and trail development. Chapter 8 also appropriated \$46 million to the Pollution Control Agency and \$15 million to the Board of Water and Soil Resources, for various purposes.

Chapter 8 appropriated \$254.9 million in FY 2018 for transportation projects and programs, including \$49.2 million for local bridge replacement and rehabilitation, \$115.9 million for local road improvement grants, and \$71.1 million for rail grade separations on crude oil rail lines. In addition to these appropriations to the Department of Transportation, \$20.9 million was appropriated to the Metropolitan Council for bus transit projects.

Among other items in Chapter 8, \$116.9 million was appropriated to the Public Facilities Authority for water and wastewater infrastructure projects, \$70.3 million was appropriated for improvements to the Minnesota Security Hospital in St. Peter, and \$12 million was appropriated for the final phase of the Dorothy Day Opportunity Center in St. Paul. \$101.4 million was appropriated to the Department of Employment and Economic Development, which included \$12 million for business development public infrastructure grants in Greater Minnesota, \$15 million from the Renewable Development Fund for improvements to the city of Duluth's steam heating system, \$12 million for a miners memorial in Virginia, and \$13 million for repairs to water damaged structures at the Science Museum

of Minnesota in St. Paul. All of the appropriations were made in FY 2018.

Chapter 8 authorized the Minnesota Housing Finance Authority (MHFA) to issue \$55 million in FY 2018 in housing infrastructure bonds, which are appropriation bonds. Of this amount, \$20 million was for increases to MFHA housing infrastructure bond authorization amounts in current law, and \$35 was for additional statutory authority to issue housing infrastructure bonds. Laws enacted in 2014 and 2015 authorized MHFA to issue \$80 million and \$10 million, respectively, in housing infrastructure bonds. Chapter 8 increased the combined amount of these authorizations from \$90 million to \$110 million. Because the actual annual debt service payments on the 2014 and 2015 housing infrastructure bonds are lower than the debt service amounts included in MMB's debt capacity forecast, and MHFA estimated there was the capacity to issue an additional \$20 million in housing infrastructure bonds without exceeding the debt service payment limit set in law, there is no change to debt service appropriations compared to the February 2017 forecast as a result of the increase in housing infrastructure bond authorization amounts.

Chapter 8 also authorized MMB to issue \$3.5 million in appropriation bonds in FY 2018 to finance completion of the Lewis and Clark regional water system in southwest Minnesota. For more information on the Lewis and Clark regional water system, please see page 20 of the *2014 Fiscal Review*.

Chapter 4 appropriated \$35 million in FY 2018 in general obligation bond proceeds to the Rural Finance Authority (RFA) for a program to make direct agricultural loans to farmers. The RFA is required to pay the debt service on these bonds using interest charged to the loans made through the program.

CAPITAL INVESTMENT

<b>Table 2 - Debt Service, Capital Projects, Other</b> <b>All Funds Biennial Spending/Appropriations by Agency &amp; Fund</b> <i>(dollars in thousands)</i>					
<b>Expenditure by Purpose</b>	<b>FY 2016-17</b>	<b>FY 2018-19 Forecast Base</b>	<b>FY 2018-19 Enacted Budget</b>	<b>Change: Enacted - FY 2016-17</b>	<b>Change: Enacted - Fest. Base</b>
General Fund Grants	277,468	255,924	259,254	(18,214)	3,330
Renewable Development Account Grants	-	-	15,000	15,000	15,000
Debt Service - General Fund	1,138,500	1,142,817	1,155,301	16,801	12,484
Debt Service - Debt Service Fund	2,674,492	1,766,492	1,797,179	(877,313)	30,687
Debt Service - Stadium Debt Service Fund	60,312	60,313	60,313	1	-
General Fund Cancellations	(15,000)	(20,000)	(20,000)	(5,000)	-
General Fund Expenditure Adjustments	(4,062,080)	(3,833,912)	(4,097,176)	(35,096)	(263,264)
<b>Total Expenditures</b>	<b>73,692</b>	<b>(628,366)</b>	<b>(830,129)</b>	<b>(903,821)</b>	<b>(201,763)</b>

<b>Table 3 - Debt Service, Capital Projects, Other</b> <b>General Fund Changes Compared to Forecast</b> <i>(dollars in thousands)</i>						
<b>Debt Service Changes</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
General Fund Supported General Obligation Bonding	2,960	9,524	12,484	14,674	15,709	30,383
Lewis and Clark Appropriation Bonds	265	265	530	265	265	530
Minnesota Housing Finance Agency Appropriation Bonds	-	2,800	2,800	2,800	2,800	5,600
<b>Total Debt Service Changes</b>	<b>3,225</b>	<b>12,589</b>	<b>15,814</b>	<b>17,739</b>	<b>18,774</b>	<b>36,513</b>

## APPENDICES

<b>Appendix A</b>							
<b>General Fund Summary Fund Balance Analysis, FY 2016-2021</b>							
<i>(dollars in thousands)</i>							
	FY 2016-17	FY 2018	FY 2019	FY 2018-19	FY 2020	FY 2021	FY 2020-21
<b><u>February Forecast</u></b>							
<b><u>Actual &amp; Estimated Resources</u></b>							
Balance Forward	2,103,017	2,722,888	2,899,580	2,722,888	3,645,119	4,511,153	3,645,119
Current Resources	42,435,491	22,279,330	23,384,012	45,663,342	24,162,173	25,195,158	49,357,331
<b>Total Resources</b>	<b>44,538,508</b>	<b>25,002,218</b>	<b>26,283,592</b>	<b>48,386,230</b>	<b>27,807,292</b>	<b>29,706,311</b>	<b>53,002,450</b>
<b><u>Actual &amp; Estimated Expenditures</u></b>							
<b>Total Net Spending</b>	<b>41,815,620</b>	<b>22,102,638</b>	<b>22,638,473</b>	<b>44,741,111</b>	<b>23,296,139</b>	<b>23,936,646</b>	<b>47,232,785</b>
<b>Balance Before Reserves</b>	<b>2,722,888</b>	<b>2,899,580</b>	<b>3,645,119</b>	<b>3,645,119</b>	<b>4,511,153</b>	<b>5,769,665</b>	<b>5,769,665</b>
<b>Total Reserves</b>	<b>1,978,394</b>	<b>1,985,276</b>	<b>1,993,744</b>	<b>1,993,744</b>	<b>2,003,812</b>	<b>2,035,298</b>	<b>2,035,298</b>
<b>Budgetary Balance</b>	<b>744,494</b>	<b>914,304</b>	<b>1,651,375</b>	<b>1,651,375</b>	<b>2,507,341</b>	<b>3,734,367</b>	<b>3,734,367</b>
<b><u>Enacted Budget</u></b>							
<b><u>Actual &amp; Estimated Resources</u></b>							
Balance Forward	2,103,017	2,707,993	2,180,259	2,707,993	2,156,786	1,944,219	2,156,786
Current Resources	42,434,951	21,976,098	23,030,035	45,006,133	23,645,015	24,626,018	48,271,033
<b>Total Resources</b>	<b>44,537,968</b>	<b>24,684,091</b>	<b>25,210,294</b>	<b>47,714,126</b>	<b>25,801,801</b>	<b>26,570,237</b>	<b>50,427,819</b>
<b><u>Actual &amp; Estimated Expenditures</u></b>							
<b>Total Net Spending</b>	<b>41,829,975</b>	<b>22,503,832</b>	<b>23,053,508</b>	<b>45,557,340</b>	<b>23,857,582</b>	<b>24,159,328</b>	<b>48,016,910</b>
<b>Balance Before Reserves</b>	<b>2,707,993</b>	<b>2,180,259</b>	<b>2,156,786</b>	<b>2,156,786</b>	<b>1,944,219</b>	<b>2,410,909</b>	<b>2,410,909</b>
<b><u>Reserves</u></b>							
<b>Total Reserves</b>	<b>1,978,394</b>	<b>1,985,276</b>	<b>1,993,744</b>	<b>1,993,744</b>	<b>2,003,812</b>	<b>2,035,298</b>	<b>2,035,298</b>
<b>Budgetary Balance</b>	<b>729,599</b>	<b>194,983</b>	<b>163,042</b>	<b>163,042</b>	<b>(59,593)</b>	<b>375,611</b>	<b>375,611</b>

