



Fiscal Review

Minnesota State Senate

2015 Session

A

Fiscal Review

of the

2015 Legislative Session

**Prepared by
Minnesota State Senate
Office of Senate Counsel, Research, and Fiscal Analysis
G-17 State Capitol
75 Rev. Dr. Martin Luther King, Jr. Blvd.
St. Paul, MN 55155-1606
Phone: 651-296-4791**

Dates of the 2015 Legislative Session

Regular Session: January 6, 2015, to May 18, 2015

First Special Session: June 12, 2015

This publication was developed by the staff of Senate Counsel, Research, and Fiscal Analysis, and was edited by Eric Nauman, Dan Mueller, and Krista Boyd. Senate Counsel, Research and Fiscal Analysis staff for the various budget and policy areas who contributed to the relevant report sections include: Dennis Albrecht, Bjorn Arneson, Tom Bottern, Krista Boyd, Stephanie James, Casey Muhm, Kevin Lundeen, Liam Monahan, Dan Mueller, Shelby McQuay, Eric Nauman, Nora Pollock, Chris Turner, Maja Weidmann, and Jay Willms. Preparation and layout of the manuscript and the tables within the articles were completed by Renee Rose.

The cover was prepared by David Oakes.

The Fiscal Review was printed by Dan Olson, Senate Duplicating Supervisor, Office of the Secretary of the Senate.

The Fiscal Review can also be accessed at the following Web site address:
http://www.senate.leg.state.mn.us/departments/scr/freview/2015/fiscal_review.pdf

Cover Photography

The Minnesota State Capitol is currently undergoing a multiyear, multiphase renovation. This renovation will affect the operations of the House of Representatives and Senate, and the executive and judicial branches of Minnesota government, for several years. The reconstruction of the State Capitol will result in many changes. 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 cover of the Fiscal Review will feature various changes and construction scenes at the State Capitol as it progresses in the years to come. This year's report shows the inside of the Capitol dome as seen from the first floor. The spider web of scaffolding enables construction contractors to safely work on the inside of the Capitol dome. At the center of the dome is the one-ton crystal chandelier, which is covered for protection during the Capitol renovation. The back cover of the report shows additional photographs of State Capitol scenes that have occurred in the past year. 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.

Table of Contents

REPORT PREFACE.....1

STATE BUDGET OVERVIEW AND HIGHLIGHTS3

State Revenues19

E-12 Education22

Higher Education31

Health and Human Services39

Environment, Economic Development and Agriculture51

Judiciary and Public Safety.....67

Transportation and Public Safety82

State Government Finance and Veterans91

Capital Investment111

Appendix A—General Fund Summary Fund Balance Analysis, FY 2014-19116

Appendix B—FY 2016-17 General Fund Budgetary Balance and Revenue Change Detail118

Appendix C—Capital Investment Act Detail120

Appendix D—Legacy Amendment and Dedicated Funds124

Appendix E—General Fund Changes for Health and Human Services131

Appendix F—2015 Session Laws Enacting the FY 2016-17 Budget and
Supplementing the FY 2014-15 Budget135

REPORT PREFACE

The *Fiscal Review* is an annual report of budget and fiscal policy actions taken by the Minnesota Legislature. 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 but do exclude some state funds not budgeted for operations, such as pension funds, trust funds, and enterprise funds.

Minnesota operates on a two-year (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, 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/departments/fiscalpol/tracking/index.php?ls=#header>

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 to specific purposes. Amounts shown for authorized spending levels 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 Management and Budget, are funded through charges to the other state agencies. In other words, monies 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 2016-17) reflect appropriation levels authorized by the Legislature. 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. This *Fiscal Review* compares current biennial appropriations to budgeted spending in the previous biennium (FY 2014-15), as well as to the February 2015 Forecast “base.” The base in this document is the spending for FY 2016-17 as it was projected by the February 2015 forecast.

Questions

For general or specific questions about the content of this report please contact the Fiscal Analyst for the appropriate budget area.

Eric Nauman, Overall Budget and Finance
Eric.nauman@senate.mn

Shelby McQuay, Taxes; Property Tax Aids and Credits
Shelby.mcquay@senate.mn

Jay Willms, E-12 Education
Jay.willms@senate.mn

Maja Weidmann, Higher Education
Maja.weidmann@senate.mn

Dennis Albrecht, Health and Human Services
Dennis.albrecht@senate.mn

Daniel Mueller, Environment; Economic Development; Agriculture
Daniel.mueller@senate.mn

Casey Muhm, Capital Investment; Constitutionally Dedicated/Legacy Funds
Casey.muhm@senate.mn

Chris Turner, Judiciary; Public Safety
Chris.turner@senate.mn

Krista Boyd, Transportation; Public Safety
Krista.boyd@senate.mn

Kevin Lundeen, State Government and Veterans
Kevin.lundeen@senate.mn

STATE BUDGET OVERVIEW AND HIGHLIGHTS

The primary focus of the 2015 regular legislative session and a subsequent one-day special session was the adoption of the FY 2016-17 biennial budget. The enactment of a balanced General Fund biennial budget is always a principal focus of the legislative session in an odd-numbered year. The process of enacting a budget in Minnesota is measured by the February forecast for the upcoming biennium. A positive General Fund balance of \$1.9 billion was projected in the February 2015 forecast for FY 2016-17 and set the parameters of the fiscal discussion for the session. This compares to the previous three odd-numbered sessions where the Legislature addressed projected shortfalls of \$626.7 million in 2013, \$5 billion in 2011 and \$4.6 billion in 2009. In 2015, the Legislature finished its work on the budget with a completed budget that left \$865.1 million of the projected FY 2016-17 positive General Fund balance unallocated, and was structurally balanced for the planning years of FY 2018-19 with a \$1.3 billion positive balance.

Twenty separate chapters were enacted to complete the FY 2016-17 budget during the 2015 regular session and the 2015 First Special Session, including supplementary changes to the FY 2014-15 budget. Of this total, 14 chapters were enacted during the regular session, including a federal tax conformity act and a disaster assistance act that became law early in the regular session prior to the February 2015 forecast. Twelve separate omnibus finance acts were enacted to constitute the majority of the FY 2016-17 budget and, of these, seven were enacted during the regular session, with five

omnibus acts following during the special session. A complete list of FY 2016-17 budget session laws is included in Appendix F on page 135.

Although establishing a FY 2016-17 budget in the 2015 session was the top priority, the Legislature also enacted a series of noteworthy fiscal provisions. Among them was a substantial increase in funding in the E-12; Higher Education; Judiciary and Public Safety; and Environment, Economic Development, and Agriculture budget jurisdictions. The 2015 session included very few changes to state revenues and did not enact an Omnibus Tax Act. Capital investment acts are more commonly enacted in even-numbered years, but the 2015 First Special Session also included a \$373.4 million Capital Investment Act. In addition to the General Fund budget, the Legislature enacted appropriations of the constitutionally dedicated funds commonly known as the Legacy funds, as well as the Legislative-Citizen Commission on Minnesota Resources Finance Act.

In addition to these acts, a series of important fiscal policy changes were implemented during the past year. Some of these changes occurred as a result of legislation enacted in prior years or they were enacted in the 2015 session.

- In 2014, a new law was enacted to govern the state's response to natural disasters, including both federally declared disasters and state disasters. During the summer of 2014, 37 Minnesota counties were included within

a federal disaster declaration as a result of severe storms. This was the first use of the new law. Page 79 details the state’s response to the 2014 disaster and the legislative response in the FY 2016-17 budget.

- Also in 2014, Chapter 150 created a new methodology for setting aside a portion of future positive General Fund balances into the state’s budget reserve. This new methodology was used during the November 2014 forecast and transferred \$183.3 million to the budget reserve. See page 7 for a discussion of the change in the budget reserve.
- Chapter 65 and 2015 First Special Session, Chapter 4, enacted several contingent appropriations that will occur if certain conditions are met at the close of the FY 2014-15 budget or during a subsequent forecast. The contingent appropriations will affect state appropriations for natural disasters, avian influenza, firefighter training, landfill cleanup, and the budget reserve. See page 8 for a discussion of contingent appropriations.

- Chapter 12 and 2015 First Special Session, Chapter 4, appropriated funds to implement the state’s response to the outbreak of avian influenza throughout the state. The avian influenza outbreak became widespread throughout the spring of 2015, caused a significant disruption to the state’s agricultural poultry production, and resulted in the loss of over nine million birds throughout the state. See page 59 for a detailed discussion of avian influenza appropriations.
- Chapter 3 changed the method for adjusting the salaries of executive branch agency heads. See page 100 for a detailed discussion about this change.

In this report, session laws enacted during the 2015 regular session will be referenced simply with a chapter number. Laws enacted during the 2015 First Special Session will initially be referenced as “2015 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. Unless specifically noted, this report collectively

Table 1
All Funds Biennial Budget -- FY 2016-17, By Fund
Comparison of Enacted FY 2016-17 Budget to FY 2014-15 and to Forecast
(dollars in millions)

	FY 2014-15	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fest Base
General Fund	39,729.1	41,128.4	41,833.7	2,104.6	705.3
General Fund Transfer Out	(4,007.7)	(3,294.1)	(3,391.2)	616.5	(97.1)
Health Care Access Fund	1,042.0	1,436.9	1,934.3	892.2	497.4
Federal Funds	19,142.6	22,649.1	22,650.4	3,507.8	1.3
Other Funds	12,747.5	11,276.3	12,308.7	(438.8)	1,032.4
All Funds Total	68,653.6	73,196.6	75,335.9	6,682.4	2,139.3

refers to the 2015 regular session and the 2015 First Special Session together as the 2015 sessions. Also, 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. Finally, this document often refers to the FY 2016-17 biennium as projected in the February 2015 forecast as “the base.”

STATE BUDGET OVERVIEW

Expenditures

When all funding sources are taken into account, the enacted FY 2016-17 biennial budget totaled \$75.3 billion, as shown in Table 1 on the previous page. This includes the two-year budget for the General Fund and all other state funds from which operating budget appropriations are made. Total spending will be \$6.7 billion, or 9.7

percent, greater than the prior biennium, and \$2.1 billion, or 2.9 percent, greater than the February 2015 forecast. General Fund spending totals \$41.8 billion, which accounts for 51 percent of the state’s operating budget, after netting out transfers.

Federal Funds – the largest category of non-General Fund resources – are budgeted at \$22.7 billion for FY 2016-17. This total is \$1.3 million higher than February 2015 forecast, and is \$3.5 billion higher than the FY 2014-15 biennium. The Health Care Access Fund (HCAF) is particularly important in the Health and Human Services budget area. Appropriations from the HCAF are projected to be \$497.4 million compared to forecast and are projected to be \$892.2 million higher than the previous biennium. (See Health and Human Services Chapter, page 39, for additional detail on the HCAF.)

<p align="center">Table 2 All Funds Biennial Budget -- FY 2016-17, By Budget Area Comparison of Enacted FY 2016-17 Budget to FY 2014-15 and to Forecast <i>(dollars in millions)</i></p>					
	FY 2014-15	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fest Base
E-12 Education	18,279.0	18,400.0	18,932.2	653.2	532.2
Higher Education	2,925.9	2,950.8	3,139.5	213.7	188.7
Property Tax Aids and Credits	2,958.1	3,363.7	3,354.9	396.8	(8.8)
Health and Human Services	29,792.1	34,774.6	34,995.6	5,203.6	221.0
Environment, Econ Dev & Agric	3,941.9	3,058.7	3,635.0	(306.9)	576.3
Judiciary	2,429.0	2,335.4	2,485.1	56.1	149.7
Transportation & Public Safety	6,967.3	6,627.7	7,062.3	94.9	434.6
State Government and Veterans	1,739.0	1,623.7	1,753.2	14.1	129.5
Debt Service/Other	(378.6)	62.1	21.8	356.9	83.9
Total for Budget Area	68,653.6	73,196.6	75,335.9	6,682.4	2,139.3

Table 3					
All Funds Biennial Revenues -- FY 2016-17, By Fund					
Comparison of Enacted FY 2016-17 Budget to FY 2014-15 and to Forecast					
<i>(dollars in millions)</i>					
	FY 2014-15	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst Base
General Fund	39,084.4	42,176.3	42,229.5	3,145.1	53.2
Non-General Funds					
Health Care Access Fund	1,302.2	1,469.0	1,496.8	194.6	27.8
Federal Funds	19,038.4	22,541.1	22,542.4	3,503.9	1.3
Other	11,075.3	10,676.3	10,794.1	(281.2)	117.8
Subtotal, Non-General Funds	31,415.9	34,686.5	34,833.3	3,417.4	146.9
Total Revenues	70,500.3	76,862.7	77,062.8	6,562.5	200.1

Table 2, on the previous page, displays the state's all funds budget by major budget area. Most budget areas are appropriated at higher levels in FY 2016-17 than in the prior biennium. Compared to the previous biennium, the noteworthy increases were in Health and Human Services, \$5.2 billion, or 17.5 percent; E-12 Education, \$653.2 million, or 3.6 percent; Property Tax Aids and Credits, \$396.8 million, or 13.4 percent; and Higher Education, \$213.7 million, or 7.3 percent. The Environment, Economic Development and Agriculture budget was lower compared to the previous biennium, by \$306.9 million, or 7.8 percent.

Most budget areas were also appropriated at higher levels than the February 2015 forecast. The noteworthy increases when compared to the February 2015 forecast were contained in E-12 Education, \$532.2 million, or 2.9 percent; and Environment, Economic Development and Agriculture, \$576.3 million, or 18.8 percent.

Revenues

Total all funds revenues in FY 2016-17 are budgeted to be \$77.1 billion, an increase of \$200 million, or 0.3 percent, over forecast.

Total all fund revenues in FY 2016-17 increased by \$6.6 billion compared to FY 2014-15, a 9.3 percent increase. Table 3 shows total state revenues by fund.

GENERAL FUND SUMMARY

At the conclusion of the 2015 sessions, the state's General Fund was balanced for FY 2016-17 with a projected \$2.2 billion before reserves. Revenues were projected to be \$44.1 billion for the biennium and the expenditures were projected to be \$41.8 billion. Of the \$2.2 billion balance, \$1.4 billion is included in the state's General

Fund reserves (\$350 million in the cash flow account, \$994.3 million in the budget reserve, and \$6.8 million in the Vikings Stadium reserve). Compared to the forecast, there were no changes to the state’s reserves. The sidebar discusses the budget reserve. After the allocation for the reserves, a projected budgetary balance of \$865.1 million was left unallocated at the end of the FY 2016-17 biennium. Table 4 summarizes how the FY 2016-17 General Fund balance projected in the February 2015 forecast was allocated in the 2015 sessions.

FY 2016-17 General Fund Budget

The February 2015 forecast projected a positive General Fund balance of \$1.9 billion. This included a FY 2014-15 positive balance of \$475.8 million, which was projected to carry forward to FY 2016-17 and increased projected FY 2016-17 revenues. The enacted FY 2016-17 budget reduced revenues by \$296.9 million compared to forecast. This amount included an increase of \$132 million compared to forecast, but the balance carried forward from FY 2014-15 was reduced by \$429 million as a result of increased spending in FY 2015. (See the sidebar on page 13 for more details on FY 2014-15 spending and biennial comparisons.) Total General Fund revenues in FY 2016-17 were budgeted at \$44.1 billion.

The February 2015 forecast projected General Fund spending in FY 2016-17 to be \$41.1 billion. The enacted budget increased General Fund appropriations by \$705.3

Budget Reserve Allocation

The November 2014 forecast projected an initial positive budgetary balance of \$556 million in the FY 2014-15 biennium. This projection triggered a new law from the 2014 session for the first time, which required 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 by the Department of Management and Budget. The November 2014 forecast allocated an additional \$183.3 million to the budget reserve and increased the total budget reserve to \$994.3 million. (See page 13 of the *2014 Fiscal Review* for a discussion of the budget reserve, and the operations of the 2014 law.)

million compared to forecast and totaled \$41.8 billion in FY 2016-17.

Table 4 groups the FY 2016-17 General Fund budget into broad categories. Of the \$1.9 billion positive balance, 15.9 percent was allocated to revenue reductions and 37.7 percent was allocated to spending changes (operating budget changes, capital investment debt service, and other). The balance of \$865.1 million, or 46.3 percent, was unallocated and remained part of the projected budgetary balance.

Net Appropriation Changes: The FY 2016-17 budget increased General Fund appropriations by \$2.1 billion compared to the prior biennium, and \$705.3 million compared to the forecast. General Fund appropriations increases for FY 2016-17 were made in most budget areas. Compared to the forecast, the increases were noteworthy: in E-12 Education, \$526.4 million, or 3.2 percent; in Higher Education, \$174.4 million, or six percent; in

Table 4
FY 2016-17 Budget Allocations
(\$ in millions)

Revenue Changes	296.9
Spending Changes	693.3
Capital Investment (Direct & Debt Service)	12.0
Unallocated Budgetary Balance	865.1
February 2015 Forecast Budgetary Balance	1,867.4

Table 5
FY 2014-2015 General Fund Budget
Comparison of Enacted FY 2016-17 Budget to FY 2014-15 and to Forecast
(dollars in millions)

	FY 2014-15*	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fct Base
Balance Forward (Including Reserves)	1,711.9	1,850.2	1,421.2	(290.7)	(429.0)
Current Revenues	39,438.4	42,496.8	42,628.8	3,190.4	132.0
Total Resources	41,150.3	44,347.0	44,050.0	2,899.7	(296.9)
Spending	39,729.1	41,128.4	41,833.7	2,104.6	705.3
Reserves	1,374.3	1,351.2	1,351.2	(23.1)	0.0
Budgetary Balance	46.9	1,867.4	865.1		

*Adjusted by FY 2015 changes made by the 2015 Legislature.

Environment, Economic Development, and Agriculture, \$90 million, or 13.1 percent; and in Transportation and Public Safety, \$62.1 million, 29.1 percent. Health and Human Services General Fund appropriations in FY 2016-17 declined by \$290.1 million, or 2.9 percent, compared to forecast. See Table 6 on page 10 for a detailed display of the General Fund by budget area.

Net Revenue Changes: General Fund resources available in FY 2016-17 declined by \$296.9 million in the enacted budget compared to the February 2015 forecast. This total combines \$132 million in new FY 2016-17 revenues and transfers, as well as \$429 million in reduced carryforward revenue from FY 2014-15. (See page 13 for a discussion of FY 2014-15 and the carryforward reduction.) Tax revenues grew by \$30.3 million, primarily from provisions that delayed the effective date of a sales tax exemption for special taxing districts and disallowed the working family income tax credit for non-Minnesota residents. Nontax revenues grew by \$22.3 million in FY 2016-

17 compared to forecast. Most of the increases were in departmental earnings in the Environment, Economic Development and Agriculture budget area. General Fund revenues were also increased by transfers of \$79.4 million in FY 2016-17.

Contingent Appropriations in the FY 2016-17 Budget

The FY 2016-17 budget enacted five separate provisions that will appropriate additional money from the General Fund if certain conditions are met. Collectively, these provisions commit the General Fund to \$93.2 million of additional onetime appropriations that will occur depending on final budgetary balance at the close of the FY 2014-15 biennium, and the projected budgetary balance in FY 2016-17 estimated in future budget forecasts. The specific contingent provisions include:

- Chapter 65, the Omnibus Judiciary and Public Safety Act, and 2015 First Special Session, Chapter 4, the Omnibus Environment and Agriculture Act, collectively require that if the budgetary

balance at the official close of the FY 2014-15 biennium exceeds the balance projected at the end of the 2015 legislative sessions (\$46.9 million) by more than \$21.9 million, \$19.4 million must be allocated to the disaster contingency account and \$2.5 million must be allocated to the fire safety account. Of the funds allocated to the disaster contingency account, \$15 million was allocated to ensure that the account has sufficient funds during the FY 2016-17 biennium to pay for the costs of a future natural disaster, and \$4.4 million was allocated for the future costs of the avian influenza outbreak. The fire safety account allocation will reimburse the account for \$2.5 million that was transferred to the General Fund in the FY 2016-17 budget. (Page 79 discusses the disaster contingency account and natural disaster funding in greater detail, and page 59 discusses avian influenza.) If the budgetary balance condition is met, the transfer will occur by September 30, 2015.

- 2015 First Special Session, Chapter 4, requires that future budget forecasts allocate funds from a projected positive General Fund balance to transfer \$63.2 million from the General Fund to the Closed Landfill Investment Fund (CLIF), and \$8.1 million from the General Fund to the metropolitan landfill contingency action trust account (MLCAT) in the Remediation Fund. These future forecast allocations from the General Fund are established to repay the CLIF and the MLCAT after funds were transferred out as part of the FY 2016-17 budget. These forecast allocations are one time, and they may occur as early as the November 2015 forecast.

Chart A displays the contingent General Fund allocations in the FY 2016-17 budget.

These five provisions add additional General Fund allocations that must occur before the General Fund balance is established in a future forecast. If the budgetary balance at

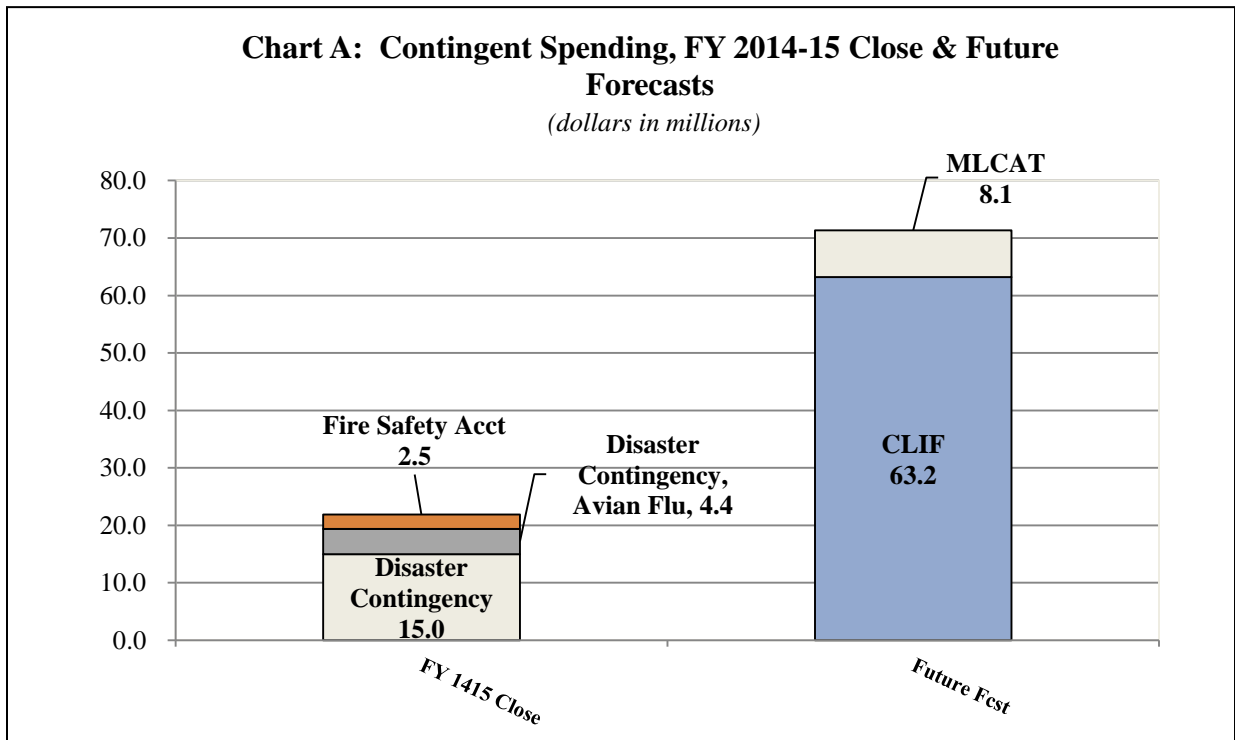


Table 6
General Fund Biennial Budget by Budget Area
Comparison of Enacted FY 2016-17 Budget to 2014-15 and to Forecast
(dollars in thousands)

	FY 2014-15	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fest Base
E-12 Education	16,618.4	16,709.8	17,236.2	617.8	526.4
Higher Education	2,834.4	2,892.5	3,066.9	232.5	174.4
Property Tax Aids and Credits	2,955.9	3,361.3	3,352.5	396.6	(8.8)
Health and Human Services	11,648.5	12,771.2	12,480.6	832.1	(290.5)
Environment, Econ Dev & Agriculture	820.9	688.7	778.6	(42.3)	90.0
Judiciary	1,980.5	2,006.5	2,121.9	141.4	115.4
Transportation & Public Safety	245.0	213.1	275.1	30.1	62.1
State Government and Veterans	976.9	962.6	987.1	10.2	24.5
Debt Service, Cap Projects and Other	1,648.5	1,522.7	1,534.7	(113.9)	12.0
Total Spending	39,729.1	41,128.4	41,833.7	2,104.6	705.3

the close of the FY 2014-15 biennium is sufficient, the “closing allocations” will reduce the amount of the closing balance carried from FY 2014-15 to FY 2016-17 by \$21.9 million. If the budgetary balance for the future forecast is sufficient, an additional \$71.3 million will be allocated to CLIF and MLCAT before establishing the final forecasted budgetary balance.

Under previous law, 33 percent of any projected November forecast was allocated to the budget reserve. The new law requires that the contingent allocations described above will occur before determining an allocation to the budget reserve in a November forecast. Therefore, if the budgetary balance conditions are met at the close of the FY 2014-15 biennium and in the November 2015 forecast, these provisions will reduce the budget reserve allocation, if any, by up to \$30.8 million. The budget reserve allocation does not occur during a February forecast, so any forecast allocation would not affect the budget reserve in the February projections, but it would reduce

any positive balance projected in that forecast.

FY 2016-17 Appropriations Changes by Budget Area

Table 6 summarizes the FY 2016-17 General Fund budget by budget area. The budget enacted for the FY 2016-17 biennium totals \$41.8 billion. As indicated above, this is \$705.3 million above the projected February 2015 forecast, and is \$2.1 billion above FY 2014-15 spending.

HIGHLIGHTS BY BUDGET AREA

The following summaries highlight the changes made in each budget area compared to the budget projections in the February 2015 state budget forecast. The overall budgets and budget changes are discussed more fully in the relevant chapters.

E-12 Education Budget

State appropriations from all sources for E-12 Education total \$18.9 billion for the FY 2016-17 biennium, of which 91 percent is from the General Fund (\$17.2 billion). E-12

education appropriations in the General Fund are \$526.4 million above the February 2015 forecast and are primarily allocated to a two percent increase to the basic per pupil funding formula in both fiscal years of the biennium, enhanced early childhood education funding, and significant changes to how school district facilities are financed.

Higher Education Budget

The overall operating budget for Higher Education totaled \$3.1 billion for FY 2016-17, with virtually all appropriations (97.7 percent) coming from the General Fund. Compared to the February 2015 forecast, this represents a \$174.4 million increase in General Fund appropriations. The increased General Fund appropriations were primarily allocated to increase funding for the MnSCU system, which received \$101.4 million, or 8.1 percent, in additional appropriations from the General Fund compared to the forecast. The state grant program and University of Minnesota system's General Fund appropriations increased by \$14 million, or two percent, and 53.2 million, or 4.4 percent, respectively, compared to the forecast.

Health and Human Services Budget

The appropriations for Health and Human Services (HHS) total \$35 billion for all funds in FY 2016-17, \$5.2 billion higher than the previous biennium. General Fund appropriations in FY 2016-17 are projected to be \$12.5 billion, or 34.8 percent of the all funds total. Total FY 2016-17 HHS appropriations from the General Fund are lower than the forecast by \$290.5 million, but are \$832.1 million higher than FY 2014-15. The reduced General Fund appropriations compared to the forecast reflect that the FY 2016-17 budget appropriated certain Medical Assistance program spending from the Health Care Access Fund (HCAF) rather than from the

General Fund. These HCAF appropriations for Medical Assistance were the result of a onetime transfer in FY 2015 from the General Fund to the HCAF.

Property Tax Aids and Credits

Funding for tax aids and credits totaled \$3.4 billion from all funding sources in FY 2016-17, with virtually all of this funding from the state's General Fund. Compared to the forecast, FY 2016-17 appropriations for aids and credits in the General Fund were \$8.8 million lower than projected in the February 2015 forecast. The reduced appropriations are due to a temporary cessation of the political contribution refund program.

Environment, Economic Development and Agriculture Budget

Total funding for Environment, Economic Development and Agriculture equaled \$3.6 billion for the FY 2016-17 biennium. The General Fund budget totaled \$778.6 million (21.4 percent of all funds) for the same period. The enacted General Fund budget is \$90 million above the February 2015 forecast and is \$42.3 million lower than the FY 2014-15 budget. The FY 2016-17 budget in this area was enacted in nine chapters and the avian influenza outbreak significantly influenced legislative discussions.

Judiciary and Public Safety Budget

The total Judiciary and Public Safety budget for FY 2016-17 totaled \$2.5 billion, with \$2.1 billion, or 85.4 percent, from the General Fund. All funds appropriations were \$149.7 million, or 6.4 percent, above the February 2015 forecast, and General Fund appropriations were \$115.4 million, or 5.8 percent, above the forecast. This increase supports agency operating increases, as well as sufficient funding to provide four percent annual salary increases for the judicial branch, three percent annual salary increases for the Department of Corrections, and 1.8

percent salary increases for other agencies within the jurisdiction.

Transportation and Public Safety Budget
 Funding for the Transportation and Public Safety budget totaled \$7.1 billion in all funds for FY 2016-17, with \$275.1 million from the General Fund. All funds appropriations were \$434.6 million, or 6.6 percent, above the February 2015 forecast and General Fund appropriations were \$62.1 million, or 29.1 percent, above the forecast. The FY 2014-15 Transportation and Public Safety budget was reduced by \$32.1 million compared to forecast. Of this amount, \$29.7 million was a partial cancellation of a FY 2014 appropriation to the Metropolitan Council for a light rail transit project, and \$2.4 million was a partial cancellation of a FY 2015 disaster relief appropriation in Chapter 2 for repair of local roads and bridges. The \$32.1 million was re-appropriated in FY 2016, and represents 52 percent of the General Fund spending increase in the transportation budget area in FY 2016-17.

State Government and Veterans Budget
 The total State Government and Veterans budget for FY 2016-17 totaled \$1.8 billion in all funds for FY 2016-17, and included \$987.1 million, or 56.3 percent, from the

General Fund. All funds appropriations were \$129.5 million, or eight percent, above the February 2015 forecast and General Fund appropriations were \$24.5 million, or 2.5 percent, above the forecast. Compared to the previous biennium, all funds appropriations in FY 2016-17 increased by \$14.1 million, and the General Fund increased by \$10.2 million.

Debt Service Capital Projects and Other
 Total General Fund appropriations for debt service and capital projects and grants for the FY 2016-17 biennium were \$21.8 million. The general obligation bonding in the 2015 Capital Investment Act totaled \$180 million, which was \$40 million lower than was assumed in the forecast. As a result, General Fund debt service appropriations in FY 2016-17 declined by \$3.8 million. Capital projects and grants appropriations increased by \$15.7 million.

**GENERAL FUND BUDGET TAILS –
 FY 2018-19 BIENNIUM**

Looking ahead at the effect of the FY 2016-17 enacted budget on the next biennium projects the state’s General Fund balance to be substantially positive.

Table 7 General Fund Biennial Budget -- FY 2018-19 Planning Estimates <i>(dollars in thousands)</i>			
	Feb 2015 Forecast Base	Enacted Budget	Change: Enacted - Fcst Base
Current Resources (excluding carryforward)	46,265.6	46,292.0	26.4
Total Projected Appropriations	43,081.2	44,994.0	1,912.8
Projected Structural Balance	3,184.4	1,298.0	(1,886.4)

Table 8 General Fund Biennial Budget -- FY 2016-17 Comparison of Enacted FY 2016-17 Budget to FY 2018-19 Planning Estimates <i>(dollars in thousands)</i>			
	FY 2016-17 Enacted Budget	FY 2018-19 Enacted Budget	Change: FY 2018-19 FY 2016-17
Current Resources (excluding carryforward)	42,628.8	46,292.0	3,663.2
Total Projected Appropriations	41,833.7	44,994.0	3,160.3
Projected Structural Balance	795.1	1,298.0	502.9

Current revenues for the FY 2018-19 biennium are projected to total \$46.3 billion, while projected appropriations are estimated to total \$45 billion. The result is a positive structural balance of \$1.3 billion.

This positive structural balance is lower than the balance projected in the February 2015 forecast for FY 2018-19 planning years. In the forecast, current revenues were projected to exceed appropriations by \$3.2 billion.

Table 7 displays a comparison of the FY 2018-19 biennium based on the FY 2016-17 enacted budget and the February 2015 forecast.

General Fund revenue is projected to grow by \$3.6 billion in FY 2018-19 when compared to FY 2016-17, and appropriations are projected to grow by \$3.2 billion over the same period. Overall, this indicates that projected appropriations are growing at a slower pace than revenues over the four years of the projection period. Table 8 illustrates this comparison.

FY 2014-15 Supplemental General Fund Budget Changes

Summary

Typically, the *Fiscal Review* analyzes changes in the newly enacted budget in two primary ways. First, the *Fiscal Review* compares the enacted budget to the February forecast base for that biennium. This allows a direct comparison of budget changes by the Legislature in the same biennium and measures changes compared to the forecast. The *Fiscal Review* also compares the new budget to the budget in the prior biennium. This comparison provides context for how appropriations and revenues change from one biennium to the next, but does not isolate changes for one specific legislative session.

The *Fiscal Review* usually incorporates small, newly enacted supplemental budget changes in the prior biennium's budget because a comparison across two biennia focuses on spending and revenue changes between biennia and small changes in the previous biennium do not materially affect this analysis. However, if the Legislature enacts larger supplemental changes in the prior biennium (FY 2014-15), as it did in the 2015 enactments, neither analysis will adequately measure the changes that were enacted.

The initial analysis, which compares the newly enacted budget (FY 2016-17) to the February 2015 forecast's projections for the same biennium, measures legislative changes from the forecast, but does not measure the FY 2014-15 supplemental budget changes because the previous biennium is not included in the analysis. The second analysis includes the FY 2014-15 biennium, but uses appropriations and revenues for the previous biennium after the supplemental changes have been incorporated, because the primary purpose of this analysis is to measure total changes between biennia, rather than isolating the effect of legislative enactments.

Both comparison methods are important for analyzing the actions of the 2015 sessions and they are used to examine each budget area chapter in the *2015 Fiscal Review*. However, because the actions during the 2015 sessions also included important changes to the existing FY 2014-15 budget, it is valuable to analyze the supplemental changes to the FY 2014-15 budget as compared to the February 2015 forecast projections for that biennium as well. An example of this is the \$455 million FY 2015 transfer from the General Fund to the Health Care Access Fund (HCAF) to pay for Medical Assistance program costs in FY 2016. Under state budget rules, this transfer counts as increased General Fund spending in FY 2015, as well as reduced carryforward revenue in FY 2016. The transfer increased the HCAF balance. The appropriation was then made from the HCAF in FY 2016, and General Fund spending for FY 2016-17 was reduced. Neither analysis captures this spending because in the General Fund it occurred in FY 2015, and then in FY 2016 it occurred in a different fund.

To avoid the confusion that would be created by multiple analyses in each individual chapter and to maintain the integrity of the two primary methods of analyzing budgets in each *2015 Fiscal Review* chapter, all General Fund changes (and certain non-General Fund changes) in FY 2014-15 that were enacted in 2015 will be examined in this breakout section. In this manner, the *2015 Fiscal Review* will account for FY 2014-15 supplemental appropriations that were enacted in 2015. Tables 1 and 2 in each chapter will include FY 2014-15 appropriations, including the supplemental changes. The narrative in each chapter describing where changes occurred, however, will make note of any FY 2014-15 supplemental budgetary changes.

Total Changes in FY 2014-15

The February 2015 forecast projected total General Fund spending to be \$39.3 billion in FY 2014-15. The 2015 legislative sessions increased total projected spending in FY 2014-15 by \$429 million, or 1.1 percent. There were no revenue changes to the FY 2014-15 budget compared to the February 2015 forecast. Table 9 displays the FY 2014-15 budget under the February 2015 forecast and as enacted in 2015. The table also shows detailed changes for each line item changed in the budget enactments.

The February 2015 forecast projected a positive General Fund budgetary balance in FY 2014-15 of \$475.9 million. Because the FY 2014-15 appropriations were increased by \$429 million in the 2015 legislative sessions, the projected positive budgetary balance was reduced to \$46.9 million. By law, the ending balance from a biennium carries forward from one biennium to the next and is counted as revenue in the subsequent biennium. Therefore, the increased FY 2014-15 appropriations also reduced the FY 2016-17 budgetary balance by \$429 million in that biennium.

