


Date: May 5, 2015

To: Representative Kurt Daudt, Speaker of the House
Senator Tom Bakk, Senate Majority Leader

From: Commissioner Myron Frans 

Subject: Supplemental Budget Update #3

The purpose of this letter is to officially transmit an update to Governor Dayton's FY 2016-17 biennial budget recommendations, revised on April 13, 2015, and the Governor's 2016 capital budget recommendations, released on April 7, 2015. These changes submitted today incorporate changes to his general fund operating budget and his capital budget to support the state's response to avian influenza.

The February 2015 forecast projects a \$1.867 billion available balance for the FY 2016-17 biennium. With this update the Governor is proposing general fund spending changes in FY 2015 and the FY 2016-17 biennium that total \$1.685 billion, \$1.164 million higher than previously recommended.

The general fund impact of the Governor's previous revisions and these revisions are summarized below. After changes, the available balance of \$7 million remains for the FY 2016-17 revised budget.

FY 2016-17 General Fund Recommendations
(\$ in millions)

	April 13 Budget	May 5 Budget	\$ Change
Beginning Balance	\$1,831	\$1,815	\$(16)
Forecast Revenues	42,497	42,497	0
<i>Recommended Tax Changes</i>	(134)	(134)	0
<i>Recommended Non-tax Changes</i>	(44)	(44)	0
Total Revenues	42,318	42,318	0
Forecast Expenditures	41,128	41,128	0
<i>Recommended Spending Changes</i>	1,662	1,646	(15)
Total Expenditures	42,790	42,775	(15)
Reserves	1,351	1,351	0
Ending Balance	\$ 8	\$ 7	\$(1)

Supplemental Budget Changes

This update includes changes to the Governor's FY2016-17 biennial budget and 2016 capital budget recommendations. These changes are detailed below:

1. Support to state agencies in their response to avian influenza.
 - a. Department of Agriculture: \$3.619 million for response costs that are not eligible for federal reimbursement and costs in excess of federal awards—staffing, travel, IT support, and reimbursements where local governments incur HPAI-related expenses.
 - b. Board of Animal Health: \$1.853 million for response costs that are not eligible for federal reimbursement and costs in excess of federal awards—staffing, travel, IT support, and testing related expenses.
 - c. Minnesota Department of Health: \$103,000 for identifying and monitoring poultry workers per CDC protocol.
 - d. Department of Natural Resources: \$350,000 for sampling wild waterfowl and other wild birds to track the movement of the virus.
 - e. Department of Public Safety: \$544,000 for operating the SEOC at basic capacity for the remainder of FY2015 and for a total of six months in FY16 and for staffing the Department of Agriculture's incident command post in Willmar, MN.

2. Support to farmers impacted by avian influenza.
 - a. Department of Agriculture: \$10 million to expand the Rural Finance Authority's Disaster Recover Loan Program for farmers to cover flock replacement or short-term revenues losses associated with avian influenza.

3. Infrastructure investments in response to avian influenza. The Governor is amending his capital budget recommendations to include an additional project.
 - a. University of Minnesota: \$5.686 million, the State's two-thirds share of an \$8.529 million addition to the University's Minnesota Poultry Testing Laboratory in Willmar to provide a second accredited laboratory that could perform the tests required for USDA avian influenza diagnosis and product movement. The facility could also serve as a backup testing lab for disease outbreaks in other species as well. The avian influenza outbreak has highlighted the need for additional surge capacity in the state to respond to time sensitive testing requirements.
 - b. Minnesota Management and Budget: \$542,000 of additional General Fund debt service costs associated with the Willmar lab above.

4. State aid to PERA on behalf of Minneapolis Employees Retirement Fund (MERF). The Governor is recommending a reduction in the state aid paid to PERA on behalf of MERF by \$8 million per year beginning in FY 2016.

5. Correction to the Capital Budget. The Department of Natural Resource's Harbor Improvement proposal was previously assumed to carry no cost. The correct cost is \$153,000 in General Fund debt service. Revised language to support this will be provided to staff.

Attached to this letter is a table detailing these changes by bill area. Commissioners, agency staff, and MMB executive budget officers are prepared to answer any questions you may have on these changes.

cc: Senator Richard Cohen, Senate Finance Chair
Senator David Hann, Minority Leader
Representative Jim Knoblach, House Ways and Means Chair
Representative Paul Thissen, Minority Leader
Bill Marx, Chief House Fiscal Analyst
Eric Nauman, Chief Senate Fiscal Analyst

May 2015 Revised Governor's Supplemental Recommendations

General Fund - Comparison to April 13 Governor's Recommendations

FY 2014-15 Expenditure Summary (Change from April 13 Recommendation)*

(\$ in Millions)

	April 13 Budget		May 5 Budget	\$ Change
Health and Human Services	11,194	\$	11,194	-
Public Safety and Judiciary	1,981	\$	1,981	1
Environment & Agriculture	385	\$	401	16
State Government	973	\$	973	-
Debt Service	1,243	\$	1,243	-
All Other	23,547		23,547	-
Total Expenditures	\$ 39,323	\$	\$ 39,339	\$ 16

FY 2016-17 Expenditure Summary (Change from April 13 Recommendation)*

(\$ in Millions)

	April 13 Budget		May 5 Budget	\$ Change
Health and Human Services	13,073		13,073	-
Public Safety and Judiciary	2,156		2,156	-
Environment & Agriculture	361		361	-
State Government	1,021		1,005	(16)
Debt Service	1,322		1,322	1
All Other	24,857		24,857	-
Total Expenditures	\$ 42,790	\$	\$ 42,775	(15)

FY 2018-19 Expenditure Summary (Change from April 13 Recommendation)*

(\$ in Millions)

	April 13 Budget		May 5 Budget	\$ Change
Health and Human Services	14,712		14,712	-
Public Safety and Judiciary	2,175		2,175	-
Environment & Agriculture	341		341	-
State Government	1,029		1,013	(16)
Debt Service	1,300		1,301	1
All Other	26,170		26,170	-
Total Expenditures	\$ 45,727	\$	\$ 45,712	\$ (15)

* Totals may not add due to rounding.