	FY 2016-17	FY 2018	FY 2019	FY 2018-19	FY 2020	FY 2021	FY 2020-21
<b><u>Difference</u></b>							
<b><u>Actual &amp; Estimated Resources</u></b>							
Balance Forward	-	(14,895)	(719,321)	(14,895)	(1,488,333)	(2,566,934)	(1,488,333)
Current Resources	(540)	(303,232)	(353,977)	(657,209)	(517,158)	(569,140)	(1,086,298)
<b>Total Resources</b>	<b>(540)</b>	<b>(318,127)</b>	<b>(1,073,298)</b>	<b>(672,104)</b>	<b>(2,005,491)</b>	<b>(3,136,074)</b>	<b>(2,574,631)</b>
<b><u>Actual &amp; Estimated Expenditures</u></b>							
<b>Total Net Spending</b>	<b>14,355</b>	<b>401,194</b>	<b>415,035</b>	<b>816,229</b>	<b>561,443</b>	<b>222,682</b>	<b>784,125</b>
<b>Balance Before Reserves</b>	<b>(14,895)</b>	<b>(719,321)</b>	<b>(1,488,333)</b>	<b>(1,488,333)</b>	<b>(2,566,934)</b>	<b>(3,358,756)</b>	<b>(3,358,756)</b>
<b><u>Reserves</u></b>							
<b>Total Reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Budgetary Balance</b>	<b>(14,895)</b>	<b>(719,321)</b>	<b>(1,488,333)</b>	<b>(1,488,333)</b>	<b>(2,566,934)</b>	<b>(3,358,756)</b>	<b>(3,358,756)</b>

**Appendix B**  
**FY 2018-19 General Fund Budgetary Balance and Revenue Change Detail**  
*(dollars in thousands)*

<b>Projected Budgetary Balance, February 2017 Forecast</b>	<b>1,651,375</b>
<b>Revenue Change Items</b>	
<u>Tax Revenue Changes</u>	
Individual Income Tax	(250,868)
Corporate Income Tax	(1,670)
Sales Tax (including FY 2017 changes)	(257,398)
Statewide Property Tax	(96,170)
Estate Tax	(34,900)
Liquor, Wine and Beer Tax	(130)
Cigarette and Tobacco Products Tax	(12,150)
<b>Subtotal, Tax Revenue Changes</b>	<b>(653,286)</b>
<u>Nontax Revenue Changes</u>	
1st Spec Sess, Ch. 3, DPS, Motorcycle Safety Fund Deposit Realignment	(34)
1st Spec Sess, Ch. 4, Auditor, Audit Practice Fees	14,967
1st Spec Sess, Ch. 4, Auditor, Deposit Audit Enterprise Fund Balance in GF	978
1st Spec Sess, Ch. 4, Cosmetology Board, Eyelash Technicians License Fees	56
1st Spec Sess, Ch. 4, DOR, Deposit Assessor License Fees in Spec Rev Account	(70)
1st Spec Sess, Ch. 5, PELSB, Teacher License Fee	38
1st Spec Sess, Ch. 6, DHS, Direct Care and Treatment -- Cost of Care Recoveries	2,704
1st Spec Sess, Ch. 6, DHS, Repeal Intergovernmental Transfer	(13,584)
1st Spec Sess, Ch. 6, DHS, Maltreatment Fines in DHS-Licensed Facilities	90
1st Spec Sess, Ch. 6, DHS, Mental Health Innovation Grants	(2,000)
1st Spec Sess, Ch. 6, DHS, Minn Security Hospital -- Cost of Care Recoveries	2,540
1st Spec Sess, Ch. 6, DHS, MA Recoveries -- SIRS	3,500
1st Spec Sess, Ch. 6, DHS, TEFRA, Reduce Parental Fees	(1,030)
1st Spec Sess, Ch. 6, DHS Family Foster Care Liability Insurance	(300)
Ch. 65, POST Board, De-escalation Training Adjustment	(200)
Ch. 65, POST Board, Salary Increase GF Adjustment	(42)
Ch. 88, Agriculture, Food Certificate Fee Account	(220)
Ch. 94, DEED, MIF, One-time exception	1,232
Ch. 94, DOC, Auto Theft Prevention Fund Redirection	(2,600)
Ch. 94, DOC, Broker-Dealer Fee Increase	5,320
Ch. 94, DOC, Competitive Rates, Energy Intensive Trade Exposed (EITE)	(860)
Ch. 94, DOC, Financial Institutions Funding Flexibility	(10,064)
Ch. 95, Judiciary, Civil Court Filing Fee Reduction (\$310 to \$265)	(4,828)
Ch. 95, Judiciary, Collection of Overdue Court Fines and Fees	1,657
Ch. 95, Judiciary, HRO Respondent Filing Fee Elimination	(242)
Ch. 95, Judiciary, Motion Fee Child Support Modification (\$100 to \$50)	(30)
Ch. 95, Judiciary, Motion Fee Civil Reduction (\$100 to \$75)	(1,435)
Ch. 95, Tax Court, Small Claims Jurisdiction to \$15,000	(6)
<b>Subtotal, Nontax Revenue Changes</b>	<b>(4,463)</b>

<b>Total Revenue Changes</b>	<b>(657,749)</b>
<b>Spending Change Items</b>	
FY 2016-17 Appropriation Changes	14,355
FY 2018-19 Appropriation Changes (including July 26, 2017, Ramsey County Court order)	816,229
<b>Total Spending Changes</b>	<b>830,584</b>
<b>Net General Fund Changes (Revenue minus Spending)</b>	<b>(1,488,333)</b>
<b>Revised Balance, FY 2016-17, End of Session (Forecast Balance Plus Net GF Changes)</b>	<b>163,042</b>