Detailed Change Items

Table 9 also provides detail on the specific change items enacted in 2015 that affect the FY 2014-15 budget. The changes are organized by budget area. These changes are described here and are also referenced in the various chapters of this report. Certain changes outlined below were enacted during the 2015 Regular Session, but they do not appear in Table 9. This occurs because these changes were enacted prior to the February 2015 forecast. These changes were incorporated into the forecast and were counted as part of the base for each budget area in the forecast. These items primarily include appropriations related to the June and July 2014 natural disaster, as well as federal tax conformity in Chapter 1. Specifically, the FY 2014-15 changes enacted in 2015 include:

State Revenues

Federal Tax Conformity – Chapter 1 was enacted prior to the February forecast, so revenue changes from this act were counted as part of the February 2015 forecast and are not displayed in Table 9 as a change compared to forecast. Chapter 1 incorporated three federal updates to the Internal Revenue Code that were enacted as part of the Tax Increase Prevention Act (TIPA) of 2014, the Achieving a Better Life Experience (ABLE) Act, and an extension of the FAA Modernization Act of 2012. By updating the necessary statutory references, Minnesota's definition of taxable income conformed to the federal government's definition of taxable income

**Table 9 - FY 2014-15 General Fund Supplemental Budget
Changes Enacted in 2015 Sessions Compared to Forecast**
(dollars in thousands)

	FY 2014-15 Forecast	FY 2014-15 Enacted	Change: Enacted – Fcst. Base
Revenues			
Balances forward	1,711,915	1,711,915	
Current Revenues	39,438,431	39,438,431	
Total Revenues	41,150,346	41,150,346	
Expenditures			
E-12 Base	16,619,599	16,619,599	
<i>Change Items:</i>			
Teacher Development and Evaluation	-	20	
Starbase STEM Program	-	(924)	
IT Certification Partnership	-	(299)	
E-12 Total	16,619,599	16,618,396	(1,203)
Higher Education Base	2,842,782	2,842,782	
<i>Change Items:</i>			
Tuition Reciprocity	-	(8,394)	
Higher Education Total	2,842,782	2,834,388	(8,394)
Health and Human Services Base	11,179,990	11,179,990	
<i>Change Items:</i>			
Deficiency Appropriations	-	13,552	
Tfr to HCAF for FY 2016 MA Expenditures	-	455,000	
Health and Human Services Total	11,179,990	11,648,542	468,552
Environment and Agriculture Base	385,971	385,971	
<i>Change Items:</i>			
Deficiency Appropriations	-	1,401	
Avian Influenza Appropriations	-	893	
Environment and Agriculture Total	385,971	388,265	2,294
State Government and Veterans Base	977,113	977,113	
<i>Change Items:</i>			
Camp Fin Board, Web Site Redevelopment	-	(150)	
MDE, Military Expedited & Temp Licenses	-	(44)	
State Government and Veterans Total	977,113	976,919	(194)
Transportation and Public Safety Base	277,100	277,100	
<i>Change Items:</i>			
Disaster relief, Local Road & Bridges	-	(2,380)	
Cancellation, Bus Transit & Rail Ops	-	(29,700)	
Transportation and Public Safety Total	277,100	245,020	(32,080)
Other Budget Areas (no enacted changes)	7,017,595	7,017,595	-
Total Spending	39,300,150	39,729,125	428,975
Total Reserves	1,374,316	1,374,316	-
Budgetary Balance	475,880	46,905	(428,975)

for these three federal acts. These updates included individual and corporate income tax provisions from TIPA relating to home ownership, charitable contributions, education expenses, and business and investment, including depreciation expensing. The ABLE Act allows for tax-deferred earnings on contributions to an ABLE account made on behalf of a blind or disabled person. Finally, the federal government extended the deadline to file an amended return for airline employees of certain bankrupt airlines who wish to claim a tax-free rollover for certain IRA amounts.

E-12

Teacher Development and Evaluation – 2015 First Special Session, Chapter 3, the Omnibus Education Finance Act, expanded the scope of teacher development and evaluation revenue. Under the previous law, teachers at intermediate districts and other cooperative units were not included in the calculation of teacher development and evaluation revenue. Chapter 3 appropriated \$20,000 in FY 2014-15 from the General Fund to include these teachers in the calculation of this onetime revenue program.

Starbase STEM Program – Chapter 3 cancelled \$924,000 in FY 2014-15 appropriations from the General Fund for the Starbase STEM program.

IT Certification Partnership – Chapter 3 cancelled \$299,000 in FY 2014-15 appropriations from the General Fund for IT Certification Partnerships. The appropriation was intended to support public-private partnerships to train and certify high school students for specific IT skills. Nearly all of the original \$300,000 appropriation remained unspent due to an unsuccessful RFP process.

Higher Education

Tuition Reciprocity – Chapter 69, the Omnibus Higher Education Act, cancelled \$8.4 million in FY 2015 from the General Fund tuition reciprocity appropriation payments to North Dakota. In FY 2015, tuition reciprocity payments were lower than were previously anticipated. Under existing statute, this appropriation would have cancelled at the end of FY 2015, but the Legislature cancelled the appropriation before the end of the fiscal year and the savings were included in the FY 2014-15 enacted budget.

Health and Human Services

Deficiency Appropriations – Chapter 3 appropriated \$13.6 million in FY 2015 from the General Fund for deficiency appropriations in the health and human services budget area. Of this total, \$10.7 million was appropriated to the Commissioner of Human Services for expenditures related to meeting conditional licensing requirements for the Minnesota Security Hospital. Most of this appropriation was for additional staff expenses attributable to meeting the licensing requirements. Chapter 3 also appropriated \$246,000 for the Minnesota Food Assistance Program. The Commissioner of Health received a \$2.9 million appropriation in Chapter 3 for activities responding to the 2014 Ebola crisis. \$874,000 of this appropriation was for Health Department activities and \$2 million was to reimburse hospital and emergency service providers for extraordinary expenses incurred to prepare for a possible case of Ebola in Minnesota.

FY 2015 MA Transfer to the Health Care Access Fund – Chapter 71, the Omnibus Health and Human Services Act, appropriated \$455 million from the General Fund for transfer to the Health Care Access Fund (HCAF). This appropriation became part of the opening balance in the HCAF in FY 2016 and was appropriated from the HCAF for the Medical Assistance program. The Health and Human Services Chapter, on page 39, examines the use of the HCAF in the FY 2016-17 budget.

Environment and Agriculture

Disaster Relief – Chapter 2 appropriated \$2.5 million in FY 2015 from the General Fund to the Board of Water and Soil Resources for disaster assistance for remaining projects due to severe storms and flooding in 37 counties in June and July of 2014. Chapter 2 was enacted prior to the February forecast, so this appropriation was included within the February 2015 forecast and is not displayed in Table 9 as a change compared to forecast.

Deficiency Appropriations – Chapter 3 appropriated \$1.4 million from the General Fund to the Minnesota Zoo to help address an operational budget deficit for FY 2015. The deficit resulted from lower than anticipated Zoo admissions and higher than expected operational costs. Chapter 3 also appropriated funding from several sources to the Department of Natural Resources (DNR). This appropriation included: \$69,000 from the General Fund, \$128,000 from the Natural Resources Fund, and \$371,000 from the Game and Fish Fund for higher than expected

retirement costs of conservation officers. The act also required the reduction of \$18,000 from the General Fund for DNR operational costs, making the net General Fund cost of the act \$51,000.

Avian Influenza – Chapter 12 appropriated \$514,000 to the Department of Agriculture and \$379,000 to the Board of Animal Health for costs associated with the avian influenza emergency. Additional money was appropriated for avian influenza in 2015 First Special Session, Chapter 4, the Environment and Agriculture Finance Act. (See page 59 for a larger discussion of avian influenza.)

Judiciary and Public Safety

Disaster Relief – Chapter 2 appropriated \$9.6 million in FY 2015 from the General Fund to the Department of Public Safety for disaster assistance to meet the 25 percent local match to obtain the Federal Emergency Management Agency funds to reimburse the costs of state local government expenses associated with the repair of public infrastructure, and cleanup and debris removal in Presidential disaster areas. In this instance (Presidential Disaster Declaration DR-4182), the appropriations met the match requirements for severe storms and flooding in 37 counties and several other jurisdictions in June and July of 2014. The \$9.6 million appropriation was transferred from the General Fund to the disaster contingency account in the Special Revenue Fund. (See page 79 for a larger discussion of the disaster contingency account.) Chapter 2 was enacted prior to the February forecast, so this appropriation was counted as part of the February 2015 forecast and is not displayed in Table 9 as a change compared to forecast.

State Government and Veterans

Web Site Redevelopment, Campaign Finance Board – Chapter 77 cancelled \$150,000 from the FY 2015 appropriation to the Board of Campaign Finance and Public Disclosure back to the General Fund at the end of the FY 2014-15 biennium and reappropriated the same amount in FY 2016 to complete the redevelopment of the board's Web site.

Military Expedited and Temporary Teacher Licenses, Department of Education – Chapter 77 cancelled \$44,000 from the FY 2015 appropriation made to the Department of Education for the Board of Teaching to undertake rulemaking to implement the expedited and temporary licenses for military members and veterans. The board was unable to complete the required rulemaking before the end of the FY 2014-15 biennium; therefore, \$44,000 was reappropriated in FY 2016 to the Department of Veterans Affairs for transfer to the Department of Education for the same purpose.

Transportation and Public Safety

Disaster Relief – Chapter 2 appropriated \$3 million in FY 2015 from the General Fund to meet the 20 percent match requirement necessary to obtain Federal Highway Administration emergency relief funds to repair local roads and bridges associated with the Presidential Disaster Declaration (DR-4182) in June and July 2014. This disaster included severe storms, straight-line winds, flooding, landslides, and mudslides in 37 counties and other jurisdictions throughout the state. Chapter 2 was enacted prior to the February forecast, so this appropriation was counted as part of the February 2015 forecast. See page 79 for additional detail on the natural disaster.

Local Road and Bridges Disaster Relief – Chapter 75 cancelled \$2.4 million in FY 2015 of a \$3 million General Fund appropriation to the Department of Transportation. This appropriation was originally enacted in Chapter 2 to repair local roads and bridges damaged in the summer 2014 storms. As enacted, this appropriation would have cancelled at the end of the FY 2014-15 biennium before all repairs could be completed. Therefore, Chapter 75 cancelled the unspent amount, \$2.4 million, and reappropriated the cancelled funds in FY 2016.

Metropolitan Transit Cancellation - Chapter 75 cancelled \$29.7 million in FY 2015 of a \$37 million General Fund appropriation made to the Metropolitan Council in FY 2014. This onetime appropriation was available until expended for the Southwest Light Rail project, and \$7.3 million of it had already been expended. The majority of this cancellation, \$29.5 million, was reappropriated to Metropolitan Council in FY 2016-17 for ongoing transit operations.

General Fund Change Analysis – FY 2016-17 and FY 2014-15

Table 10 displays two separate analyses of the total General Fund change between the FY 2014-15 biennium and the enacted FY 2016-17 biennium. Total appropriations in FY 2016-17 increased by 5.4 percent compared to the enacted FY 2014-15 supplemental budget. This analysis measures the percent change between the two enacted biennia and makes no adjustments to account for the additional spending enactments to the FY 2014-15 biennium made during the 2015 session.

Because the 2015 Legislature also increased the FY 2014-15 budget by \$429 million, an alternative analysis adjusts the FY 2016-17 appropriations by adding the \$429 million. (As described above, increased appropriations in the prior biennium reduced the budgetary balance at the end of FY 2016-17 by the amount of the supplemental changes in FY 2014-15.) Under this alternative analysis, the adjusted FY 2016-17 budget is compared to FY 2014-15 as projected in the February 2015 forecast. The result is that adjusted General Fund appropriations in FY 2016-17 are 7.5 percent above the forecasted levels for FY 2014-15.

These differing analyses of the 2015 enactments of the FY 2016-17 budget and the supplements to the FY 2014-15 budget are useful to consider in the context of the subsequent chapters of this report. In the interest of space and clarity, the *2015 Fiscal Review* makes comparisons between the FY 2016-17 budget and the enacted FY 2014-15 budget as is described in the initial analysis above. The individual chapter tables do not make adjustments in the tables as is done in this section of the report. However, Appendix B, which provides detail on General Fund revenues, does treat the changes in FY 2014-15 as appropriations. In the context of this appendix, the FY 2014-15 changes are most appropriately treated as spending changes, rather than FY 2016-17 revenue increases.

Table 10 - General Fund Analysis			
FY 2014-15 vs FY 2016-17			
<i>(dollars in thousands)</i>			
	FY 2014-15 Forecast	FY 2014-15 Enacted	FY 2016-17 Enacted
Total Appropriations	39,300,150	39,729,125	41,833,730
Change from Enacted FY 2014-15			2,104,605
<i>Percent Change</i>			5.4%
Change from FY 2014-15 Forecast		428,975	
<i>Percent Change</i>		1.1%	
Total Appropriations	39,300,150		41,833,730
FY 2014-15 Enacted Change Adjustment			428,975
Total Adjusted Appropriations	39,300,150		42,262,705
Change from FY 2014-15 Forecast			2,962,555
<i>Percent Change</i>			7.5%

STATE REVENUES

State revenues in FY 2016-17 totaled \$77.1 billion, an increase of \$200.1 million over the February 2015 forecast. An omnibus tax bill was not passed in the 2015 legislative session; however, tax law changes were incorporated into two omnibus finance bills. Current General Fund revenue for FY 2016-17 is projected to total \$44.1 billion, 57 percent of the total revenue, and an increase of \$132 million over the February 2015 forecast. When the carryforward from FY 2014-15 is included, total General Fund revenues declined by \$296.9 million compared to forecast. The two most significant non-General Fund changes were a Trunk Highway Fund biennial increase of \$100 million over the February 2015 forecast and a Health Care Access Fund biennial increase of \$27.8 million over the February 2015 forecast. Other changes affecting other nongeneral funds are also discussed in other chapters of this report.

General Fund Revenue Changes

General Fund tax revenues are budgeted at \$40.8 billion for the FY 2016-17 biennium, an increase of \$30.3 million above the February 2015 forecast. The changes to tax revenues were primarily in the individual income tax and the sales tax.

Nontax General Fund revenues totaled \$1.4 billion in FY 2016-17, an increase of \$22.9 million over the February 2015 forecast. Transfers to the General Fund from other funds totaled \$329.3 million, an increase of \$78.8 million compared to forecast. Changes to nontax revenues and transfers are itemized in other chapters of this report.

Table 1 summarizes all funds revenue in FY 2014-15 and FY 2016-17. Table 2

summarizes the major state tax revenue changes specific to the General Fund. Several General Fund individual income and corporate franchise tax revenue changes were contained in Chapter 1, which contained the federal conformity changes. These revenue changes were enacted early in the 2015 regular session and were incorporated into the February 2015 forecast. Therefore, Chapter 1 enactments were included in the FY 2016-17 base and there are no fiscal change items tracked in this report for Chapter 1. Tax revenue changes affecting FY 2016-17 were included in 2015 First Special Session, Chapter 3, the Omnibus Education Finance Act; Chapter 45; and Chapter 77, the Omnibus State Government Act.

Individual Income and Corporate Franchise Tax

Chapter 3 enacted a provision that precludes non-Minnesota residents from taking the refundable working family credit. This change increased income tax revenue by \$10.3 million in FY 2016-17 compared to the forecast.

Typically, education finance acts change education-specific state property tax levies, which are deductible from the individual income and corporate franchise tax. In 2015, Chapter 3 made only modest statewide property tax changes. However, there were distributional effects by school district. This generated changes in both individual income tax and corporate franchise tax liability. As a result of the levy changes in Chapter 3, individual income tax and corporate franchise tax revenues were reduced by \$40,000 in FY 2016-17 compared to forecast.

Table 1 - Tax Revenues					
All Funds Revenue					
<i>(dollars in thousands)</i>					
	FY 2014-15 Revenue	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
General Fund					
Tax Revenues					
Income	19,705,051	22,056,817	22,067,087	2,362,036	10,270
Corporate	2,595,320	2,575,565	2,575,555	(19,765)	(10)
Sales	10,204,393	10,919,705	10,939,774	735,381	20,069
Other Tax Revenues	5,120,102	5,220,246	5,220,246	100,144	-
Nontax Revenues	1,458,525	1,402,920	1,425,825	(32,700)	22,905
Dedicated Revenue	<u>1,005</u>	<u>1,000</u>	<u>1,000</u>	<u>(5)</u>	<u>-</u>
Total General Fund Revenue*	39,084,396	42,176,253	42,229,487	3,145,091	53,234
Non-General Funds					
Health Care Access	1,302,223	1,469,042	1,496,845	194,622	27,803
Trunk Highway	1,037,015	843,476	943,366	(93,649)	99,890
Legacy	587,274	628,314	629,514	42,240	1,200
Agricultural	47,220	50,849	57,659	10,439	6,810
Game and Fish	209,200	215,763	222,634	13,434	6,871
Environmental and Natural Resources Trust	124,316	122,696	122,157	(2,159)	(539)
Natural Resources	143,597	139,592	137,633	(5,964)	(1,959)
Other	<u>27,964,442</u>	<u>31,216,716</u>	<u>31,223,501</u>	<u>3,259,059</u>	<u>6,785</u>
Total Non-General Fund Revenue	31,415,287	34,686,448	34,833,309	3,418,022	146,861
TOTAL ALL REVENUES	70,499,683	76,862,701	77,062,796	6,563,113	200,095
* Does not include transfers from other funds and prior year adjustments.					

Federal Conformity

In January 2015, Chapter 1 enacted federal conformity provisions for tax year 2014 only. These changes aligned Minnesota's definition of taxable income to the federal government's definition of taxable income for the state individual income tax and the corporate franchise tax. As in years past, these changes were enacted prior to the February 2015 forecast and the revenue losses of these policy changes were measured relative to the November 2014 forecast. The federal conformity changes, which were incorporated into the February 2015 forecast and are assumed in the base,

reduced revenues by \$19.9 million in FY 2015, increased revenues by \$22.4 million in FY 2016, and decreased revenues by \$1.4 million in FY 2017.

In addition to federal conformity, Chapter 1 also modified the Destination Medical Center general infrastructure aid and transit aid calculations. These changes clarified the original legislative intent of this aid program that was enacted in 2014. See page 61 for additional discussion about this change.

Sales Tax

Chapter 3 delayed the effective date of a sales tax exemption for certain special taxing districts that was originally enacted in 2014. This sales tax exemption delay generated onetime General Fund revenue of \$8.4 million in FY 2016 and \$11.8 million in FY 2017. The special taxing districts affected by this delay include watershed, sanitary and park districts; port authorities; and the Metropolitan Airports Commission. This sales tax exemption delay also reduced revenue to the Legacy funds by \$1.2 million in FY 2016-17. (See Appendix D for additional discussion about Legacy funds.) In addition, Chapter 45 prohibited certain types of electronic gaming, resulting in a small reduction of sales tax revenue. The revenue loss is discussed in further detail on page 105 and is also included in Table 2 in this chapter.

Tax Aids and Credits

Appropriations for tax aids and credits for the FY 2016-17 biennium total \$3.4 billion, an increase of \$396.8 million above the previous biennium and a reduction of \$8.8

million from the February 2015 forecast. There were two changes affecting aids and credits, which were enacted in Chapter 77, the Omnibus State Government Act, and Chapter 3, the Omnibus Education Finance Act. Chapter 77 temporarily ceased the political contribution refund program between July 1, 2015, and June 30, 2017. This program provides funding to political party units and legislative and statewide candidates who agree to limit their spending by signing a public subsidy agreement. State refunds can total up to \$50 per person (or \$100 per couple) in any calendar year. This change reduced General Fund appropriations by \$8.9 million in FY 2016-17. Chapter 3 changed certain education-specific state property tax levies. The levy increase resulted in greater refunds and increased General Fund appropriations for the property tax refund program by \$60,000 in FY 2016-17. There is no separate table for aids and credits in this year's report because the 2015 sessions enacted only very minor aids and credits changes.

Table 2 - General Fund Revenues
Tax and Nontax Revenue Changes Compared to Forecast
(dollars in thousands)

	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
General Fund Changes						
Tax Revenues						
Individual Income Tax						
Disallow Working Family Credit to MN Nonresidents	5,100	5,200	10,300	5,300	5,300	10,600
Interactions	-	(30)	(30)	(30)	(30)	(60)
Corporate Franchise Tax						
Interactions	-	(10)	(10)	(10)	(10)	(20)
Sales Tax						
Delay Exemption for Special Taxing Districts	8,400	11,800	20,200	-	-	-
Electronic Gaming Prohibition	(56)	(75)	(131)	(75)	(75)	(150)
Total Tax Revenue Changes	13,444	16,885	30,329	5,185	5,185	5,185
Nontax Revenues	10,713	12,192	22,905	7,262	7,505	14,767
Total General Fund Revenue Changes	24,157	29,077	53,234	12,447	12,690	25,137

E-12 EDUCATION

The E-12 education budget contains appropriations for early childhood programs, elementary and secondary schools, after school programs, adult education, and libraries. For FY 2016-17, appropriations total \$18.9 billion, of which \$17.2 billion, or 91 percent, is General Fund appropriations. 2015 First Special Session, Chapter 3, enacted all of the E-12 education provisions for FY 2016-17.

The 2015 session produced a significant biennial increase in General Fund appropriations for E-12 education. General

Fund appropriations for FY 2016-17 were \$526.4 million, or 2.9 percent, above the February 2015 forecast. The FY 2016-17 General Fund budget for E-12 education is \$1.4 billion above the FY 2014-15 budget, excluding appropriations to repay shifts in the previous biennium. The FY 2014-15 shift repayments were \$812.6 million of the \$16.6 billion FY 2014-15 General Fund appropriation. Table 1 displays changes by agency and fund for all funds. Table 2 on page 24 displays incremental changes in the General Fund compared to the February 2015 forecast.

Table 1 - E-12 Education
All Funds Biennial Spending/Appropriations by Agency & Fund
(dollars in thousands)

Agency	FY 2014-15 Spending*	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
Department of Education					
General Fund	16,581,003	16,672,193	17,196,553	615,550	524,360
General Fund Transfers Out	107	116	116	9	-
Special Revenue Fund	30,612	29,051	29,051	(1,561)	-
Gift Fund	189	184	184	(5)	-
Endowment and Permanent School Fund	50,061	54,623	54,623	4,562	-
Federal Fund	1,570,604	1,604,491	1,604,491	33,887	-
Adjustments for Expenses in Multiple Funds	<u>(11,460)</u>	<u>(11,609)</u>	<u>(11,609)</u>	<u>(149)</u>	-
Subtotal for Department of Education:	18,221,116	18,349,049	18,873,409	652,293	524,360
<i>Dedicated/Constitutional Funds</i>					
Arts & Cultural Heritage Fund	<u>6,000</u>	-	<u>4,400</u>	<u>(1,600)</u>	<u>4,400</u>
Subtotal for Dedicated/Const. Funds	6,000	-	4,400	(1,600)	4,400
Total Department of Education	18,227,116	18,349,049	18,877,809	650,693	528,760

Agency	FY 2014-15 Spending*	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
State Academies					
General Fund	23,713	23,928	25,672	1,959	1,744
Special Revenue Fund	6,072	6,936	6,936	864	-
Gift Fund	69	48	48	(21)	-
Federal Fund	<u>544</u>	<u>567</u>	<u>567</u>	<u>23</u>	-
Total State Academies	30,398	31,479	33,223	2,825	1,744
Perpich Center for Arts Education					
General Fund	13,572	13,546	13,845	273	299
Special Revenue Fund	5,664	5,221	5,221	(443)	-
Gift Fund	6	-	-	(6)	-
Federal Fund	<u>332</u>	<u>660</u>	<u>660</u>	<u>328</u>	-
Subtotal for Perpich Center for Arts Education:	19,574	19,427	19,726	152	299
<i>Dedicated/Constitutional Funds</i>					
Arts & Cultural Heritage Fund	<u>1,890</u>	=	<u>1,400</u>	<u>(490)</u>	<u>1,400</u>
Subtotal Dedicated/Const. Funds	1,890	-	1,400	(490)	1,400
Total Perpich Center for Arts Education:	21,464	19,427	21,126	(338)	1,699
Totals by Fund					
General Fund	16,618,288	16,709,667	17,236,070	617,782	526,403
General Fund Transfers Out	107	116	116	9	-
Special Revenue Fund	42,348	41,208	41,208	(1,140)	-
Gift Fund	264	232	232	(32)	-
Endowment and Permanent School Fund	50,061	54,623	54,623	4,562	-
Federal Fund	1,571,480	1,605,718	1,605,718	34,238	-
Adjustments for Expenses in Multiple Funds	<u>(11,460)</u>	<u>(11,609)</u>	<u>(11,609)</u>	<u>(149)</u>	=
Subtotal for Regular Funds:	18,271,088	18,399,955	18,926,358	655,270	526,403
<i>Dedicated/Constitutional Funds</i>					
Arts & Cultural Heritage Fund	<u>7,890</u>	=	<u>5,800</u>	<u>(2,090)</u>	<u>5,800</u>
Subtotal Dedicated/Const. Funds	7,890	-	5,800	(2,090)	5,800
Total for Budget Area	18,278,978	18,399,955	18,932,158	653,180	532,203
* As adjusted by FY 2015 changes made by the 2015 Legislature.					

Basic Revenue

Basic revenue is the primary E-12 formula that provides revenue to the public schools. It is computed as the formula allowance multiplied by a school or district’s adjusted pupil units. Basic revenue represents 64 percent of total E-12 appropriations from the General Fund. Chapter 3 increased the basic formula allowance by two percent each year in FY 2016 and FY 2017 to \$5,948 in FY 2016 and \$6,067 in FY 2017. These formula changes increased General Fund appropriations by \$346.3 million in FY 2016-17.

Increases to the basic formula allowance also generated increases in three programs that are statutorily linked to the basic formula allowance, including nonpublic pupil education aid, nonpublic pupil transportation, and early childhood family education. The changes to the basic formula allowance increased General Fund appropriations for these linked formulas by \$4.2 million for the FY 2016-17 biennium.

Early Childhood Education

Chapter 3 increased General Fund appropriations in FY 2016-17 for several

early education revenue programs by \$92.5 million, compared to the February 2015 forecast.

Chapter 3 appropriated \$104 million in FY 2016-17 for early learning scholarships, an increase of \$48.3 million compared to forecast, and represents the largest single appropriation increase next to the basic formula allowance. In addition, \$3.5 million was appropriated to improve the Early Childhood Rating System, which is used, in part, to determine provider eligibility for early learning scholarships.

Another program receiving a significant increase was the school readiness program. The program was established in FY 1992, and its funding had remained relatively flat since FY 1999. Chapter 3 increased the appropriation for this program by \$30.8 million in FY 2016-17, bringing total biennial appropriations to \$55.1 million.

Chapter 3 appropriated \$50.2 million to Head Start from the General Fund in FY 2016-17, an increase of \$10 million above forecast.

Table 2 - Budget Area						
General Fund Changes Compared to Forecast						
<i>(dollars in thousands)</i>						
	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
<u>Appropriation Changes</u>						
Department of Education						
Basic Revenue (Formula Allowance)	110,186	236,126	346,312	249,996	251,717	501,713
English Learner Revenue Eligibility	-	3,102	3,102	3,447	3,447	6,894
MN-SD Early Education Services	11	-	11	-	-	-
Owatonna Referendum Interpretation	-	295	295	309	286	595
Operating Capital Equalization	-	1,309	1,309	14,764	28,110	42,874
Extended time increase for Districts	1,171	1,297	2,468	1,426	1,441	2,867
Extended time increase for Charters	919	1,104	2,023	1,226	1,238	2,464
Eliminate Student Achievement Levy	-	-	-	8,801	18,882	27,683
Nonpublic Pupil Transportation	332	656	988	376	35	411
Nonpublic Pupil Aid	125	244	369	144	14	158

	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
Alternative Compensation (Q-Comp)	-	9,500	9,500	9,606	9,500	19,106
Reading Corps	1,750	1,750	3,500	1,250	1,250	2,500
Concurrent Enrollment	2,000	2,000	4,000	2,000	2,000	4,000
Indian Education Formula Aid	7,868	8,875	16,743	9,027	9,219	18,246
Compensatory Pilot Grants	5,000	5,000	10,000	-	-	-
Tribal Contract Schools	2,183	2,817	5,000	286	-	286
Teacher Development and Evaluation	2	-	2	-	-	-
Full Service Community Schools	250	250	500	-	-	-
Starbase STEM Carryforward	924	-	924	-	-	-
Starbase STEM	(500)	(500)	(1,000)	-	-	-
Museums and Education Centers	351	351	702	351	351	702
Minnesota Principals' Academy	150	150	300	150	150	300
Success for the Future	(1,924)	(2,137)	(4,061)	(2,137)	(2,137)	(4,274)
Race 2 Reduce	81	69	150	-	-	-
Northwestern online College in the High School	50	50	100	-	-	-
Statewide Testing & Assessments	(9,797)	(10,109)	(19,906)	(10,109)	(10,109)	(20,218)
ACT Reimbursements	3,011	3,011	6,022	3,011	3,011	6,022
Special Education	421	-	421	-	-	-
Long-Term Maintenance Aid	-	52,088	52,088	78,674	101,131	179,805
Alternative Facilities Equalization Aid	-	(17,359)	(17,359)	(19,287)	(19,287)	(38,574)
Deferred Maintenance Aid	-	(2,369)	(2,369)	(2,362)	(2,123)	(4,485)
Health & Safety Aid	-	(399)	(399)	(431)	(421)	(852)
IT Certification Partnerships Carryforward	299	-	299	-	-	-
IT Certification Partnerships	201	-	201	-	-	-
Innovative Technology Cooperatives	150	150	300	-	-	-
School Readiness	10,250	20,500	30,750	21,513	21,513	43,026
Early Learning Scholarships	16,250	32,000	48,250	32,000	32,000	64,000
Early Childhood Family Education (ECFE)	895	1,911	2,806	2,033	2,052	4,085
Head Start	5,000	5,000	10,000	5,000	5,000	10,000
Parent-Child Home	100	100	200	100	100	200
Statewide Early Childhood Rating	1,200	2,300	3,500	1,750	1,750	3,500
Northside Achievement Zone	1,000	1,000	2,000	1,000	1,000	2,000
St. Paul Promise Neighborhood	1,000	1,000	2,000	1,000	1,000	2,000
Greater MN Education Partnerships	501	501	1,002	-	-	-
MDE Operating Increase	271	547	818	547	547	1,094
Minnesota Academy of Science	(41)	(41)	(82)	(41)	(41)	(82)
Duluth Children's Museum	(50)	(50)	(100)	(50)	(50)	(100)
MN Children's Museum	(260)	(260)	(520)	(260)	(260)	(520)
Math Standards Review Delay	(169)	-	(169)	-	-	-
Board of Teaching Operating Increase	100	100	200	100	100	200
Board of Administrators Operating Increase	3	6	9	6	6	12
EL LEAPS Implementation	<u>441</u>	<u>720</u>	<u>1,161</u>	<u>720</u>	<u>720</u>	<u>1,440</u>
Department of Education Total	161,705	362,655	524,360	415,936	463,142	879,078

	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
Faribault Academies						
Operating Increase	181	365	546	365	365	730
Technology Initiative	<u>708</u>	<u>490</u>	<u>1,198</u>	<u>475</u>	<u>457</u>	<u>932</u>
Faribault Academies Total	889	855	1,744	840	822	1,662
Perpich Center for Arts						
Operating Increase	<u>99</u>	<u>200</u>	<u>299</u>	<u>200</u>	<u>200</u>	<u>400</u>
Perpich Center for Arts Total	99	200	299	200	200	400
Total General Fund Spending						
Changes	162,693	363,710	526,403	416,976	464,164	881,140

Facilities

Chapter 3 consolidated several funding formulas designated for the maintenance and improvement of school facilities. Beginning in FY 2017, health and safety revenue, alternative facilities revenue, and deferred maintenance revenue were consolidated into a single, equalized long-term maintenance revenue formula.

As part of this change, the appropriations for these programs were combined into a single appropriation for long-term maintenance aid. This change to how school facilities are financed increased FY 2016-17 General Fund appropriations by \$32 million, beginning in FY 2017. Total FY 2018-19 appropriations for long-term maintenance aid are projected to increase by \$135.9 million above the forecast. Districts that did not qualify for alternative facilities revenue will receive incremental increases in revenue for facility maintenance each year until FY 2019. Districts that qualified for alternative facilities revenue were held harmless on revenue and received a greater share of state equalization aid than under the old law.

Chapter 3 will also have varied effects on district property taxes throughout the state, depending on the amount of new revenue

available to the district and the district's property wealth per pupil. Some district levies will increase under the new law; other districts with different property wealth characteristics may experience reductions in levies compared to forecasted projections. In FY 2017, the statewide levy is estimated to decrease by \$4.1 million due to enhanced aid equalization. By FY 2019, however, long-term maintenance levies will increase by \$42.1 million due to increases in revenue available to districts throughout the state.

In total, Chapter 3 increased the statewide equalized aid share for school facility maintenance from 6.6 percent in FY 2019 to 26.9 percent in FY 2019. In general, a lower-wealth school district will receive a greater proportion of its revenue from state aid than will a higher-wealth district as a result of these changes.

These facility changes are similar to several reforms recommended by the School Facilities Financing Working Group, which met over several months in the summer and fall of 2013. The group recommended a greater share of state equalization, consolidation of funding streams, and increased revenue equity among districts for the purpose of school facility maintenance.

Statewide Testing and Assessments

Beginning in the 2015-2016 school year, Chapter 3 repealed a requirement enacted in 2013 that required all high school students to take a nationally normed college entrance exam, and made the test optional. Districts will still be reimbursed for the cost attributed to students who take the test, as was done previously, but the total amount of reimbursements will be lower because it is assumed that fewer students will take the exam. This change, along with the elimination of several other statewide tests, resulted in a \$12.3 million reduction to the FY 2016-17 appropriation for statewide testing and assessments.

American Indian Education

Chapter 3 contained several significant changes to aid for American Indian education, including establishing a new American Indian education revenue program that provides funding for districts on a per pupil basis. Beginning in FY 2016, the new program totals \$16.7 million for FY 2016-17, including \$4.1 million of reallocated appropriations from Success for the Future, a targeted grant program eliminated in Chapter 3. Additionally, Minnesota's four tribal contract schools received a onetime combined increase in FY 2016-17 of \$5 million, or 150.9 percent, above forecast.

Extended Time Revenue

Chapter 3 increased the statutory allowance for extended time revenue by \$100 per pupil beginning in FY 2016. This program provides struggling students with additional learning opportunities to move them toward graduation. Additionally, for the first time, charter schools are eligible to receive extended time revenue effective in FY 2016. Charter school extended time revenue is equal to 25 percent of the statewide average extended time revenue per pupil for school districts. Together, these two changes

increased General Fund appropriations by \$4.5 million in FY 2016-17, compared to the forecast.

English Learner Revenue Eligibility

Chapter 3 increased the maximum number of years, from six to seven, that a student may generate English learner aid. This change follows a similar change made in the 2014 session that increased the maximum number of years students are eligible from five to six. The change, effective in FY 2017, increased the FY 2016-17 appropriations by \$3.1 million compared to forecast. It is estimated that the additional appropriation associated with this change in FY 2018-19 will be \$6.9 million when the additional year of English learner aid is effective for both years of the biennium.

Student Achievement Levy Repeal

Beginning in FY 2018, the student achievement levy will be phased out over two years. This levy will be completely eliminated in FY 2019. This levy was first effective in FY 2015 and was a component of the General Education program. The levy reduced the amount of state aid and replaced that funding with property taxes imposed locally at a uniform rate by all districts across the state. Because the student achievement levy generated state aid savings by offsetting general education aid, the repeal will increase projected General Fund appropriations by the total value of the levy, which is projected to be \$27.7 million in FY 2018-19.

Alternative Compensation (Q-Comp)

Alternative compensation, or Q-Comp, which stands for quality compensation, provides revenue for districts and charter schools that develop an educational improvement plan and an alternative teacher pay system. As of FY 2015, approximately 25 percent of all districts and 40 percent of

all charter schools participated in this program. The number of districts and charter schools that are eligible to participate in the program is limited by an overall statewide aid entitlement cap. Prior to the 2015 session, the cap stood at \$75.6 million.

For FY 2017, Chapter 3 increased the aid entitlement cap of the alternative compensation program to \$88.1 million, \$12.5 million above the limit in overall spending in current law. Furthermore, Chapter 3 extended eligibility to receive revenue through this program to intermediate districts and other cooperative units. Because the full capacity of the higher cap is not immediately used by schools, these changes increased alternative compensation appropriations by \$9.5 million in FY 2016-17, but is projected to increase FY 2018-19 appropriations by \$19.1 million, compared to the forecast.

Community Collaborations

Several collaborative community organizations received appropriations in Chapter 3 to support the goals of improving academic performance and eliminating the achievement gap. The St. Paul Promise Neighborhood and the Northside Achievement Zone in Minneapolis each received an increase of \$2 million in FY 2016-17, bringing each program's biennial appropriation to \$2.4 million. Both organizations have received state appropriations since FY 2015.

Three other organizations with similar service models received appropriations for the first time in FY 2016-17: the Northfield Healthy Community Initiative for a site in Northfield; the Jones Family Foundation for a site in Red Wing; and Independent School District No. 742 for a site in St. Cloud. Each partnership pilot program will receive a

onetime appropriation of \$334,000 in FY 2016-17.

Agency Budgets

Chapter 3 increased operating budget appropriations for the Department of Education (MDE), the Board of Administrators, the Perpich Center for Arts Education, and the Faribault Academies for the Deaf and Blind by a combined \$1.7 million, or 1.8 percent, in each year of the FY 2016-17 biennium. The Board of Teaching General Fund appropriation in FY 2016-17 increased by \$200,000, or 16.2 percent, above forecast.

Among other notable items, the Department of Education received \$1.2 million in FY 2016-17 from the General Fund to implement policy changes that were enacted in 2014. The law required expanded reporting on the education outcomes of English language learners and increased the support MDE must provide to these students. The Faribault Academies for the Deaf and Blind received an appropriation totaling \$1.2 million for FY 2016-17 to upgrade campus technology resources. Of this amount, \$266,000 is one time.

Compensatory Pilot Grants

Chapter 3 appropriated \$14.7 million in FY 2016-17 from the General Fund for the compensatory revenue pilot project, an increase of \$10 million above forecast. This increase is for FY 2016-17 only. Established in 2005, this program provides funding for seven districts to reduce educational performance disparities between students who are eligible for free and reduced lunch (a measurement of poverty in schools), and the general population. The seven school districts that are eligible to receive grants under this program include Independent School District No. 11, Anoka-Hennepin; Independent School District No. 286,

Brooklyn Center; Independent School District No. 279, Osseo; Independent School District No. 281, Robbinsdale; Independent School District No. 535, Rochester; Independent School District No. 833, South Washington; and Independent School District No. 241, Albert Lea.

Reading Corps

Chapter 3 increased the General Fund appropriation for Reading Corps by \$3.5 million in FY 2016-17, for a total biennial appropriation of \$12.3 million. Of this total, \$1 million is onetime funding.

Concurrent Enrollment

Chapter 3 appropriated \$8 million from the General Fund for concurrent enrollment in FY 2016-17, an increase of \$4 million above forecast. The appropriation provides reimbursement to schools on a served-student basis for providing rigorous college courses taught in high school for dual high school and college credit.

Full Service Community Schools

Chapter 3 appropriated \$500,000 in FY 2016-17 from the General Fund to promote the establishment of full service community schools. Full service community schools typically includes additional onsite services, such as child care, job training, internship opportunities, after-school enrichment, or other activities.

Starbase STEM (Science, Technology, Engineering and Math)

Chapter 3 created onetime savings of \$1 million in FY 2016-17 by cancelling the unspent Starbase STEM appropriation of \$924,000 for FY 2014-15 and reappropriating it for FY 2016-17. By moving the cancelled appropriation to FY 2016-17, a new appropriation was not made. The base for this program returns to \$1 million in FY 2018-19.