**Appendix C**  
**Capital Investment Detail**  
*(dollars in thousands)*

AGENCY AND PROJECT	FUND	AMOUNT
<b>University of Minnesota</b>		<b>119,934</b>
Higher Education Asset Preservation and Replacement (HEAPR)	GO	20,600
Duluth - Chemistry and Advanced Materials Science Building	GO	28,267
Twin Cities - Health Sciences Education Facility	GO	66,667
Twin Cities - Plant Growth Research Facility	GO	4,400
<b>Minnesota State Colleges and Universities</b>		<b>92,325</b>
Higher Education Asset Preservation and Replacement (HEAPR)	GO	25,000
Hibbing Community College - Campus Reconfiguration	GO/UF	11,223
MN State Community and Technical College, Fergus Falls - Center for Student and Workforce Success	GO/UF	978
MN State Community and Technical College, Wadena - Library and Student Services Center	GO/UF	820
Northland Community and Technical College, East Grand Forks - Laboratory Space	GO/UF	826
South Central College, North Mankato - Laboratory and Classroom Space	GO/UF	9,600
St. Cloud State University - Student Health and Academic Renovation	GO/UF	18,572
Winona State University - Education Village	GO/UF	25,306
<b>Education</b>		<b>4,000</b>
Library Construction Grants	GO	2,000
Grand Rapids -Myles Reif Center	GF	500
Olmsted County - Dyslexia Institute of Minnesota Diagnostic and Teaching Facility	GO	1,500
<b>Minnesota State Academies</b>		<b>2,050</b>
Asset Preservation	GO	2,000
Minnesota State Academies Security Corridor	GO	50
<b>Natural Resources</b>		<b>67,203</b>
Natural Resources Asset Preservation	GO	15,000
<u>Flood Hazard Mitigation Grants</u>	GO	<u>11,555</u>
--Program (non-earmarked)		7,305
-- <i>Cedar River Watershed</i>		1,700
-- <i>Browns Valley</i>		750
-- <i>Ortonville</i>		1,800
<u>Dam Renovation, Repair, and Removal</u>	GO	<u>15,400</u>
-- <i>Lanesboro Dam</i>		4,000
-- <i>Lake Byllesby</i>		6,000
-- <i>Pelican Rapids Dam</i>		500
-- <i>Norway Lake Dam</i>		200
-- <i>Yellow Medicine County - Canby Impoundment Dam</i>		200

AGENCY AND PROJECT	FUND	AMOUNT
--St. Louis County - Little Stone Lake Dam		100
--Brawner, Collinwood, Grindstone River, Sullivan, West Leaf Lake, Willow River, Lake Bronson		4,400
Reforestation and Stand Improvement	GO	1,000
<u>Park, State Recreation Area, and Trail Development*</u>	GO	<u>18,048</u>
--Gitchi-Gami Trail		3,130
--Glacial Lakes Trail		2,590
--Heartland Trail		3,300
--Mill Towns Trail		328
--Camp Ripley Trail		1,600
--Cuyuna State Recreation Area		3,600
--Vermilion/Soudan State Park		3,500
Champlin - Mill Pond Restoration	GO	3,300
Lake County - Prospectors ATV Trail System	GO	1,000
Morrison County - Soo Line Trail	GO	400
St. Paul - Shade Tree Reforestation	GO	1,500
<b>Pollution Control Agency</b>		<b>46,010</b>
St. Louis River Area of Concern	GO	25,410
Closed Landfill Construction: Waste Disposal Engineering (WDE) Landfill	GO	11,350
<u>Capital Assistance Program</u>	GO	<u>9,250</u>
--Polk County		9,250
<b>Board of Water and Soil Resources</b>		<b>15,000</b>
Reinvest in Minnesota (RIM) Reserve Program	GO	10,000
Local Government Roads Wetland Replacement Program	GO	5,000
<b>Agriculture</b>		<b>270</b>
Agricultural Utilization Research Institute - Expansion	GF	270
<b>Minnesota Zoological Gardens</b>		<b>4,000</b>
Asset Preservation	GO	4,000
<b>Administration</b>		<b>18,178</b>
Centennial Parking Ramp	GO	10,878
Capitol Police Memorial Repair	GO	350
Capital Asset Preservation and Replacement Account	GO	5,000
Granite Falls - Pioneer Public Television	GF	1,950
<b>Mn.IT</b>		<b>1,432</b>
State Office Data Center Facilities Repurposing	GO	1,432
<b>Military Affairs</b>		<b>2,500</b>
Asset Preservation	GO	2,500

<b>AGENCY AND PROJECT</b>	<b>FUND</b>	<b>AMOUNT</b>
<b>Public Safety</b>		<b>3,521</b>
Camp Ripley - Railroad and Pipeline Incident Training Facility	GO	3,521
<b>Transportation</b>		<b>254,918</b>
<u>Local Bridge Replacement and Rehabilitation</u>	TF	<u>49,212</u>
--Program (non-earmarked)		16,537
-- <i>Minneapolis - 10th Avenue Bridge</i>		<i>31,875</i>
-- <i>Malone Island Bridge</i>		<i>800</i>
<u>Local Road Improvement Grants</u>	TF	<u>115,932</u>
--Program (non-earmarked)		25,336
-- <i>Anoka County - I-35 and Lake Drive Interchange and West Freeway Drive</i>		<i>9,000</i>
-- <i>Appleton Township - 100TH ST SW Road</i>		<i>1,000</i>
-- <i>Baxter - Cypress Drive</i>		<i>6,000</i>
-- <i>Blaine - 105th Avenue Reconstruction (National Sports Center)</i>		<i>3,246</i>
-- <i>Carver County - US Highway 212 Interchange in Chaska</i>		<i>10,500</i>
-- <i>Hennepin County - Interstate Highway 35W and Lake Street Access Project</i>		<i>25,000</i>
-- <i>Hennepin County - US Highway 12 Interchange</i>		<i>11,300</i>
-- <i>Inver Grove Heights - Broderick Boulevard</i>		<i>1,000</i>
-- <i>McLeod County - CSAH 15</i>		<i>2,350</i>
-- <i>Ramsey County - Interstate Highway 694 and Rice Street Interchange</i>		<i>20,500</i>
-- <i>Redwood County - Veterans Cemetery Access Road</i>		<i>700</i>
<u>Rail Grade Separation on Crude Oil Rail Lines Program</u>	GO	<u>71,124</u>
-- <i>Anoka County - Hanson Boulevard</i>		<i>14,100</i>
-- <i>Moorhead - 21st Street</i>		<i>42,262</i>
-- <i>Red Wing - Sturgeon Lake Road</i>		<i>14,762</i>
Rail Service Improvement Grants (MRSI)	GO	1,000
Railroad Warning Devices	GO	1,000
Minnesota Valley Regional Rail Authority	GO	4,000
Hugo - Short Line Railway	GO	1,500
Safe Routes to School	GO	1,000
Port Development Assistance Program	GO	5,000
International Falls-Koochiching County Airport Commission	GO	3,000
Grand Rapids - Mississippi River Pedestrian Bridge	GO	750
Eden Prairie - Pedestrian Crossing	GO	1,400
<b>Metropolitan Council</b>		<b>45,044</b>
Metropolitan Regional Parks and Trails	GO	5,000
Transitway Capital Improvement Program (Orange Line BRT)	GO	12,100
Bloomington - Mall of America Transit Station	GO	8,750
Inflow/Infiltration Grant Program	GO	3,739
St. Paul - Como Zoo	GO	15,000
West St. Paul - River to River Regional Greenway	GO	200
White Bear Lake - Trail	GO	255

<b>AGENCY AND PROJECT</b>	<b>FUND</b>	<b>AMOUNT</b>
<b>Human Services</b>		<b>100,365</b>
Minnesota Security Hospital - St. Peter	GO	70,255
Willmar - Child and Adolescent Behavioral Health Services	GO	7,530
Anoka Metro Regional Treatment Center Safety and Security Renovations	GO	2,250
Carver County - Regional Residential Crisis Stabilization Clinic	GO	1,250
Hennepin County - Regional Medical Examiner's Facility	GO	2,680
Minneapolis - The Family Partnership	GF	1,600
Minneapolis - People's Center	GF	2,200
St. Louis Park - Perspectives Family Center	GF	600
St. Paul - Dorothy Day Opportunity Center	GO	12,000
<b>Veterans Affairs</b>		<b>12,881</b>
Asset Preservation	GO	5,000
Minneapolis - Veterans Home Truss Bridge	GO	7,851
Rice County - Veterans Memorial	GO	30
<b>Corrections</b>		<b>39,600</b>
Asset Preservation	GO	20,000
St. Cloud - Minnesota Correctional Facility	GO	19,000
Northeast Regional Corrections Center	GO	600
<b>Employment and Economic Development</b>		<b>101,402</b>
Asset Preservation (South Minneapolis Workforce Center)	GO	1,342
Transportation Economic Development Grants	GO	3,500
Greater Minnesota Business Development Public Infrastructure Grants	GO	12,000
Innovative Business Development Public Infrastructure Grants	GO	1,158
Chisago County - Law Enforcement and Emergency Center	GO	3,000
Duluth - Steam Plant Improvements	RDA	15,000
Eagle Bend - High School Demolition	GO	1,500
Hennepin County - Hennepin Center for the Arts	GF	3,000
Hermantown - Arrowhead Health Regional Wellness Center	GO	8,000
LaSalle - Community Center	GO	100
Litchfield - Power Generation Improvements	GO	4,000
Minneapolis - American Indian Center	GF	155
Minneapolis - Norway House	GO	5,000
Minneapolis - Pioneers and Soldiers Cemetery Fence	GO	1,029
Mountain Iron - Enterprise Drive North	GO	400
Red Wing - River Town Renaissance	GO	4,400
Sauk Centre - Eagle's Healing Nest (Cancellation + New Appropriation)	GF	500
Virginia - Miners Memorial	GO	12,000
St. James - Public Infrastructure	GO	5,943
St. Paul - Science Museum of Minnesota Building Preservation	GO	13,000
St. Paul Port Authority - Minnesota Museum of American Art	GO	6,000
Waseca - Tink Larson Field	GO	375

<b>AGENCY AND PROJECT</b>	<b>FUND</b>	<b>AMOUNT</b>
<b>Public Facilities Authority</b>		<b>116,888</b>
State Match for Federal Grants	GO	17,000
<u>Water Infrastructure Funding Program</u>	GO	<u>55,000</u>
-- <i>Wastewater Projects</i>		<i>40,000</i>
-- <i>Drinking Water Projects</i>		<i>15,000</i>
Point Source Implementation Grants Program	GO	33,737
Big Lake Area Sanitary District - Sewer System and Force Main	GO	1,200
Clearbrook - Infrastructure Restoration	GO	850
Clear Lake & Clearwater - Wastewater Treatment Facility	GO	300
Dennison - Sewage Treatment System	GO	726
East Grand Forks - Wastewater Infrastructure	GO	5,300
Koochiching County - Voyageurs National Park Clean Water Project	GO	2,000
Lilydale - Highway 13 Storm Water Conveyance	GF	275
Oronoco - Wastewater Collection and Treatment Facilities	GF	500
<b>Minnesota Housing Finance Authority</b>		<b>65,000</b>
Public Housing Rehabilitation	GO	10,000
Housing Infrastructure Bonds	AP	35,000
Housing Infrastructure Bonds - Increased Authorization for 2014/2015 Bonds	AP	20,000
<b>Minnesota Historical Society</b>		<b>6,500</b>
Historic Sites Asset Preservation	GO	2,500
Historic Fort Snelling Visitor Center	GO	4,000
<b>Lewis and Clark Joint Powers Board</b>		<b>3,500</b>
Lewis and Clark Regional Water System	AP	3,500
<b>Minnesota Management and Budget</b>		<b>1,039</b>
Bond Sale Expenses - General Obligation Bonds	GO	1,039
<b>Cancellations</b>		<b>(29,833)</b>
Cancellation of Unobligated Balances of Prior Appropriations	GO/C	(12,571)
2011 - St. Louis Park - Noise Barrier	GO/C	(700)
2012 - Public Safety - State Match for Public Assistance	GO/C	(2,285)
2012 - Public Facilities Authority - Disaster Relief Facilities Grants	GO/C	(1,380)
2014 - AEOA	GO/C	(1,200)
2015 - DEED - Eagle's Healing Nest	GF/C	(300)
2017 Cancellation Report - Advance GO Cancellations	GO/C	(9,993)
2017 Cancellation Report - Advance GF Cancellations	GF/C	(217)
2017 Cancellation Report - Advance THF Cancellations	THF/C	(1,187)
<b>TOTAL APPROPRIATIONS BY FUND</b>		<b>1,123,560</b>
General Obligation Bonds (GO)		850,924

<b>AGENCY AND PROJECT</b>	<b>FUND AMOUNT</b>
State Transportation Fund (TF)	165,144
General Obligation Bond Cancellations (GO/C)	(28,129)
<b><i>Net General Fund Supported Bonding</i></b>	<b>987,939</b>
General Fund (GF)	11,550
General Fund Cancellations (GF/C)	(517)
<b><i>Net General Fund Expenditures</i></b>	<b>11,033</b>
Appropriation Bonds (AP)	58,500
User Financing (UF)	22,442
Renewable Development Account - Special Revenue Fund (RDA)	15,000
Trunk Highway Fund Bond Cancellations (THF/C)	(1,187)

## **APPENDIX D**

### **LEGACY & CONSTITUTIONALLY DEDICATED FUNDS**

Chapter 91 contained appropriations made from constitutionally dedicated funds, or “Legacy” funds. The resources in the Legacy funds are generated by a three-eighths of one percent increase to the state’s sales tax, which was passed as a constitutional amendment in 2008. As approved by the Minnesota Constitution, the additional sales tax revenue is distributed into four funds as follows: 33 percent to the Clean Water Fund, 33 percent to the Outdoor Heritage Fund, 19.75 percent to the Arts and Cultural Heritage Fund, and 14.25 percent to the Parks and Trails Fund.