Museums and Education Centers

Chapter 3 combined the separate appropriations for the Minnesota Children's Museum, Duluth Children's Museum, and Minnesota Academy of Science into a new appropriation category titled Museums and Education Centers. Total appropriations for these organizations were unchanged at \$702,000 for FY 2016-17.

Minnesota Principals' Academy

Chapter 3 appropriated \$300,000 from the General Fund in FY 2016-17 for grants to operate the Minnesota Principals' Academy at the University of Minnesota. This is a new appropriation in FY 2016 and is ongoing.

Innovative Technology Cooperatives

Chapter 3 appropriated \$300,000 from the General Fund in FY 2016-17 for grants to provide professional development related to technology at technology cooperatives that have been established by one or more districts.

Information Technology Certifications

Chapter 3 appropriated \$500,000 from the General Fund in FY 2016-17 for grants to promote information technology certifications for students in Minnesota schools. The appropriation is one time. \$299,000 of this appropriation was carried forward from an unspent appropriation for the same purpose from the FY 2014-2015 biennium.

Race 2 Reduce

Chapter 3 appropriated \$150,000 from the General Fund in FY 2016-17 for grants to Race 2 Reduce. The onetime appropriation supports a water conservation project involving H2O for Life, a nonprofit organization that provides service-learning opportunities focused on water conservation. Two school districts, Independent School

District No. 624, White Bear Lake, and Independent School District No. 832, Mahtomedi, will receive funding from this appropriation to support their participation in Race 2 Reduce.

Northwestern Online College in the High School

Chapter 3 appropriated \$100,000 from the General Fund in FY 2016-17 for a onetime grant to Distance Minnesota's Northwestern Online College in the High School, which provides online learning opportunities for high school students.

Parent-Child Home Program

Chapter 3 appropriated \$700,000 in FY 2016-17 to the Parent-Child Home Program, an increase of \$200,000 above forecast.

Special Education Accelerated Payments

Chapter 3 included provisions to modify the payment schedule for charter schools serving a high proportion of special education students. The law requires the commissioner to accelerate the special education aid payment for an eligible charter school based on its budgeted expenditures.

HIGHER EDUCATION

Chapter 69, the Omnibus Higher Education Act, appropriated \$3.1 billion to support higher education in FY 2016-17. This appropriation was a \$188.7 million, or 6.4 percent, all funds increase from the February 2015 forecast for FY 2016-17, and an increase of \$213.7 million, or 7.3 percent, from the FY 2014-15 forecasted spending level. Chapter 69 reduced FY 2014-15 appropriations by \$8.4 million with the cancellation of a portion of the 2015 appropriation for tuition reciprocity payments that exceeded payment needs.

Chapter 69 increased General Fund appropriations in FY 2016-17 by \$174.4 million, or six percent, compared to the forecast, and \$232.5 million, or 8.2 percent, compared to FY 2014-15. Specifically, Chapter 69 increased General Fund appropriations to the University of Minnesota by \$53.2 million, or 4.4 percent, above the FY 2016-17 forecast base, and \$74.3 million, or 6.3 percent, over FY 2014-15

forecast spending. General Fund appropriations for the Minnesota State Colleges and Universities (MnSCU) were increased by \$101.4 million, or 8.1 percent, from the FY 2016-17 forecast base, and \$135.6 million, or 11.2 percent, from FY 2014-15 forecasted spending. Chapter 69 increased General Fund appropriations for the Office of Higher Education by \$19.8 million, or 4.4 percent, from the FY 2016-17 forecast base, and \$22.6 million, or five percent, above FY 2014-15 spending. General Fund appropriations for the Mayo Medical Foundation in FY 2016-17 were \$2.7 million, the forecasted level. Enacted changes from the FY 2016-17 forecast base and FY 2014-15 are summarized in Tables 1 and 2. Table 1 displays all funds and Table 2 shows General Fund incremental changes from the February 2015 forecast.

Table 1 - Higher Education					
All Funds Biennial Spending/Appropriations by Agency & Fund					
<i>(dollars in thousands)</i>					
Agency	FY 2014-15 Spending*	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted – FY 2014-15 Spending	Change: Enacted - Fcst. Base
Office of Higher Education					
General Fund	444,786	447,594	467,423	22,637	19,829
General Fund Transfers Out	44	50	50	6	-
Special Revenue Fund	1,663	1,769	1,769	106	-
Federal Funds	10,092	7,935	7,935	(2,157)	-
Adjustments for Expenses in Multiple Funds	(597)	(464)	(464)	133	-
Total Office of Higher Education:	455,988	456,884	476,713	20,725	19,829

Agency	FY 2014-15 Spending*	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted – FY 2014-15 Spending	Change: Enacted - Fcst. Base
Minnesota State Colleges and Universities					
General Fund	-	-	-	-	-
General Fund Transfers Out	1,210,058	1,244,286	1,345,651	135,593	101,365
Environment and Natural Resources Fund	<u>77</u>	-	<u>891</u>	<u>814</u>	<u>891</u>
Total Minnesota State Colleges and Universities	1,210,135	1,244,286	1,346,542	136,407	102,256
University of Minnesota					
General Fund	1,176,798	1,197,898	1,251,098	74,300	53,200
Clean Water Fund	1,230	-	-	(1,230)	-
Environment and Natural Resources Fund	28,707	-	13,447	(15,260)	13,447
Health Care Access Fund	4,314	4,314	4,314	-	-
Outdoor Heritage Fund	1,000	-	-	(1,000)	-
Parks and Trails Fund	250	-	-	(250)	-
Special Revenue Fund	<u>44,735</u>	<u>44,720</u>	<u>44,720</u>	<u>(15)</u>	-
Total University of Minnesota	1,257,034	1,246,932	1,313,579	56,545	66,647
Mayo Medical					
General Fund	<u>2,702</u>	<u>2,702</u>	<u>2,702</u>	-	-
Total Mayo Medical	2,702	2,702	2,702	-	-
Totals by Fund					
General Fund	1,624,286	1,648,194	1,721,223	96,937	73,029
General Fund Transfers Out	1,210,102	1,244,336	1,345,701	135,599	101,365
Health Care Access Fund	4,314	4,314	4,314	-	-
Special Revenue Fund	46,398	46,489	46,489	91	-
Federal Funds	10,092	7,935	7,935	(2,157)	-
Adjustments for Expenses in Multiple Funds	<u>(597)</u>	<u>(464)</u>	<u>(464)</u>	<u>133</u>	-
Subtotal for Regular Funds:	2,894,595	2,950,804	3,125,198	230,603	174,394
<i>Dedicated/Constitutional Funds</i>					
Environment and Natural Resources Fund	28,784	-	14,338	(14,446)	14,338
Outdoor Heritage Fund	1,000	-	-	(1,000)	-
Clean Water Fund	1,230	-	-	(1,230)	-
Parks and Trails Fund	<u>250</u>	-	-	<u>(250)</u>	-
<i>Subtotal for Dedicated/Constitutional Funds</i>	31,264	-	14,338	(16,926)	14,338
Total for Budget Area	2,925,859	2,950,804	3,139,536	213,677	188,732

* As adjusted by FY 2015 changes made by the 2015 Legislature.

2015 First Special Session, Chapter 5, appropriated \$58.4 million for capital improvement projects at University of Minnesota and MnSCU campuses, of which \$26.5 million was appropriated to the University of Minnesota, and \$31.9

million to MnSCU. Detailed information about the projects that were funded can be found in the Capital Investment Chapter on page 111 and Appendix C on page 120.

Table 2 – Higher Education General Fund Changes Compared to Forecast (dollars in thousands)						
	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
<u>Appropriation Changes</u>						
Office of Higher Education						
Compensation Adjustment	36	73	109	73	73	146
American Indian Scholarship	400	400	800	400	400	800
College Possible	250	250	500	250	250	500
Concurrent Enrollment Course Development Grant	225	225	450	225	225	450
Concurrent Enrollment Expansion Grant	115	115	230	115	115	230
Dual Training Grants- OHE	1,000	2,000	3,000	2,000	2,000	4,000
Dual Training Competency Standards Development- DOLI	200	200	400	200	200	400
High School to College Transitions Program	(100)	(100)	(200)	(100)	(100)	(200)
Large Animal Veterinarian Loan Forgiveness Program	250	-	250	-	-	-
Midwest Higher Education Compact Dues Increase	20	20	40	20	20	40
Sexual Violence and Harassment Reporting	25	25	50	25	25	50
Spinal Cord and Traumatic Brain Injury Research	500	500	1,000	500	500	1,000
State Grant Program	3,500	3,500	7,000	3,500	3,500	7,000
Student Loan Debt Counseling	150	150	300	-	-	-
Summer Academic Enrichment Program	100	100	200	100	100	200
Teacher Shortage Loan Forgiveness	200	200	400	200	200	400
United Family Practice	150	150	300	150	150	300
Vocational Program Student Tuition Assistance	-	<u>5,000</u>	<u>5,000</u>	<u>3,481</u>	-	<u>3,481</u>
OHE Total	7,021	12,808	19,829	11,139	7,658	18,797
Minnesota State Colleges and Universities						
Operations and Maintenance	<u>50,782</u>	<u>50,583</u>	<u>101,365</u>	<u>50,583</u>	<u>50,583</u>	<u>101,166</u>
MnSCU Total	50,782	50,583	101,365	50,583	50,583	101,166

	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018- 19
University of Minnesota						
Operations and Maintenance	26,100	26,100	52,200	26,100	26,100	52,200
System Specials	<u>500</u>	<u>500</u>	<u>1,000</u>	<u>500</u>	<u>500</u>	<u>1,000</u>
U of M Total	26,600	26,600	53,200	26,600	26,600	53,200
Total General Fund Spending						
Changes	84,403	89,991	174,394	88,322	84,841	173,163

OFFICE OF HIGHER EDUCATION

The total appropriation to the Office of Higher Education in FY 2016-17 was \$467.5 million from the General Fund. This includes a \$7 million increase for the state grant program that provides need-based financial aid to Minnesota resident undergraduate students. Additional money was appropriated for American Indian scholarships, the united family practice residency program, and compensation adjustments. The increased funds for the American Indian scholarship program will reduce the program's waiting list, and increased funding for the residency program will support additional medical residents.

The total General Fund appropriation for the office is a \$19.8 million, or 4.4 percent, increase from the FY 2016-17 forecast base, and a \$22.6 million, or five percent, increase from FY 2014-15 forecasted spending.

Chapter 69 contained funding for several new initiatives, including appropriations to:

- provide additional state grant money to students enrolled in specified vocational programs offered at MnSCU colleges;
- develop concurrent enrollment courses;
- award grants for spinal cord and brain injury research;
- award grants for dual training activities;
- provide student loan debt counseling to students;

- award grants for summer academic enrichment programs;
- assist large animal veterinary students to repay their student loans;
- establish a teacher shortage loan forgiveness program; and
- report on activities at colleges and universities to address sexual violence and harassment.

Chapter 69 reduced the FY 2015 appropriation for tuition reciprocity payments by \$8.4 million, which would have cancelled to the General Fund at the end of FY 2015 because the projected need for the funds was greater than the amount necessary to fulfill payment obligations. These funds were reappropriated in FY 2016 to fund the vocational program tuition assistance program.

State Grant Program

FY 2016-17 funding from the General Fund for the state grant program increased from \$353.6 million to \$360.6 million. Chapter 69 also specified that if no living and miscellaneous expense (LME) allowance is established in law, the allowance is equal to the federal poverty guideline for a one person household in Minnesota for nine months. In addition, Chapter 69 allowed the Commissioner of Higher Education to decide whether to use the surplus in the program in the second year of the biennium to increase either the LME or the tuition and fee maximum. Before the enactment of

Chapter 69, a surplus in the state grant program could only be used to increase the LME allowance. The tuition and fee maximum and LME are used in the formula that determines the state grant award that a student is eligible to receive. Projections indicate that the increased level of funding will increase the number of grant recipients by approximately 1,708 students and the average award amount by \$177 across all institutional sectors for the 2016-17 academic year, when compared to the previous academic year.

Other Financial Aid and Academic Support Programs

The FY 2016-17 appropriations from the General Fund for child care grants, tribal college grants, the safety officers' survivors program, the state work study program, the get ready outreach program, student parent information, the intervention for college attendance program, the MNLINK gateway and minitex, the statewide longitudinal education data system (SLEDS), the Hennepin County Medical Center program, tuition reciprocity, and the Minnesota education equity partnership total \$81.8 million, which represents base funding.

MINNESOTA STATE COLLEGES AND UNIVERSITIES (MnSCU)

Chapter 69 appropriated \$1.3 billion from the General Fund to the Minnesota State Colleges and Universities for the FY 2016-17 biennium. The appropriation was allocated as follows:

- \$1.27 billion for operations and maintenance;
- \$66.2 million for the central office; and
- \$8.2 million for the learning network of Minnesota.

Of the money appropriated for operations and maintenance, \$100 million was for student tuition relief. Operations and maintenance funding also provided support for initiatives to:

- develop a teacher education program at Southwest State University that will lead to licensure in agricultural education;
- develop a program at South Central College in North Mankato to facilitate the entrance of veterans into careers related to agriculture and food production, processing, and distribution;
- develop transfer pathways for associate of arts degrees, associate of sciences degrees, and associate of fine arts degrees towards baccalaureate degrees;
- develop and teach online agriculture programs;
- implement a program to assist foreign-born students and groups underrepresented in nursing to succeed in higher education; and
- offer a year-long student teaching pilot program.

The total General Fund appropriation for MnSCU increased by \$101.4 million, or 8.1 percent, compared to the forecast for FY 2016-17, and \$135.6 million, or 11.2 percent, compared to FY 2014-15 spending.

Continuing a process begun in the previous biennium, Chapter 69 held back five percent of MnSCU's FY 2017 appropriation. The funds will be released when MnSCU meets prescribed performance goals. The goals include: (1) increasing the number of degrees, diplomas, and certificates conferred; (2) increasing the job-related employment rate of graduates; (3) reallocating \$22 million of costs in the system's existing budget; (4) decreasing the number of students enrolled in developmental education; and (5) increasing

the number of students who take no more than 128 credits to complete a baccalaureate degree or 68 credits for specified associate degrees. The amount withheld from the appropriation will be released at any point in the fiscal year that MnSCU meets the performance goals. However, the amount of the funds released will be determined by the following payment schedule:

- 100 percent of the amount withheld will be released if the board meets three, four, or five goals;
- 67 percent of the amount withheld will be released if the board meets two goals;
- 33 percent of the amount withheld will be released if the board meets one goal; and
- no funding will be released if none of the goals are met.

Chapter 69 also restricted the growth in tuition during the 2015-2016 and 2016-2017 academic years at state colleges and universities. In the 2015-2016 academic year, the tuition rate at state colleges must not exceed the rate during the 2014-2015 academic year, but there is no tuition rate restriction in 2015-2016 for state universities. In the 2016-2017 academic year, tuition rates at colleges must be reduced by at least one percent compared to the 2015-2016 academic year and the tuition at state universities must not exceed the rate for the 2015-2016 academic year. These tuition rate restrictions may not be offset by increases in mandatory fees, charges, or other assessments on students.

UNIVERSITY OF MINNESOTA

Chapter 69 appropriated \$1.3 billion in FY 2016-17 from all funds to the University of Minnesota for the FY 2016-17 biennium. These appropriations were allocated as follows:

- \$1.1 billion for operations and maintenance, of which \$22.2 million is for tuition relief and \$30 million is for the medical school;
- \$4.3 million for primary care education initiatives (from HCAF);
- \$85.8 million for agriculture and extension services;
- \$18.4 million for health sciences;
- \$2.2 million for the institute of technology;
- \$10.4 million for “system specials,” which include general research, the Labor Education Service, the Natural Resources Research Institute, the Center for Urban and Regional Affairs, the Bell Museum of Natural History, and the Humphrey exhibit; and
- \$15.9 million for the University of Minnesota/Mayo Partnership, of which \$1 million is for Alzheimer’s and other dementia research.

The total General Fund appropriation for the University of Minnesota increased by \$53.2 million, or 4.4 percent, compared to the forecast for FY 2016-17, and \$74.3 million, or 6.3 percent, compared to FY 2014-15.

Continuing a process begun in the previous biennium, Chapter 69 held back five percent of the University of Minnesota’s fiscal year 2017 appropriation. The funds will be released when the University meets prescribed performance goals. The goals include: (1) increasing the number of STEM degrees; (2) increasing the four-year, five-year, and six-year graduation rate for students of color systemwide; (3) increasing the four-year undergraduate graduation rate; (4) reallocating \$15 million in administrative expenditures; and (5) increasing licensure disclosures. The amount withheld from the appropriation will be released at any point in the fiscal year that the University of Minnesota meets the

performance goals. However, the amount of the funds released will be determined by the following payment schedule:

- 100 percent of the amount withheld will be released if the board meets three, four, or five goals;
- 67 percent of the amount withheld will be released if the board meets two goals;
- 33 percent of the amount withheld will be released if the board meets one goal; and
- no funding will be released if none of the goals are met.

For the FY 2016-17 biennium, the University is projected to receive \$44.5 million from cigarette tax revenues for activities at the Academic Health Center, including the training of health care professionals and research.

Chapter 69 authorized the Board of Regents to refinance the University of Minnesota's football stadium bonds because interest rates are favorable and may generate lower bond costs. If the board refinances the bonds, Chapter 69 requires the board to allocate \$10 million of the savings realized from refinancing to fund the predesign and design of two new medical facilities at the university. One will serve as the University's new medical school, and the other will be used for clinical research. Both facilities will be colocated and designed to maximize collaboration and the delivery of high-quality health care. If the bonds are refinanced, Chapter 69 specifies that the existing \$10.3 million annual payments from the state to the University will be unchanged. Chapter 69 also specifies that after allocating \$10 million in savings to the medical school following the refinancing of the bonds, the board is authorized to allocate to other university purposes, at its discretion, any state payments that exceed the amount

necessary to service the refunded bonds. The agreement excludes savings in 2029, 2030, and 2031, which will cancel to the General Fund.

MAYO MEDICAL SCHOOL

Chapter 69 appropriated \$2.7 million in FY 2016-17 from the General Fund to the Mayo Medical School to support medical training. Of this amount, \$1.3 million is specified to be used for the medical training of students who are residents of Minnesota, and \$1.4 million is to support stipends for up to 27 family practice resident physicians. These amounts are unchanged from forecasted levels.

ADDITIONAL PROVISIONS

Additional noteworthy provisions in Chapter 69 included:

- directing the University of Minnesota Board of Regents to report on the factors it considers in allocating funds to its campuses;
- requiring postsecondary institutions providing concurrent enrollment programs to adopt and implement National Alliance of Concurrent Enrollment Partnerships (NACEP) standards by the 2020-2021 academic year;
- specifying a postsecondary educational attainment goal for Minnesota residents with reporting requirements to measure progress towards the attainment of the goal;
- providing enhanced financial aid for members of the military, the National Guard, and their families;

- directing the MnSCU Board of Trustees to adopt a presidential selection process as a comprehensive formal written policy; and
- consistent with concerns about rising student debt, directing the University of Minnesota Board of Regents and

MnSCU Board of Trustees to develop a comprehensive plan that encourages students to complete their degree, diploma, or certificate; and regulating the assignment of MnSCU students to remedial courses.

HEALTH AND HUMAN SERVICES

Chapters 3 and 71 appropriated funds to agencies in the jurisdiction of the Health and Human Services (HHS) budget. Chapter 3 included \$13.6 million in FY 2015 deficiency appropriations. (The deficiency appropriations in FY 2015 are discussed on page 13.) Chapter 71, the Omnibus Health and Human Services Act, enacted the FY 2016-17 budget for the Department of Human Services (DHS), the Department of Health (MDH), the Health-Related Boards, the Emergency Medical Services Regulatory Board (EMSRB), the Council on Disability, the Ombudsman for Mental Health and Developmental Disabilities, and the Ombudsperson for Families. 2015 First

Special Session, Chapter 6, made technical corrections to Chapter 71, but made no changes to appropriations.

Summary

Table 1 shows that the February 2015 forecast projected an all-funds FY 2016-17 HHS budget of \$34.8 billion. The projected FY 2016-17 General Fund budget was \$12.8 billion, including transfers to other funds. The projected Health Care Access Fund (HCAF) budget for FY 2016-17 was \$1.4 billion. Of this amount, \$401 million was for Medical Assistance (MA) expenditures.

Table 1 - Health and Human Services All Funds Biennial Spending/Appropriations by Agency & Fund <i>(dollars in thousands)</i>					
Agency	FY 2014-15 Spending*	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
Department of Human Services					
General Fund	10,715,276	12,361,194	12,051,563	1,336,287	(309,631)
General Fund Federal Reimbursement	(54,806)	(54,806)	(65,551)	(10,745)	(10,745)
General Fund Transfers Out	307,501	299,121	301,817	(5,684)	2,696
General Fund Transfers Out-HCAF	505,000	-	-	(505,000)	-
State Government Special Revenue Fund	8,609	8,788	8,788	179	-
Special Revenue Fund	1,023,942	965,629	966,746	(57,196)	1,117
Health Care Access Fund	971,663	1,371,170	1,858,056	886,393	486,886
Gift Fund	109	136	136	27	-
Federal Fund	14,760,428	18,314,796	18,314,796	3,554,368	-
Federal TANF Fund	335,605	375,195	375,195	39,590	-
Adjustment for Expenses in Multiple Funds	<u>(22,374)</u>	-	-	<u>22,374</u>	-
Total Department of Human Services	28,550,953	33,641,223	33,811,546	5,260,593	170,323

Agency	FY 2014-15 Spending*	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
Department of Health					
General Fund	164,452	154,689	180,829	16,377	26,140
MERC	156,038	152,107	152,107	(3,931)	-
State Government Special Revenue Fund	96,309	103,238	106,138	9,829	2,900
Special Revenue Fund	142,433	133,036	134,036	(8,397)	1,000
Clean Water Fund	10,574	-	7,825	(2,749)	7,825
Health Care Access Fund	61,427	56,885	67,407	5,980	10,522
Gift Fund	172	-	-	(172)	-
Environmental Fund	1,737	1,738	1,468	(269)	(270)
Remediation Fund	504	503	503	(1)	-
Federal Fund	521,209	503,378	503,378	(17,831)	-
Federal TANF Fund	23,426	23,426	23,426	-	-
Adjustment for Expenses in Multiple Funds	<u>(53,225)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>3,225</u>	-
Total Department of Health	1,125,056	1,079,000	1,127,117	2,061	48,117
Health Related Boards					
State Government Special Revenue Fund	40,631	38,213	39,820	(811)	1,607
Special Revenue Fund	1,031	1,024	1,024	(7)	-
Federal Fund	<u>350</u>	<u>266</u>	<u>266</u>	<u>(84)</u>	-
Total Health Related Boards	42,012	39,503	41,110	(902)	1,607
Disability Council					
General Fund	1,228	1,228	1,251	23	23
Special Revenue Fund	334	78	78	(256)	-
Federal Fund	<u>27</u>	-	-	<u>(27)</u>	-
Total Disability Council	1,589	1,306	1,329	(260)	-
MH/DD Ombudsman					
General Fund	<u>3,672</u>	<u>3,608</u>	<u>3,949</u>	<u>277</u>	<u>341</u>
Total MH/DD Ombudsman	3,672	3,608	3,949	277	341
Ombudsperson for Families					
General Fund	667	668	845	178	177
Special Revenue Fund	<u>158</u>	<u>300</u>	<u>300</u>	<u>142</u>	-
Total Ombudsperson for Families	825	968	1,145	320	-
MNSure					
Special Revenue Fund	-	-	-	-	-
Federal Fund	<u>58,510</u>	-	-	<u>(58,510)</u>	-
Total MNSure	58,510	-	-	(58,510)	-

Agency	FY 2014-15 Spending*	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
Emergency Medical Services Regulatory Board					
General Fund	5,552	5,482	5,941	389	459
Special Revenue Fund	3,618	3,211	3,211	(407)	-
Gift Fund	11	4	4	(7)	-
Federal Fund	<u>252</u>	<u>260</u>	<u>260</u>	<u>8</u>	-
Total EMSRB	9,433	8,957	9,416	(17)	-
Totals by Fund					
General Fund	10,836,041	12,472,063	12,178,827	1,342,786	(293,236)
General Fund Transfers Out	812,501	299,121	301,817	(510,684)	2,696
MERC	156,038	152,107	152,107	(3,931)	-
State Government Special Revenue Fund	145,549	150,239	154,746	9,197	4,507
Special Revenue Fund	1,171,516	1,103,278	1,105,395	(66,121)	2,117
Clean Water Fund	10,574	-	7,825	(2,749)	7,825
Health Care Access Fund	1,033,090	1,428,055	1,925,463	892,373	497,408
Gift Fund	292	140	140	(152)	-
Environmental Fund	1,737	1,738	1,468	(269)	(270)
Remediation Fund	504	503	503	(1)	-
Federal Fund	15,340,776	18,818,700	18,818,700	3,477,924	-
Federal TANF Fund	359,031	398,621	398,621	39,590	-
Adjustment for Expenses in Multiple Funds	<u>(75,599)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>25,599</u>	-
Total All Funds Health & Human Services	29,792,050	34,774,565	34,995,612	5,203,562	221,047

* As adjusted by FY 2015 changes made by the 2015 Legislature.

The 2015 Legislature enacted an HHS budget that increased projected FY 2016-17 all funds appropriations by \$221 million, as shown in Table 1. This included a reduction of \$290.5 million in the General Fund and a \$497.4 million increase in HCAF appropriations. Most of the additional HCAF appropriation resulted from a \$455 million General Fund appropriation in FY 2015 that was transferred to the HCAF and appropriated in FY 2016 for MA expenditures. Table 1 also shows that the State Government Special Revenue (SGSR) Fund appropriations increased by \$4.5 million, the Special Revenue Fund

appropriations increased by \$2.1 million, the Clean Water Fund appropriations increased by \$7.8 million, and appropriations from the Environmental Fund were reduced by \$270,000.

General Fund Change Summary

The enacted FY 2016-17 budget reduced General Fund HHS appropriations by \$290.5 million (see Table 2) and increased General Fund revenue by \$11.7 million (see Table 3), for a total net General Fund change of \$302.2 million.

Table 2 - Health and Human Services General Fund Changes Compared to Forecast (dollars in thousands)						
	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
<u>Spending Changes</u>						
Department of Human Services						
Health Care	(439,833)	(224,134)	(663,967)	52,554	(98,654)	(46,100)
Continuing Care	47,347	129,919	177,266	162,435	195,364	357,799
Children and Families	32,585	36,461	69,046	42,006	48,381	90,387
Chemical and Mental Health & State Operated Services	43,799	49,756	93,555	55,898	60,381	116,279
Central Office Operations	<u>2,648</u>	<u>3,772</u>	<u>6,420</u>	<u>3,772</u>	<u>3,772</u>	<u>7,544</u>
Department of Human Services Total	(313,454)	(4,226)	(317,680)	316,665	209,244	525,909
Department of Health	12,102	14,038	26,140	13,018	13,018	26,036
Emergency Medical Services Regulatory Board						
	163	296	459	296	296	592
Council on Disability	8	15	23	15	15	30
Ombudsman for Mental Health and Developmental Disabilities						
	113	228	341	228	228	456
Ombudsperson for Families						
	58	119	177	119	119	238
Total General Fund Spending Changes	(301,010)	10,470	(290,540)	330,341	222,920	553,261

Table 2 summarizes the FY 2016-17 changes in General Fund appropriations for each agency in the HHS jurisdiction. For DHS, General Fund appropriations were reduced in Chapter 71 by \$317.7 million. This reflects reduced appropriations of \$664 million in health care programs and increased appropriations in other areas. Continuing care programs were increased by \$177.3 million, chemical and mental health and state-operated services initiatives received new funding of \$93.6 million, and

children and families programs were increased by \$69 million. Chapter 71 included \$6.4 million of additional appropriations to the DHS Central Office.

Other agencies in the HHS jurisdiction also received additional General Fund appropriations in FY 2016-17, with \$26.1 million for MDH, \$459,000 for the EMSRB, \$23,000 for the Council on Disability, \$341,000 for the Ombudsman for Mental Health and Developmental Disabilities, and

\$177,000 for the Ombudsperson for Families. Appendix E on page 131 provides detailed General Fund changes for each HHS provision enacted in the 2015 session.

Table 3 details revenue changes included in Chapter 71. For all funds, new revenue totaled \$16 million in FY 2016-17. There was \$11.7 million in new General Fund revenue for DHS provisions. Chapter 71

generated \$2.3 million in new revenue in the SGSR Fund and \$2 million in the HCAF for MDH by repealing a contingent transfer. Several fee increases and new license types at health-related boards (Boards of Dentistry, Optometry, Pharmacy, and Social Work) also generated new SGSR Fund revenue.

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
Department of Human Services							
Additional AMRTC Beds-Cost of Care Receipts	General	770	1,027	1,797	1,027	1,027	2,054
MN Security Hospital Conditional Licensing Corrections	General	616	627	1,243	627	627	1,254
Transfer from DED Account 246.18, Subd. 8	General	-	2,000	2,000	-	-	-
Group Residential Housing Reform	General	55	238	293	450	692	1,142
AMRTC Cost of Care Increase to 100% for Days Not Meeting Hospital Criteria	General	1,000	750	1,750	500	500	1,000
TEFRA Fee Reduction	General	(422)	(422)	(844)	(422)	(422)	(844)
SOS Operating Adjustment Cost of Care Receipts	General	503	1,016	1,519	1,016	1,016	2,032
Civil Commitment Reviews	General	18	35	53	35	35	70
		591	777	1,368	777	777	1,554
Strengthening Recovery Audit Contract Effectiveness	General	200	200	400	200	200	400
Improving Third Party Liability Recoveries	General	<u>700</u>	<u>1,400</u>	<u>2,100</u>	<u>1,400</u>	<u>1,400</u>	<u>2,800</u>
Department of Human Services Total		4,031	7,648	11,679	5,610	5,852	11,462
Department of Health							
Cancel MERC Contingent Transfer	HCAF	1,000	1,000	2,000	-	-	-
Lodging Establishment Definition Supplemental Nursing Services	SGSR	8	8	16	8	8	16
Agencies	SGSR	86	86	172	86	86	172
Mortuary Science Regulatory Changes	SGSR	187	187	374	187	187	374
Dementia Care Training Implementation	SGSR	-	2	2	4	4	8

Revenue Changes by Agency	Fund	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
Health Information Exchange Oversight	SGSR	95	124	219	157	124	281
Protection from Lead and Radon Hazards	SGSR	-	<u>331</u>	<u>331</u>	<u>624</u>	<u>691</u>	<u>1,315</u>
Department of Health Total		1,376	1,738	3,114	1,066	1,100	2,166
Board of Dentistry							
Fee Increase	SGSR	385	385	770	385	385	770
Board of Optometry							
Fee Increase	SGSR	30	35	65	35	35	70
Board of Pharmacy							
Fee Increase	SGSR	379	379	758	379	379	758
Board of Social Work							
Fee Change	SGSR	3	3	6	3	3	6
Total Revenue Changes by Fund							
General Fund		4,031	7,648	11,679	5,610	5,852	11,462
Health Care Access Fund		1,000	1,000	2,000	-	-	-
State Government Special Revenue (SGSR)		1,173	1,173	2,346	1,868	1,173	3,041
Total Revenue Changes for HHS		6,204	9,821	16,025	7,478	7,025	14,503

DEPARTMENT OF HUMAN SERVICES

Health Care

General Fund appropriations in FY 2016-17 for health care programs were reduced by \$664 million compared to the February 2015 forecast. In FY 2015, Chapter 71 transferred \$455 million, on a onetime basis, from the General Fund to the HCAF. These funds increased the balance in the HCAF and were appropriated in FY 2016 for the MA program to pay for expenses that would otherwise have been appropriated from the General Fund. Chapter 71 included an additional \$82.7 million appropriation from the HCAF for MA expenditures in FY 2016-17 that also would otherwise have been paid from the General Fund. Chapter 71 also

enacted a payment delay of MA expenditures from FY 2017 to FY 2018, producing onetime savings in the General Fund of \$135 million.

Chapter 71 included new provisions to control administrative costs in the managed care portion of the MA program, resulting in reduced General Fund appropriations of \$12.8 million in FY 2016-17. This proposal also reduced HCAF appropriations for MinnesotaCare by \$5.5 million.

Several health care changes increased payment rates to providers in FY 2016-17, including an additional \$3.2 million for rural dental providers; \$5.6 million to exempt durable medical equipment providers from the Medicare competitive bidding process

and to provide a rate increase; \$5.1 million to adjust inpatient hospital payment rates resulting from a rebasing proposal enacted in 2014; \$3.9 million to increase payment rates for Gillette Hospital; and \$347,000 for a rate increase to providers of physical, occupational, and speech therapies. These amounts were appropriated from the General Fund.

Chapter 71 enacted a new provision to begin periodic data matching activities to verify continuing eligibility for MA and MinnesotaCare. This provision reduced General Fund appropriations in FY 2016-17 by \$20.9 million for MA and HCAF appropriations for MinnesotaCare by \$4.9 million because it is assumed the eligibility verifications will reduce enrollments in these programs.

A new telemedicine service for MA was authorized in Chapter 71. This provision increased General Fund appropriations in FY 2016-17 by \$313,000. Also, the medication therapy management program was updated, reducing General Fund appropriations by \$41,000 in FY 2016-17, and a new opioid prescribing improvement and monitoring program was established with a FY 2016-17 appropriation of \$33,000 and projected reduction of \$42,000 in FY 2018-19. The Minnesota restricted recipient program, which assists certain individuals to prevent the overuse of medical services and ensure an appropriate level of care, was expanded in Chapter 71, with a net reduced General Fund appropriation of \$519,000 in FY 2016-17, reflecting an increased appropriation of \$364,000 for additional staff and \$883,000 of reduced MA spending.

Chapter 71 enacted a new service delivery model, Behavioral Health Homes, with a General Fund appropriation of \$5.4 million in FY 2016-17. This proposal includes

enhanced federal funding for two years. After two years, the program will receive the standard MA matching rate of 50 percent. Behavioral Health Homes provide care coordination between the health care and behavioral health systems and integrated treatment for co-occurring mental health and substance abuse disorders. This new model also will coordinate referrals to community-based support services to promote comprehensive treatment and to improve health outcomes for individuals.

Chapter 71 enacted significant changes in MinnesotaCare premiums and cost sharing. These changes reduced the actuarial value (the proportion of the cost of care paid by a health insurance plan) of MinnesotaCare. Previously, for individuals with income below 150 percent of the federal poverty guideline, the actuarial value for MinnesotaCare was 98 percent. Increases in premiums, deductibles, and cost sharing enacted in Chapter 71 reduced the actuarial value for individuals with this income level to 94 percent. For individuals with income between 150 and 200 percent of the federal poverty guideline, the changes in Chapter 71 reduced the actuarial value of MinnesotaCare to 87 percent. The total reduction in appropriations for the MinnesotaCare program from the HCAF attributable to these changes was \$65 million in FY 2016-17.

Continuing Care

Compared to the February 2015 forecast, Chapter 71 increased General Fund appropriations for continuing care programs by \$177.3 million for FY 2016-17. One proposal, which reformed payment rates for nursing facilities, accounted for \$138.2 million of the increase. This proposal established a new payment methodology intended to promote quality improvement in nursing facilities. The new methodology

uses annual cost reports to determine payment rates and includes incentives to improve quality and to meet performance benchmarks. The comprehensive changes to the payment methodology ensure that no nursing facility receives a payment rate that is lower than its existing rate.

Chapter 71 reduced the premium paid by individuals in the Medical Assistance for Employed Persons with Disabilities program from five percent of income to 0.5 percent. This change increased General Fund appropriations by \$4.8 million in FY 2016-17. Also, the income eligibility level for elderly and disabled individuals increased from 75 percent to 80 percent of the federal poverty guideline beginning in FY 2017, and increased FY 2016-17 appropriations from the General Fund by \$3.4 million.

The payment methodology for nonemergency medical transportation was revised in Chapter 71. The changes, which are effective in FY 2017, included new rate categories, adjustments to existing components of the payment methodology, and elimination of a previously enacted 4.5 percent rate reduction. These changes increased General Fund appropriations by \$3.7 million in FY 2016-17.

Chapter 71 appropriated \$16.2 million in FY 2016-17 for a rate increase to direct support services providers (formerly personal care assistants). The rate increase is to pay for the minimum hourly rate and paid time-off provisions included in a union contract negotiated with the providers under Minnesota Statutes, section 179A.54. The rate increased by 1.53 percent beginning July 1, 2015, and will increase by an additional 0.2 percent on July 1, 2016.

Children and Families

General Fund appropriations in FY 2016-17 in Chapter 71 included a \$69 million increase, compared to the February 2015 forecast, for the children and families programs of DHS. Chapter 71 appropriated \$52.2 million from the General Fund in FY 2016-17 to provide new funding for child protection activities. The funding included \$46.7 million to enhance county child protection staffing and services and \$3.3 million to address child welfare disparities.

The appropriation for the basic sliding fee child care program was increased by \$10 million in Chapter 71 in FY 2016-17 to reduce the number of families on the waiting list for this program. This funding was targeted to counties with the largest waiting lists in FY 2016. Beginning in FY 2017, the additional funding will be subject to the existing statutory distribution formula. The basic sliding fee child care appropriation was also reduced in FY 2016 to capture projected underspending resulting from unspent allocations to counties where actual expenditures were less than anticipated. Chapter 71 also enacted new attendance record-keeping requirements for child care providers in public programs. This change increased General Fund revenue for recoveries related to noncompliance by \$206,000 in FY 2016-17.

Two administrative simplification provisions for public assistance programs were included in Chapter 71. One allows government workers to share contact and service provision information to promote better outcomes for individuals participating in public assistance programs. Chapter 71 appropriated \$10,000 in FY 2016-17 for the onetime cost of this provision. The other change was a uniform income calculation for public assistance programs, which is intended to improve administrative

efficiency for county workers and enhance program integrity. Chapter 71 appropriated \$278,000 in FY 2016-17 for increased eligibility resulting from this change.

Chapter 71 revised the Group Residential Housing (GRH) program to enhance program integrity. The changes strengthened requirements related to staffing, documentation, and provider oversight by the commissioner. General Fund appropriations were reduced by \$575,000 in FY 2016-17 for these changes. These changes also increased General Fund revenue by \$293,000 from interim assistance recoveries for GRH recipients.

Chapter 71 appropriated \$6.1 million from the General Fund in FY 2016-17 for programs that provide services to homeless individuals and sexually exploited youth. Of this total, \$2 million was for Homeless Youth Act services, \$500,000 was for emergency support services for homeless individuals, and \$2 million was for long-term homelessness services and supports. The safe harbor for sexually exploited youth programs at DHS received an additional \$1.6 million appropriation in FY 2016-17 from the General Fund.

Chapter 71 also appropriated \$2 million from the General Fund in FY 2016-17 for mobile food shelf programs, \$350,000 for an awareness campaign for the Safe Place for Newborns Program, \$752,000 for the Minnesota Food Assistance Program, and \$150,000 for the Family Assets in Minnesota Program to incorporate financial education into its programs.

Chemical and Mental Health and State-Operated Services

Compared to the February 2015 forecast, Chapter 71 appropriated an additional \$93.6 million from the General Fund in FY 2016-

17 for DHS chemical and mental health and state-operated services programs. Chapter 71 included appropriations for several new initiatives to promote a statewide comprehensive mental health system. This included \$6.6 million from the General Fund for up to 150 beds in psychiatric residential treatment facilities to provide services to individuals under 21 years old. Federal approval is needed to implement this plan. To address the need for additional adolescent psychiatric beds while seeking federal approval, Chapter 71 included a hospital moratorium exception allowing for 20 psychiatric beds for individuals under age 21. These additional beds are subject to a public interest review by MDH and will be approved only if the review determines that the additional beds are in the best interest of the public.

In addition, Chapter 71 appropriated \$2 million in FY 2016-17 from the General Fund for a grant to Beltrami County. The grant supports development of a regional mental health facility to divert individuals from the corrections system if they are having a mental health crisis when they encounter public safety officials. Also, new grants to support development of school-based diversion services for students with co-occurring disorders received \$65,000, and \$260,000 was allocated to programs that provide early service interventions and support during a first episode of psychosis.

Chapter 71 enacted a program that in FY 2018-19 will begin to build community capacity to address adverse childhood experiences. The planning estimates for FY 2018-19 included an additional \$796,000 from the General Fund for this program.

Onetime funding of \$398,000 in FY 2016-17 was provided in Chapter 71 to develop a proposal, which, if approved by the federal

government, allows for development of a state process to certify community behavioral health clinics and to establish a new payment system for these clinics. The new clinics will promote better outcomes for mental health patients by providing mental health services that are coordinated with other health care and support services. If approved, this proposal will include enhanced federal reimbursement for eligible services.

Several provisions in Chapter 71 were enacted to support the existing mental health system. The Community Addiction Recovery Enterprise Program received an additional \$15.3 million General Fund appropriation in FY 2016-17 to support ongoing operations that provide coordinated medical and mental health services to individuals with complex diagnoses. An additional \$8.2 million in FY 2016-17 was appropriated from the General Fund to add 15 beds to the Anoka Metro Regional Treatment Center (AMRTC). This provision generates \$1.8 million of new General Fund revenue in FY 2016-17 from cost of care receipts paid by counties. Also, Chapter 71 required referring jurisdictions to pay 100 percent of the cost of care for any individual referred to AMRTC that no longer meets the hospital level of care criteria for this facility. This requirement generates new General Fund revenue of \$1.8 million in FY 2016-17 from payments by referring jurisdictions. The Minnesota Security Hospital received \$12.4 million in additional appropriations to meet the conditional licensing requirements for the facility. This provision generates an additional \$1.2 million in General Fund revenue in FY 2016-17 from the share of costs paid by counties.

Chapter 71 also appropriated \$8.6 million in FY 2016-17 from the General Fund to expand access to mental health crisis

services, \$5.4 million to supplement current payment rates while a new payment system is developed to stabilize access to mental health services, \$3.6 million to provide a two percent rate increase for chemical dependency providers, \$2.1 million for housing with support grants, \$1.3 million to improve quality and expand access to Assertive Community Treatment services, \$1 million for suicide prevention grants, and \$847,000 to expand respite care.

Additional appropriations in Chapter 71 also included \$8 million from the General Fund in FY 2016-17 for operating adjustments for State-Operated Services (SOS) Programs and \$9.1 million for an operating adjustment for the Minnesota Sex Offender Program (MSOP). Because these base increases add to the cost of care for these facilities, there is additional revenue from the county share of the cost of care. The additional revenue in FY 2016-17 was \$1.5 million for SOS and \$1.4 million for the MSOP.

Chapter 71 permits DHS to use \$3.5 million in a dedicated account to cover a projected operating deficiencies in FY 2015 for the Community Addiction Recovery Enterprise Program or the SOS mental health services. Chapter 71 also allows DHS to use \$4.2 million from a second dedicated account to cover a FY 2015 deficiency in the Minnesota Community State-Operated Services Program or, if necessary, any remaining deficiency for the SOS mental health services. If the amounts available in the specified dedicated accounts are insufficient to offset any operating deficiency, DHS is permitted to use part of its FY 2016 General Fund appropriation for SOS mental health services to pay for FY 2015 expenditures.

Central Office Operations

Chapter 71 appropriated \$6.4 million from the General Fund in FY 2016-17 for activities in DHS central office operations, including two initiatives to enhance integrity in health care programs. To improve third party liability recoveries, DHS received \$106,000 (with corresponding revenue of \$2.1 million in FY 2016-17) and \$330,000 was appropriated to strengthen recovery audit contract effectiveness (with a revenue increase of \$400,000 in FY 2016-17).

The total General Fund appropriation for FY 2016-17 also included \$4.3 million for an operating base increase for DHS central office operations, \$666,000 for a program that pays for adult foster care and foster parent liability insurance, \$223,000 to comply with a federal requirement to document runaways and sex-trafficked youth from foster care, and \$684,000 for new managed care audit activities. Chapter 71 transferred \$2 million from a dedicated account for an unused provision enacted in 2013 for grants for mental health specialty treatment services to the General Fund in FY 2016-17.

DEPARTMENT OF HEALTH

Chapter 71 increased total General Fund appropriations to MDH by \$26.1 million in FY 2016-17, compared to the February 2015 forecast. In addition, Chapter 71 appropriated \$1.8 million from the SGSR Fund for regulatory and licensing activities and \$8.5 million from the HCAF.

Several ongoing activities at MDH received additional General Fund appropriations in FY 2016-17 in Chapter 71. Local public health grants in greater Minnesota received \$2 million, family home visiting programs received \$2.7 million, grants to federally qualified health centers were increased by

\$2 million, and MDH safe harbor for sexually exploited youth programs received \$1.4 million. Also, funding for family planning special projects and for positive alternatives grants were each increased by \$2 million.

To improve the quality of the health care workforce, Chapter 71 appropriated \$3 million for primary care residency grants; \$2 million for home and community based services employee scholarships; \$2 million of additional funding for medical education and research costs (MERC), to be distributed according to the current formula; and \$50,000 to support the agency's efforts to prevent violence in the health care workplace. These appropriations were from the General Fund in FY 2016-17. Appropriations from the HCAF in FY 2016-17 included \$5.3 million for the Health Professionals Loan Forgiveness program and \$2 million for a new education assistance program for international medical graduates.

Other FY 2016-17 General Fund appropriations to MDH in Chapter 71 included \$1.5 million for the Minnesota poison information system, \$700,000 for the Minnesota stroke system, \$200,000 onetime funding for grants to raise awareness about the importance of organ donation, \$110,000 for a program to promote Somali women's health, \$500,000 to analyze health disparities data, \$312,000 for a new early dental prevention initiative, and \$103,000 for MDH activities related to avian influenza. See page 59 for a complete discussion of avian influenza.

Chapter 71 appropriated \$1.3 million to MDH in FY 2016-17 for an operating adjustment, including \$900,000 from the General Fund and \$283,000 from the HCAF.

Additional appropriations for FY 2016-17 from the SGSR Fund for regulatory activities in Chapter 71 included \$1.5 million for oversight of state-owned facilities that serve vulnerable adults, \$166,000 for enhanced regulation of supplemental nursing services agencies, \$374,000 to update regulations and licensing requirements for mortuaries and mortuary practitioners, and \$570,000 for new regulation and licensing requirements for lead and radon mitigation professionals.

HEALTH-RELATED BOARDS

Chapter 71 appropriated \$873,000 from the SGSR Fund in FY 2016-17 for operating adjustments for the health-related boards. The existing balances in the SGSR Fund for most of the health-related boards were sufficient to accommodate these increases without additional fees.

Chapter 71 included increased fees for some health-related boards, which increased revenue in the SGSR Fund. In FY 2016-17, the fee increases were for the Board of Dentistry (\$770,000); the Board of Optometry (\$65,000); and the Board of Pharmacy (\$758,000). Also, Chapter 71 established a new “Emeritus Active” license for the Board of Social Work that allows

retired social workers to do pro bono work and a limited amount of paid work. This new license category generated \$3,000 of new revenue in the SGSR Fund in FY 2016-17.

Chapter 71 appropriated \$610,000 in FY 2016-17 from the SGSR Fund to the Board of Nursing Home Administrators for the Administrative Services Unit of the health-related boards. This additional appropriation included \$290,000 for technology costs and \$320,000 for onetime separation costs related to retirements of long term employees.

OTHER AGENCIES

Chapter 71 increased General Fund appropriations by \$1 million in FY 2016-17, compared to the February 2015 forecast, for other agencies in the HHS budget jurisdiction. These included \$396,000 to the EMSRB for an operating adjustment and \$63,000 for its activities related to the new community medical response EMT designation, and operating adjustments for the Council on Disability (\$23,000), the Ombudsman for Mental Health and Developmental Disabilities (\$341,000), and the Ombudsperson for Families (\$177,000).

ENVIRONMENT, ECONOMIC DEVELOPMENT AND AGRICULTURE

Appropriations for the Environment, Economic Development and Agriculture budget area were enacted in nine chapters in the 2015 legislative session:

- Chapter 1 modified the financing mechanism of the Destination Medical Center in Rochester;
- Chapter 2 contained a FY 2015 appropriation to the Board of Water and Soil Resources (BWSR) for emergency disaster assistance;
- Chapter 3 contained FY 2015 appropriations to cover spending deficiencies at the Minnesota Zoo and the Department of Natural Resources;
- Chapter 12 contained FY 2015 appropriations to the Department of Agriculture and the Animal Health Board for emergency response costs due to avian influenza. Additional amounts to cover the costs of avian influenza were appropriated in 2015 First Special Session, Chapter 4;
- Chapter 71 made appropriations to the Department of Commerce to develop a proposal that allows individuals to purchase health care plans, as well as receive tax credits, outside of MNsure;
- Chapter 76 made appropriations from the Environment and Natural Resources Trust Fund;
- 2015 First Special Session, Chapter 1, made appropriations for the Jobs and Economic Development area;
- 2015 First Special Session, Chapter 2, made appropriations from the

Constitutionally Dedicated/Legacy funds; and

- 2015 First Special Session, Chapter 4, made appropriations for the Environment and Agriculture area.

Total appropriations for the Environment, Economic Development and Agriculture budget are \$3.6 billion for the FY 2016-17 biennium, a reduction of \$306.9 million, or 7.8 percent, compared to the previous biennium. General Fund appropriations in FY 2016-17 declined by \$42.3 million compared to FY 2014-15. The 2015 Legislature also appropriated \$2.3 million in this budget area from the General Fund in FY 2015. (See page 13 for a discussion on FY 2014-15 appropriations enacted during the 2015 session.)

Total nondedicated fund appropriations for Environment, Economic Development and Agriculture in FY 2016-17 increased by \$136.5 million, or 4.5 percent, above the forecast. Also, compared to the forecast, General Fund appropriations for the budget area increased by \$90 million, or 13.1 percent. The new budget also transferred \$58.2 million from the Closed Landfill Investment Fund (CLIF) and \$8.1 million from the Metropolitan Landfill Contingency Action Trust Account (MLCAT) to the General Fund to offset the new General Fund appropriations in FY 2016-17. These transfers will be paid back into the CLIF and MLCAT if there is a positive General Fund balance in the 2015 November forecast.

Table 1 – Environment, Economic Development and Agriculture
All Funds Biennial Spending/Appropriations by Agency & Fund
(dollars in thousands)

Agency	FY 2014-15 Spending*	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fest. Base
Pollution Control Agency					
General Fund	9,513	9,526	16,733	7,220	7,207
State Govt Special Revenue Fund	152	152	152	-	-
Special Revenue Fund	60,707	58,142	58,298	(2,409)	156
Environmental Fund	145,548	147,574	152,008	6,460	4,434
Remediation Fund	69,525	52,514	55,467	(14,058)	2,953
Gift Fund	-	-	-	-	-
Expenses in Multiple Funds	(45,294)	(50,764)	(50,764)	(5,470)	-
Federal Funds	<u>50,884</u>	<u>51,364</u>	<u>51,364</u>	<u>480</u>	-
Subtotal for PCA	291,035	268,508	283,258	(7,777)	14,750
<i>Dedicated/Constitutional Funds</i>					
Env & Natural Resources Trust Fund	743	-	-	(743)	-
Clean Water Fund	<u>57,744</u>	-	<u>54,698</u>	<u>(3,046)</u>	<u>54,698</u>
Subtotal Dedicated/Const. Funds	58,487	-	54,698	(3,789)	54,698
Total Agency PCA	349,522	268,508	337,956	(11,566)	69,448
Department of Natural Resources					
General Fund	177,198	169,356	186,127	8,929	16,771
General Fund Transfers Out	1,002	2,024	2,024	1,022	-
Natural Resources Fund	181,016	180,506	184,444	3,428	3,938
Special Revenue Fund	265,484	250,889	250,993	(14,491)	104
Game and Fish Fund	209,320	205,363	227,015	17,695	21,652
Permanent School Fund	611	407	407	(204)	-
Gift Fund	4,230	3,470	3,470	(760)	-
Remediation Fund	931	1,106	2,106	1,175	1,000
Expenses in Multiple Funds	(175,108)	(180,668)	(180,668)	(5,560)	-
Federal Funds	<u>36,569</u>	<u>35,429</u>	<u>35,429</u>	<u>(1,140)</u>	-
Subtotal for DNR	701,253	667,882	711,347	10,094	43,465
<i>Dedicated/Constitutional Funds</i>					
Env & Natural Resources Trust Fund	36,234	-	26,711	(9,523)	26,711
Minnesota Resources Fund	25	-	-	(25)	-
Outdoor Heritage Fund	199,194	-	89,077	(110,117)	89,077
Parks & Trails Fund	59,396	-	54,046	(5,350)	54,046
Clean Water Fund	<u>28,893</u>	-	<u>18,000</u>	<u>(10,893)</u>	<u>18,000</u>
Subtotal Dedicated/Const. Funds	323,742	-	187,834	(135,908)	187,834

Agency	FY 2014-15 Spending*	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
Total Agency DNR	1,024,995	667,882	899,181	(125,814)	231,299
Board of Water and Soil Resources					
General Fund	33,539	25,282	26,652	(6,887)	1,370
Special Revenue Fund	12,762	12,083	12,083	(679)	-
Federal Funds	<u>4,766</u>	<u>2,205</u>	<u>2,205</u>	<u>(2,561)</u>	-
Subtotal for BWSR	51,067	39,570	40,940	(10,127)	1,370
<i>Dedicated/Constitutional Funds</i>					
Env & Natural Resources Trust Fund	5,137	-	2,203	(2,934)	2,203
Outdoor Heritage Fund	65,495	-	7,513	(57,982)	7,513
Clean Water Fund	<u>74,517</u>	-	<u>113,163</u>	<u>38,646</u>	<u>113,163</u>
Subtotal Dedicated/Const. Funds	145,149	-	122,879	(22,270)	122,879
Total Agency BWSR	196,216	39,570	163,819	(32,397)	124,249
Minnesota Conservation Corps					
General Fund	910	910	910	-	-
Natural Resources Fund	<u>980</u>	<u>980</u>	<u>980</u>	-	-
Total Agency MN Conservation Corps	1,890	1,890	1,890	-	-
Metropolitan Council - Regional Parks					
General Fund	5,815	5,740	6,140	325	400
Natural Resources Fund	<u>11,790</u>	<u>11,340</u>	<u>11,340</u>	<u>(450)</u>	-
Subtotal for Met Council	17,605	17,080	17,480	(125)	400
<i>Dedicated/Constitutional Funds</i>					
Env & Natural Resources Trust Fund	3,251	-	1,000	(2,251)	1,000
Parks & Trails Fund	33,774	-	35,304	1,530	35,304
Clean Water Fund	<u>4,087</u>	-	<u>2,450</u>	<u>(1,637)</u>	<u>2,450</u>
Subtotal Dedicated/Const. Funds	41,112	-	38,754	(2,358)	38,754
Total Agency Met Council	58,717	17,080	56,234	(2,483)	39,154
Minnesota Zoo					
General Fund	12,200	10,850	16,500	4,300	5,650
Natural Resources Fund	320	320	320	-	-
Special Revenue Fund	29,082	21,550	21,550	(7,532)	-
Gift Fund	7,896	4,914	4,914	(2,982)	-
Expenses in Multiple Funds	(849)	(900)	(900)	(51)	-
Federal Funds	<u>20</u>	-	-	<u>(20)</u>	-
Subtotal for MN Zoo	48,669	36,734	42,384	(6,285)	5,650

Agency	FY 2014-15 Spending*	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
<i>Dedicated/Constitutional Funds</i>					
Env & Natural Resources Trust Fund	381	-	-	(381)	-
Arts & Cultural Heritage Fund	<u>4,279</u>	-	<u>3,500</u>	<u>(779)</u>	<u>3,500</u>
<i>Subtotal Dedicated/Const. Funds:</i>	4,660	-	3,500	(1,160)	3,500
Total Agency MN Zoo	53,329	36,734	45,884	(7,445)	9,150
Science Museum					
General Fund	2,158	2,158	2,158	-	-
<i>Dedicated/Constitutional Funds</i>					
Env & Natural Resources Trust Fund	900	-	-	(900)	-
Total Agency Science Museum	3,058	2,158	2,158	(900)	-
Closed Landfill Investment Fund Payback					
General Fund Transfers Out	<u>61,276</u>	<u>29,683</u>	-	<u>(61,276)</u>	<u>(29,683)</u>
Total Agency CLIF	61,276	29,683	-	(61,276)	(29,683)
Department of Agriculture					
General Fund	66,322	63,198	98,843	32,521	35,645
General Fund Transfers Out	637	642	642	5	-
Agricultural Fund	54,319	53,916	56,522	2,203	2,606
Special Revenue Fund	14,716	15,457	15,457	741	-
Remediation Fund	3,380	3,896	3,896	516	-
Gift Fund	206	41	41	(165)	-
Expenses in Multiple Funds	(8,742)	(9,123)	(9,123)	(381)	-
Federal Funds	<u>15,641</u>	<u>17,181</u>	<u>17,181</u>	<u>1,540</u>	-
Subtotal for Dept. of Agriculture:	146,479	145,208	183,459	36,980	38,251
<i>Dedicated/Constitutional Funds</i>					
Env & Natural Resources Trust Fund	1,104	-	-	(1,104)	-
Clean Water Fund	<u>16,892</u>	-	<u>13,666</u>	<u>(3,226)</u>	<u>13,666</u>
<i>Subtotal Dedicated/Const. Funds:</i>	17,996	-	13,666	(4,330)	13,666
Total Agency Dept. of Agriculture	164,475	145,208	197,125	32,650	51,917
Board of Animal Health					
General Fund	10,409	10,535	12,555	2,146	2,020
Special Revenue Fund	207	189	189	(18)	-
Federal Funds	<u>1,535</u>	<u>2,054</u>	<u>2,054</u>	<u>519</u>	-
Total Board of Animal Health	12,151	12,778	14,798	2,647	2,020

Agency	FY 2014-15 Spending*	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
Agriculture Utilization Research Inst.					
General Fund	7,286	7,286	7,286	-	-
Special Revenue Fund	<u>1,000</u>	=	=	<u>(1,000)</u>	=
Total Agency AURI	8,286	7,286	7,286	(1,000)	-
Dept. of Employment & Economic Development					
General Fund	184,927	152,267	179,745	(5,182)	27,478
General Fund Transfers Out	20,804	164	164	(20,640)	-
Special Revenue Fund	76,667	70,489	70,920	(5,747)	431
Petroleum Tank Release Cleanup Fund	19,727	12,400	12,400	(7,327)	-
Workforce Development Fund	126,755	101,573	101,531	(25,224)	(42)
Gift Fund	801	707	707	(94)	-
Remediation Fund	3,224	1,400	1,400	(1,824)	-
Expenses in Multiple Funds	(29,260)	(31,828)	(31,828)	(2,568)	-
Federal Funds	<u>552,815</u>	<u>544,896</u>	<u>544,896</u>	<u>(7,919)</u>	=
Total Agency DEED	956,460	852,068	879,935	(76,525)	27,867
Housing Finance Agency					
General Fund Transfers Out	<u>103,946</u>	<u>98,096</u>	<u>104,596</u>	<u>650</u>	<u>6,500</u>
Total Agency HFA	103,946	98,096	104,596	650	6,500
Dept. of Labor & Industry					
General Fund	3,944	2,332	2,386	(1,558)	54
State Govt Special Revenue Fund	55,079	56,596	53,028	(2,051)	(3,568)
Special Revenue Fund	11,881	13,240	13,236	1,355	(4)
Workforce Development Fund	2,303	2,058	2,100	(203)	42
Workers Compensation Special Fund	164,353	168,201	179,854	15,501	11,653
Expenses in Multiple Funds	(7,305)	(7,558)	(7,558)	(253)	-
Federal Funds	<u>11,302</u>	<u>10,240</u>	<u>10,240</u>	<u>(1,062)</u>	=
Total Agency DLI	241,557	245,109	253,286	11,729	8,177
Bureau of Mediation Services					
General Fund	<u>4,306</u>	<u>4,366</u>	<u>4,442</u>	<u>136</u>	<u>76</u>
Total Agency BMS	4,306	4,366	4,442	136	76
Workers' Compensation Court of Appeals					
Workers' Compensation Special Fund	<u>3,616</u>	<u>3,406</u>	<u>3,730</u>	<u>114</u>	<u>324</u>
Total Agency Workers' Comp Court	3,616	3,406	3,730	114	324

Agency	FY 2014-15 Spending*	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fest. Base
Iron Range Resource & Rehab. Board					
General Fund Transfers Out Iron Range Resource & Rehab Fund	3,560	6,071	6,071	2,511	-
Economic Protection Trust Fund	126,404	96,578	96,578	(29,826)	-
	<u>42,756</u>	<u>10,177</u>	<u>10,177</u>	<u>(32,579)</u>	-
Total Agency IRRRB	172,720	112,826	112,826	(59,894)	-
Explore Minnesota Tourism					
General Fund	28,474	27,976	28,366	(108)	390
Special Revenue Fund	<u>3,117</u>	<u>2,370</u>	<u>2,370</u>	<u>(747)</u>	-
Total Agency MN Tourism	31,591	30,346	30,736	(855)	390
Public Facilities Authority					
Special Revenue Fund	187	139	139	(48)	-
<i>Dedicated/Constitutional Funds</i>					
Clean Water Fund	49,884	-	18,500	(31,384)	18,500
Total Agency PFA	50,071	139	18,639	(31,432)	18,500
Commerce Department					
General Fund	69,664	47,643	62,281	(7,383)	14,638
General Fund Transfers Out	121	132	132	11	-
Special Revenue Fund	77,001	88,713	89,513	12,512	800
Petroleum Tank Release Cleanup Fund	14,222	20,796	20,796	6,574	-
Workers Compensation Special Fund	1,414	1,502	1,502	88	-
Expenses in Multiple Funds	(1,972)	(1,960)	(1,960)	12	-
Federal Funds	<u>266,524</u>	<u>310,314</u>	<u>310,314</u>	<u>43,790</u>	-
Total Agency Commerce	426,974	467,140	482,578	55,604	15,438
Public Utilities Commission					
General Fund	12,876	12,446	13,896	1,020	1,450
General Fund Transfers Out	22	-	-	(22)	-
Special Revenue Fund	<u>3,800</u>	<u>3,964</u>	<u>3,964</u>	<u>164</u>	-
Total Agency PUC	16,698	16,410	17,860	1,162	1,450
Totals by Fund					
General Fund	629,541	551,871	665,020	35,479	113,149
General Fund Transfers Out	191,368	136,812	113,629	(77,739)	(23,183)
State Govt Special Revenue Fund	55,231	56,748	53,180	(2,051)	(3,568)
Special Revenue Fund	556,611	537,225	538,712	(17,899)	1,487
Environmental Fund	145,548	147,574	152,008	6,460	4,434
Remediation Fund	77,060	58,916	62,869	(14,191)	3,953
Natural Resources Fund	194,106	193,146	197,084	2,978	3,938
Game and Fish Fund	209,320	205,363	227,015	17,695	21,652
Permanent School Fund	611	407	407	(204)	-

Agency	FY 2014-15 Spending*	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fest. Base
Agricultural Fund	54,319	53,916	56,522	2,203	2,606
Petroleum Tank Release Cleanup Fund	33,949	33,196	33,196	(753)	-
Workers' Compensation Special Fund	169,383	173,109	185,086	15,703	11,977
Workforce Development Fund	129,058	103,631	103,631	(25,427)	-
Iron Range Resource & Rehab Fund	126,404	96,578	96,578	(29,826)	-
Economic Protection Trust Fund	42,756	10,177	10,177	(32,579)	-
Gift Fund	13,133	9,132	9,132	(4,001)	-
Expenses in Multiple Funds	(268,530)	(282,801)	(282,801)	(14,271)	-
Federal Funds	<u>940,056</u>	<u>973,683</u>	<u>973,683</u>	<u>33,627</u>	-
Subtotal for Regular Funds	3,299,924	3,058,683	3,195,128	(104,796)	136,445
<i>Dedicated/Constitutional Funds</i>					
Minnesota Resources Fund	25	-	-	(25)	-
Env & Natural Resources Trust Fund	47,750	-	29,914	(17,836)	29,914
Outdoor Heritage Fund	264,689	-	96,590	(168,099)	96,590
Clean Water Fund	232,017	-	220,477	(11,540)	220,477
Parks & Trails Fund	93,170	-	89,350	(3,820)	89,350
Arts & Cultural Heritage Fund	<u>4,279</u>	-	<u>3,500</u>	<u>(779)</u>	<u>3,500</u>
Subtotal Dedicated/Const. Funds	641,930	-	439,831	(202,099)	439,831
Total for Budget Area	3,941,854	3,058,683	3,634,959	(306,895)	576,276
* As adjusted by FY 2015 changes made by the 2015 Legislature.					

ENVIRONMENT AND NATURAL RESOURCES AGENCIES

Pollution Control Agency

The Pollution Control Agency's (PCA) nondedicated fund budget in FY 2016-17 increased by \$14.8 million compared to the base budget. About half of the increase came from the General Fund, while the rest of the increases came from the Environmental Fund and the Remediation Fund.

Budget highlights include:

- General Fund: \$1 million for review and cost analysis of water quality rules and standards, \$2.5 million for a grant to the

city of Paynesville for a water treatment plant, and \$2 million for a competitive grants for improved recycling programs.

- Environmental Fund: \$2.6 million for a general operations increase, and \$900,000 for data systems improvements.
- Remediation Fund: \$500,000 for additional administrative costs for the Superfund cleanup program, \$700,000 to address toxic vapor issues, and \$743,000 for additional cleanup efforts at closed dry cleaning facilities. (The funds were transferred into the dry cleaning account from the General Fund to pay for this initiative.)

Department of Natural Resources (DNR)

Overall, the DNR's nondedicated fund budget increased in FY 2016-17 by \$43.5 million, or 6.5 percent. Almost half of this increase was from the Game and Fish Fund. The General Fund portion of the agency's budget was increased by \$16.8 million for the biennium.

Budget highlights include:

- General Fund: \$2.3 million for a general operations increase, \$3.5 million increase for forest management, and \$8.5 million increase for state parks operations.
- Natural Resources Fund: \$1.4 million for a general operations increase, \$1 million for state parks, and \$1 million for forest management.
- Game and Fish Fund: \$3.8 million for a general operations increase, \$2 million for grants to improve shooting sports facilities, \$1.9 million for new aircraft, \$2.2 million increase for enforcement, and \$10.5 million increase for fish and wildlife operations. The fish and wildlife operations increase is generated by increased federal revenues and previously enacted license fee increases.

Buffers Initiative. 2015 First Special Session, Chapter 4, the Omnibus Environment and Agriculture Budget Act, enacted a provision that strengthened the state's buffer requirements for public waters and ditches. The buffers initiative provides protections for public waters with a nontilled strip of land averaging 50 feet in width with a minimum width of 30 feet, and public ditches with a 16.5 foot minimum buffer. Local Soil and Water Conservation Districts (SWCD) received an \$11 million per year increase for implementing the buffers initiative. The appropriations are initially made from the Clean Water Fund in FY

2016-17. In FY 2018 and later, this initiative will be part of the base General Fund budget for the Board of Water and Soil Resources.

Board of Water and Soil Resources (BWSR)

Chapter 4 increased BWSR's nondedicated fund budget in FY 2016-17 by \$1.4 million, or 3.5 percent. This increase included \$282,000 for general operations and \$778,000 to implement changes to the state's Wetland Conservation Act.

Minnesota Zoo

Chapter 4 increased the Minnesota Zoo's General Fund appropriation in FY 2016-17 by \$5.7 million, a 15 percent increase. This increase helped address a structural operating deficit at the Zoo. The Zoo also received a FY 2015 General Fund appropriation of \$1.4 million in Chapter 3, the FY 2014-15 deficiency act, to address the Zoo's current operational budget shortfall.

Department of Agriculture

The nondedicated fund budget for the Department of Agriculture increased by \$38.3 million, or 26.3 percent, over the forecast. Total General Fund appropriations for the Department of Agriculture were increased by \$35.6 million.

Budget highlights include:

- \$13 million from the General Fund for a new program to provide agriculture research, education, extension, and technology transfer grants to Minnesota higher education institutes. Within this appropriation, \$1.2 million is for agriculture rapid response, \$2 million is for avian influenza research at the University of Minnesota, and \$4 million is for farm business management grants;

- \$5.8 million from the General Fund to address the increased cost of several food and safety programs;
- \$600,000 from the General Fund to increase funding for the dairy inspection program;
- \$450,000 from the General Fund to increase funding for programs that compensate farmers for losses due to wolf depredation of livestock and elk damage to crops;
- \$892,000 from the General Fund for a general operations increase;
- \$1.1 million from the Agriculture Fund from fees raised by a new industrial hemp program; and
- \$1.5 million from the Agriculture Fund from fee increases (see Table 3).

Avian Influenza

An outbreak of avian influenza occurred throughout the Midwest in 2015. In Minnesota, avian influenza infected over 100 farms in western parts of the state causing the death of over nine million birds, primarily turkeys and chickens. Chapter 12 and 2015 First Special Session, Chapter 4, appropriated \$17.3 million in FY 2015 and FY 2016 to various state agencies to address the outbreak.

Avian Influenza Appropriations			
<i>(dollars in thousands)</i>			
Agency	FY 2015	FY 2016	Total
Dept. of Agriculture	514	3,619	4,133
Board of Animal Health	379	1,853	2,232
Dept. of Health	-	103	103
Dept. of Natural Resources	-	350	350
Dept. of Public Safety	-	544	544
Rural Finance Authority	-	10,000	10,000
Total	893	16,469	17,362

The \$10 million to the Rural Finance Authority is for low-interest disaster recovery loans to farmers affected by the outbreak. Because the outbreak is ongoing and the extent of its impact is uncertain, Chapter 4 established a contingent appropriation of \$4.4 million that will be deposited in the disaster contingency account. This deposit will occur if the FY 2014-15 biennium closes with a General Fund balance that is at least \$21.9 million or more than was assumed in the February 2015 Forecast. The other \$17.5 million of the excess General Fund balance is discussed on pages 73 and 79.

JOBS AND ECONOMIC DEVELOPMENT AGENCIES

Department of Employment and Economic Development

The budget for the Department of Employment and Economic Development in FY 2016-17 is \$879.9 million, an increase of \$27.9 million compared to the February 2015 forecast. The increase comes largely from the General Fund (\$27.5 million).

Budget highlights include:

- \$4 million from the General Fund for a new statewide workforce housing grant program;
- \$1 million from the General Fund for career counseling coordinators to assist students outside the metro area in choosing career paths;
- \$1.8 million from the Workforce Development Fund for job training grants to reimburse employers for eligible training costs;
- \$2 million from the Workforce Development Fund for grants to providers of employment services for people who are deaf, deafblind, or hard-of-hearing;
- \$1 million one time from the General Fund for grants to help people with disabilities acquire assistive technology devices to use in their employment; and
- \$10.6 million from the General Fund for onetime broadband development grants.

Housing Finance Agency

Chapter 1 appropriated \$104.6 million to the Minnesota Housing Finance Agency, a \$6.5 million General Fund increase compared to its base budget.

Budget highlights include:

- \$2.5 million to increase funding for the rental assistance program for people with mental illness;
- \$2 million to continue the housing and job growth initiative that was funded in 2014 at \$10 million on a onetime basis; and
- \$2 million for rental assistance for highly mobile students.

Department of Labor and Industry

Chapter 1 appropriated \$10 million from a surplus in the Workers' Compensation Fund to upgrade the state's workers' compensation billing computer system. Chapter 1 also set the planning budget for FY 2018-19 to include an additional \$6 million to complete the project.

Chapter 1 also temporarily lowered license costs for construction contractors, electricians, plumbers, high-pressure pipefitters, and boiler operators to align licensing revenues more closely to program costs for the biennium. This proposal reduced the amount of licensing fees that would be collected in FY 2016-17 by \$3.5 million.

Commerce Department

The budget for the Commerce Department in FY 2016-17 is \$482.6 million, an increase of \$15.4 million compared to the 2015 February forecast. Of this amount, \$10 million was for a propane prepurchase program that permits the state to enter into contracts with propane vendors to purchase propane at a point in the year when the costs are low, for delivery to low-income households. This appropriation is contingent upon a waiver from the federal government. Currently, the federal rules require that federal money be used only to reimburse home owners for heating costs rather than to participate in a prepurchase program. The department has requested an

exemption from the federal government’s Low Income Home Energy Assistance Program (LIHEAP) rules to use federal LIHEAP money to reimburse the state for \$10 million for the prepurchase program.

Budget highlights include:

- \$1.1 million from the General Fund for a general operations increase;
- \$854,000 through increased assessments for costs associated with updating competitive rates for energy-intensive, trade exposed electric utility customers;
- \$1.3 million from the General Fund for health insurance rate review staffing (this appropriation replaces expiring federal funding for the same purpose).

Public Utilities Commission

Chapter 1 directly appropriated \$13.9 million in FY 2016-17 to the Public Utilities Commission. This represents a \$1.5 million increase over the base budget. The funding can be used for compensation increases and additional staffing to improve the commission’s processes for reviewing permits and rate changes.

Rochester Destination Medical Center

Chapter 1 provided for federal tax conformity and modified the financing mechanism for the Rochester Destination Medical Center (DMC). Chapter 1 clarified the definition of “qualified expenditures” for purposes of determining when the City of Rochester will be eligible to receive state funding for the DMC. The provision also clarified that state infrastructure aid and state transit aid are calculated using a rate based on cumulative private expenditures rather than annual private expenditures.

These changes clarify the original DMC law enacted in 2013, and increased projected General Fund appropriations in FY 2018 and FY 2019 by \$5.6 million and \$11.2 million respectively. Because Chapter 1 was enacted early in the session, the cost of this provision was computed relative to the November 2014 forecast and, after it was enacted, was incorporated into the February 2015 forecast. Therefore, the change column of Tables 1 and 2 do not reflect the cost of the DMC changes in Chapter 2.