#### **Outdoor Heritage Fund**

Chapter 91 appropriated a total of \$102.6 million in FY 2018 and \$2 million in FY 2019 from the Outdoor Heritage Fund to finance various programs and projects to preserve and restore prairies, forests, wetlands, and aquatic habitats across the state. In keeping with past practice, appropriations from this fund are largely made for the first year of the biennium, and typically reflect the recommendations made by the Lessard-Sams Outdoor Heritage Council, a council of citizens and legislators created to oversee the fund. The Council made recommendations for FY 2018 only and will make additional recommendations for the 2018 session pertaining to FY 2019 appropriations. Outdoor Heritage Fund appropriations included \$30.9 million for prairies, \$16.8 million for forests, \$28.9 million for wetlands, and \$26.5 million for aquatic habitat.

#### **Clean Water Fund**

Chapter 91 appropriated \$100.5 million in FY 2018 and \$111.4 million in FY 2019 from the Clean Water Fund to finance activities promoting protection, enhancement, and restoration of water quality in lakes, rivers, and streams statewide. The recommendations for usage of Clean Water Fund revenues are provided by the Clean Water Council. Most of these recommendations were enacted.

2017 First Special Session, Chapter 1, the Omnibus Tax Act, enacted a one-time contingent transfer of \$22 million from the General Fund to the Clean Water Fund. Under the new law, if a future budget forecast estimates a positive unrestricted General Fund balance, the Commissioner of MMB must transfer up to \$22 million to the Clean Water Fund from the General Fund. This requirement will expire after \$22 million has been transferred.

#### **Parks and Trails Fund**

Chapter 91 appropriated \$42 million in FY 2018 and \$47.8 million in FY 2019 from the Parks and Trails Fund. Consistent with previous appropriations from this fund, approximately 40 percent of the total appropriation (\$35.5 million in FY 2018-19) was directed to state parks and trails, 40 percent (\$35.5 million) was directed to metropolitan area parks and trails, and 20 percent (\$17.7 million) was directed to regional parks and trails.

### Arts and Cultural Heritage Fund

Chapter 91 appropriated \$57.3 million in FY 2018 and \$66 million in FY 2019 from the Arts and Cultural Heritage Fund to preserve Minnesota's history and cultural heritage. According to Minnesota Statutes, section 129D.17, subdivision 4, at least 47 percent of the money deposited in the Arts and Cultural

Heritage Fund is required to be appropriated to the Minnesota State Arts Board or regional arts councils to finance various grant and arts access programs. Accordingly, Chapter 91 appropriated \$58.1 million to the Minnesota State Arts Board for FY 2018-19. Chapter 91 also appropriated \$28.1 million to the Minnesota Historical Society for grants and programming.

**Table 4 - Legacy/Constitutionally Dedicated Appropriations**  
**By Fund, By Agency**  
*(dollars in thousands)*

Fund, Agency	FY 2018-19 Biennium
<b>Outdoor Heritage Fund*</b>	
<u>Department of Natural Resources</u>	
Prairie Acquisition & Restoration	25,529
Forests Acquisition & Restoration	16,824
Wetlands Acquisition & Restoration	17,721
Fish, Game & Wildlife Habitat	25,765
<u>Administration, Other</u>	<u>300</u>
Total for Department of Natural Resources	86,139
<u>Board of Water &amp; Soil Resources</u>	
Prairie Acquisition & Restoration	5,333
Wetlands Acquisition & Restoration (RIM)	11,148
<u>Fish, Game &amp; Wildlife Habitat</u>	<u>779</u>
Total for Board of Water & Soil Resources	17,260
<u>Legislative Coordinating Commission</u>	
Administration, Web Site	1,164
<b>Total Outdoor Heritage Fund</b>	<b>104,563</b>
<b>Clean Water Fund</b>	
<u>Pollution Control Agency</u>	
Water Quality Assessment & Monitoring	16,550
TMDL & WRAP Development	20,047
Ground & Drinking Water Protection	2,363
Great Lakes Restoration/St. Louis River	1,500
Subsurface Sewage Treatment Systems (SSTS)	6,870
Wastewater/Stormwater Programs	2,250
Voyageurs National Area Sanitary Sewer Project	2,000
St. Croix River Association Phosphorus Reduction	400
<u>Clean Water Council Administrative Costs</u>	<u>100</u>
Total for Pollution Control Agency	52,080
<u>Department of Natural Resources</u>	
Nonpoint Source Protection & Preservation	1,900
Stream Flow Monitoring	3,900



<b>Fund, Agency</b>	<b>FY 2018-19 Biennium</b>
Lake Index of Biological Integrity	2,500
Watershed Restoration & Protection	3,772
Assessing Mercury Contamination in Fish	270
Ground & Drinking Water Protection	2,750
<u>Research Development and County Geological Atlas</u>	<u>1,800</u>
Total for Department of Natural Resources	16,892
<u>Metropolitan Council</u>	
Water Supply Planning	1,900
<u>Board of Water &amp; Soil Resources</u>	
Watershed Implementaion Grants	9,750
Surface & Drinking Water Grants	19,500
Accelerated Implementation/Technical Assistance Grants	7,600
Soil & Water Conservation Districts Admin Grants	22,000
Watershed Management Transitions	3,990
Conservation Drainage Management & Assistance	1,500
Conservation Reserve Enhancement Program (CREP)	3,000
Critical Shoreland Protection Easements	2,000
Wellhead Protection Easements	3,500
Riparian Buffer Easements	9,750
Riparian Buffer Cost-Share & Alternative Practices	5,000
Riparian Protection & Soil Loss Assistance	5,000
<u>Measures, Results, and Accountability</u>	<u>2,918</u>
Total for Board of Water & Soil Resources	95,508
<u>Department of Agriculture</u>	
Agriculture Water Quality Certification Program	5,000
Nitrate Monitoring in Groundwater	4,171
Pesticide Testing of Private Wells	2,000
Pesticide Monitoring Surface & Groundwater	700
Perennial and Cover Crop Research	1,650
Ag Best Management Practice Loan Admin	150
Irrigation Water Quality Protection	220
<u>Research &amp; Tool Development</u>	<u>3,675</u>
Total for Department of Agriculture	17,566
<u>Public Facilities Authority</u>	
Wastewater and Point Source Grants & Loans	16,000
<u>Department of Health</u>	
Source Water Protection & Preservation	5,494
Drinking Water Contaminants	2,200
Well Sealing Cost Share	500
Private Well Water Protection	800
Local Ground Water Strategies	400
Monitoring Lead in Drinking Water	300
Monitoring Viruses in Groundwater	<u>200</u>
Total for Department of Health	9,894