Table 2 – Environment, Economic Development and Agriculture General Fund Changes Compared to Forecast (dollars in thousands)						
	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
<u>Appropriation Changes</u>						
Pollution Control Agency						
Review of Water Rules	250	250	500	250	250	500
Cost Analysis of Water Quality Standards	500	-	500	-	-	-
Environment Quality Board Permitting Improvements	500	-	500	-	-	-
Competitive Recycling Grants	1,000	1,000	2,000	1,000	1,000	2,000
Paynesville Water Treatment Plant	2,500	-	2,500	-	-	-
Mountain Iron Wasterwater Cleanup	868	-	868	-	-	-
Compensation Adjustment	32	64	96	64	64	128
Other Changes	250	50	300	-	-	-

	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
Transfer to Dry Cleaner Account for Cleanup	-	743	743	-	-	-
Clean Water Partnership Grants	<u>(400)</u>	<u>(400)</u>	<u>(800)</u>	<u>(400)</u>	<u>(400)</u>	<u>(800)</u>
Agency Total	5,500	1,707	7,207	914	914	1,828
Department of Natural Resources						
Forest Management Increase	2,000	1,500	3,500	1,500	1,500	3,000
Forest Resource Council Increase	200	200	400	200	200	400
Parks and Trails Operations Increase	4,250	4,250	8,500	4,250	4,250	8,500
Compensation Adjustment	758	1,529	2,287	1,529	1,529	3,058
Legal Cost for Water-related Permitting	300	450	750	-	-	-
Ring Levee Grants	400	-	400	-	-	-
Replacement of Historic Blackduck Bridge	500	-	500	-	-	-
Replacing Aviation Fleet	200	-	200	-	-	-
Improved Electronic Services and Web Site	250	-	250	-	-	-
Cancel School Trust Land Acquisition	(1,000)	-	(1,000)	-	-	-
Avian Flu Testing and Response (a)	350	-	350	-	-	-
Other Changes	<u>487</u>	<u>147</u>	<u>634</u>	<u>83</u>	<u>83</u>	<u>166</u>
Agency Total	8,695	8,076	16,771	7,562	7,562	15,124
Metropolitan Council - Regional Parks						
Metro Area Water Supply Advisory Committee	200	200	400	-	-	-
Board of Water and Soil Resources						
Compensation Adjustment	154	128	282	128	128	256
Wetland Conservation Act Implementation	414	364	778	375	375	750
Other Changes	28	282	310	20	20	40
Grants for Implementing Buffers Initiative	=	=	=	<u>11,000</u>	<u>11,000</u>	<u>22,000</u>
Agency Total	596	774	1,370	11,523	11,523	23,046
Minnesota Zoo						
Operations Increase	2,825	2,825	5,650	2,825	2,825	5,650
Closed Landfill Investment Fund Payback						
Repeal FY2016-2018 Forecasted Transfers (b)	(15,293)	(14,390)	(29,683)	(13,936)	-	(13,936)
Department of Agriculture						
Wolf Depredation & Crop Damage from Elk	250	200	450	200	200	400
Dairy Program and Lab Increase	300	300	600	300	300	600
Additional Meat Inspectors	250	250	500	250	250	500

	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
Manufactured & Wholesale Food						
Inspection	1,350	1,350	2,700	1,350	1,350	2,700
Retail Food Safety Regulation	1,024	1,024	2,048	1,024	1,024	2,048
Other Food-Related Safety Programs	370	370	740	370	370	740
Ag Research, Education & Extension						
Grants	4,483	8,500	12,983	8,500	8,500	17,000
E15 Pump Grants	250	250	500	250	250	500
Center for Rural Policy & Development	150	150	300	150	150	300
Farm-to-Foodshelf Increase	-	-	-	1,100	1,100	2,200
Avian Flu Testing and Response (a)	3,619	-	3,619	-	-	-
Avian Flu Rural Finance Authority						
Loans	10,000	-	10,000	-	-	-
Other Changes	219	94	313	94	94	188
Compensation Adjustment	<u>341</u>	<u>551</u>	<u>892</u>	<u>551</u>	<u>551</u>	<u>1,102</u>
Agency Total	22,606	13,039	35,645	14,139	14,139	28,278
Board of Animal Health						
Compensation Adjustment	55	112	167	112	112	224
Avian Flu Testing and Response (a)	<u>1,853</u>	-	<u>1,853</u>	-	-	-
Agency Total	1,908	112	2,020	112	112	224
Dept. of Employment & Economic Development						
Film Board Rebate Increase	2,000	-	2,000	-	-	-
Workforce Housing Grants	2,000	2,000	4,000	2,000	2,000	4,000
Greater MN Business Infrastructure Grants	1,900	1,300	3,200	1,300	1,300	2,600
Career Counseling Coordinators	500	500	1,000	500	500	1,000
Olmstead Implementation Office	425	425	850	394	394	788
Extended Employment Rate Increase	250	250	500	250	250	500
Employment Support Services Increase	1,000	1,000	2,000	1,000	1,000	2,000
Assistive Technology Grant Program	1,000	-	1,000	-	-	-
Broadband Implementation Grants	10,588	-	10,588	-	-	-
Grants to Local Organizations	1,474	139	1,613	139	139	278
Compensation Adjustment	191	386	577	386	386	772
Paid Family Leave Study	<u>150</u>	-	<u>150</u>	-	-	-
Agency Total	21,478	6,000	27,478	5,969	5,969	11,938
Housing Finance Agency						
Housing Job Growth Initiative	2,000	-	2,000	-	-	-
Rental Assistance for Mobile Students	2,000	-	2,000	-	-	-
Rental Assistance for Mentally Ill	<u>1,250</u>	<u>1,250</u>	<u>2,500</u>	<u>1,250</u>	<u>1,250</u>	<u>2,500</u>
Agency Total	5,250	1,250	6,500	1,250	1,250	2,500
Explore Minnesota Tourism						
Compensation Adjustment	100	260	360	260	260	520
Mille Lacs Lakes Promotion	<u>30</u>	-	<u>30</u>	-	-	-
Agency Total	130	260	390	260	260	520

	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
Department of Labor & Industry						
Compensation Adjustment	18	36	54	36	36	72
Bureau of Mediation Services						
Compensation Adjustment	25	51	76	51	51	102
Commerce Department						
Compensation Adjustment	378	763	1,141	763	763	1,526
Health Care Enforcement	279	279	558	279	279	558
Health Insurance Rate Review	642	642	1,284	642	642	1,284
Health Care Insurance Waiver	210	213	423	213	213	426
Energy Intensive Utilities Changes	424	430	854	430	430	860
Propane Prepurchase Program	5,000	5,000	10,000	-	-	-
Other Changes	<u>345</u>	<u>33</u>	<u>378</u>	<u>33</u>	<u>33</u>	<u>66</u>
Agency Total	7,278	7,360	14,638	2,360	2,360	4,720
Public Utilities Commission						
Compensation Adjustment	200	200	400	200	200	400
Increase Staffing	<u>525</u>	<u>525</u>	<u>1,050</u>	<u>525</u>	<u>525</u>	<u>1,050</u>
Agency Total	725	725	1,450	725	725	1,450
Total General Fund Spending Changes						
	61,941	28,025	89,966	33,790	47,726	81,516
Notes:						
(a) Avian influenza appropriations in this table show only the FY 2016 appropriations from 2015 First Special Session Chapter 4. Additional FY 2015 appropriations were made for avian influenza in Chapter 12 that are not shown in this table.						
(b) 2015 First Special Session, Chapter 4, repealed the existing scheduled repayment of the Closed Landfill Investment Fund (CLIF), which had forecasted payments in FY 2016, FY 2017, and FY 2018. Chapter 4 enacted a provision that will repay the CLIF if a future forecast estimates a positive balance in the General Fund.						

Table 3 - Environment, Economic Development and Agriculture 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
Pollution Control Agency							
License Code Modifications	SGSR	(27)	(27)	(54)	(27)	(27)	(54)
Department of Natural Resources							
Utility Crossing Fee Change	General	5	5	10	5	5	10

Revenue Changes by Agency	Fund	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
Utility Crossing Fee Change	Perm School	164	164	328	164	164	328
Utility Crossing Fee Change	Nat. Res.	15	15	30	15	15	30
Utility Crossing Fee Change	Special Revenue	7	7	14	7	7	14
Utility Crossing Fee Change	Game & Fish	3	3	6	3	3	6
Timber Permit Changes	General	(1)	(1)	(2)	(1)	(1)	(2)
Timber Permit Changes	Perm School	(18)	(18)	(36)	(18)	(18)	(36)
Timber Permit Changes	Nat. Res.	(11)	(11)	(22)	(11)	(11)	(22)
Timber Permit Changes	Special Revenue	(3)	(3)	(6)	(3)	(3)	(6)
Timber Permit Changes	Game & Fish	(1)	(1)	(2)	(1)	(1)	(2)
Conservation Easement Earnings	Special Revenue	52	52	104	52	52	104
Water Work Permit Changes	Nat. Res.	(36)	(36)	(72)	-	-	-
Youth Bear License Changes	Game & Fish	2	-	2	-	-	-
Snowmobile License Fee Exemption	Nat. Res.	<u>(7)</u>	<u>(7)</u>	<u>(14)</u>	<u>(7)</u>	<u>(7)</u>	<u>(14)</u>
Agency Total		171	169	340	205	205	410
Board of Water and Soil Resources							
Conservation Easement Earnings	Special Revenue	72	72	144	72	72	144
Wetland Conservation Act Changes	Special Revenue	-	<u>40</u>	<u>40</u>	<u>40</u>	<u>40</u>	<u>80</u>
Agency Total		72	112	184	112	112	224
Department of Agriculture							
Bulk Milk Hauler Fee Change	General	(25)	(25)	(50)	(25)	(25)	(50)
Bulk Milk Hauler Fee Change	Agriculture	25	25	50	25	25	50
Corporate Farm Filing Fee Change	Agriculture	135	135	270	135	135	270
Industrial Hemp Registration Ammonia Fertilizer Inspection Fee	Agriculture	650	450	1,100	450	450	900
Seed Permit Fee Change	Agriculture	-	250	250	250	250	500
Plant Nursery Inspection Fee Changes	Agriculture	340	340	680	340	340	680
Pest Control Products Expansion	Agriculture	6	6	12	6	6	12
Specialty Pet Food Fee Change	Agriculture	13	13	26	13	13	26
Pet Food Registration Fee Change	Agriculture	216	216	432	216	216	432
Commercial Feed License Fee Change	Agriculture	345	345	690	345	345	690
Minimum Annual Inspection Fee	Agriculture	100	100	200	100	100	200
Milk Procurement Fee Change	Agriculture	85	85	170	85	85	170
Milk Procurement Fee Change	Agriculture	300	300	600	300	300	600

Revenue Changes by Agency	Fund	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
Cottage Food/Direct Sale Permit	Agriculture	<u>5</u>	<u>5</u>	<u>10</u>	<u>5</u>	<u>5</u>	<u>10</u>
Agency Total		2,195	2,245	4,440	2,245	2,245	4,490
Dept. of Employment & Economic Development							
Greater MN Jobs Fee Change	Special Revenue	210	210	420	210	210	420
Job Training Grant Fee Change	Special Revenue	<u>4</u>	<u>8</u>	<u>12</u>	<u>8</u>	<u>8</u>	<u>16</u>
Agency Total		214	218	432	218	218	436
Dept. of Labor & Industry							
Combative Sports Fee Change	Special Revenue	(2)	(2)	(4)	(2)	(2)	(4)
Construction Code Fee Changes	SGSR	<u>(1,534)</u>	<u>(1,534)</u>	<u>(3,068)</u>	=	=	=
Agency Total		(1,536)	(1,536)	(3,072)	(2)	(2)	(4)
Commerce Department							
Utility Assessment Changes	General	424	430	854	430	430	860
MN-Vest Fee	General	3	3	6	3	3	6
Utility Assessment Changes	Special Revenue	<u>400</u>	<u>400</u>	<u>800</u>	<u>400</u>	<u>400</u>	<u>800</u>
Agency Total		827	833	1,660	833	833	1,666
Public Utilities Commission							
Utility Assessment Changes	General	725	725	1,450	725	725	1,450
Total Revenue Changes by Fund							
General Fund		1,131	1,137	2,268	1,137	1,137	2,274
State Gov Spec Rev (SGSR)		(1,561)	(1,561)	(3,122)	(27)	(27)	(54)
Special Revenue Fund		740	784	1,524	784	784	1,568
Perm School Fund		146	146	292	146	146	292
Natural Resources Fund		(39)	(39)	(78)	(3)	(3)	(6)
Game & Fish Fund		4	2	6	2	2	4
Agriculture Fund		2,220	2,270	4,490	2,270	2,270	4,540
Total Revenue Changes for Budget Area		2,641	2,739	5,380	4,309	4,309	8,618

JUDICIARY AND PUBLIC SAFETY

The FY 2016-17 Judiciary and Public Safety budget totals \$2.5 billion, of which \$2.1 billion was appropriated from the General Fund. Chapter 65, the Omnibus Judiciary and Public Safety Act, enacted all of the appropriations for the judiciary and the state departments, agencies, and boards in the judiciary and public safety budget area.

General Fund appropriations were increased by \$115.4 million, or 5.8 percent, over forecast base in FY 2016-17, and \$141.4 million or 7.1 percent, over FY 2014-15 spending. Two onetime transfers from the Special Revenue Fund into the General Fund generate an additional \$4.5 million in revenue in FY 2016-17. However, several General Fund revenue reductions offset some of those transfers and total General Fund revenue is \$3.9 million above forecast for the biennium. The majority of the appropriation increases in FY 2016-17 were for operating budgets for salary and insurance increases. Chapter 65 provided funding to permit four percent increases each year for the judiciary, three percent annual increases for employees of the Department of Corrections, and 1.8 percent annual increases for employees of other departments and boards in this budget area.

Chapter 65 increased non-General Fund appropriations in FY 2016-17 by a total of \$34.2 million, compared to the February 2015 forecast. Chapter 65 appropriated \$154.2 million in FY 2016-17 from the 911-

Emergency fund for the Emergency Communications Network division of the Department of Public Safety, an increase of \$26.9 million above the forecast. In addition, Chapter 65 appropriated \$32 million from the Special Revenue Fund, \$7 million above the forecast. Of this amount, \$20.9 million was appropriated for the State Fire Marshal and firefighter training and education and \$7.7 million was appropriated to the Peace Officer Standards and Training (POST) Board, including an increase of \$501,000 above forecast for grants and operating expenditures. For the Department of Corrections, internal revenue sources such as telephone, canteen, bed rental, and prison industry receipts flow through the Special Revenue Fund and were used to offset facility costs. Federal funding will be available for certain activities, such as adult basic education and the state criminal alien assistance program. Chapter 65 also appropriated a total of \$4.6 million in FY 2016-17 from the Trunk Highway Fund to the Bureau of Criminal Apprehension for forensic lab activities, which included only minor increases compared to the forecast.

Table 1 displays the all funds Judiciary and Public Safety budget for FY2016-17. Table 2 shows General Fund incremental changes in the new budget compared to the February 2015 forecast. Table 3, on page 78, displays the revenue changes in the budget areas.

Table 1
All Funds Biennial Spending by Agency and Fund
Judiciary and Public Safety Budget
(dollars in thousands)

Agency	FY 2014-15 Spending	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted- FY 2014-15	Change: Enacted - Base
Supreme Court					
General Fund	89,739	89,582	94,807	5,068	5,225
Special Revenue Fund	8,390	8,184	8,184	(206)	-
Federal Fund	8,640	8,067	8,067	(573)	-
Gift Fund	<u>36</u>	-	-	<u>(36)</u>	-
Total Supreme Court	106,805	105,833	111,058	4,253	5,225
Court of Appeals					
General Fund	21,676	22,228	23,496	1,820	1,268
District Courts					
General Fund	504,082	513,244	543,792	39,710	30,548
Special Revenue Fund	3,602	3,309	3,309	(293)	-
Federal Fund	32,807	34,788	34,788	1,981	-
Gift Fund	<u>633</u>	<u>561</u>	<u>561</u>	<u>(72)</u>	-
Total District Courts	541,124	551,902	582,450	41,326	30,548
Guardian ad litem					
General Fund	25,170	25,512	28,474	3,304	2,962
Special Revenue Fund	3,145	3,070	3,070	(75)	-
Gift Fund	<u>1</u>	-	-	<u>(1)</u>	-
Total Guardian ad litem	28,316	28,582	31,544	3,228	2,962
Tax Court					
General Fund	2,058	2,070	3,925	1,867	1,855
Uniform Laws Commission					
General Fund	231	168	181	(50)	13
Board on Judicial Standards					
General Fund	1,059	912	972	(87)	60
Legal Profession Boards					
Special Revenue	12,885	14,142	14,142	1,257	-
Public Defense Board					
General Fund	145,080	147,224	160,091	15,011	12,867
Special Revenue	3,240	-	-	(3,240)	-
Federal Fund	625	-	-	(625)	-
Gift Fund	<u>130</u>	-	-	<u>(130)</u>	-
Total Public Defense Board	149,075	147,224	160,091	11,016	12,867

Agency	FY 2014-15 Spending	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted- FY 2014-15	Change: Enacted - Base
Peace Officers Standards and Training					
General Fund	50	-	-	(50)	-
Special Revenue Fund	<u>8,240</u>	<u>8,241</u>	<u>8,742</u>	<u>502</u>	<u>501</u>
Total POST Board	8,290	8,241	8,742	452	501
Private Detective Board					
General Fund	284	240	376	92	136
Human Rights Department					
General Fund	7,318	7,446	7,909	591	463
Special Revenue Fund	<u>375</u>	<u>116</u>	<u>116</u>	<u>(259)</u>	-
Total Human Rights	7,693	7,562	8,025	332	463
Department of Public Safety					
General Fund	183,609	169,719	191,082	7,473	21,363
State Government Special Revenue Fund	74,122	60,297	87,171	13,049	26,874
Special Revenue Fund	65,450	57,909	64,694	(756)	6,785
Environmental Fund	138	138	138	-	-
Trunk Highway Fund	4,532	4,532	4,620	88	88
Federal Fund	177,303	81,835	81,835	(95,468)	-
Gift Fund	<u>130</u>	<u>107</u>	<u>107</u>	<u>(23)</u>	-
Total Public Safety	505,284	374,537	429,647	(75,637)	55,110
Corrections					
General Fund*	998,882	1,026,876	1,065,504	66,622	38,628
General Fund Transfer Out	122	116	116	(6)	-
Special Revenue Fund	36,475	37,519	37,519	1,044	-
Federal Fund	11,846	10,287	10,287	(1,559)	-
Gift Fund	20	17	17	(3)	-
Adjustment for Expenses in Multiple Funds	<u>(4,325)</u>	<u>(4,200)</u>	<u>(4,200)</u>	<u>125</u>	-
Total Corrections	1,043,020	1,070,615	1,109,243	66,223	38,628
Sentencing Guidelines					
General Fund	1,173	1,172	1,199	26	27
Totals by Fund					
General Fund	1,980,411	2,006,393	2,121,808	141,397	115,415
General Fund Transfer Out	122	116	116	(6)	-
State Government Special Revenue	74,122	60,297	87,171	13,049	26,874
Special Revenue Fund	141,802	132,490	139,776	(2,026)	7,286
Trunk Highway Fund	4,532	4,532	4,620	88	88
Environmental Fund	138	138	138	-	-
Federal Fund	231,221	134,977	134,977	(96,244)	-

Agency	FY 2014-15 Spending	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted- FY 2014-15	Change: Enacted - Base
Gift Fund	950	685	685	(265)	-
Adjustment for Expenses in Multiple Funds	(4,325)	(4,200)	(4,200)	125	-
Totals All Funds	2,428,973	2,335,428	2,485,091	56,118	149,663
* Includes \$17,000 appropriated in Chapter 61, the claims bill.					

Supreme Court

Chapter 65 appropriated a total of \$94.8 million in FY 2016-17 from the General Fund to the Supreme Court, an increase of \$5.2 million above the forecast. \$68.5 million was for the Supreme Court for operations, and \$26.3 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 represents an increase of \$3.5 million, or 5.3 percent, over the forecast. The appropriation includes funding to allow salary increases for Supreme Court justices and court staff of four percent each year. The Civil Legal Services appropriation represents an increase of \$1.8 million, or 7.2 percent, over the forecast.

Court of Appeals

Chapter 65 appropriated \$23.5 million in FY 2016-17 from the General Fund to the Court of Appeals, an increase of \$1.3 million, or 5.7 percent, above the forecast. As with the Supreme Court, the appropriation includes funding to provide salary increases of four percent each year for appeals court judges and court staff.

District Courts

Chapter 65 appropriated \$543.8 million in FY 2016-17 from the General Fund to the District Courts, an increase of \$30.5 million, or six percent. Again, this appropriation includes funding to provide judge and staff salary increases of four percent each year.

Chapter 65 also appropriated \$700,000 in FY 2016-17 from the General Fund for additional specialty drug court funding.

Guardian Ad Litem Board

Chapter 65 appropriated \$28.5 million in FY 2016-17 from the General Fund to the Guardian Ad Litem Board, an increase of \$3 million. \$2 million of the increase is to complete the conversion of Guardian Ad Litem employees from contract to state employees. The remaining increase is funding to provide salary and health insurance increases.

Tax Court

Chapter 65 appropriated \$3.9 million in FY 2016-17 from the General Fund to the Tax Court, an increase of \$1.9 million, or 89.6 percent. Of this amount, \$1.1 million is a onetime appropriation for a new case management system. Ongoing appropriations are sufficient to permit judicial salary increases of four percent each year, as well as \$140,000 for mandated information technology services and \$170,000 for an additional law clerk.

Uniform Laws Commission

Chapter 65 appropriated \$181,000 in FY 2016-17 from the General Fund to the Uniform Laws Commission, an increase of \$13,000 over the forecast. The increase is for increased commission dues and travel expenses for attending the annual commission conference.

Board on Judicial Standards

Chapter 65 appropriated \$972,000 in FY 2016-17 from the General Fund to the Board on Judicial Standards, an increase of \$60,000 over the forecast. The increase is for an additional investigative attorney.

Board of Public Defense

Chapter 65 appropriated \$160.1 million in FY 2016-17 from the General Fund to the Board of Public Defense, an increase of \$12.9 million, or 8.7 percent, compared to the forecast. The appropriation provides for employee compensation, health insurance, training, and caseload reductions.

Peace Officer Standards and Training (POST) Board

Chapter 65 appropriated \$8.7 million in FY 2016-17 from the Special Revenue Fund to the POST Board, an increase of \$501,000, or six percent, compared to the forecast. This appropriation included \$301,000 for a new administrative assistant, salaries, and insurance, as well as \$200,000 for crisis de-escalation grants.

Private Detective Board

Chapter 65 appropriated \$376,000 in FY 2016-17 from the General Fund to the Private Detective Board, an increase of \$136,000 compared to the forecast. The increase was for a new administrative assistant.

Department of Human Rights

Chapter 65 appropriated \$7.9 million in FY 2016-17 from the General Fund to the Department of Human Rights, an increase of \$463,000, or 6.2 percent, compared to the forecast. The increase is for an additional compliance officer and to provide salary and health insurance increases for Department of Human Rights staff.

Sentencing Guidelines Commission

Chapter 65 appropriated \$1.2 million in FY 2016-17 from the General Fund to the Sentencing Guidelines Commission. This is an increase of \$27,000 compared to the forecast, and is for salary and health insurance increases.

DEPARTMENT OF PUBLIC SAFETY

Chapter 65 appropriated a total of \$429.6 million in FY 2016-17 from all funds to the Department of Public Safety (DPS). This is a \$55.1 million increase above the forecast, but \$75.6 million lower than the previous biennium. General Fund appropriations to DPS totaled \$191.8 million in FY 2016-17, or \$21.4 million above the forecast and \$7.5 million above FY 2014-15. In addition to operational funding, FY 2014-15 includes increased disaster relief appropriations. The DPS receives appropriations in the Judiciary and Public Safety budget area, as well as the Transportation and Public Safety budget area. The Transportation and Public Safety divisions of the Department of Public Safety received appropriations in Chapter 75, the Omnibus Transportation and Public Safety Act. See the Transportation and Public Safety Chapter of this report for further discussion about DPS appropriations.

Public Safety Divisions

Chapter 65 appropriated \$373.8 million in FY 2016-17 to the Department of Public Safety for criminal justice and public safety related activities, an increase of \$56.4 million, or 17.7 percent, above the forecast for these divisions. The increase includes additional General Fund appropriations for salaries, health insurance, and additional personnel and equipment for the Bureau of Criminal Apprehension, as well as Special Revenue Fund increases for the State Fire Marshal and the statewide Emergency Communication Network.

Homeland Security and Emergency Management

Chapter 65 appropriated \$5.9 million in FY 2016-17 from the General Fund to the Office of Homeland Security and Emergency Management, an increase of \$1.4 million compared to the forecast. The increase included \$1 million for the disaster contingency account under Minnesota Statutes, section 12.221, subdivision 6. (See sidebar on page 79 for more information). Also, \$121,000 was for salary and health insurance increases, and \$250,000 was a onetime grant to combat foreign terror recruitment in Minnesota. Chapter 65 also appropriated \$1.8 million from the Special Revenue Account for Chemical Assessment and Hazardous Material Teams, an increase of \$592,000 compared to the forecast.

Bureau of Criminal Apprehension (BCA)

Chapter 65 appropriated \$104.1 million in FY 2016-17 from the General Fund for the Bureau of Criminal Apprehension, an increase of \$13.6 million, or 15 percent, compared to the forecast. Of the increase, \$1.5 million was for salary and health insurance increases. The remainder includes increased funding for a number of agency activities, including: \$1.1 million for latent fingerprint examiners, \$600,000 for mitochondrial DNA analysis, \$2.3 million for forensic equipment replacement and lab supplies, \$3.2 million for digital forensics analysis, \$1.2 million for the financial crimes unit, \$3 million for the predatory crime section, and \$650,000 to replace livescan fingerprint machines.

State Fire Marshal

Chapter 65 appropriated \$20.9 million in FY 2016-17 from the Special Revenue Fund to the state Fire Marshal, an increase of 45 percent compared to the forecast. See sidebar on page 73 for more detail on the

state Fire Marshal and the fire safety account.

Gambling and Alcohol Enforcement

Chapter 65 appropriated \$3.2 million in FY 2016-17 from the General Fund to the Gambling and Alcohol Enforcement Division, an increase of \$74,000 compared to the forecast. The increase was for salary and health insurance increases. In addition, because the pull-tab revenues authorized in 2012 are less than originally anticipated, Chapter 65 reduces the Special Revenue Fund appropriation for regulating pull-tabs by \$360,000.

Office of Justice Programs

Chapter 65 appropriated \$77.3 million in FY 2016-17 from the General Fund to the Office of Justice Programs, an increase of \$5.8 million, or eight percent, over base funding. Of the increase, \$109,000 is for salary and insurance increases. The remainder includes increased funding for the following initiatives:

- \$1.5 million for youth intervention programs;
- \$1.4 million for crime victim services;
- \$800,000 for child advocacy centers;
- \$600,000 for juvenile detention alternatives;
- \$500,000 for sex trafficking prevention grants;
- \$300,000 for crime victim and suicide survivor support grants;
- \$200,000 for prosecutor and law enforcement training;

- \$176,000 for a law enforcement server for the White Earth Band of Chippewa Indians; and
- \$80,000 for grants to develop a rapid response program to locate individuals with a medical condition that causes wandering and may result in the individual becoming lost.

FIRE SAFETY ACCOUNT

The fire safety account was established in FY 2007 to provide a dedicated source of funding for fire safety purposes. As originally established, revenue in the account was collected from a 0.65 percent surcharge on premiums for homeowners' insurance policies, commercial fire policies, and commercial nonliability insurance policies. Receipts from this surcharge fund the Fire Marshal's Office in the Department of Public Safety, hazardous materials response team reimbursement, and firefighter training and education. Originally, appropriations from the account were not open and standing, but were typically made directly by the Legislature each biennium based on anticipated receipts, as estimated by the most recent forecast. In addition, appropriations were made to the Commissioner of Public Safety, who made specific training and reimbursement funding allocation decisions with advice from the Fire Safety Advisory Board. Between FY 2007 and FY 2011, revenue in the fire safety account exceeded estimates and generated excess balances in the account for several years. In FY 2010 and FY 2011, \$6.9 million and \$3.6 million respectively were transferred from the account to the General Fund. During the 2012 session, the surcharge rate was reduced from 0.65 to 0.5 percent. However, an excess balance over the appropriated base for the Fire Marshal and firefighter training and education continued to accumulate during the FY 2014-15 biennium.

In the 2015 session, Chapter 65 appropriated \$22.7 million from the fire safety account to the Commissioner of Public Safety and transferred the remaining \$2.5 million of the projected FY 2016-17 ending balance to the General Fund. The \$22.7 million appropriation was apportioned as follows: \$10.6 million was appropriated to the Fire Marshal for agency operations, an increase of 17 percent; and \$1.7 million was appropriated to the Fire Marshal to increase the hazardous materials reimbursement, a 49 percent increase. Firefighter training and education, hazardous material team reimbursements, and Minnesota air rescue operations were increased by \$4.9 million, an increase of 91 percent.

Because \$2.5 million from the fire safety account was transferred to the General Fund and used as part of the FY 2016-17 General Fund budget, Chapter 65 established a mechanism to reimburse the account from the General Fund. Chapter 65 specifies that if, at the fiscal close of the FY 2014-15 biennium (anticipated to be mid-September 2015), the General Fund balance exceeds the February 2015 forecast's projected balance by \$17.5 million, \$2.5 million of the balance will be transferred to the fire safety account. (The additional \$15 million will be transferred to the disaster contingency account. See sidebar on page 79 for further discussion.) Finally, Chapter 65 makes a statutory change to provide that any balance remaining in the account after the first year of a biennium must be appropriated to the Commissioner of Public Safety for firefighter training and education. If future positive balances in the account occur, this statutory change will appropriate the excess balance to increase firefighter training and education.

Emergency Communications Networks

Chapter 65 appropriated \$154.2 million in FY 2016-17 from the 911-Emergency Fund to the Emergency Communications Networks Division, an increase of \$26.9 million, or 21.1 percent, compared to the forecast. Revenue in the 911-Emergency Fund is generated from 911 service fees assessed on all telephone lines.

The appropriation funds 911 public safety answering points (dispatches), medical resource communication centers, debt service, and operating and maintenance costs for the Allied Radio Matrix for Emergency Response System (ARMER). Of the \$26.9 million increase, \$10.9 million was for increased program operation costs and ARMER upgrades, \$9.4 million was for the Next Generation 911 Initiative, and \$6.5 million was for grants to local units of government for upgrading locally owned and operated ARMER systems.

DEPARTMENT OF CORRECTIONS

Chapter 65 appropriated \$1.1 billion in FY 2016-17 from the General Fund to the Department of Corrections (DOC), an increase of \$38.6 million, or 3.8 percent, compared to the forecast. In addition, Chapter 65 transferred \$2 million from the Minnesota Correctional Industries (MINNCOR) Revolving Fund to the General Fund.

DOC – Institutions

Chapter 65 increased the Institutions Division appropriation by \$26.4 million, or

3.5 percent, compared to the forecast. The increase included two initiatives: \$24.8 million to provide funding for salary and health insurance increases, and \$1.6 million for additional fugitive apprehension agents.

DOC – Community Services

Chapter 65 increased the Community Services Division General Fund appropriation by \$9.8 million, or 4.2 percent. The increase included the following six initiatives:

- \$3 million for salary and health insurance increases;
- \$3.6 million for the community correction act subsidy;
- \$2 million for additional intensive supervised release agents;
- \$589,000 for county probation officer reimbursement;
- \$500,000 for additional challenge incarceration agents; and
- \$170,000 to Scott County for a caseload/workload reduction grant.

DOC – Operations Support

Chapter 65 increased the Operations Support appropriation in FY 2016-17 by \$2.3 million, or 4.8 percent, compared to the forecast. The increase included two initiatives: \$1.3 million to provide funding for salary and health insurance increases and \$1 million for information technology upgrades and staffing.

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

Agency Change Item -- Appropriations	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
Supreme Court						
Employee Compensation	890	1,818	2,708	1,818	1,818	3,636
Judge Compensation	59	120	179	120	120	240
Insurance Increases	<u>177</u>	<u>403</u>	<u>580</u>	<u>403</u>	<u>403</u>	<u>806</u>
Total Supreme Court	1,126	2,341	3,467	2,341	2,341	4,682
Civil Legal Services						
Caseload Reduction	879	879	1,758	879	879	1,758
Court of Appeals						
Employee Compensation	200	408	608	408	408	816
Judge Compensation	150	304	454	304	304	608
Insurance Increases	<u>63</u>	<u>143</u>	<u>206</u>	<u>143</u>	<u>143</u>	<u>286</u>
Total Court of Appeals	413	855	1,268	855	855	1,710
District Courts						
Employee Compensation	5,687	11,589	17,276	11,589	11,589	23,178
Judge Compensation	2,086	4,262	6,348	4,262	4,262	8,524
Insurance Increases	1,900	4,324	6,224	4,324	4,324	8,648
Additional Specialty Court Funding	<u>350</u>	<u>350</u>	<u>700</u>	<u>350</u>	<u>350</u>	<u>700</u>
Total District Courts	10,023	20,525	30,548	20,525	20,525	41,050
Guardian ad litem						
State Employee Conversion Budget Shortfall	1,000	1,000	2,000	1,000	1,000	2,000
Employee Compensation	198	406	604	406	406	812
Insurance Increases	<u>109</u>	<u>249</u>	<u>358</u>	<u>249</u>	<u>249</u>	<u>498</u>
Total Guardian ad litem	1,307	1,655	2,962	1,655	1,655	3,310
Tax Court						
New Case Management System	799	609	1,408	144	144	288
Mandated Costs and Salary Increases	53	84	137	84	84	168
Mandated Information Technology Services	96	44	140	44	44	88
Third Law Clerk	<u>85</u>	<u>85</u>	<u>170</u>	<u>85</u>	<u>85</u>	<u>170</u>
Total Tax Court	1,033	822	1,855	357	357	714
Uniform Laws Commission						
Increased Dues and Travel	4	9	13	9	9	18
Board on Judicial Standards						
Half-Time Investigative Attorney	30	30	60	30	30	60
Board of Public Defense						
Caseload Reduction	1,797	4,678	6,475	4,678	4,678	9,356
Salary and Insurance Increases	1,920	4,272	6,192	4,272	4,272	8,544

Agency Change Item -- Appropriations	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
Public Defender Training	<u>100</u>	<u>100</u>	<u>200</u>	<u>100</u>	<u>100</u>	<u>200</u>
Total Board of Public Defense	3,817	9,050	12,867	9,050	9,050	18,100
Private Detective Board						
Salary and Insurance Increases	2	4	6	4	4	8
Administrative Assistant	<u>65</u>	<u>65</u>	<u>130</u>	<u>65</u>	<u>65</u>	<u>130</u>
Total Private Detective Board	67	69	136	69	69	138
Human Rights						
Salary and Insurance Increases	54	109	163	109	109	218
Base Increase	<u>150</u>	<u>150</u>	<u>300</u>	<u>150</u>	<u>150</u>	<u>300</u>
Total Human Rights Department	204	259	463	259	259	518
Sentencing Guidelines						
Salary and Insurance Increases	9	18	27	18	18	36
DEPARTMENT OF PUBLIC SAFETY (DPS)						
DPS-Homeland Security and Emergency Management						
Salary and Insurance Increases	41	80	121	80	80	160
Disaster Contingency Account	1,000	-	1,000	-	-	-
Anti-ISIS and al-Shabaab Recruitment	<u>250</u>	-	<u>250</u>	-	-	-
Subtotal Homeland Security and Emergency Management	1,291	80	1,371	80	80	160
DPS-Bureau of Criminal Apprehension						
Salary and Insurance Increases	500	1,009	1,509	1,009	1,009	2,018
Latent Fingerprint Examiners	550	550	1,100	550	550	1,100
Mitochondrial DNA Analysis	300	300	600	300	300	600
Equipment Replacement	800	800	1,600	800	800	1,600
Lab Supplies	350	350	700	350	350	700
Digital Forensics	1,600	1,600	3,200	1,600	1,600	3,200
Financial Crimes Unit	600	600	1,200	600	600	1,200
Predatory Crimes Section	1,500	1,500	3,000	1,500	1,500	3,000
Replace Livescan Machines	<u>325</u>	<u>325</u>	<u>650</u>	<u>325</u>	<u>325</u>	<u>650</u>
Subtotal Bureau of Criminal Apprehension	6,525	7,034	13,559	7,034	7,034	14,068
DPS-Gambling and Alcohol Enforcement						
Salary and Insurance Increases	24	50	74	50	50	100
DPS-Office of Justice Programs						
Salary and Insurance Increases	36	73	109	73	73	146
Youth Intervention Programs	750	750	1,500	750	750	1,500
Crime Victim Services Increase	675	675	1,350	675	675	1,350
Child Advocacy Centers	400	400	800	400	400	800
Prosecutor and Law Enforcement Training	100	100	200	100	100	200
Sex Trafficking Prevention Grants	250	250	500	-	-	-

Agency Change Item -- Appropriations	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
Juvenile Detention Alternatives	300	300	600	-	-	-
Victim Support - Crime and Suicide Survivors	150	150	300	150	150	300
Regional Law Enforcement Server	176	-	176	-	-	-
Lifesaver Grants - Lost Dementia Victims	40	40	80	-	-	-
East African Women and Children Services	<u>100</u>	<u>100</u>	<u>200</u>	=	=	=
Subtotal Office of Justice Programs	2,977	2,838	5,815	2,148	2,148	4,296
2014, CH 308 - Tax Bill 2 Administrative Appropriation	18	-	18	-	-	-
2015, SS1, CH 4, Avian Flu	<u>544</u>	=	<u>544</u>	=	=	=
Total Department of Public Safety	11,379	10,002	21,381	9,312	9,312	18,624
DEPARTMENT OF CORRECTIONS						
Corrections - Institutions						
Salary and Insurance Increases	8,175	16,594	24,769	16,594	16,594	33,188
Fugitive Apprehension Unit	541	1,051	1,592	1,051	1,051	2,102
Doula Services Shakopee and County Jails	<u>30</u>	<u>30</u>	<u>60</u>	=	=	=
Subtotal Institutions	8,746	17,675	26,421	17,645	17,645	35,290
Corrections - Community Services						
Salary and Insurance Increases	986	2,000	2,986	2,000	2,000	4,000
Intensive Supervised Release Agents	1,000	1,000	2,000	1,000	1,000	2,000
Challenge Incarceration Agents	250	250	500	250	250	500
CCA Subsidy Increase	1,800	1,800	3,600	1,800	1,800	3,600
County Probation Officer Increase	294	295	589	295	295	590
Scott County Caseload Reduction Grant	<u>85</u>	<u>85</u>	<u>170</u>	<u>85</u>	<u>85</u>	<u>170</u>
Subtotal Community Services	4,415	5,430	9,845	5,430	5,430	10,860
Corrections - Operational Services						
Salary and Insurance Increases	437	890	1,327	890	890	1,780
Information Technology Upgrade and Staffing	<u>500</u>	<u>500</u>	<u>1,000</u>	<u>500</u>	<u>500</u>	<u>1,000</u>
Subtotal Operational Services	937	1,390	2,327	1,390	1,390	2,780
Corrections Claims Bill (Ch. 122)	<u>17</u>	=	<u>17</u>	=	=	=
Total Department of Corrections	14,115	24,495	38,610	24,465	24,465	48,930
Total General Fund Spending Changes	44,406	71,009	115,415	69,824	69,824	139,648
Agency Change Item -- GF Transfers						
Peace Officers Standards and Training						
Increase - Transfer Out of General Fund	(242)	(259)	(501)	(159)	(159)	(318)
District Courts						
Civil Court Filing Fee Discharge Judgment	(66)	(79)	(145)	(79)	(79)	(158)

Agency Change Item -- GF Transfers	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
Corrections						
MINCORR Revolving Fund Transfer in to General Fund	1,000	1,000	2,000	-	-	-
Fire Marshal						
Transfer - Fire Safety Account into General Fund	<u>1,250</u>	<u>1,250</u>	<u>2,500</u>	=	=	=
Total Transfers into GF	1,942	1,912	3,854	(238)	(238)	(476)
Grand Total Judiciary and Public Safety Budget	42,464	69,097	111,561	70,062	70,062	140,124

Table 3 - Judiciary Revenue Changes Compared to Forecast <i>(dollars in thousands)</i>							
Revenue Changes by Agency	Fund	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018- 19
Supreme Court							
Civil Court Bankruptcy Discharge Fee	General	(66)	(79)	(145)	(79)	(79)	(158)
Total Supreme Court	General	(66)	(79)	(145)	(79)	(79)	(158)
Total Revenue Changes for Budget Area	General	(66)	(79)	(145)	(79)	(79)	(158)

DISASTER CONTINGENCY ACCOUNT

In the 2014 session, Chapter 312 established a new account to pay the initial nonfederal share of federally declared disasters, and certain other public disaster costs when a Presidential disaster declaration is not made. The disaster contingency account (Minnesota Statutes, section, 12.221, subdivision 6) was originally funded in FY 2015 with \$3 million from the General Fund. The Commissioner of Public Safety received authority to use the funds in the account to immediately respond to a natural disaster. (See page 51 of the *2014 Fiscal Review* for a detailed discussion of the disaster contingency account's provisions.) The account was used for the first time in the summer of 2014. This section discusses the use of the account and subsequent 2015 legislation modifying the account.

The statutory language establishing the account stated that the purpose of the account is to minimize the need for the Governor to call an immediate special session to appropriate funds in response to a natural disaster. Before the new account was enacted, the Federal Emergency Management Agency (FEMA) and the Department of Public Safety would make early estimates of damages after a disaster occurred, and the Governor would typically call a special session to enable the Legislature to appropriate the state share (25 percent) of the federally declared disaster costs. Typically, special session legislation would also appropriate other funds for costs that were associated with the disaster but were ineligible for federal reimbursement. This regimen created an immediate need for a special session to appropriate disaster funds, and it also required the use of preliminary damage estimates to provide the basis for the appropriations.

By creating and funding the disaster contingency account, the Legislature provided the Department of Public Safety with the resources to begin addressing immediate needs following a disaster and to secure federal funds by paying the mandated state match of public disaster costs. All of this can now occur without a special session to provide the appropriation. Additionally, the account addresses the immediate cash-flow needs following a disaster, and provides time to obtain accurate disaster damage assessments and to fully understand the state's financial needs associated with a particular disaster. These needs can subsequently be addressed during the next regular session of the Legislature.

Extensive flooding and wind damage in 37 counties and other jurisdictions throughout Minnesota in the summer of 2014 resulted in Presidential Disaster Declaration DR-4182. Rather than addressing all state costs using preliminary estimates during a special session in the summer of 2014, the state responded to the disaster in three phases. In the first phase, the Commissioner of Public Safety spent the \$3 million in the disaster contingency account that was appropriated during the 2014 session to pay for initial state matches of federal disaster relief outlays. This eliminated the need for a special session.

In the second phase, the Legislature provided the remainder of the state share of federal funding and other state-only disaster relief associated with DR-4182 by appropriating the necessary funds in Chapter 2, which was enacted early in the 2015 session. The legislative consideration of the funding requests for funding in this phase was based on the more accurate cost estimates that were available in January 2015 rather than early estimates from the previous summer.

Finally, in the third phase, the Legislature enacted 2015 First Special Session, Chapter 5, the Omnibus Capital Investment Act, after the regular session adjourned. This legislation funded additional disaster-related needs that were either unknown early in the session or were not eligible for federal or state reimbursement programs. (The table on page 80 displays the appropriations made in all three phases.)

As shown in the table, Chapter 2 and 2015 First Special Session, Chapter 5, appropriated \$23.7 million during the 2015 session for the DR-4182 disaster. The state costs of this disaster include the original \$3 million from the disaster contingency account that was appropriated in the 2014 session. The total General Fund appropriations were \$13.6 million, and the total general obligation debt authorization was \$10.2 million.

**Damage Costs and
Appropriation Reconciliation from DR-4182**
(dollars in thousands)

Total FEMA Eligible Damages			52,723
<i>(Note: \$52,723 * 25% State Share = \$13,181)</i>			
<u>Laws</u>	<u>Fund</u>	<u>Item</u>	<u>Appropriations</u>
<u>Disaster Contingency Account Expenses & Offsets</u>			
Ch. 2	GF	DPS: State Match for 25% Share	13,181
Ch. 2	GF	DPS: State Disaster Declaration Match	1,400
Ch. 2	GF	DPS: 2009 Disaster Shortfall	300
Laws 2014, Ch. 312	GF	Disaster Contingency Account Balance	(3,000)
Ch. 2	GF	Cancellations from 2011 Disaster Appropriations	(2,246)
Subtotal, Transfer to Disaster Contingency Account			9,635
<u>Other Disaster Expenses and Offsets</u>			
Ch. 2	GF	BWSR, Disaster Recovery Assistance Program	2,476
1st SS, Ch. 5	GF	BWSR, Erosion, Sediment, & Water Quality Cost-Share	10,600
1st SS, Ch. 5	GO	BWSR, Reinvest in MN Conservation Easements	4,700
1st SS, Ch. 5	GF	DEED, Flood Recovery, Children's Museum of MN	100
1st SS, Ch. 5	GO	DNR, Facility and Natural Resource Damage	2,140
1st SS, Ch. 5	GO	DNR, Flood Hazard Mitigation	2,515
1st SS, Ch. 5	GF	DNR, Flood Hazard Mitigation Grants	500
1st SS, Ch. 5	GF	Historical Society, Damage Repair to Historic Structures	100
Ch. 2	GF	MNDOT, Local Roads and Bridges	3,000
1st SS, Ch. 5	GO/TF	MNDOT, Local Road and Bridge Reconstruction	800
Ch. 75	GF	MNDOT, Cancellation, Local Roads and Bridges from Ch. 2	(2,380)
Ch. 75	GF	MNDOT, Reappropriation of FY 2015 Cancellation	2,380
Ch. 2	GF	Cancellations from 2012 Disaster Appropriations	(12,865)
Subtotal, Other Expenses and Offsets			14,066
Chapter 2 and Laws 2014, Ch. 312 Total			2,246
1st SS, Chapter 5 Total			21,455
Grand Total			23,701
Net General Fund (GF)			13,546
Net General Obligation (GO)			9,355
Net General Obligation, Transportation Fund (GO/TF)			800
Grand Total			23,701

The details of the specific 2015 laws that address the DR-4182 disaster, as well as anticipation of future disasters, include:

Chapter 2

Chapter 2 appropriated \$9.6 million from the General Fund to the disaster contingency account to pay the state match for eligible local governments and American Indian tribes. It also appropriated \$3 million from the General Fund to the Commissioner of Transportation for road and bridge repair, and \$2.5 million from the General Fund to the Board of Water and Soil Resources for erosion, sediment, and water quality cost-share projects on private land. Offsetting some of these appropriations, Chapter 2 cancelled \$15.1 million of

unexpended General Fund disaster relief appropriations from 2011 and 2012. The net effect of Chapter 2 on the General Fund was an increase of \$2.2 million.

Chapter 65, Replenishment of the Fund

Minnesota Statutes, section 12.221, requires that the Governor's budget proposal include a recommended disaster contingency account appropriation that will pay the nonfederal share for all state agencies and local governments that will receive federal financial assistance from FEMA during the next biennium. The Governor's FY 2016-17 budget recommendation was the first Governor's budget that was subject to this requirement. The Governor recommended that \$11 million be transferred to the account for FY 2016-17. Chapter 65 appropriated \$1 million in FY 2016-17 for transfer from the General Fund to the disaster contingency account. In addition, Chapter 65 provided that if a positive General Fund balance exists at the fiscal close of FY 2014-15 that exceeds the projected balance from the February 2015 forecast by \$17.5 million, an additional \$15 million will be transferred from the General Fund's closing balance to the disaster contingency account. (The remaining \$2.5 million will be transferred into the fire safety account. See page 73 for additional discussion on the fire safety account.) The FY 2014-15 budget is anticipated to be closed in mid-September 2015, so if the conditions of this transfer are met, the transfer will occur by the end of September 2015 and will bring the disaster contingency account balance to \$16 million.

First Special Session, Chapter 4, Avian Influenza

In addition to the transfer authorized in Chapter 65, 2015 First Special Session, Chapter 4, the Omnibus Environment and Agriculture Act, authorized an additional transfer of \$4.4 million from the FY 2015 closing balance in the General Fund to the disaster contingency account for avian influenza emergency response activities. This transfer, though specifically earmarked for avian influenza relief in FY 2016-17 only, would bring the FY 2016-17 total disaster contingency account balance to \$21.9 million. (Page 59 examines legislation on avian influenza in greater detail.)

First Special Session, Chapter 5, Capital Investment Act

2015 First Special Session, Chapter 5, appropriated \$21.5 million for nonfederal disaster projects associated with DR-4182. Of this amount, \$10.2 million is paid with general obligation bonds and the balance is appropriated from the General Fund. Specifically, these appropriations included \$5.2 million to the Department of Natural Resources, \$15.3 million to the Board of Water and Soil Resources, \$800,000 to the Department of Transportation, and \$100,000 to the Minnesota Historical Society. (See page 120 for a detailed summary of the Omnibus Capital Investment Act.)

TRANSPORTATION AND PUBLIC SAFETY

The Transportation and Public Safety budget, comprising appropriations for the Department of Transportation, the Metropolitan Council, and the Department of Public Safety, was enacted in Chapter 75. Chapter 75 appropriated a total of \$7.1 billion in all funds for FY 2016-17, an increase of \$95.1 million, or 1.4 percent, over FY 2014-15, and an increase of \$434.6 million, or 6.6 percent, over the February 2015 forecast for FY 2016-17.

As shown in Table 1, of the \$7.1 billion in total appropriations in FY 2016-17, \$5.8 billion was appropriated to the Department of Transportation (MnDOT); \$733.1 million was appropriated to the Metropolitan

Council for metro-area transit operations, including bus transit and rail transit; and \$528.5 million was appropriated to the Department of Public Safety (DPS) for transportation-related programs.

General Fund appropriations for Transportation and Public Safety total \$275.1 million for the FY 2016-17 biennium, an increase of \$30.1 million, or 12.3 percent, from the 2014-15 biennium, and an increase of \$62.1 million, or 29.1 percent, from the February 2015 forecast base for FY 2016-17. Table 2 displays General Fund appropriation changes, by agency, for FY 2016-17 and FY 2018-19.

Table 1 – Transportation and Public Safety All Funds Biennial Spending/Appropriations by Agency & Fund <i>(dollars in thousands)</i>					
Agency	FY 2014-15 Spending*	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
Department of Transportation					
General Fund	46,793	37,116	65,173	18,380	28,057
General Fund Transfers Out	15,000	-	-	(15,000)	-
Trunk Highway Fund	3,054,560	2,484,874	2,824,566	(229,994)	339,692
State Airports Fund	45,577	40,949	51,948	6,371	10,999
County State Aid Highway Fund	1,197,072	1,398,697	1,405,083	208,011	6,386
Municipal State Aid Street Fund	345,134	357,769	359,446	14,312	1,677
Special Revenue Fund	256,876	216,824	216,824	(40,052)	-
State Government Special Revenue Fund	18,900	19,300	19,300	400	-
Highway User Tax Distribution Fund	235	284	284	49	-
Transit Assistance Fund	106,752	100,315	100,315	(6,437)	-
Endowment Fund	-	100	100	100	-
Federal Fund	<u>763,894</u>	<u>760,463</u>	<u>760,463</u>	<u>(3,431)</u>	-
Total Dept of Transportation	5,850,793	5,416,691	5,803,502	(47,291)	386,811

Agency	FY 2014-15 Spending*	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
Metropolitan Council					
General Fund	157,993	153,252	182,752	24,759	29,500
Transit Assistance Fund	<u>486,615</u>	<u>550,300</u>	<u>550,300</u>	<u>63,685</u>	-
Total Metropolitan Council	644,608	703,552	733,052	88,444	29,500
Department of Public Safety					
General Fund	19,076	22,704	27,214	8,138	4,510
General Fund Transfers Out	6,158	-	-	(6,158)	-
Trunk Highway Fund	180,843	186,615	194,410	13,567	7,795
Highway User Tax Distribution Fund	18,158	18,184	1,753	(16,405)	(16,431)
Special Revenue Fund	165,115	171,316	193,720	28,605	22,404
State Government Special Revenue Fund	3,416	2,734	2,734	(682)	-
Gift Fund	158	134	134	(24)	-
Federal Fund	<u>81,691</u>	<u>108,582</u>	<u>108,582</u>	<u>26,891</u>	-
Total Dept. of Public Safety	474,615	510,269	528,547	53,932	18,278
Totals by Fund					
General Fund	223,862	213,072	275,139	51,277	62,067
General Fund Transfers Out	21,158	-	-	(21,158)	-
Trunk Highway Fund	3,235,403	2,671,489	3,018,976	(216,427)	347,487
State Airports Fund	45,577	40,949	51,948	6,371	10,999
County State Aid Highway Fund	1,197,072	1,398,697	1,405,083	208,011	6,386
Municipal State Aid Street Fund	345,134	357,769	359,446	14,312	1,677
Special Revenue Fund	421,991	388,140	410,544	(11,447)	22,404
State Government Special Revenue Fund	22,316	22,034	22,034	(282)	-
Highway User Tax Distribution Fund	18,393	18,468	2,037	(16,356)	(16,431)
Transit Assistance Fund	593,367	650,615	650,615	57,248	-
Gift Fund	158	134	134	(24)	-
Endowment Fund	-	100	100	100	-
Federal Fund	845,585	869,045	869,045	23,460	-
Total for Budget Area	6,970,016	6,630,512	7,065,101	95,085	434,589

* As adjusted by FY 2015 changes made by the 2015 Legislature.

**Table 2 – Transportation and Public Safety
General Fund Changes Compared to Forecast**
(dollars in thousands)

	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
<u>Appropriation Changes</u>						
Dept. of Transportation						
Greater MN Transit Operating Increase	2,500	2,500	5,000	-	-	-
Port development assistance	3,000	-	3,000	-	-	-
Emergency rail track repairs	145	-	145	-	-	-
Rail grade crossing safety projects	5,000	-	5,000	-	-	-
Roosevelt Tower replacement	32	-	32	-	-	-
Small city streets assistance	12,500	-	12,500	-	-	-
Local road disaster relief	<u>2,380</u>	-	<u>2,380</u>	-	-	-
Dept. of Transportation Total	25,557	2,500	28,057	-	-	-
Metropolitan Council						
Metro transit operating increase	3,800	23,500	27,300	13,194	13,194	26,388
Suburban Connections Demo Pilot	1,000	1,000	2,000	-	-	-
Transpo Management Organizations increase	<u>200</u>	-	<u>200</u>	-	-	-
Metropolitan Council Total	5,000	24,500	29,500	13,194	13,194	26,388
Department of Public Safety						
Administration operating increase	7	14	21	14	14	28
Emergency response teams creation	450	450	900	-	-	-
State patrol aircraft purchase (Gen Fund share)	117	-	117	-	-	-
Capitol security increase for formerly contracted services	1,570	1,570	3,140	1,570	1,570	3,140
Capitol security operating increase	<u>110</u>	<u>222</u>	<u>332</u>	<u>222</u>	<u>222</u>	<u>444</u>
Dept. of Public Safety Total	2,254	2,256	4,510	1,806	1,806	3,612
Total General Fund Spending Changes	32,811	29,256	62,067	15,000	15,000	30,000

DEPARTMENT OF TRANSPORTATION (MnDOT)

Chapter 75 appropriated a total of \$5.8 billion to MnDOT in FY 2016-17, a decrease of \$47.3 million, or 0.8 percent, from FY 2014-15 biennial spending, and an increase of \$386.8 million, or 7.1 percent, over the February 2015 forecast base.

Of MnDOT's total appropriations, 48.7 percent (\$2.8 billion) is from the Trunk Highway Fund, which receives revenues

from the motor fuels tax, vehicle registration tax, and motor vehicle sales tax (MVST). The Trunk Highway Fund also receives federal highway aid for road construction. For the FY 2016-17 biennium, the federal highway aid is estimated to be \$822.3 million, or approximately 29 percent of MnDOT's total Trunk Highway Fund appropriation.

Aeronautics

Chapter 75 directly appropriated \$52.9 million in FY 2016-17 to the Office of

Aeronautics. Of this total, \$39.6 million was from the State Airports Fund for airport development and assistance grants, which was \$11 million over the forecast base. This onetime increase was made possible by the December 2013 repayment of \$15 million to the State Airports Fund, as part of the November 2013 forecast. This amount had been transferred to the General Fund in FY 2008 as part of the FY 2008-09 state budget balancing plan. A similar onetime appropriation of \$4 million from the State Airports Fund was made in FY 2014-15.

The enacted budget included \$13.3 million for Office of Aeronautics operations in FY 2016-17, including \$10.6 million from the State Airports Fund and \$2.7 million from the Trunk Highway Fund. This was an increase of \$550,000, or 4.3 percent, above forecast base.

Greater Minnesota Transit

Chapter 75 appropriated \$141.4 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 \$6.3 million, or 4.3 percent, from appropriations in FY 2014-15, and an increase of \$5.1 million, or 3.7 percent, over the February 2015 forecast base. The enacted budget included a onetime appropriation of \$5 million from the General Fund for transit system operations, and \$70,000 from the Trunk Highway Fund as an ongoing operations increase.

The majority of the greater Minnesota transit appropriations (70.9 percent) are statutorily appropriated from the Transit Assistance Fund, which receives portions of motor vehicle sales tax (MVST) revenues and motor vehicle leasing sales tax (MVLST) revenues. The remainder of state funding is directly appropriated from the General Fund

(27.9 percent) and Trunk Highway Fund (1.2 percent).

Total MVST revenues are constitutionally dedicated for transportation purposes, with 60 percent allocated to the Highway User Tax Distribution Fund 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, with the first \$32 million of annual revenues deposited in the General Fund, and all remaining revenues allocated 50 percent to the greater Minnesota transit account in the Transit Assistance Fund and 50 percent to the County State-Aid Highway Fund for county roads and bridges.

Passenger Rail

Chapter 75 appropriated \$1 million from the General Fund in FY 2016-17 to the Office of Passenger Rail. This represents base funding for the office.

Freight

Chapter 75 appropriated \$8.7 million from the General Fund to freight operations in FY 2016-17, of which \$5 million was a onetime appropriation for rail grade crossing safety improvements, \$3 million was for onetime port development assistance grants, and \$145,000 was for a onetime grant for emergency temporary track repairs between White Bear Lake and Hugo.

The Legislature also appropriated \$10.2 million for freight from the Trunk Highway Fund, which was an increase of \$446,000, or 4.6 percent, over forecast base from this fund.

Safe Routes to School

Chapter 75 appropriated \$1 million in FY 2016-17 from the General Fund for grants to local jurisdictions for Safe Routes to School programs that encourage walking and bicycling to school. This represents base state funding for the program, which is also eligible to apply for grants from the federal Safe Routes to School program.

State Roads

Of the \$2.8 billion of total Trunk Highway Fund (THF) spending by MnDOT in FY 2016-17, approximately \$1.5 billion, or 54 percent, was appropriated for state road construction, engineering, and design. This is a decrease of \$270.2 million, or 15.1 percent, from the 2014-15 biennium, and an increase of \$231.8 million, or 17.9 percent, above the February 2015 forecast base. This projected state road construction spending increase includes an additional \$97.3 million of federal highway funds.

Chapter 75 also appropriated \$579.3 million from the THF for state road operations and maintenance, an increase of \$44.5 million, or 8.3 percent, over the FY 2016-17 forecast base. In addition, the biennial THF appropriation for state road program planning and delivery increased by \$55.3 million over its \$413.4 million base, an increase of 13.4 percent.

The enacted budget appropriated \$428.6 million from the THF for debt service payments on trunk highway bonds for state road construction. This includes \$12.1 million for debt service on a new \$140 million trunk highway bond authorization enacted in 2015 First Special Session Chapter 5. The remainder of the appropriation is for debt service payments on trunk highway bonds that were authorized in prior legislative sessions.

Aside from increased federal highway aid receipts relative to forecast, Chapter 75 contained no significant additional revenues to the THF. The THF, however, had a \$267.9 million projected balance in FY 2016-17, based on February 2015 forecast estimates. The increased THF appropriations in chapter 75 spent down the projected balance to \$17.7 million.

Local Roads

Chapter 75 appropriated \$1.4 billion in FY 2016-17 from the County State-Aid Highway Fund (CSAH) for construction and maintenance of county state-aid roads and \$359.4 million from the Municipal State-Aid Street Fund (MSAS) for construction and maintenance of municipal state-aid roads, increases of 17.4 percent and 4.2 percent, respectively, over the FY 2014-15 biennium. These funds were allocated to all 87 counties, and to cities with a population of 5,000 or greater, based on existing statutory distribution formulas.

The CSAH Fund and MSAS Fund 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 Highway User Tax Distribution Fund (HUTDF). Chapter 75 eliminated a \$16.5 million HUTDF base appropriation to Driver and Vehicle Services in the Department of Public Safety for FY 2016-17, which increased the HUTDF fund balance by that amount, compared to the February 2015 forecast. Therefore, as shown in Table 1, the CSAH Fund and MSAS Fund received increased statutory appropriations of \$6.4 million and \$1.7 million, respectively, compared to forecast.

The enacted budget also appropriated \$12.5 million in FY 2016, on a onetime basis, from the General Fund 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. These funds will be distributed as follows:

- five percent allocated equally among cities;
- 35 percent allocated based on proportional share of municipal street lane miles;
- 35 percent allocated based on proportional population of eligible cities; and
- 25 percent allocated based on an adjusted calculation of proportional share of county state-aid highway lane miles in the eligible cities.

Chapter 75 cancelled \$2.4 million in FY 2015 of a \$3 million General Fund appropriation, which was enacted in Chapter 2 to repair local roads and bridges damaged in the summer 2014 storms. As enacted, this appropriation would have cancelled at the end of the FY 2014-15 biennium, before all repairs could be completed. Therefore, Chapter 75 cancelled the unspent amount, \$2.4 million, and reappropriated the cancelled funds in FY 2016. See page 79 for additional detail on the natural disaster.

Agency Management

Chapter 75 appropriated \$125.5 million for MnDOT operations, including administration, financial services, and building management. This amount includes \$108,000 base spending from the General Fund, and the remainder from the Trunk Highway Fund. This appropriation was an increase of \$5.9 million, or 4.9 percent, over the February 2015 forecast base, but included an ongoing biennial appropriation of \$1.2 million for departmental tort claims that was previously made, in the same amount and for the same

purpose, to the Department of Management and Budget.

Revenues

Chapter 75 contained a provision that allowed MnDOT to dedicate previously nondedicated revenue from sales and leases of surplus land owned by the department, to fund the Conveyance Unit in the agency's Office of Land Management. This change will allow increased efforts to eliminate a backlog of property conveyance requests, and is projected to generate an additional \$2.6 million in FY 2016-17 to the Trunk Highway Fund.

METROPOLITAN COUNCIL – TRANSIT

Chapter 75 appropriated a total of \$733.1 million in FY 2016-17 to the Metropolitan Council for transit operations and transportation planning. This is an increase of \$88.4 million, or 13.7 percent, over FY 2014-15 spending, and \$29.5 million, or 4.2 percent, above the February 2015 forecast.

Chapter 75 cancelled \$29.7 million of a \$37 million General Fund appropriation made to the Metropolitan Council in FY 2014. This onetime appropriation was available until expended for the Southwest Light Rail project, and approximately \$7.3 million of it had already been spent. The majority of this cancellation amount, \$29.5 million, was reappropriated to Metropolitan Council in FY 2016-17 for ongoing transit operations. See page 13 for additional discussion of appropriation changes in the FY 2014-15 budget.

The General Fund appropriations also included \$2 million for a demonstration project of intercity bus service by suburban replacement service providers, and \$200,000 for grants to metro-area transportation

management organizations. These are onetime appropriations.

DEPARTMENT OF PUBLIC SAFETY

Transportation Divisions

The Department of Public Safety (DPS) received \$528.5 million in total appropriations for the FY 2016-17 biennium for transportation-related activities. The appropriation was an increase of \$53.9 million, or 11.4 percent, over the previous biennium, and an increase of \$18.3 million, or 3.6 percent, over the February 2015 forecast base.

The Department of Public Safety also received funding in Chapter 65 for six of its divisions contained in the Judiciary and Public Safety budget area. The Transportation and Public Safety budget in Chapter 75 funded the DPS divisions detailed below.

Administration and Related Services

Chapter 75 appropriated \$26.6 million for administration, support, and technical services of the Department of Public Safety, including \$13 million from the Trunk Highway Fund, \$10.8 million from the General Fund, and \$2.8 million from the Highway User Tax Distribution Fund. This was an increase of \$1.2 million, or 4.7 percent, over the February 2015 forecast base for this program, and includes a onetime General Fund appropriation of \$900,000 for the creation of two emergency response teams in the fire departments of St. Cloud and Duluth.

State Patrol

Chapter 75 appropriated \$180.5 million from the Trunk Highway Fund, \$16.4 million from the General Fund, and \$1.6 million from the Highway User Tax Distribution Fund for biennial State Patrol

operations, for a total FY 2016-17 increase of \$11.2 million, or six percent, compared to the forecast. The increases include onetime appropriations in FY 2016 of \$858,000 from the Trunk Highway Fund and \$117,000 from the General Fund for the purchase of an additional aircraft for state patrol purposes.

In addition, Chapter 75 repealed the section of statute that allowed the Commissioner of Public Safety to execute interagency agreements with Capitol complex tenants to provide, and charge fees for, Capitol Security services. The annual fee revenue of \$1.6 million, which was deposited in the Special Revenue Fund and statutorily appropriated to the commissioner, was replaced with a direct General Fund appropriation, allowing DPS to provide security at the Capitol complex based on an assessment of overall security risks rather than priorities of individual agencies. This change was recommended by the Advisory Committee on Capitol Area Security.

Chapter 75 also appropriated \$7 million for operating budget increases in FY 2016-17, of which \$6.7 million was from the Trunk Highway Fund, \$332,000 was from the General Fund and \$41,000 was from the Highway User Tax Distribution Fund.

Driver and Vehicle Services

Chapter 75 appropriated \$120.9 million from the Special Revenue Fund for FY 2016-17 operations of Driver and Vehicle Services (DVS), an increase of \$5.9 million, or 5.1 percent, above the February 2015 forecast. Special Revenue Fund appropriations to DVS are supported by fee revenue collected in connection with driver licensing and permitting, and motor vehicle title and registration transactions. The appropriation changes included a temporary elimination of an ongoing \$16.5 million

biennial appropriation from the Highway User Tax Distribution Fund (HUTDF) for procurement of license plates from the Department of Corrections. These costs will be offset by an appropriation from the vehicle services operating account in the Special Revenue Fund for FY 2016-17 only. Beginning in FY 2018, this appropriation will again be made from the HUTDF. In addition, the budget appropriated an additional \$2.4 million from the Special Revenue Fund for other costs related to the distribution of license plates and registration stickers to customers.

Total FY 2016-17 appropriations to DVS from the Special Revenue Fund also included \$3.3 million for ongoing operating budget increases and \$180,000 for the creation of a Data Services Unit to administer DVS's data practices program.

Traffic Safety

The enacted budget appropriated \$903,000 from the Trunk Highway Fund to the Office of Traffic Safety (OTS), an increase of \$33,000, or 3.8 percent, over the February 2015 forecast base. State appropriations to OTS assist the office in leveraging \$40 million in federal traffic safety funding each biennium.

Pipeline Safety

Chapter 75 appropriated \$2.8 million from the Special Revenue Fund to the Office of Pipeline Safety (OPS), funded through pipeline safety inspection fee revenue. This was an increase of \$51,000, or 2.5 percent, over February 2015 forecast base spending.

Revenues

- Chapter 75 increased fines for second and subsequent violations of texting while driving to \$275. (First time violations incur a fine of \$50.) This

change will increase General Fund revenue by a projected \$11,000 in FY 2016-17.

- Chapter 75 allowed owners of towed recreational vehicles and trailers to choose to renew registration of these vehicles every three years instead of annually. Over the long term, this will have no net effect on revenue to the HUTDF, but will cause a FY 2016-17 increase of \$608,000 to the fund as some annual registrants convert to registering every three years.
- Chapter 75 allowed the Commissioner of Public Safety to annually set the rate that the State Patrol charges for trooper escort services (for example, to assist the movement of oversize loads or for traffic control). Previously, the rates for these services were statutorily specified. To fully cover the costs of services provided, an additional \$300,000 in biennial fee revenue is projected under this change, to be deposited in and statutorily appropriated from the Special Revenue Fund.
- Chapter 75 enacted several new fees collected by Driver and Vehicle Services, including a reinstatement fee for revoked International Fuel Tax Agreement (IFTA) licenses, and filing fees for motor carrier fuel tax licenses and for removal of conditional registrations. Collectively, these fee changes will generate an additional \$954,000 to the Special Revenue Fund in FY 2016-17 to cover DVS administrative costs.
- Chapter 75 made changes to drive away in-transit license plates, which are used in transporting motor vehicles from manufacturers. The enacted law restricts

the plates to Minnesota-based businesses and removes the restriction that the plates are not valid outside the state.

These changes will result in a biennial loss of \$70,000 to the Special Revenue Fund and \$70,000 to the Highway User Tax Distribution Fund.

Table 3 - Transportation and Public Safety Revenue Changes Compared to Forecast <i>(dollars in thousands)</i>							
Revenue Changes by Agency	Fund	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
Department of Transportation							
Increased federal highway aid	Trunk Highway	46,995	50,295	97,290	50,295	50,295	100,590
Land Conveyance dedication	Trunk Highway	<u>1,300</u>	<u>1,300</u>	<u>2,600</u>	<u>1,300</u>	<u>1,300</u>	<u>2,600</u>
Dept. of Transportation Total		48,295	51,595	99,890	51,595	51,595	103,190
Department of Public Safety							
Towed rec vehicle 3-year registration	Highway User Tax	904	(452)	452	(452)	904	452
Trailer 3-year registration	Highway User Tax	308	(154)	154	(154)	308	154
Drive-away in-transit plate changes	Highway User Tax	(35)	(35)	(70)	(35)	(35)	(70)
Drive-away in-transit plate changes	Special Revenue	(35)	(35)	(70)	(35)	(35)	(70)
Increased state trooper escort rate	Special Revenue	150	150	300	150	150	300
IFTA revocation reinstatement fee	Special Revenue	40	40	80	40	40	80
Filing fee for conditional reg removal	Special Revenue	387	387	774	387	387	774
Filing fee for carrier fuel tax licenses	Special Revenue	50	50	100	50	50	100
Increased fine for texting violations	General	<u>5</u>	<u>6</u>	<u>11</u>	<u>7</u>	<u>8</u>	<u>15</u>
Dept. of Public Safety Total		1,774	(43)	1,731	(42)	1,777	1,735
Total Revenue Changes by Fund							
General Fund		5	6	11	7	8	15
Highway User Tax Distribution Fund		1,177	(641)	536	(641)	1,177	536
Trunk Highway Fund		48,295	51,595	99,890	51,595	51,595	103,190
Special Revenue Fund		592	592	1,184	592	592	1,184
Total Revenue Changes for Transportation & Public Safety		50,069	51,552	101,621	51,553	53,372	104,925

STATE GOVERNMENT FINANCE AND VETERANS

Chapter 77, the Omnibus State Government and Veterans Act, enacted FY 2016-17 appropriations for the Legislature, constitutional officers, and administrative state agencies, and was the primary act that established the FY 2016-17 budget in this jurisdiction. Several smaller acts also included appropriations in this jurisdiction. General Fund appropriations in this

jurisdiction totaled \$978.4 million for FY 2016-17 and biennial funding from all sources totaled \$1.8 billion. Table 1 summarizes the State Government and Veterans budget across all funds. Table 2, on page 97, details General Fund changes for State Government and Veterans agencies.

Table 1 - State Government and Veterans
All Funds Biennial Spending/Appropriations by Agency & Fund
(dollars in thousands)

	FY 2014-15 Spending	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
Legislature					
General Fund	150,255	138,352	158,202	7,947	19,850
Special Revenue Fund	1,027	800	800	(227)	-
Environment and Natural Resource Trust Fund	1,287	-	2,072	785	2,072
Outdoor Heritage Fund	1,703	-	1,215	(488)	1,215
Arts & Cultural Heritage Fund	25	-	-	(25)	-
Clean Water Fund	30	-	-	(30)	-
Parks and Trails Fund	13	-	-	(13)	-
Health Care Access Fund	420	256	256	(164)	-
Gift Fund	48	-	-	(48)	-
Federal Fund	<u>770</u>	<u>1</u>	<u>1</u>	<u>(769)</u>	<u>-</u>
Total Legislature	155,577	139,409	162,546	6,970	23,137
Governor					
General Fund	6,705	6,706	7,231	526	525
Special Revenue Fund	<u>2,621</u>	<u>2,374</u>	<u>2,374</u>	<u>(247)</u>	<u>-</u>
Total Governor	9,326	9,080	9,605	279	525
State Auditor					
General Fund	4,196	4,246	4,420	224	174
Special Revenue Fund	<u>1,686</u>	<u>1,475</u>	<u>1,475</u>	<u>(211)</u>	<u>-</u>
Total State Auditor	5,882	5,721	5,895	13	174
Attorney General					
General Fund	44,121	44,250	44,250	129	-
General Fund Transfers Out	-	-	-	-	-
State Government Special Revenue Fund	4,357	3,645	3,645	(712)	-

	FY 2014-15 Spending	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
Special Revenue Fund	19,470	19,338	19,338	(132)	-
Environmental Fund	145	290	290	145	-
Remediation Fund	250	500	500	250	-
Federal Fund	2,500	2,750	2,750	250	-
Adjustment for Expenses in Multiple Funds	<u>(360)</u>	<u>(388)</u>	<u>(388)</u>	<u>(28)</u>	=
Total Attorney General	70,483	70,384	70,384	(99)	-
Secretary of State					
General Fund	12,372	13,262	13,262	890	-
Special Revenue Fund	7,991	7,304	7,304	(687)	-
Federal Fund	<u>9</u>	=	=	<u>(9)</u>	=
Total Secretary of State	20,372	20,566	20,566	194	-
Campaign Finance and Public Disclosure Board					
General Fund	1,850	2,000	1,172	(678)	(828)
General Fund Transfers Out	2,711	2,766	3,786	1,075	1,020
Special Revenue Fund	<u>2,746</u>	<u>2,798</u>	<u>2,798</u>	<u>52</u>	=
Total Campaign Finance and Public Disclosure Board	7,307	7,564	7,756	449	192
Investment Board					
General Fund	278	278	278	-	-
Special Revenue Fund	<u>8,841</u>	<u>10,516</u>	<u>10,516</u>	<u>1,675</u>	=
Total Investment Board	9,119	10,794	10,794	1,675	-
MN.IT Services					
General Fund	19,838	4,812	5,098	(14,740)	286
General Fund Transfers Out	54	50	50	(4)	-
Special Revenue Fund	36,260	12,793	12,793	(23,467)	-
Federal Fund	<u>85</u>	=	=	<u>(85)</u>	=
Total MN.IT Services	56,238	17,655	17,941	(38,297)	286
Administrative Hearings Office					
General Fund	736	642	763	27	121
Environmental Fund	125	100	100	(25)	-
Workers' Compensation Special Fund	<u>14,500</u>	<u>14,500</u>	<u>14,500</u>	=	=
Total Administrative Hearings Office	15,361	15,242	15,363	2	121
Administration					
General Fund	48,597	44,749	48,378	(219)	3,629
General Fund Transfers Out	49	50	50	1	-
Special Revenue Fund	85,958	90,838	90,838	4,880	-
Arts & Cultural Heritage Fund	19,667	-	21,183	1,516	21,183
Endowment and Permanent School Fund	-	-	600	600	600
Gift Fund	1,098	34	34	(1,064)	-

	FY 2014-15 Spending	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
Federal Fund	<u>2,889</u>	<u>2,890</u>	<u>2,890</u>	<u>1</u>	-
Total Administration	158,258	138,524	163,973	5,715	25,449
Capitol Area Architectural and Planning Board					
General Fund	<u>684</u>	<u>670</u>	<u>685</u>	<u>1</u>	<u>15</u>
Total Capitol Area Architectural and Planning Bd.	684	670	685	1	15
Management and Budget					
General Fund	46,499	40,942	46,051	(448)	5,109
General Fund Transfers Out	15,639	17,972	17,972	2,333	-
Special Revenue Fund	<u>25,558</u>	<u>26,908</u>	<u>26,908</u>	<u>1,349</u>	-
Total Management and Budget	87,696	85,822	90,931	3,234	5,109
Minnesota Revenue					
General Fund	280,165	277,352	285,848	5,683	8,496
General Fund Transfers Out	92	82	82	(10)	-
Special Revenue Fund	10,629	11,048	11,048	418	-
Health Care Access Fund	3,498	3,499	3,499	1	-
Highway Users Tax Distribution Fund	4,366	4,366	4,366	-	-
Environmental Fund	<u>606</u>	<u>606</u>	<u>606</u>	-	-
Total Minnesota Revenue	299,356	296,953	305,449	6,092	8,496
Amateur Sports Commission					
General Fund	582	532	600	18	68
Special Revenue Fund	142	100	100	(42)	-
Gift Fund	<u>1</u>	-	-	<u>(1)</u>	-
Total Amateur Sports Commission	725	632	700	(25)	68
Council for Minnesotans of African Heritage					
General Fund	784	784	797	13	13
Special Revenue Fund	107	11	11	(96)	-
Gift Fund	-	-	-	-	-
Total Council for Minnesotans of African Heritage	891	795	808	(83)	13
Minnesota Council on Latino Affairs					
General Fund	750	750	767	17	17
Special Revenue Fund	<u>4</u>	-	-	<u>(4)</u>	-
Total Minnesota Council on Latino Affairs	754	750	767	13	17
Asian-Pacific Minnesotans Council					
General Fund	708	708	723	15	15
Special Revenue Fund	31	26	26	(5)	-
Gift Fund	<u>2</u>	<u>4</u>	<u>4</u>	<u>2</u>	-
Total Asian-Pacific MNs Council	741	738	753	12	15