<b>Fund, Agency</b>	<b>FY 2018-19 Biennium</b>
<u>University of Minnesota</u>	
Clean Water Return on Investment	265
Stormwater Best Management Practices Evaluation	1,500
<u>County Geological Atlas Survey</u>	<u>250</u>
Total for University of Minnesota	2,015
<u>Legislative Coordinating Commission</u>	
Public Information Web Site	15
<b>Total Clean Water Fund</b>	<b>211,870</b>
<b>Parks &amp; Trails Fund</b>	
<u>Department of Natural Resources</u>	
State Parks, Recreation Areas, and Trails	35,475
Regional Parks and Trails Grants	17,738
<u>Parks &amp; Trails Coordinating and Assistance</u>	<u>1,069</u>
Total for Department of Natural Resources	54,282
<u>Metropolitan Council - Regional Parks</u>	
Metro Parks and Trails Grants	35,475
<u>Legislative Coordinating Commission</u>	
Public Information Web Site	7
<b>Total Parks &amp; Trails Fund</b>	<b>89,764</b>
<b>Arts &amp; Cultural Heritage Fund</b>	
<u>Arts Board</u>	
Arts & Arts Access Initiatives	46,289
Arts Education Collaborations	8,725
Arts in Cultural Heritage	2,967
Dan Patch Statute	75
<u>Arts Map Software and Application</u>	<u>50</u>
Total for Arts Board	58,106
<u>Historical Society</u>	
Statewide History Programs & Projects	11,000
Statewide Historic & Cultural Grants	11,000
History Partnerships	4,000
Survey of Historical Sites	800
Digital Library	600
<u>Specified Local Grants</u>	<u>720</u>
Total for Historical Society	28,120
<u>Department of Administration: Fiscal Agent</u>	
Public Television	8,050
Minnesota Public Radio & AMPERS	6,400
Como Zoo	2,700
Lake Superior Zoo	150
Park Pavilion Restoration City of St. Peter	200
Wilderness Inquiry	500

<b>Fund, Agency</b>	<b>FY 2018-19 Biennium</b>
Midwest Outdoors Unlimited	50
State Archaeologist Remains Analysis	107
Green Giant Museum	300
Medal of Honor Memorial	250
Camp Legionville	222
Minnesota Veterans Rest Camp	278
Veterans Memorial Grants	80
Minnesota State Band	50
<u>Science Museum of Minnesota</u>	<u>1,200</u>
Total for Dept. of Administration	20,537
<u>Minnesota Zoo</u>	
Programmatic Development	3,500
<u>Minnesota Center for the Humanities</u>	
Program Development	2,250
Minnesota Children's Museum	1,000
Duluth Children's Museum	300
Grand Rapids Children's Museum	300
Southern MN Children's Museum	300
Hutchinson Children's Museum-Wheel & Cog	80
City of St. Paul Tawkaw Courts	75
Rondo Commemorative Plaza	47
Somali Community & Museum Grants	400
<u>Civics Education</u>	<u>400</u>
Total for MN Center for the Humanities	5,152
<u>Department of Education</u>	
Minnesota Regional Library Systems	5,000
<u>Department of Agriculture</u>	
County Ag Societies/County Fair Grants	300
<u>Indian Affairs Council</u>	
Language Preservation & Education Grants	1,690
Dakota and Ojibwe Immersion Programs	750
<u>Graves Protection</u>	<u>200</u>
	2,640
<u>Legislative Coordinating Commission</u>	
Public Information Web Site	9
<b>Total Arts &amp; Cultural Heritage Fund</b>	<b>123,364</b>
<b>Summary, by Fund</b>	
<b>Outdoor Heritage Fund*</b>	104,563
<b>Clean Water Fund</b>	211,870
<b>Parks &amp; Trails Fund</b>	89,764
<b>Arts &amp; Cultural Heritage Fund</b>	<u>123,364</u>
<b>Legacy/Constitutionally Dedicated Funds, Grand Total:</b>	<b>529,561</b>

\* Legislature only appropriated money for the first year for the Outdoor Heritage Funds. Other funds were appropriated for two fiscal years.

## Environment and Natural Resources Trust Fund

Chapter 96 enacted appropriations from the Environment and Natural Resources Trust Fund. In 1988, Minnesota voters approved a constitutional amendment establishing the Environment and Natural Resources Trust Fund (Trust Fund). Until December 31, 2024, the Minnesota Constitution requires that 40 percent of the net proceeds from the Minnesota State Lottery are deposited in the Trust Fund each year. The Trust Fund may also receive contributions from other

sources, such as private donations. The total amount in the Trust Fund was \$924.1 million on June 30, 2016. Based on the Constitution, the Legislature may annually appropriate up to 5.5 percent of the amount in the Trust Fund each fiscal year based on the balance in the fund in the previous year. Chapter 96 appropriated a total of \$55.8 million in FY 2018-19 from the Trust Fund. Of this amount, Chapter 96 appropriated \$50.7 million in FY 2018 and \$5.1 million in FY 2019. The enacted budget also appropriated \$8.4 million from the Trust Fund in FY 2017 that became available due to Governor line-item vetoes.

**Table 5 - Appropriations from the Environment & Natural Resources Trust Fund**  
(dollars in thousands)

Category/Project	FY 2017 (1)	FY 2018-19 Biennium (2)
Foundational Natural Resources Data and Information (14 Projects)	2,000	7,961
Water Resources (9 Projects)	-	3,175
Environmental Education (7 Projects)	-	2,988
Aquatic and Terrestrial Invasive Species (6 Projects)	2,700	2,021
Air Quality, Climate Change, and Renewable Energy (5 Projects)	-	3,250
Methods to Protect or Restore Land, Water, and Habitat (10 Projects)	-	4,783
- Conservation Reserve Enhancement Program (CREP) Outreach	-	6,000
- Conservation Reserve Enhancement Program (CREP) Acquisition	2,729	10,771
Land Acquisition, Habitat, and Recreation (9 Projects)	999	13,533
Administration and Contract Agreement	-	1,340
<b>Total from Environment &amp; Natural Resources Trust Fund</b>	<b>8,428</b>	<b>55,822</b>

- (1) The amounts appropriated for FY 2017 became available as a result of line item vetoes contained in Laws 2016, Chapter 186.
- (2) The amounts for FY 2018-19 include \$50.7 million for FY 2018 and \$5.1 million for FY 2019. The FY 2018 amount is 5.5 percent of the value of the Trust Fund as required by the Minnesota Constitution. The 2018 Legislature will consider additional projects, as recommended by the Legislative Citizen Commission on Minnesota Resources, of approximately \$45 million for FY 2019.