	FY 2014-15 Spending	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
Indian Affairs Council					
General Fund	1,124	1,124	1,145	21	21
Special Revenue Fund	114	160	160	46	-
Arts & Cultural Heritage Fund	1,900	-	-	(1,900)	-
Federal Fund	<u>15</u>	<u>90</u>	<u>90</u>	<u>75</u>	-
Total Indian Affairs Council	3,153	1,374	1,395	(1,758)	21
Historical Society					
General Fund	43,235	48,550	49,453	6,218	903
General Fund Transfers Out	1,400	-	-	(1,400)	-
Special Revenue Fund	138	200	200	62	-
Arts & Cultural Heritage Fund	<u>33,790</u>	-	<u>29,000</u>	<u>(4,790)</u>	<u>29,000</u>
Total Historical Society	78,563	48,750	78,653	90	29,903
Arts Board					
General Fund	15,028	15,028	15,052	24	24
Arts & Cultural Heritage Fund	54,319	-	58,131	3,812	58,131
Gift Fund	87	82	82	(5)	-
Federal Fund	<u>1,461</u>	<u>1,471</u>	<u>1,471</u>	<u>10</u>	-
Total Arts Board	70,895	16,581	74,736	3,841	58,155
Humanities Commission					
General Fund	542	502	1,350	808	848
Arts & Cultural Heritage Fund	<u>3,475</u>	-	<u>4,540</u>	<u>1,065</u>	<u>4,540</u>
Total Humanities Commission	4,017	502	5,890	1,873	5,388
Veterans Affairs					
General Fund	31,398	36,543	36,917	5,519	374
General Fund Transfers Out	91,517	93,042	109,947	18,430	16,905
Special Revenue Fund	193,641	190,210	190,210	(3,431)	-
Gift Fund	982	1,011	1,011	29	-
Federal Fund	<u>28,134</u>	<u>42,759</u>	<u>42,759</u>	<u>14,625</u>	-
Total Veterans Affairs	345,672	363,565	380,844	35,171	17,279
Military Affairs					
General Fund	53,765	39,494	39,494	(14,271)	-
General Fund Transfers Out	29	34	34	5	-
Special Revenue Fund	2,606	2,508	2,508	(99)	-
Federal Fund	<u>151,518</u>	<u>174,139</u>	<u>174,139</u>	<u>22,622</u>	-
Total Military Affairs	207,918	216,175	216,175	8,257	-
MMB Nonoperating					
General Fund	(37,621)	(22,582)	(22,582)	15,039	-
State Government Special Revenue Fund	400	800	800	400	-
Trunk Highway Fund	600	1,200	-	(600)	(1,200)
Workers' Compensation Special Fund	100	200	(11,776)	(11,876)	(11,976)
Federal Fund	16,004	16,200	16,200	196	-

	FY 2014-15 Spending	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
Debt Service Fund	<u>415</u>	=	=	<u>(415)</u>	=
Total MMB Nonoperating	(20,102)	(4,182)	(17,358)	2,744	(13,176)
Racing Commission					
General Fund	-	-	341	341	341
Special Revenue Fund	<u>5,036</u>	<u>5,366</u>	<u>5,548</u>	<u>512</u>	<u>182</u>
Total Racing Commission	5,036	5,366	5,889	853	523
Accountancy Board					
General Fund	<u>1,367</u>	<u>1,236</u>	<u>1,280</u>	<u>(87)</u>	<u>44</u>
Total Accountancy Board	1,367	1,236	1,280	(87)	44
Architecture Engineering Land Surveying					
General Fund	<u>1,592</u>	<u>1,548</u>	<u>1,578</u>	<u>(14)</u>	<u>30</u>
Total Architecture Engineering Land Surveying	1,592	1,548	1,578	(14)	30
Cosmetologist Examiners Board					
General Fund	<u>2,712</u>	<u>2,692</u>	<u>5,149</u>	<u>2,437</u>	<u>2,457</u>
Total Cosmetologist Examiners Board	2,712	2,692	5,149	2,437	2,457
Barber Examiners Board					
General Fund	<u>644</u>	<u>634</u>	<u>646</u>	<u>2</u>	<u>12</u>
Total Barber Examiners Board	644	634	646	2	12
Gambling Control Board					
Special Revenue Fund	<u>6,293</u>	<u>5,322</u>	<u>6,584</u>	<u>291</u>	<u>1,262</u>
Total Gambling Control Board	6,293	5,322	6,584	291	1,262
Minnesota State Retirement System					
General Fund	-	-	-	-	-
General Fund Transfers Out	<u>7,234</u>	<u>15,488</u>	<u>15,488</u>	<u>8,254</u>	=
Total Minnesota State Retirement System	7,234	15,488	15,488	8,254	-
Local Pension Aids					
General Fund	<u>125,285</u>	<u>127,316</u>	<u>91,316</u>	<u>(33,969)</u>	<u>(36,000)</u>
Total Local Pension Aids	125,285	127,316	91,316	(33,969)	(36,000)
Totals by Fund					
General Fund	858,192	833,120	839,664	(18,528)	6,544
General Fund Transfers Out	118,725	129,484	147,409	28,684	17,925
State Government Special Revenue Fund	4,757	4,445	4,445	(312)	-
Special Revenue Fund	410,899	390,094	391,538	(19,361)	1,444

	FY 2014-15 Spending	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
Health Care Access Fund	3,918	3,755	3,755	(163)	-
Endowment and Permanent School Fund	-	-	600	600	600
Gift Fund	2,218	1,131	1,131	(1,087)	-
Trunk Highway Fund	600	1,200	-	(600)	(1,200)
Highway Users Tax Distribution Fund	4,366	4,366	4,366	(-)	-
Environmental Fund	876	996	996	120	-
Remediation Fund	250	500	500	250	-
Workers Compensation Special Fund	14,600	14,700	2,724	(11,876)	(11,976)
Federal Fund	203,384	240,299	240,299	36,915	-
Debt Service Fund	415	-	-	(415)	-
Expenses in Multiple Funds	<u>(360)</u>	<u>(388)</u>	<u>(388)</u>	<u>(28)</u>	-
Subtotal for Regular Funds	1,622,840	1,623,702	1,637,039	14,199	13,337
<i>Dedicated/Constitutional Funds</i>					
Env & Natural Resources Trust Fund	1,287	-	2,072	785	2,072
Outdoor Heritage Fund	1,703	-	1,215	(488)	1,215
Arts & Cultural Heritage Fund	113,176	-	112,854	(322)	112,854
Clean Water Fund	30	-	-	(30)	-
Parks & Trails Fund	<u>13</u>	-	-	<u>(13)</u>	-
<i>Subtotal Dedicated/Const. Funds</i>	116,209	-	116,141	(68)	116,141
Total for Budget Area	1,739,048	1,623,702	1,753,180	14,132	129,478

**Table 2 -State Government and Veterans
General Fund Changes Compared to Forecast**
(dollars in thousands)

	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
<u>Appropriation Changes</u>						
Legislature						
Senate Operating Budget Increase	5,329	9,653	14,982	9,666	9,472	19,138
House Operating Budget Increase	915	1,859	2,774	1,859	1,859	3,718
Office of Legislative Auditor (OLA) Staff Funding	250	250	500	250	250	500
LCC Operating Budget Increase	174	353	527	353	353	706
Revisor's Office Administrative Rules System - Phase 1	-	380	380	-	-	-
Revisor's Office IT Services & Staff	297	298	595	298	298	596
Chapter 70, Elections Emergency Planning Task Force	22	-	22	-	-	-
LCC: Data Practices Commission Increase	<u>35</u>	<u>35</u>	<u>70</u>	=	=	=
Total Legislature	7,022	12,828	19,850	12,426	12,232	24,658
Governor						
Operating Adjustment - Compensation	48	97	145	97	97	194
Legal, Emergency Preparedness & Constituent Work	<u>214</u>	<u>166</u>	<u>380</u>	<u>166</u>	<u>166</u>	<u>332</u>
Total Governor	262	263	525	263	263	526
State Auditor						
Staff Retention Audit, Pension & Govt Info Divisions	64	110	174	110	110	220
Campaign Finance & Public Disclosure Board						
Operating Adjustment - Compensation	14	28	42	28	28	56
Web Site Redevelopment	<u>150</u>	=	<u>150</u>	=	=	=
Total Campaign Finance Board	164	28	192	28	28	56
Administrative Hearings						
Operating Adjustment - Compensation	3	6	9	6	6	12
Data Practices Hearing Costs	6	6	12	6	6	12
Campaign Violations Hearing Costs	<u>50</u>	<u>50</u>	<u>100</u>	<u>50</u>	<u>50</u>	<u>100</u>
Total Administrative Hearings	59	62	121	62	62	124
MN.IT Services						
Operating Adjustment - Compensation	95	191	286	191	191	382
Administration						
Operating Adjustment - Compensation	131	265	396	265	265	530
Equity in Public Contracting: Veterans, Minority & Women	764	469	1,233	469	469	938
Targeted Group Business Disparity Study	735	65	800	-	-	-
State Agencies Accommodation Reimbursement	200	200	400	200	200	400
Public TV Equipment Grants	300	-	300	-	-	-

	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
MPR Equipment Grants	250	-	250	-	-	-
AMPERS Community Service Grants	200	-	200	-	-	-
AMPERS Radio Equipment Grants	<u>50</u>	-	<u>50</u>	-	-	-
Total Administration	2,630	999	3,629	934	934	1,868
Capitol Area Architectural & Planning Board (CAAPB)						
Operating Adjustment - Compensation	5	10	15	10	10	20
MN Management & Budget						
Operating Adjustment - Compensation	287	579	866	579	579	1,158
Maintain Enterprise Systems	1,000	2,000	3,000	2,000	2,000	4,000
Enhance Enterprise-level Services	500	500	1,000	500	500	1,000
Return on Investment	<u>121</u>	<u>122</u>	<u>243</u>	<u>122</u>	<u>122</u>	<u>244</u>
Total MMB	1,908	3,201	5,109	3,201	3,201	6,402
Revenue Department						
Operating Adjustment - Compensation	1,821	3,675	5,496	3,675	3,675	7,350
Maintenance & Enhancement of Minnesota's Tax System	<u>1,000</u>	<u>2,000</u>	<u>3,000</u>	<u>2,000</u>	<u>2,000</u>	<u>4,000</u>
Total Revenue	2,821	5,675	8,496	5,675	5,675	11,350
Racing Commission						
Onetime General Fund Operating Increase	269	72	341	-	-	-
MN Amateur Sports Commission (MASC)						
Operating Budget Increase	34	34	68	34	34	68
Council for Minnesotans of African Heritage						
Operating Adjustment - Compensation	4	9	13	9	9	18
Minnesota Council on Latino Affairs						
Operating Adjustment - Compensation	6	11	17	11	11	22
Asian-Pacific Minnesotans Council						
Operating Adjustment - Compensation	5	10	15	10	10	20
Indian Affairs Council						
Operating Adjustment - Compensation	7	14	21	14	14	28
Minnesota Historical Society						
Operating Adjustment - Compensation	241	487	728	487	487	974
Minnesota Military Museum Archivist	50	50	100	-	-	-
Farmamerica Grant Increase	<u>75</u>	-	<u>75</u>	-	-	-
Total Historical Society	366	537	903	487	487	974
Minnesota Arts Board						
Operating Adjustment - Compensation	8	16	24	16	16	32

	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
Minnesota Humanities Center						
General Operating Support Increase	99	99	198	99	99	198
Healthy Eating through Humanities	<u>325</u>	<u>325</u>	<u>650</u>	<u>325</u>	<u>325</u>	<u>650</u>
Total Humanities Center	424	424	848	424	424	848
Accountancy Board						
Operating Adjustment - Compensation	11	23	34	23	23	46
Notification to Licensees of Statutory Changes	<u>10</u>	-	<u>10</u>	-	-	-
Total Accountancy Board	21	23	44	23	23	46
Architectural/Engineering Board						
Operating Adjustment - Compensation	10	20	30	20	20	40
Cosmetology Examiners Board						
Operating Adjustment - Compensation	19	38	57	38	38	76
Licensing & Fee Modifications	<u>1,200</u>	<u>1,200</u>	<u>2,400</u>	<u>1,200</u>	<u>1,200</u>	<u>2,400</u>
Total Cosmetology Board	1,219	1,238	2,457	1,238	1,238	2,476
Barber Examiners Board						
Operating Adjustment - Compensation	4	8	12	8	8	16
Public Employees Retirement Association						
MERF -PERA Merger-Omnibus Pension Bill	(18,000)	(18,000)	(36,000)	(8,000)	(8,000)	(16,000)
Military Affairs						
Reallocation from Enlistment Incentives base	(3,460)	(3,460)	(6,920)	(3,460)	(3,460)	(6,920)
Reallocation to Maintenance of Training Facilities	3,000	3,000	6,000	3,000	3,000	6,000
Reallocation to General Support	<u>460</u>	<u>460</u>	<u>920</u>	<u>460</u>	<u>460</u>	<u>920</u>
Total Military Affairs	-	-	-	-	-	-
One Time Transfer from Enlistment Incentives	(10,000)	-	(10,000)	-	-	-
One Time Transfer to Maintenance of Training Facilities	<u>10,000</u>	-	<u>10,000</u>	-	-	-
Net Military Affairs Transfers	-	-	-	-	-	-
Veterans Affairs						
Operating Adj Programs & Services	109	221	330	221	221	442
Operating Adj Veterans Health Care	6,200	10,705	16,905	10,705	10,705	21,410
Military Expedited & Temp Licensing Ed Dept transfer	<u>44</u>	-	<u>44</u>	-	-	-
Total Veterans Affairs	6,353	10,926	17,279	10,926	10,926	21,852
Total General Fund Spending Changes	5,760	18,709	24,469	28,120	27,926	56,046

LEGISLATURE

Chapter 77 appropriated \$158.4 million for the operations of the Legislature, of which \$158.2 million came from the General Fund. These appropriations reflect a \$19.9 million increase to the forecasted General Fund amounts for FY 2016-17.

The General Fund total of \$60.2 million for the Senate includes an increase of nearly \$15 million over the forecast base. Of this increase, \$12.9 million was appropriated for the debt service and operating costs of the Minnesota Senate Building and parking garage. (See sidebar on page 101.) The remaining increase was appropriated for compensation and other operating budget increases. The House of Representatives received an appropriation of \$63.8 million from the General Fund, including a \$2.8 million increase over the forecast base for operating budget increases. The joint legislative offices under the direction of the Legislative Coordinating Commission (LCC) received \$21 million from the General Fund, including funding over the forecast base of \$1.6 million for operating budget increases, phase 1 of the Office of the Revisor administrative rules system, additional IT services and staff for the Office of the Revisor, and a part-time staffing position for the Data Practices Commission. \$13.1 million from the General Fund for the Office of the Legislative Auditor (OLA) included \$500,000 over the FY 2016-17 forecast base for staff funding. Chapter 77 required the House of Representatives and Senate rules committees and the LCC to each adopt a budget that approves their respective uses of specific amounts for employee compensation, member compensation, rental payments under a lease, and other specified categories.

STATE AGENCY HEAD SALARIES

In 2013, a new law was enacted to permit the Governor to set the salaries of executive branch agency heads anywhere within the salary ranges that have been established by law. This change was made retroactive to January 1, 2013. The salary range maximum for heads of most agencies was increased from 95 percent of the salary of the Governor to 133 percent of the Governor's salary, with the limit increased annually based on the Consumer Price Index. The salary range maximum for smaller state agencies was increased from 85 percent to 120 percent of the salary of the Governor. The 2013 changes removed a requirement for specific legislative approval of individual agency head salaries within the range limits. The Governor's salary at the time this change was enacted was \$120,303, and on January 1, 2015, had risen to \$123,912 based on a three percent increase in law, with another three percent increase due on January 1, 2016. Therefore, the current range limit for most agency heads is \$164,803 and for smaller agency heads is \$148,694. Most of the cabinet agency head salaries were increased by five percent as of January 2013 and by five percent as of January 2014. Before those salary changes took effect, most agency head salaries had not increased since 2000.

In January 2015, using the new authority of the 2013 law and based on a mandated compensation study of managerial positions in state government, the Governor increased salaries of all agency heads. (The Governor also changed the salary for the chair of the Metropolitan Council from a part-time to a full-time salary.) Following the salary increases, several changes to agency head compensation were enacted in Chapter 3. These changes included:

- An agency head salary freeze was enacted and made effective February 27, 2015. The freeze required the salary rate for agency head salaries for positions appointed by the Governor to be set at a salary rate that did not exceed the rate in the previous calendar year. This freeze applied through June 30, 2015.
- The Commissioner of Management and Budget was required to make onetime General Fund appropriation reductions in FY 2015 totaling \$40,000 to the Departments of Health, Human Services, and Natural Resources. To the extent possible, the Commissioner of Management and Budget was required to allocate these reductions to the agency appropriations that supported the commissioner's salary in these agencies.
- Beginning on July 2, 2015, and thereafter, the Legislative Coordinating Commission (LCC) is required to approve, reject, or modify any Governor's recommendations for agency salary head salaries, subject to eventual approval by the full Legislature.

The one-day gap in effective dates between the salary freeze provision and the new LCC approval of agency head salary changes provided the Governor a one-day opportunity to take action to increase salary rates without LCC approval. The Governor used that authority to increase agency head salaries and, generally, reinstated the increases that had initially been implemented in January 2015.

An Elections Emergency Task Force was established in the Omnibus Elections Act (Chapter 70) to research issues related to potential emergencies that could affect elections. The task force will include a total of 14 members appointed from the Legislature, state government agencies and

local government organizations. \$22,000 in FY 2016 was appropriated to the LCC to pay for member participant costs, staff support and supplies.

MINNESOTA SENATE BUILDING AND PARKING GARAGE

The authorization for the Minnesota Senate Building and parking garage was enacted in the 2013 legislative session, and provided that certificates of participation be sold to pay for the construction costs. (See page 115 of the *2013 Fiscal Review* for a discussion about the Minnesota State Capitol Complex renovation.) Certificates of participation (COP) are a financial instrument commonly used by government entities, often to finance a capital project. The debt service on COPs are typically paid through rent payments from a government entity. In the case of the Minnesota Senate Building and the parking garage, the COPs for the project were sold in August 2014 and generated \$80.1 million for the purpose of constructing the new facilities.

The Department of Administration entered into a lease agreement with the Minnesota Senate, with the Department of Administration as the lessor and the Senate as the lessee. The lease remains in effect until June 1, 2039, when the payments on the COPs will be complete. The Department of Administration sets the amount of the lease payments for each biennium and agrees, as the landlord, to provide a series of services, including building maintenance, utilities, and cleaning. The Senate agrees to make rental payments for the use of the building. By March 15 of each odd-numbered year, the Department of Administration is required to notify the Senate of the amount of the rent for the upcoming biennium. The lease requires the Senate to use all lawful means to secure appropriations to make the rental payments for the subsequent biennium.

In the 2015 session, the Senate's FY 2016-17 General Fund appropriation in Chapter 77 was increased by \$14.9 million, and \$12.9 million of that amount was for rent payments on the new building and the parking garage. The rent payment has three components: debt service on the Minnesota Senate Building, debt service on the parking garage, and operating expenses of the garage and Minnesota Senate Building. The parking garage debt service is offset by parking fees paid by users of the garage, which are deposited in the General Fund as nondedicated receipts.

The Senate is projected to occupy the Minnesota Senate Building beginning in January 2016. Therefore, in the first biennium, the \$12.9 million Senate rent payment is lower than the amount anticipated for future biennia when the building will be occupied during the entire two year budget period. In FY 2016-17, the rent payment will include \$8 million for the Minnesota Senate Building debt service, \$1.6 million for the parking garage debt service, and \$3.3 million for the facility's operating expenses. Because the parking garage debt service portion of the rent will be offset by parking revenues, the net General Fund increase in FY 2016-17 is \$11.3 million. Based on the debt service schedule for the COPs, the rent in the FY 2018-19 biennium will include \$9.9 million for the Minnesota Senate Building debt service, \$1.9 million for the parking garage debt service, and an amount to be determined for operating expenses. The operating expenses for the facility will not be known until the Department of Administration can analyze the ongoing expenses of the building's operation once it is occupied. However, it is reasonable to assume that the operating expenses in FY 2018-19 will be higher than the expenses in FY 2016-17.

CONSTITUTIONAL OFFICERS

Governor

Chapter 77 appropriated \$7.2 million from the General Fund for FY 2016-17 for the Office of the Governor. This appropriation was increased by \$525,000 from the forecast amount for compensation increases and new staffing for legal, emergency preparedness, and constituent work. Chapter 77 requires notice to the Legislature whenever the Governor's office enters into interagency agreements with state agencies to support the personnel costs of the office.

State Auditor

Chapter 77 changed current law to allow counties the option to have an audit performed by either the State Auditor or a certified public accounting (CPA) firm effective August 1, 2016. Previously, counties were required to use the State Auditor's services for audits or to petition the State Auditor to be allowed to use auditing services from another vendor. Under the new law, counties may elect, without first receiving permission from the State Auditor, to use a CPA firm to perform county audits. The new law, however, does permit the State Auditor to review any county audit at the county's expense. Audit fees charged to these counties are deposited into a dedicated fund and are statutorily appropriated to the State Auditor's Office. Expenditures from the dedicated fund are projected to be \$13.8 million in the FY 2016-2017 biennium. Currently, the State Auditor audits 59 of the 87 counties. While it is difficult to predict how many counties that are currently audited by the State Auditor will make a change to a CPA firm, a 20 percent reduction in billable audit hours was projected in order to calculate the fiscal effect of this policy change. Based on this projection, beginning in FY 2018-19, the State Auditor is projected to collect

\$976,000 less in audit fees than was forecasted. Chapter 77 mandates the Office of Legislative Auditor (OLA) to evaluate the efficiency of the audits conducted by the State Auditor and to provide a report to the Legislature by January 15, 2016.

The General Fund appropriations for the FY 2016-17 biennium to the State Auditor are \$4.4 million. This amount is an increase of \$174,000 over the forecast and is for costs of staff retention.

Attorney General

Total funding for FY 2016-17 for the Attorney General is \$70.4 million, \$44.3 million of which was a direct appropriation from the General Fund. The General Fund appropriation was not increased over forecast for FY 2016-17.

Secretary of State

Chapter 77 provided \$20.6 million for the Secretary of State for FY 2016-17, of which General Fund direct appropriations totaled \$13.3 million. The General Fund appropriation was not increased over forecast for FY 2016-17. A series of small changes were made to business services fees and filings to restructure fees. These changes reduced nondedicated receipts to the General Fund by \$6,000 in FY 2016-17 compared to the forecast. The Secretary of State will use funds from the statutory Technology Special Revenue Fund to pay for computer programs necessitated by the revised fee structure.

STATE AGENCIES

Office of MN.IT Services

The FY 2016-17 total appropriation for the Office of MN.IT Services was \$17.9 million. The direct General Fund portion of the budget was \$5.1 million for FY 2016-17, an increase of \$286,000 over forecast to

provide additional funding for increased compensation costs and to maintain the current level of agency operations. Chapter 77 enacted a loan of \$110 million to MN.IT from the General Fund in FY 2016 to be repaid in FY 2017. Because this loan will be repaid within the biennium, it will have no effect on the biennial budget. The loan addresses 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 biennium. Chapter 77 also amended the repayment date for the FY 2014 loan from the last day of FY 2015 (June 30, 2015) to the “hard close” of the fiscal year. The “hard close” occurs in October when the accounting period for the biennium officially ends. Adjusting the repayment date of the FY 2014 loan provides MN.IT more time to collect, review, and process payments. The “hard close” repayment date will also apply to the FY 2016 loan.

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 for FY 2016-17 is \$807 million.

Department of Administration

Appropriations to the Department of Administration total \$164 million for FY 2016-17, including \$48.4 million from the General Fund. General Fund appropriations include additional funding to pay for increased compensation costs, maintain the

current level of agency operations, and to fund the increases in the small business contracting program that aims to reduce economic disparities for veteran, minority, and woman-owned small businesses. Onetime General Fund appropriations in the amount of \$800,000 were made to conduct a disparity study to continue providing preferences to the small targeted group businesses. The last disparity study was completed in 2010. Chapter 77 also established a program to reimburse any state agency for expenses the agency incurs to make “reasonable accommodations” for an employee, or applicant for employment, who has a qualifying disability. To fund this program, Chapter 77 established a dedicated reimbursement account in the Special Revenue Fund and transferred \$200,000 a year from the General Fund to the reimbursement account. The Department of Administration also acts as the fiscal agent for \$21.2 million appropriated from the constitutionally dedicated Legacy funds, for activities such as public broadcasting, zoos, and museums. (See Appendix D, page 124, for detail on the Omnibus Legacy Act.)

Over 80 percent of Department of Administration functions are funded from 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. Internal service and enterprise funds are expected to total \$242.7 million in FY 2016-

17. This is in addition to \$164 million of other appropriations to the department in FY 2016-17.

Due to the Capitol renovation and relocation of legislative offices, Chapter 77 requires the Commissioner of Administration to evaluate the in-lieu of rent appropriation and report to the Legislature by January 15, 2017. The annual in-lieu of rent appropriation is made to pay for the 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 of Administration serves as the fiscal agent for public broadcasting grants that total \$6 million for FY 2016-17, of which \$800,000 was a onetime appropriation for the biennium.

Minnesota Management and Budget

The FY 2016-17 operating budget for the Department of Management and Budget totals \$90.9 million, \$46.1 million of which was appropriated directly from the General Fund. The General Fund appropriation was \$5.1 million above the forecast, for the following specific initiatives: \$866,000 for increased compensation costs and to maintain the current level of agency operations; \$3 million to maintain enterprise financial, procurement, and human resource systems; \$1 million to enhance enterprise related support to state agencies on issues such as affirmative action plans, the Veterans Preference Act, data mining, retirement-related capacity losses, and compliance with the Americans with Disabilities Act; and \$200,000 to evaluate corrections and human services programs

using the Pew-MacArthur Results First framework.

Department of Revenue

The Department of Revenue budget totals \$305.4 million for the FY 2016-17 biennium, including direct General Fund appropriations of \$282.1 million. Chapter 77 included new General Fund appropriations of \$5.5 million over forecast base to meet increased compensation costs and maintain the current level of agency operations, and \$3 million for maintenance and enhancement of Minnesota's tax system, which includes technology investments, tax litigation costs, administrative costs, and customer service enhancement.

Office of Administrative Hearings

The Office of Administrative Hearings (OAH) has a budget of \$15.4 million for FY 2016-17, \$14.5 million of which is from the Workers' Compensation Special Fund. Chapter 77 also appropriated \$763,000 to the OAH from the General Fund, an increase of \$121,000 over forecast base for the increased costs of campaign finance violation and data practices hearings and compensation.

The OAH will also receive \$6.4 million in FY 2016-17 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 77 appropriated \$6.6 million for the FY 2016-17 biennium to maintain regulatory oversight of lawful gambling. The appropriation comes from the lawful gambling regulation account in the Special Revenue Fund. This is a \$1.3 million decrease from forecast because revenues

under current law did not support the forecasted spending. Other changes made due to the reduction in revenues include: reducing the appropriation in Chapter 65 from the lawful gambling regulation account to the Department of Public Safety for gambling enforcement from the forecasted level of \$180,000 per year to \$70,000 per year; increasing the regulatory fee paid by charitable organization from .001 per penny spent on gambling at regulated gambling organizations to .00125 per penny, which will increase revenue by \$600,000 for FY 2016-17; and increasing fees for licenses, permits, and product approval, which will increase projected revenues by \$438,000 for the FY 2016-17 biennium.

Racing Commission

For the FY 2016-17 biennium, \$5.9 million was budgeted 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 from reimbursements.

Without additional revenues, current forecasted spending for FY 2016-17 was not sustainable. Chapter 77 provided onetime General Fund appropriations of \$341,000 to continue the operations of the commission until more permanent revenue measures are put in place. Chapter 77 increased occupational fees and required the issuance of three-year rather than one-year licenses. These changes are estimated to generate an additional \$182,000 in revenue in the dedicated special revenue account starting in FY 2017, but the changes will have to go through the rulemaking process to develop rules to implement the fee changes. The rulemaking process is expected to be completed within one year and the fee

changes will be presented to the Legislature for approval before taking effect.

State Lottery

Chapter 77 limited the biennial State Lottery operating budget to \$62 million. Total lottery sales revenues for FY 2016-17 are estimated to be \$1.1 billion. Total payments to the state from these revenues in FY 2016-17 are estimated to be \$266 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. Chapter 45 prohibited the selling of lottery tickets through Automated Teller Machines (ATM), gas station pumps, and Internet sales of instant tickets. The prohibition is estimated to reduce sales tax revenues to the General Fund by \$131,000 and to other funds by \$343,000; and lottery revenue to the General Fund by \$807,000 and to other funds by \$539,000 for the FY 2016-17 biennium. (The revenue reduction associated with this provision is displayed in the State Revenues Chapter of this report.)

Amateur Sports Commission

Chapter 77 appropriated \$600,000 to the Amateur Sports Commission from the General Fund in FY 2016-17. This amount includes a 13 percent increase in the commission's operating budget over FY 2014-15.

Minnesota Historical Society

Appropriations to the Historical Society total \$78.7 million for FY 2016-17. Of this amount, \$49.4 million is from the General Fund for operating expenses and for the historic structures grant program, an increase of \$903,000 above the forecast. Of this amount, \$729,000 was for compensation costs and to maintain the current level of agency operations. The General Fund appropriation also included onetime

appropriations for an archivist at the Minnesota Military Museum (\$100,000) and a grant increase for Farmamerica (\$75,000). The Historical Society also received a \$29 million appropriation for FY 2016-17 from the Arts and Cultural Heritage Fund in 2015 First Special Session, Chapter 2, for grants to local, county, regional, and other historical or cultural organizations. The Historical Society 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 77 increased the direct appropriations from the General Fund in FY 2016-17 for each of the four minority councils by a total of \$66,000 over the forecast. The increased appropriations maintain the current level of agency operations and pay for increased compensation at the council. Specifically, the Legislature appropriated \$797,000 to the Minnesota African Heritage Council (formerly named the Council on Black Minnesotans), \$767,000 to the Minnesota Council on Latino Affairs (formerly named the Council on Affairs of the Chicano/Latino People), \$723,000 to the Council on Asian-Pacific Minnesotans, and \$1.1 million to the Indian Affairs Council.

Chapter 77 also made changes in three of the councils, related to duties, names, number of board members, and process for appointing their executive directors. Under the changes, the Legislative Coordinating Commission will appoint an executive director for each council. Prior to this change, the director for each council was appointed by the council. These changes did not apply 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 77 contained appropriations for the following boards:

- \$646,000 to the Board of Barbers, an increase of \$12,000 above the forecast for the FY 2016-17 biennium for increased compensation costs and to maintain the current level of agency operations;
- \$1.6 million to the Architecture, Engineering, and Land Surveying Board, an increase of \$30,000 above the forecast for the FY 2016-17 biennium for increased compensation costs and to maintain the current level of agency operations;
- \$1.3 million to the Accountancy Board, an increase of \$44,000 above the forecast for the FY 2016-17 biennium for increased compensation costs, to maintain the current level of agency operations and to notify licensees of statutory changes contained in Chapter 77; and
- \$5.1 million to the Cosmetology Board, an increase of \$2.5 million above the forecast for FY 2016-17 biennium for increased compensation costs; rulemaking, licensing and inspecting mobile salons; and hiring additional staff to conduct annual inspections and investigations, process applications timely, and meet the new expedited application process. Fee revenue is projected to increase \$2.4 million over the biennium.

Department of Military Affairs

The total FY 2016-17 budget for the Department of Military Affairs is \$216.2 million, primarily from federal funds

(\$174.1 million). General Fund appropriations to the department were \$39.5 million for FY 2016-17.

There was no increase in the General Fund appropriation compared to forecast; however, the \$10.3 million enlistment incentives annual appropriation was reduced by \$3.5 million, and the savings were appropriated to other program areas in the agency. Any unused amount of this appropriation may be carried forward to be spent for the purposes of the original appropriation. Program expenditures have averaged \$6.5 million over the past five years. Of the redirected savings, \$3 million per year was deposited in the Maintenance and Training Facilities Fund and \$460,000 each year was added to the general support appropriation for replacement of the vehicle fleet, increased compensation costs, and to maintain the current level of agency operations. Since previous appropriations have exceeded expenditures, a balance has accumulated in the enlistment incentives program, projected to be \$20.5 million at the end of FY 2015. Chapter 77 transferred \$10 million of this balance to the maintenance training facilities fund for armories in St. Cloud, Brainerd, Detroit Lakes, Wadena, and St. Peter. The \$10.5 million remaining balance may be spent on the enlistment incentives program.

Department of Veterans Affairs

The total FY 2016-17 budget for the Department of Veterans Affairs is \$380.8 million. Chapter 77 appropriated a total of \$146.9 million from the General Fund, an increase of \$17.3 million above the February 2015 forecast. Of this amount, the following appropriations were specified:

- \$353,000 each year for grants to specified veterans service organizations;

- \$750,000 each year for a grant to the Minnesota Assistance Council for Veterans;
- \$200,000 each year for honor guards at funerals for service members;
- \$200,000 each year for administrative costs of Minnesota's GI Bill;
- \$100,000 each year to administer the Gold Star Program for surviving family members of deceased veterans; and
- \$1.1 million each year for the County Veterans Service Office grant program.

In addition, an increase of \$330,000 was appropriated from the General Fund in FY 2016-17 for increased compensation costs and to maintain the current level of agency operations for the program and other services. Chapter 77 also appropriated \$44,000 from the General Fund in FY 2016-17 for transfer to the Department of Education for the Board of Teaching to implement expedited and temporary licenses for qualified military members and veterans. \$44,000 of the appropriation to the Department of Education for this purpose in FY 2015 was cancelled to the General Fund.

Chapter 77 appropriated \$109.9 million for veterans homes in FY 2016-17. Appropriations increased \$16.9 million over forecast to provide funding for compensation and operations-related costs. During FY 2015, the veterans homes experienced larger than anticipated increases in compensation costs and decreases in anticipated revenue growth. Also, the Department of Veterans Affairs improved the level of care provided at veterans homes to meet federal guidelines required by the Centers for Medicare and Medicaid Services (CMS). This improved level of care made veterans homes eligible for federal reimbursement. However, to meet the higher level of care, additional staff has been required to meet the federal requirements.

As the number of facilities that are CMS-certified increase over the next two years, a higher level of additional CMS reimbursement will be available. In the interim, the higher General Fund appropriation will fill this gap. These changes resulted in a more expensive staff complement. In FY 2015, revenue growth slowed because bed space was removed to make facility improvements. Appropriations for veterans homes are from the General Fund and are transferred for expenditure to a Special Revenue Fund account that includes federal and client payments. The balance in the Special Revenue Fund account is allowed to carry forward from biennium to biennium. The department managed cost increases in the FY 2014-15 biennium by using these reserve funds to cover the difference between revenues and expenditures. This reserve, however, was exhausted and the increased General Fund appropriations in FY 2016-17 were made to address the structural gap and maintain FY 2015 service levels.

Chapter 77 requests the OLA to conduct a special review of the financial management of the veterans homes.

Other

Chapter 77 also appropriated money in FY 2016-17 to the following agencies and programs:

- \$2.2 million of direct General Fund appropriations for the Campaign Finance and Public Disclosure Board, an increase of \$192,000 compared to the forecast, for increased compensation costs, to maintain the current level of agency operations, and for redevelopment of the board's Web site. The FY 2015 unspent funds, estimated to be \$150,000, for Web site redevelopment were cancelled to the General Fund;
- \$15 million from the General Fund and \$58.1 million from the Arts and Cultural Heritage Fund (2015 First Special Session, Chapter 2) to the Minnesota State Arts Board;
- \$1.4 million from the General Fund for the Minnesota Humanities Center, which includes a \$198,000 general operating support increase and \$650,000 for grants for the healthy eating here at home program, established in Chapter 77. Grant funds are allocated to nonprofit organizations to provide incentives for low-income Minnesotans to use federal Supplemental Nutrition Assistance Program (SNAP) benefits for purchases at Minnesota-based farmers markets;
- \$685,000 from the General Fund for the Capitol Area Architectural and Planning Board, an increase of \$15,000 from the FY 2016-17 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. This amount provides for the board's operating costs related to the investment of General Fund treasurer's cash. The remainder of the board's \$10.8 million budget for FY 2016-17 is 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; and
- \$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 Workers' Compensation Special Revenue Fund, to support eligible and unexpected spending needs from those funds.

**Table 3 -State Government and Veterans Budget
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
Secretary of State							
Business Services Fees and Filings	General	(3)	(3)	(6)	(3)	(3)	(6)
State Auditor							
County Audits by Private CPA Firms	Auditor Enterprise	-	-	-	(250)	(726)	(976)
Cosmetology Examiners Board							
Licensing and Fee Modifications	General	1,203	1,203	2,406	1,203	1,203	2,406
Mobile Salon Regulations	General	-	-	-	<u>7</u>	<u>7</u>	<u>14</u>
Cosmetology Examiners Board Total		1,200	1,200	2,400	957	481	1,438
State Lottery							
Lottery Sales Prohibitions Net Proceeds	General	346	461	807	461	461	922
Lottery Sales Prohibitions Net Proceeds	Enviro Nat Res	231	308	539	308	308	616
Lottery Sales Prohibitions In-Lieu-Of Sales Tax	General Fund	56	75	131	75	75	150
Lottery Sales Prohibitions In-Lieu-Of Sales Tax	Game and Fish	74	98	172	98	98	196
Lottery Sales Prohibitions In-Lieu-Of Sales Tax	Nat Resources	<u>73</u>	<u>98</u>	<u>171</u>	<u>98</u>	<u>98</u>	<u>196</u>
State Lottery Total		780	1,040	1,820	1,040	1,040	2,080
Gambling Control Board							
Regulatory Fee Increase	Special Revenue	219	219	438	219	219	438
License and Permit Fees	Special Revenue	<u>300</u>	<u>300</u>	<u>600</u>	<u>300</u>	<u>300</u>	<u>600</u>
Gambling Control Board Total		519	519	1,038	519	519	1,038
Racing Commission							
Occupational Class C License Fee Changes	Special Revenue	-	182	182	73	72	145
Total Revenue Changes by Fund							
General Fund		1,602	1,736	3,338	1,743	1,743	3,486
Special Revenue Fund		519	701	1,220	592	591	1,183
Audit Enterprise Fund		-	-	-	(250)	(726)	(976)

Revenue Changes by Agency	Fund	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
Environment and Natural Resources Trust Fund		231	308	539	308	308	616
Game and Fish Fund		74	98	172	98	98	196
Natural Resources Fund		73	98	171	98	98	196
Total Revenue Changes for Budget Area		2,499	2,941	5,440	2,589	2,112	4,701

PENSIONS

The Omnibus Pensions Act (Chapter 68) contained numerous technical provisions and several sections of significance to particular workers. Most significantly, the act:

- makes permanent the eight percent investment performance assumption, including related reductions in salary and payroll growth assumptions for the Public Employees Retirement Association (PERA), the Minnesota State Retirement System (MSRS), and the St. Paul Teachers Retirement Association (STPTRA);
- completely merges the Minneapolis Employees Retirement Fund (MERF) into the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) by eliminating references to the separate entity of the former MERF Division of PERA;
- sets the local employer supplemental contribution to PERA-General on behalf of the former MERF-Division at \$31 million annually for calendar years 2015 and 2016, and at \$21 million annually for calendar years 2017 through 2031;
- sets the state contribution to PERA-General on behalf of the former

MERF Division as \$6 million on September 15, 2015, \$6 million on September 15, 2016, and \$16 million on September 15, 2017 and each year thereafter;

- eliminates the \$3.9 million employer additional contribution; and
- allows former MERF members, while employed in a position transferred to PERA-General, to continue with basic plan coverage rather than switching to a plan coordinated with Social Security.