**Appendix E**  
**Health and Human Services**  
**General Fund Appropriations Change Detail Compared to Forecast**  
*(dollars in thousands)*

Appropriations Changes	FY 2018	FY 2019	FY 2018-19	FY 2020	FY 2021	FY 2020-21
<b>Department of Human Services</b>						
<b>Health Care</b>						
Implementation of CMS Home Health Care Rule	97	130	227	131	132	263
Compliance with Federal Managed Care and Access to Care Rules	(724)	(437)	(1,161)	(469)	(492)	(961)
MA Rate Increase for Nurse Home Visiting	163	451	614	535	626	1,161
MA Expenditures Paid with Health Care Access Fund	(175,000)	(213,919)	(388,919)	(134,014)	(175,000)	(309,014)
Managed Care 0.5% Trend Reduction	-	(17,497)	(17,497)	(32,451)	(32,341)	(64,792)
MA Coverage for Post-Arrest Service Coordination	3	1	4	1	1	2
Statewide Measures for Quality Incentives	33	16	49	-	-	-
MA Reasonable Opportunity to Enroll	(4,150)	(8,939)	(13,089)	(9,039)	(9,697)	(18,736)
Implement Periodic Data Matching 4-1-2018	(63)	(11,410)	(11,473)	(1,167)	(485)	(1,652)
Capitation Payment Delay	-	(173,266)	(173,266)	173,266	(197,656)	(24,390)
Bulk Purchase of Incontinence Supplies	-	(2,014)	(2,014)	(2,433)	(2,628)	(5,061)
Integrated Health Partnership Expansion	(1,720)	(7,562)	(9,282)	(14,288)	(19,544)	(33,832)
Dental Provider Rate Increase	1,335	2,255	3,590	2,415	2,530	4,945
MA Coverage for Stiripentol	61	122	183	122	122	244
Intergovernmental Transfer for Ambulance Services	44	39	83	39	39	78
Intergovernmental Transfer for University of Minnesota	129	88	217	88	88	176
Durable Medical Equipment Rate Increase for Ventilators	95	285	380	564	564	1,128
Chronic Pain Rehabilitation Therapy Demonstration Project	1,000	-	1,000	-	-	-
Direct Injectable Drugs Reimbursement Grant	425	400	825	-	-	-
<b>Continuing Care</b>						
Expansion of Return to Community Initiative	1,637	(579)	1,058	(326)	(215)	(541)
Nursing Facility Payment Modifications	(735)	(2,236)	(2,971)	(1,989)	(1,455)	(3,444)
MA Expenditures Related to MDH Vulnerable Adults Proposal	-	143	143	203	207	410
Eliminate Home Care Nursing Interpreter-Communicator Service	(15)	(15)	(30)	(15)	(15)	(30)
Self-Directed Workforce Rate Increase	12,000	12,000	24,000	12,000	12,000	24,000
Deaf and Hard of Hearing Services	1,085	1,057	2,142	1,057	1,057	2,114
Federal Compliance with Asset Verification Requirements	626	19	645	(15)	(38)	(53)
Elderly Waiver Modifications	369	2,241	2,610	5,512	5,971	11,483
Disability Waiver Rate Setting Methodology Modifications	(2,748)	(2,198)	(4,946)	229	(14,958)	(14,729)

<b>Appropriations Changes</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
HCBS Incentive Pool	1,000	1,000	2,000	-	-	-
Corporate Foster Care Reform	78	51	129	(172)	49	(123)
ICF/DD Payment Modifications for Vacant Beds & Therapeutic Leave Days	200	255	455	138	135	273
MA Spend Down Income Eligibility for Disabled Individuals 81% FPG	-	45	45	761	779	1,540
Gaps Analysis Appropriation Technical Correction	(218)	218	-	(217)	218	1
County Share for MNCHOICES	(9,651)	(9,651)	(19,302)	(11,151)	(11,151)	(22,302)
Alzheimer's Disease Working Group	83	71	154	-	-	-
Health Professionals Employed by Supplemental Nursing Service	-	-	-	68	186	254
ICF/DD Rate Increase-Murray County Facility	399	435	834	435	435	870
Nursing Facility Employee Scholarships	-	6	6	15	15	30
Individual CDCS Budget Methodology	283	42	325	-	-	-
NEMT Payment Rate-Eliminate Proration	28	36	64	38	40	78
In-Home IT Assessment Grant	40	-	40	-	-	-
Autism Spectrum Adult Education	125	125	250	-	-	-
<b>Children and Families</b>						
Child Protection and Foster Care Permanency Improvements	697	712	1,409	712	712	1,424
Child Welfare Services for Sexually Exploited Youth	81	71	152	71	71	142
Child Care Assistance Programs Modifications	4,889	13,721	18,610	14,676	14,914	29,590
Child Care Assistance Program Integrity Modifications	(1,413)	(13,865)	(15,278)	(14,040)	(14,104)	(28,144)
White Earth Nation Child Welfare Program Expansion	500	500	1,000	500	500	1,000
Safe Harbor for Sexually Exploited Youth Grants	537	532	1,069	532	532	1,064
Interactive Video Targeted Case Management	42	9	51	9	9	18
Anoka County Family Foster Care Grant	75	-	75	-	-	-
Grant for Statewide Self Advocacy & Support	248	248	496	-	-	-
Foster Care Reentry for 18-21 year old Individuals	40	41	81	42	43	85
Community Action Grants	750	750	1,500	-	-	-
Community Action Grants-FAIM	250	250	500	-	-	-
Peer Run Respite Grants for Wadena County	100	-	100	-	-	-
Dakota County Child Data Tracking Software	200	-	200	-	-	-
Grant for Birth to Eight Project						
Disregard Income of Spouse for Newly Married Couples for MFIP Eligibility	206	445	651	736	737	1,473
Child Care Assistance Multi County Rate	81	61	142	74	75	149
Refinance CCDBG Funds for CCAP	(18,000)	-	(18,000)	-	-	-
Coparenting Education Grant	150	150	300	-	-	-
Food Shelf Grants	375	375	750	-	-	-
Housing Programs Grants	1,250	1,250	2,500	-	-	-
Individual Community Living Reforms	1,280	1,436	2,716	(410)	1,513	1,103
GRH Supplemental Rate-St. Louis County	52	65	117	78	91	169
GRH Supplemental Rate-Anoka County	243	243	486	243	243	486

<b>Appropriations Changes</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
GRH Supplemental Rate-Olmstead County	666	863	1,529	1,061	1,296	2,357
GRH Presumptive Eligibility	146	224	370	241	261	502
GRH Bed Reclassification (36 Beds)	(14)	(22)	(36)	(22)	(22)	(44)
						-
<b>Chemical and Mental Health</b>						
Substance Use Disorder Treatment Reform	150	(1,209)	(1,059)	(804)	7,986	7,182
Redesign of Intensive Mental Health Services for Children	1,061	3,720	4,781	-	-	-
Fetal Alcohol Syndrome Grants	250	250	500	-	-	-
Mental Health Innovation Grants	90	81	171	81	81	162
Mental Health Programs Grants	1,250	1,250	2,500	-	-	-
Mental Health Clinic Payment Rate Modification	2	5	7	5	5	10
First Psychotic Episode Grants	500	500	1,000	-	-	-
Chemical Dependency Provider Rate Increase	1,013	1,414	2,427	1,460	1,503	2,963
School District Mental Health Grants	2,450	2,450	4,900	-	-	-
<b>Direct Care and Treatment</b>						
MN Security Hospital Staffing	10,349	15,049	25,398	18,206	21,076	39,282
MN State Operated Services	7,697	2,588	10,285	2,588	1,000	3,588
Child & Adolescent Behavioral Health Services	405	491	896	-	-	-
<b>Central Office Operations</b>						
Contingent Appropriation for Central Office Operating Adjustment	(1,388)	(15,102)	(16,490)	-	-	-
Central Office Operating Adjustment	16,272	16,454	32,726	16,454	16,454	32,908
ISDS and MMIS Systems Modernization	8,650	8,650	17,300	5,850	5,850	11,700
SIRS and Child Care Financial Fraud and Abuse Investigations Expansion	1,588	1,448	3,036	1,477	1,509	2,986
CCDBG Licensing and Background Study Compliance	3,601	2,751	6,352	2,751	2,751	5,502
Maltreatment Investigations in DOC Children's Residential Facilities	79	68	147	68	68	136
Legislative Auditor-MCO Audit Responsibilities	600	600	1,200	600	600	1,200
Legislative Auditor-DHS Audit Responsibilities	153	153	306	153	153	306
Electronic Service Delivery Document System Administration for ICWA Law Modifications	420	197	617	322	322	644
	-	390	390	390	390	780
<b>Total Department of Human Services</b>	<b>(125,063)</b>	<b>(377,935)</b>	<b>(502,998)</b>	<b>43,975</b>	<b>(373,862)</b>	<b>(329,887)</b>
<b>Department of Health</b>						
Home Visiting for Pregnant and Parenting Teens	6,000	6,000	12,000	16,500	16,500	33,000
Protecting Vulnerable Adults in Health Care Settings	1,162	2,030	3,192	2,401	3,405	5,806
Public Health Emergency Fund	5,000	-	5,000	-	-	-
Operating Adjustment	2,573	3,703	6,276	3,703	3,703	7,406
Safe Harbor for Sexually Exploited Youth	510	510	1,020	510	510	1,020

<b>Appropriations Changes</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2018-19</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2020-21</b>
Comprehensive Advanced Life Support Educational Program	100	100	200	-	-	-
Palliative Care Advisory Council	44	44	88	-	-	-
Physician Assistant & APRN Clinical Training Expansion Grants	526	526	1,052	526	526	1,052
Statewide Sex Trafficking Victims Strategic Plan	73	-	73	-	-	-
Accountable Community for Health Opioid Abuse Prevention Pilot Projects	1,028	-	1,028	-	-	-
Federally Qualified Health Centers Grants	500	500	1,000	-	-	-
Abortion Data Reporting	2	-	2	-	-	-
Biomedical Fund	2,500	-	2,500	-	-	-
HCBS Scholarship Program	500	500	1,000	500	500	1,000
Advanced Care Planning Grants	<u>250</u>	<u>250</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Department of Health</b>	<b>20,768</b>	<b>14,163</b>	<b>34,931</b>	<b>24,140</b>	<b>25,144</b>	<b>49,284</b>
<b>Emergency Medical Services Regulatory Board</b>						
Operating Adjustment	274	203	477	203	203	406
Regional Grant Program	250	250	500	250	250	500
IT Services	<u>106</u>	<u>106</u>	<u>212</u>	<u>108</u>	<u>108</u>	<u>216</u>
<b>Total EMSRB</b>	<b>630</b>	<b>559</b>	<b>1,189</b>	<b>561</b>	<b>561</b>	<b>1,122</b>
<b>Council on Disability</b>						
Operating Adjustment	<b>264</b>	<b>263</b>	<b>527</b>	<b>227</b>	<b>229</b>	<b>456</b>
<b>Ombudsman for Mental Health and Developmental Disabilities</b>						
Operating Adjustment	<b>25</b>	<b>45</b>	<b>70</b>	<b>45</b>	<b>45</b>	<b>90</b>
<b>Ombudsperson for Families</b>						
	<b>7</b>	<b>12</b>	<b>19</b>	<b>12</b>	<b>12</b>	<b>24</b>
<b>Total General Fund Spending Changes</b>	<b>(103,369)</b>	<b>(362,893)</b>	<b>(466,262)</b>	<b>68,960</b>	<b>(347,871)</b>	<b>(278,911)</b>



**Appendix F**  
**2017 Session Laws Enacting the FY 2018-19 Budget &**  
**Supplementing the FY 2016-17 Budget**

<b>Chapter Number</b>	<b>File Number</b>	<b>Description</b>
1	HF 2	Conforming taxes to federal changes
2	SF 1	Providing temporary health care premium assistance; reducing budget reserve
4	HF 14	Appropriating bond proceeds to the Rural Finance Authority
7	HF 434	Allowing wetland replacement credits for local government roads; providing fire remediation grants
13	HF 5	Establishing premium security plan and establishing a reinsurance program
14	HF 837	Appropriating federal funds for state road construction
32	SF 1616	Establishing a contingent, alternative medical payment method for children's hospitals
46	SF 216	Modifying certain claims against estates provisions under the medical assistance program
54	SF 1124	Authorizing the sale of state lands
55	HF 678	Establishing law enforcement memorial license plates; funding for Law Enforcement Memorial Assn
72	HF 2287	Providing for settlement of claims against the state of Minnesota
76	HF 3	REAL ID Act
82	HF 959	Making the medical faculty license permanent; appropriating money to the Board of Medical Practice
88	HF 1545	Omnibus Agriculture and Rural Development Act
89	SF 943	Omnibus Higher Education Act
91	HF 707	Appropriating money from the Legacy funds
92	SF 514	Omnibus Elections Act
93	SF 844	Omnibus Environment and Natural Resources Act
94	SF 1456	Omnibus Jobs and Economic Growth; Energy and Utilities; Commerce and Consumer Protection Act
95	HF 470	Omnibus Judiciary and Public Safety Act
96	SF 550	Legislative-Citizen Commission on Minnesota Resources Finance Act
1 SpS, 1	HF 1	Omnibus Tax Act
1 SpS, 3	HF 3	Omnibus Transportation and Public Safety Act
1 SpS, 4	SF 1	Omnibus State Government and Veterans Act
1 SpS, 5	HF 2	Omnibus E-12 Education Finance Act
1 SpS, 6	SF 2	Omnibus Health and Human Services Act
1 SpS, 8	HF 5	Omnibus Capital Investment Act

Note all chapter numbers are 2017 Regular Session unless indicated.

For detailed language of each act, please see:

<https://www.revisor.mn.gov/laws/?view=session&year=2017&type=0> (2017 Regular Session)

<https://www.revisor.leg.state.mn.us/laws/?view=session&year=2017&type=1> (2017 First Special Session laws)