Chapter 77 appropriated \$106.9 million from the General Fund in FY 2016-17 for public retirement fund programs. Specifically, the act included open appropriations estimated to be: (1) \$15.5 million for the consolidated legislators and constitutional officer plan; (2) \$12 million for the state contribution to PERA to reduce MERF unfunded liabilities; (3) \$59.7 million to reduce the unfunded liabilities of the Statewide Teacher's Retirement Fund; and (5) \$19.7 million for the St. Paul Teachers Retirement Plan.

CAPITAL INVESTMENT

2015 First Special Session, Chapter 5, the Capital Investment Act, authorized the sale of general obligation debt and made appropriations from the Bond Proceeds Fund for specific public capital investment projects. Typically, appropriations that are financed with bonds are available for four years or until the conclusion of a specific project. Chapter 5 also made several appropriations from the General Fund in FY 2016.

In total, Chapter 5 authorized appropriations of \$373.4 million to fund capital improvements. This total includes \$180 million in general obligation bonds, \$140.1 million in trunk highway bonds, \$29 million in appropriation bonds, \$13.6 million in general fund appropriations, and \$10.6 million in user financed bonds. Chapter 5 cancelled an earlier general obligation

authorization from Laws 2014, Chapter 294, in the amount of \$50,000 for improvements to the City of Bagley's library. Chapter 5 made a variety of capital investment appropriations that are typical in a capital investment act, but also appropriated money for specific projects and programs to support flood recovery efforts from the June and July 2014 natural disaster. Table 1 below compares the changes in debt service capital projects and other miscellaneous items across all funds. Table 2 on page 113 summarizes the debt service fund changes in the enacted budget compared to the prior biennium and to the February 2015 forecast, and Appendix C on page 120 provides a detailed outline of the entire Capital Investment Act. Unless noted, specific projects in this discussion are authorized from general obligation bonds.

Table 1 - Debt Service, Capital Projects, Grants and Other All Funds Biennial Spending/Appropriations by Agency & Fund <i>(dollars in thousands)</i>					
Agency	FY 2014-15 Spending*	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
Debt Service					
General Fund	8,406	(9,107)	(9,107)	(17,513)	-
General Fund Transfers Out	1,401,442	1,464,525	1,460,746	59,304	(3,779)
Debt Service Fund	1,935,038	1,774,379	1,774,379	(160,659)	-
Stadium Debt Service Fund	<u>37,499</u>	<u>60,312</u>	<u>60,312</u>	<u>22,813</u>	=
Total Debt Service:	3,382,385	3,290,109	3,286,330	(96,055)	(3,779)
Capital Projects and Grants					
General Fund	-	-	15,751	15,741	15,751
General Fund Transfers Out	244,420	87,301	87,301	(157,119)	-
Trunk Highway Fund	<u>7,950</u>	=	=	<u>(7,950)</u>	=
Total Capital Projects and Grants	252,370	87,301	103,052	(149,318)	15,751

Agency	FY 2014-15 Spending*	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
Other					
General Fund	(5,720)	(20,000)	(20,000)	(14,280)	-
Adjustments for Expenses in Multiple Funds	<u>(4,007,677)</u>	<u>(3,295,328)</u>	<u>(3,391,152)</u>	<u>616,525</u>	<u>(95,824)</u>
Total Other	(4,013,397)	(3,315,328)	(3,411,152)	602,245	(95,824)
Totals by Fund					
General Fund	2,686	(29,107)	(13,356)	(16,042)	15,751
General Fund Transfers Out	1,645,862	1,551,826	1,548,047	(97,815)	(3,779)
Debt Service Fund	1,935,038	1,774,379	1,774,379	(160,659)	-
Stadium Debt Service Fund	37,499	60,312	60,312	22,813	-
Trunk Highway Fund	7,950	-	-	(7,950)	-
Adjustments for Expenses in Multiple Funds	<u>(4,007,677)</u>	<u>(3,295,328)</u>	<u>(3,391,152)</u>	<u>616,525</u>	<u>(95,824)</u>
Total for Budget Area	(378,642)	62,082	(21,770)	356,872	(83,852)

Chapter 5 appropriated \$26.5 million to the University of Minnesota for capital needs associated with the state's avian influenza response. Of this amount, \$8.5 million supports the expansion and renovation of the Minnesota Poultry Testing Laboratory in Willmar, improving the laboratory's efficiency and increasing its testing capacity. The remaining \$18 million of the university's appropriation will finance two-thirds of the cost of demolishing two obsolete veterinary isolation laboratories at the University of Minnesota's Saint Paul campus, and replacing them with a new veterinary biocontainment facility with holding spaces for both large and small animals. The University of Minnesota will finance the remaining one-third of the project. (See page 59 of this report for additional detail on avian influenza.)

Chapter 5 also appropriated \$31.9 million to the Minnesota State Colleges and Universities (MnSCU) system for

improvements to numerous campuses throughout the state. The largest portion of this appropriation, \$18.8 million, will support the construction of the Health and Science Alliance Center and to renovate the existing health and West Tower spaces at Saint Paul College. \$7.7 million of the total was appropriated to equip the transportation and emerging technologies classroom space at Dakota County Technical College. Two of Minnesota's West Community and Technical College campuses in Canby and Jackson received a combined allocation of \$3.3 million to install a geothermal HVAC system at the Canby campus and to construct classroom space for a power line training program at the Jackson campus. \$2.1 million was appropriated to Anoka Technical College to improve automotive and manufacturing technology training spaces.

Table 2					
Biennial Budget Balance - Debt Service Fund					
<i>(dollars in thousands)</i>					
Transfer in by Fund Base	FY 2014-15 Spending	FY 2016-17 Forecast Base	FY 2016-17 Enacted Budget	Change: Enacted - FY 2014-15	Change: Enacted - Fcst. Base
General Fund	1,242,995	1,271,238	1,267,459	24,464	(3,779)
Maximum Effort					
School Loan	1,355	1,102	1,102	(253)	-
MN State Colleges and Universities	62,448	63,500	63,500	1,052	-
Natural Resources Fund	8	-	-	(8)	-
Rural Finance					
Administration	25,998	16,569	16,569	(9,429)	-
Special Revenue Fund	276	2,806	2,806	2,530	-
Trunk Highway Fund	291,081	397,445	409,580	118,499	12,135
Investment Receipts	685,797	69,691	69,691	(616,106)	-
Balance Forward	<u>1,358,039</u>	<u>1,808,136</u>	<u>1,809,585</u>	<u>451,546</u>	<u>1,449</u>
Total Transfers In Spending	3,667,997	3,630,487	3,640,292	(27,705)	9,805
Budgetary Balance	1,732,543	1,856,108	1,865,913	133,370	9,805

The Department of Natural Resources (DNR) received \$23.5 million for the flood hazard mitigation program under Minnesota Statutes, section 103F.161. This program supports publicly owned capital improvements that prevent or alleviate flood damage as determined by the DNR commissioner. Of the \$23.5 million appropriated to the department, \$10 million will consist of a grant to Otter Tail County to address flooding and high-water conditions on several lakes within the county.

Chapter 5 appropriated \$172.5 million to the Department of Transportation for highway, local road, and rail grade crossing improvements. Of this total, \$140 million consisted of authorized bond sales supported by the Trunk Highway Fund to finance trunk highway construction projects. Debt service on these bonds is paid from the Trunk Highway Fund rather than from the General Fund. Of the remaining \$32.5 million, \$8.9 million was allocated to the Local Road

Improvement Fund grant program to support the construction or reconstruction of local roads with statewide or regional significance, and \$7.4 million was appropriated to the local bridge replacement and rehabilitation program to replace deficient local bridges. Chapter 5 also appropriated money to support multiple highway-rail grade separations, including appropriations of \$4.7 million for the City of Plymouth and \$460,000 for Koochiching County. Additionally, Chapter 5 appropriated \$10 million to the City of Richfield to support right-of-way acquisition and construction of an underpass on 77th street, and \$1 million to the Minnesota Valley Regional Railroad Authority for track renovation between Winthrop and Hanley Falls.

Chapter 5 also appropriated \$32.9 million to the Department of Administration to continue the restoration of the State Capitol Building. Of this total, \$26.7 million will fund various improvements to the building

and grounds, such as water infiltration abatement, enhanced visitor and bus access, accessibility and safety enhancements, and landscaping and street modifications. \$2 million was appropriated for design, construction, and renovation of the State Capitol, subject to the approval of the Capitol Preservation Commission based on its guiding principles of architectural integrity, functionality, and life safety. Additionally, \$6.2 million was appropriated for security enhancements to the Capitol site. Design plans for these enhancements must also be approved by the Capitol Preservation Commission. The Capitol renovation appropriations add to previous appropriations of \$126.3 million in Laws 2014, Chapter 294; \$109 million in Laws 2013, Chapter 136; and \$44 million in Laws 2012, Chapter 293.

Chapter 5 appropriated \$25.5 million to support the continued recovery from natural disaster damage that occurred throughout the state. Of this amount, \$21.5 million was appropriated to address the effects of the storms of June and July 2014 that received a Presidential Disaster Declaration last year (DR-4182). The appropriations for the summer 2014 storms focused particularly on Scott County where significant damage occurred.

Chapter 5 storm recovery funding was divided into two types of appropriations. \$14.2 million was appropriated from General Fund supported bonds, and \$11.3 million directly from the General Fund. The total appropriations for the summer 2014 flood recovery were divided among several agencies to respond to the disaster. The appropriations included:

- \$5.2 million (\$500,000 from the General Fund) to the DNR to support the department's facility and natural

resource damage program authorized in Minnesota Statutes, section 12A.12. Of this amount, \$3 million of the department's appropriation was allocated to restore the Prior Lake outlet channel.

- \$15.3 million to the Board of Water and Soil Resources (BWSR). Of this amount, \$4.7 million was allocated to Reinvest in Minnesota (RIM) conservation easements, and \$10.6 million from the General Fund was for the erosion, sediment, and water quality control cost-share program.
- \$100,000 from the General Fund to the Department of Employment and Economic Development (DEED) for a grant to the Children's Museum of Southern Minnesota for flood loss recovery.
- \$800,000 to the Department of Transportation's local road and bridge reconstruction program.
- \$100,000 from the General Fund to the Minnesota Historical Society for a grant to the City of Jordan to assess damage and repair costs for historic structures damaged during the floods.

In addition to the 2014 disaster expenses, Chapter 5 also appropriated \$4 million to DEED to pay for the relocation of a public works facility in Owatonna that was damaged in a 2010 natural disaster. The relocation will move the facility out of an historic floodplain.

Page 79 of this report offers additional detail of the 2015 enactments and of the overall response to natural disasters in the past year.

Appropriation Bonds

Chapter 5 authorized the issuance of appropriation bonds to finance the ongoing development of the Lewis and Clark Regional Water System project in southwest Minnesota. (See page 55 of the *2014 Fiscal Review* for further discussion about the Lewis and Clark water project.) A distinguishing feature of appropriations bonds is that, unlike general obligation bonds, they are not backed by the full faith and credit of the state, per the Minnesota Supreme Court's 2012 ruling in *Schowalter v. State of Minnesota*. As a result, they do not constitute public debt of the state. Previous appropriation bonds issued by the state include those authorized in 2012 to finance the construction of the Vikings professional football stadium and in 2011 to refund tobacco settlement revenue bonds previously sold to pay for general obligation bond debt service. (See page 12 of the *2012 Fiscal Review* for additional discussion of appropriation bonds.) Chapter 5 appropriated \$19 million to support the Lewis and Clark project. This appropriation is contingent upon at least \$9 million in nonstate matching funds being committed to the project. This appropriation is in addition to a 2014 General Fund appropriation of \$22 million for phase one of the project. The 2015 appropriation will fund an eastward extension of the pipeline toward the city of Adrian. Design, engineering, and property acquisition to further extend the pipeline to

Worthington is also financed; physical infrastructure for the extension to Worthington was not included in the cost, however, and may be requested in future legislative sessions.

Debt Service

Minnesota Management and Budget (MMB) is the primary state agency responsible for borrowing funds to finance capital projects and managing the associated debt. MMB also issues budget forecasts outlining, among other things, the estimated costs of servicing the state's debt. Table 2 on page 113 displays detailed debt service costs associated with Chapter 5 relative to prior years and to the February 2015 forecast. Typically, MMB assumes in each forecast that a new capital investment act will be enacted in each legislative session and the agency estimates the size of each act based on historic patterns. The corresponding debt service for each capital investment act is included in each forecast. Because the February 2015 forecast assumed a capital investment act in 2015 totaling \$220 million and Chapter 5 contained \$180 million of general obligation debt, the estimated general obligation bond debt service cost associated with Chapter 5 was \$3.8 million less than the February 2015 forecast for FY 2016-17. The total debt service for all capital projects for the FY 2016-17 biennium was \$1.6 billion.

Appendix A
General Fund Summary Fund Balance Analysis, FY 2014-2019
(dollars in thousands)

	FY 2014	FY 2015	FY 2014-15	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
February Forecast									
<u>Actual & Estimated Resources</u>									
Balance Forward	1,711,915	1,885,866	1,711,915	1,850,196	2,245,222	1,850,196	3,218,568	4,568,488	3,218,568
Current Resources	<u>19,522,258</u>	<u>19,916,173</u>	<u>39,438,431</u>	<u>20,794,710</u>	<u>21,702,087</u>	<u>42,496,797</u>	<u>22,625,604</u>	<u>23,639,990</u>	<u>46,265,594</u>
Total Resources	21,234,173	21,802,039	41,150,346	22,644,906	23,947,309	44,346,993	25,844,172	28,208,478	49,484,162
<u>Actual & Estimated Expenditures</u>									
Total Net Spending	19,348,307	19,951,843	39,300,150	20,399,684	20,728,741	41,128,425	21,275,684	21,805,550	43,081,234
Balance Before Reserves	1,885,866	1,850,196	1,850,196	2,245,222	3,218,568	3,218,568	4,568,488	6,402,928	6,402,928
<u>Reserves</u>									
Total Reserves	1,229,523	1,374,316	1,374,316	1,358,212	1,351,179	1,351,179	1,346,738	1,344,339	1,344,339
Budgetary Balance	656,343	475,880	475,880	887,010	1,867,389	1,867,389	3,221,750	5,058,589	5,058,589
Enacted Budget									
<u>Actual & Estimated Resources</u>									
Balance Forward	1,711,915	1,885,866	1,711,915	1,421,221	1,813,716	1,421,221	2,216,315	2,597,895	2,216,315
Current Resources	<u>19,522,258</u>	<u>19,916,173</u>	<u>39,438,431</u>	<u>20,892,755</u>	<u>21,736,070</u>	<u>42,628,825</u>	<u>22,638,706</u>	<u>23,653,333</u>	<u>46,292,039</u>
Total Resources	21,234,173	21,802,039	41,150,346	22,313,976	23,549,786	44,050,046	24,855,021	26,251,228	48,508,354
<u>Actual & Estimated Expenditures</u>									
Total Net Spending	19,348,307	20,380,818	39,729,125	20,500,260	21,333,471	41,833,731	22,257,126	22,736,922	44,994,048
Balance Before Reserves	1,885,866	1,421,221	1,421,221	1,813,716	2,216,315	2,216,315	2,597,895	3,514,306	3,514,306
<u>Reserves</u>									
Total Reserves	1,229,523	1,374,316	1,374,316	1,358,212	1,351,179	1,351,179	1,346,738	1,344,339	1,344,339
Budgetary Balance	656,343	46,905	46,905	455,504	865,136	865,136	1,251,157	2,169,967	2,169,967

	FY 2014	FY 2015	FY 2014-15	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
<u>Difference</u>									
<u>Actual & Estimated Resources</u>									
Balance Forward	-	-	-	(428,975)	(431,506)	(428,975)	(1,002,253)	(1,970,593)	(1,002,253)
Current Resources	-	-	-	<u>98,045</u>	<u>33,983</u>	<u>132,028</u>	<u>13,102</u>	<u>13,343</u>	<u>26,445</u>
Total Resources	-	-	-	(330,930)	(397,523)	(296,947)	(989,151)	(1,957,250)	(975,808)
<u>Actual & Estimated Expenditures</u>									
Total Net Spending	-	428,975	428,975	100,576	604,730	705,306	981,442	931,372	1,912,814
Balance Before Reserves	-	(428,975)	(428,975)	(431,506)	(1,002,253)	(1,002,253)	(1,970,593)	(2,888,622)	(2,888,622)
<u>Reserves</u>									
Total Reserves	-	-	-	-	-	-	-	-	-
Budgetary Balance	-	(428,975)	(428,975)	(431,506)	(1,002,253)	(1,002,253)	(1,970,593)	(2,888,622)	(2,888,622)

Appendix B
FY 2016-17 General Fund Budgetary Balance and Revenue Change Detail
2015 Legislative Session
(\$ in thousands)

Projected Budgetary Balance, February 2015 Forecast	1,867,389
Revenue Change Items	
<u>Tax Revenue Changes</u>	
1st Spec Sess, Ch.3, Inc Tax, Disallow Working Fam Credit for Nonresidents	10,300
1st Spec Sess, Ch.3, Inc Tax, E-12 Education Act Interactions	(30)
1st Spec Sess, Ch.3, Delay Sales Tax, Delay Exemption for Spec Taxing Districts	20,200
Ch. 45,Sales Tax, Electronic Gaming Prohibition	(131)
1st Spec Sess, Ch.3, Inc Tax, E-12 Education Act Interactions	(10)
Subtotal, Tax Revenue Changes	30,329
<u>Nontax Revenue Changes</u>	
Ch. 45, Lottery Revenue, Electronic Gaming Prohibition	(807)
1st Spec Sess, Ch.4, Agriculture, Bulk Milk Haulers/Samplers	(50)
1st Spec Sess, Ch.4, DNR, Utility Crossing Fee Changes	10
1st Spec Sess, Ch.4, DNR, Timber Permit Fee Changes	(2)
Ch. 65, Discharge of Judgement, Civil Court Filing Fee	(145)
Ch. 77, Secretary of State, Business Services Fees and Filings	(6)
Ch. 77, Board of Cosmetology, License and Fee Modifications	2,406
1st Spec Sess, Ch.1, PUC, Operating Increase	400
1st Spec Sess, Ch.1, PUC, Enhancing Commission Decision-Making	1,050
1st Spec Sess, Ch.1, Commerce, Energy Intensive Trade Exposed Utilities	854
1st Spec Sess, Ch.1, Commerce, Transfer-In Federal Repayment of Propane Funds	10,000
1st Spec Sess, Ch.1, Commerce, MN-Vest	6
Ch. 71, DHS, County Share, MSOP Collections, Operating Adjustment	1,368
Ch. 71, DHS, St Op Svcs Collections, Cost of Care Receipts	1,797
Ch. 71, DHS, St Op Svcs Collections, Cost of Care Recoveries	1,243
Ch. 71, DHS, St Op Svcs Collections, AMRTC Cost of Care Non-Dedicated Revenue	1,750
Ch. 71, DHS, St Op Svcs Collections, Operating Adjustment	1,519
Ch. 71, DHS, St Op Svcs Collections, Civil Commitment Non-Dedicated Revenue	53
Ch. 71, DHS, Medical Assistance Recoveries, Strengthening Recovery Act	400
Ch. 71, DHS, Medical Assistance Recoveries, 3rd Party Liability Recovery	2,100
Ch. 71, DHS, Other Medical Assistance Recoveries, Technical Adjustment	(844)
Ch. 71, DHS, Group Residential Housing Recoveries	293
Ch. 75, Public Safety, Increased Fine, Texting While Driving	11
Ch. 65, POST Board, Salary Increase GF Adjustment	(51)
Ch. 65, POST Board, De-escalation Training Adjustment	(450)
Subtotal, Nontax Revenue Changes	22,905

Revenue Change Items (continued)	
<u>Transfers from Other Funds</u>	
1st Spec Sess, Ch.4, BWSR, Returned Grants	(620)
1st Spec Sess, Ch.4, Metro. Landfill Contingency Action Trust Account transfer to GF	8,100
1st Spec Sess, Ch.4, Closed Landfill Investment Fund transfer to GF	58,215
1st Spec Sess, Ch.1, Closed Landfill Investment Fund transfer to GF	5,000
Ch. 77, Legislature, Parking Internal Service Fund	1,599
Ch. 65, Corrections, MinnCorr Account Transfer to GF	2,000
Ch. 65, Public Safety, Fire Safety Account Transfer to GF	2,500
Ch. 71, DHS, St Op Svcs Account Transfer to GF	2,000
Subtotal, Transfers from Other Funds	78,794
Total Revenue Changes	132,028
Spending Change Items	
FY 2014-15 Appropriation Changes	428,975
FY 2016-17 Appropriation Changes	705,306
Total Spending Changes	1,134,281
Net General Fund Changes (Revenue minus Spending)	(1,002,253)
Revised Balance, FY 2016-17, End of Session (Forecast Balance Plus Net GF Changes)	865,136

APPENDIX C
CHAPTER 5, CAPITAL INVESTMENT ACT DETAIL
(dollars in thousands)

AGENCY AND PROJECT - ARTICLE 1	Fund	Amount
University of Minnesota		
Willmar; Minnesota Poultry Testing Laboratory	GO	8,529
St. Paul Campus Veterinary Isolation Facility Replacement	GO	<u>18,000</u>
Total University of Minnesota (GO)		26,529
Minnesota State Colleges and Universities		
Anoka TC - Manufacturing Tech Hub & Auto Tech Lab Renovation	GO/UF	2,114
Dakota County TC - Transportation and Emerging Tech Renovation	GO/UF	7,733
Minnesota West CTC - Classrooms, Power Line Facility & Geothermal	GO/UF	3,267
St. Paul College - Health & Science Alliance Center Addition	GO/UF	<u>18,829</u>
Total GO		21,295
Total UF		10,648
Total Minnesota State Colleges and Universities		31,943
Natural Resources		
Flood Hazard Mitigation	GO	23,549
--Otter Tail County Flood Mitigation	GO	<u>[10,000]</u>
Total Natural Resources (GO)		23,549
Pollution Control Agency		
Capital Assistance Program	GO	9,276
--Clay County/McLeod County/Dodge County/Western Lake Superior Sanitary District	GO	[1,276]
--Polk County Solid Waste Facility	GO	[8,000]
Superfund Drinking Water Program	GO	<u>1,750</u>
Total Pollution Control Agency (GO)		11,026
Board of Water and Soil Resources		
Flood Mitigation for Minnesota River Basin II	GO	<u>1,000</u>
Total Board of Water and Soil Resources (GO)		1,000
Agriculture		
Potato Inspection Facility	GO	<u>50</u>
Total Agriculture (GO)		50

AGENCY AND PROJECT - ARTICLE 1	Fund	Amount
Administration		
Capitol Restoration, water infiltration prevention and site improvements	GO	26,724
Capitol Restoration, security upgrades	GO	<u>6,200</u>
Total Administration (GO)		32,924
Amateur Sports Commission		
HVAC and R-22 Correction Grants	GF	<u>2,000</u>
Total Amateur Sports Commission (GF)		2,000
Transportation		
Local Bridge Replacement	GO/TF	7,410
Local Road Improvement	GO/TF	8,910
--City of Sandstone business park roadway	GO/TF	[850]
--Kandiyohi County Willmar Wye project	GO/TF	[3,770]
Minnesota Valley Regional Railroad Authority	GO	1,000
City of Plymouth Highway Rail Grade Separation	GO	4,700
Koochiching County Highway Rail Grade Separation	GO	460
Richfield - 77th Street Underpass	GO	10,000
Trunk Highway Bonding	THF	<u>140,000</u>
Total GO		16,160
Total GO/TF		16,320
Total THF		140,000
Total Transportation		172,480
Metropolitan Council		
Metropolitan Municipalities Inflow and Infiltration Grants	GO	<u>1,500</u>
Total Metropolitan Council (GO)		1,500
Veterans Affairs		
Minneapolis Veterans Home Bridge	GO	<u>650</u>
Total Veterans Affairs (GO)		650
Corrections		
St. Louis County - Northeast Regional Corrections Center	GO	<u>1,200</u>
Total Corrections (GO)		1,200
Employment and Economic Development		
Greater Minnesota Business Development Public Infrastructure	GO	1,000
Transportation Economic Development	GO	2,000
City of Sauk Centre - Eagle's Nest Veterans Home	GF	300

AGENCY AND PROJECT - ARTICLE 1	Fund	Amount
Total GO		3,000
Total GF		300
Total Employment and Economic Development		3,300
Public Facilities Authority		
Wastewater Infrastructure Fund	GO	10,000
Lewis and Clark Water Authority	AP	<u>19,000</u>
Total GO		10,000
Total AP		19,000
Total Public Facilities Authority		29,000
Minnesota Housing Finance Authority		
Housing Infrastructure Bonds	AP	<u>10,000</u>
Total Minnesota Housing Finance Authority (AP)		10,000
Minnesota Historical Society		
Fort Snelling Visitors Center	GO	<u>500</u>
Total Minnesota Historical Society (GO)		500
Minnesota Management and Budget		
Estimated Bond Sale Expenses	GO	180
Trunk Highway Bond Sale Expenses	THF	<u>140</u>
Total GO		180
Total THF		140
Total Minnesota Management and Budget		320
Cancellations		
Bagley Library	GO	<u>(50)</u>
Total Cancellations (GO)		(50)
TOTAL ARTICLE 1:		347,921

AGENCY AND PROJECT - ARTICLE 2 (Natural Disaster Relief)	Fund	Amount
Department of Natural Resources		
Facility and Natural Resource Damage	GO	2,140
Flood Hazard Mitigation	GO	2,515
Flood Hazard Mitigation Grants - General Fund	GF	<u>500</u>
Total GO		4,655
Total GF		500
Total Department of Natural Resources		5,155

AGENCY AND PROJECT - ARTICLE 2 (Natural Disaster Relief)	Fund	Amount
Board of Water and Soil Resources		
Reinvest in Minnesota (RIM) Conservation Easements	GO	4,700
Erosion, Sediment, and Water Quality Control Cost-Share Program	GF	<u>10,600</u>
Total GO		4,700
Total GF		10,600
Total Board of Water and Soil Resources		15,300
Department of Transportation		
Local Road and Bridge Reconstruction	GO/TF	<u>800</u>
Total Department of Transportation (GO/TF)		800
Minnesota Historical Society		
Historical Structures Damage and Repair Assessments	GF	<u>100</u>
Total Minnesota Historical Society (GF)		100
Department of Employment and Economic Development		
Children's Museum of Southern Minnesota Flood Recovery	GF	100
Steele County - Public Works Building	GO	<u>4,000</u>
Total GO		4,000
Total GF		100
Total Department of Employment and Economic Development		4,100
Minnesota Management and Budget		
Estimated Bond Sale Expenses	GO	<u>11</u>
Total Minnesota Management and Budget (GO)		11
TOTAL ARTICLE 2:		25,466
SUMMARY BY FUND		
General Obligation (GO)		162,879
General Obligation, Transportation Fund (GO/TF)		17,120
Total Trunk Highway Fund (THF)		140,140
User Financed (UF)		10,648
Appropriation Bonds (AP)		29,000
General Fund (GF)		13,600
Total		373,387
Net General Fund (GO + GO/TF)		179,999

APPENDIX D
LEGACY AND CONSTITUTIONALLY
DEDICATED FUNDS

2015 First Special Session, Chapter 2, contained appropriations made from constitutionally dedicated funds, or “Legacy” funds. The resources in these funds are generated by a three-eighths of one percent increase on the state sales tax, which was passed as a constitutional amendment in 2008. The amendment allocated revenues to four funds that support various environmental protection and cultural heritage activities. The four funds include the Outdoor Heritage Fund, the Clean Water Fund, the Parks and Trails Fund, and the Arts and Cultural Heritage Fund. Table 1 in this appendix provides a detailed display of all appropriations made in Chapter 2.

Outdoor Heritage Fund

Chapter 2 appropriated a total of \$97.2 million in FY 2016 and \$607,000 in FY 2017 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 2016 only and will have additional recommendations for the 2016 session pertaining to FY 2017 appropriations. Outdoor Heritage Fund appropriations include \$40.9 million for prairies, \$12.6 million for forests, \$20.4 million for wetlands, and \$22.4 million for aquatic habitat. The Outdoor Heritage Fund

receives 33 percent of the sales tax revenue collected from the Legacy Amendment.

Clean Water Fund

Chapter 2 appropriated \$116.3 million in FY 2016 and \$112 million in FY 2017 for a total of \$228.3 million in the biennium 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 and these recommendations were largely accepted by the Legislature. Of this total, \$22 million was appropriated to the Board of Water and Soil Resources for grants to soil and water conservation districts. These funds will be used to offer technical assistance to landowners implementing waterway buffers to protect water quality. (See page 58 of this report for additional discussion about waterway buffers.) The Clean Water Fund receives 33 percent of the sales tax revenue collected from the Legacy Amendment.

Parks and Trails Fund

Chapter 2 appropriated \$43.6 million in FY 2016 and \$45.7 million in FY 2017 for a total of \$89.35 million in the biennium from the Parks and Trails Fund. Consistent with previous appropriations from this fund, approximately 40 percent of the total appropriation (\$35.3 million for FY 2016-17) was directed to state parks and trails, 40 percent was directed to metropolitan area parks and trails, and 20 percent (\$17.7 million for FY 2016-17) was directed to regional parks and trails. The Parks and

Trails Fund receives 14.25 percent of the sales tax revenue collected from the Legacy Amendment.

Arts and Cultural Heritage Fund

Chapter 2 appropriated \$61.5 million in FY 2016 and \$63.3 million in FY 2017 for a total of \$124.8 million in the biennium 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. Chapter 2 continued this practice by

appropriating \$58.1 million to the Minnesota State Arts Board for the FY 2016-17 biennium. Chapter 2 also appropriated \$29 million to the Minnesota Historical Society for grants and programming and \$21.2 million to the Department of Administration, of which \$3.3 million in FY 2016 is appropriated to preserve artwork in the State Capitol Building as part of its ongoing renovation. The Arts and Cultural Heritage Fund receives 19.75 percent of the sales tax revenue collected from the Legacy Amendment.

Table 1 - Legacy/Constitutionally Dedicated Appropriations: By Fund, By Agency (dollars in thousands)	
Fund/Agency	FY 2016-17*
OUTDOOR HERITAGE FUND*	
Department of Natural Resources	
Prairie Acquisition & Restoration	36,404
Forests Acquisition & Restoration	11,134
Wetlands Acquisition & Restoration	18,921
Fish, Game, & Wildlife Habitat	22,368
Administration & Other	<u>250</u>
Total Department of Natural Resources	89,077
Board of Water & Soil Resources	
Prairie Acquisition & Restoration	4,544
Forests Acquisition & Restoration	1,500
Wetlands Acquisition & Restoration	<u>1,469</u>
Total Board of Water & Soil Resources	7,513
Legislative Coordinating Commission	
Admin Expenses & Compensation	1,215
TOTAL OUTDOOR HERITAGE FUND	97,805

Fund/Agency	FY 2016-17 *
CLEAN WATER FUND	
Department of Agriculture	
Pesticide Monitoring & Water Assess	700
Nitrate Monitoring in Groundwater	5,171
AgBMP Loan Program	150
Research and Evaluation - Technical Assistance	2,250
Research and Evaluation - BMP's	1,575
Research and Evaluation - Database	100
Irrigation Water Quality Protection	220
MN Agriculture Water Quality Certification Program	2,500
Perennial and Cover Crop Research	<u>1,000</u>
Total Department of Agriculture	13,666
Public Facilities Authority	
PSIG Grants (WWTP and Stormwater)	18,000
Small Community Wastewater Treatment Program	<u>500</u>
Total Public Facilities Authority	18,500
Pollution Control Agency	
Water Quality Assessment & Monitoring	16,700
--Red River Watershed Management Board	[200]
TMDL & WRAP Development	19,590
Groundwater Assessment & Protection	2,363
Great Lakes Restoration Project	1,500
Storm Water Research, Guidance & BMP's	550
TMDL Research & Database	2,300
NPEDS Wastewater/Stormwater TMDL Implementation	1,800
Enhances County Inspections/SSTS Corrective Actions	7,245
Stormwater BMP Performance Evaluation and Technology Transfer	550
Clean Water Council Administrative Costs	100
National Park Water Quality Protection Grant	<u>2,000</u>
Total Pollution Control Agency	54,698
Department of Natural Resources	
Stream Flow Monitoring	4,000
Lake Index of Biological Integrity Assessments	2,600
Assessing Mercury Contamination in Fish	270
Watershed Restoration/Protection Strategies	3,880
Aquifer Monitoring for Drinking Water Protection	2,750
Nonpoint Source Restoration and Protection	2,000

Fund/Agency	FY 2016-17 *
Applied Research and Tools (LIDAR & BMP's)	1,350
Riparian Buffer Information (Color Infrared Imagery and Analysis)	650
County Geological Atlas Survey	<u>500</u>
Total Department of Natural Resources	18,000
Board of Water & Soil Resources	
Surface & Drinking Water Grants	20,375
Grants to Watersheds with Multiyear Plans	9,750
Washington County Grey Cloud Slough habitat improvement	520
Accelerated Implementation	12,000
Measures, Results & Accountability	1,900
Soil Loss and Shoreland Buffer Compliance	5,000
Water Riparian Buffer Easements	9,750
Targeted Wellhead/Drinking Water Protection	3,500
Community Partners Clean Water Program	1,500
Technical Evaluation	168
Watershed Management Transition	4,200
Conservation Drainage Management and Assistance	1,500
Conservation Reserve Enhancement Program (CREP)	18,000
Critical Shoreland Protection-Permanent Conservation Easements	2,000
Tillage and Erosion Transects	1,000
Soil and Water Conservation District Grants	<u>22,000</u>
Total Board of Water & Soil Resources	113,163
Department of Health	
Drinking Water Contaminants	2,200
Source Water Protection & Preservation	3,800
Cost Share Assistance; Well Sealing	225
Groundwater Strategies for Local Implementation	250
Private Well Water Supply Protection	650
Groundwater Virus Monitoring Plan	350
Water Reuse	<u>350</u>
Total Department of Health	7,825
Metropolitan Council	
Metropolitan Area Water Supply Sustainability Support	1,950
Water Demand Reduction Grant Program Pilot	<u>500</u>
Total Metropolitan Council	2,450
TOTAL CLEAN WATER FUND:	228,302

Fund/Agency	FY 2016-17 *
PARKS & TRAILS FUND	
Department of Natural Resources	
State Parks, Recreation Areas, and Trails	35,304
Regional Parks and Trails Grants	17,651
--Greater Minnesota Regional Parks and Trails Commission	(718)
Parks & Trails Coordination Among Partners	1,091
--Parks Framework and Inventory	<u>(260)</u>
Total Department of Natural Resources	54,046
Metropolitan Council	
Metro Parks and Trails Grants	<u>35,304</u>
Total Metropolitan Council	35,304
TOTAL PARKS & TRAILS FUND:	89,350
ARTS & CULTURAL HERITAGE FUND	
Minnesota State Arts Board	
Arts & Arts Access Initiatives	46,505
Arts Education Collaborations	8,720
Arts and Cultural Heritage	<u>2,906</u>
Total Minnesota State Arts Board	58,131
Department of Education	
Regional Public Libraries Grants	<u>4,400</u>
Total Department of Education	4,400
Minnesota Historical Society	
Statewide Historic & Cultural Grants	11,525
Statewide History Programs	11,525
History Partnerships	4,200
Statewide Survey of Historical & Arch. Sites	600
Minnesota Digital Library	600
Historical Recognition Fund	<u>550</u>
Total Minnesota Historical Society	29,000
Department of Administration	
Minnesota Public TV	7,400
Minnesota Public Radio	3,200
Association of MN Public Education Radio (AMPERS)	3,200
Como Zoo	2,000

Fund/Agency	FY 2016-17 *
Lake Superior Zoo	150
Science Museum of MN	1,200
Wilderness Inquiry	400
Great Lakes Aquarium	250
Big Marine Veteran's Camp	113
Minnesota State Band	20
Capitol Art Preservation	<u>3,250</u>
Total Department of Administration	21,183
Minnesota Zoo	
Programmatic Development	<u>3,500</u>
Total Minnesota Zoo	3,500
Humanities Center	
Program Development	1,700
Civic Education Competitive Grants	300
MN Council on Disabilities	90
Ka Joog Fanka Program	250
MN Children's Museum	1,000
Duluth Children's Museum	300
Grand Rapids Children's Museum	300
Southern MN Children's Museum	300
Heritage Fund Competitive Grants	<u>300</u>
Total Humanities Center	4,540
Perpich Center for the Arts	
Arts Education & Access	-
Turnaround Arts Program	<u>1,400</u>
Total Perpich Center for the Arts	1,400
Indian Affairs Council	
Language Preservation & Education Grants	2,500
Cultural Resources Program	<u>150</u>
Total Indian Affairs Council	2,650
TOTAL ARTS & CULTURAL HERITAGE FUND:	124,804
SUMMARY BY FUND	
Outdoor Heritage Fund	97,805
Clean Water Fund	228,302
Parks & Trails Fund	89,350
Arts & Cultural Heritage Fund	<u>124,804</u>
TOTAL LEGACY FUNDS	540,261
<i>*Chapter 2 only appropriated Outdoor Heritage Fund money for FY 2016; all other appropriations are for FY 2016-17.</i>	

In addition to the above funds, the voters of Minnesota approved a constitutional amendment in 1988 to establish the Minnesota Environment and Natural Resources Trust Fund. The resources in the trust fund are generated from 40 percent of the net proceeds of the Minnesota lottery. The Legislature appropriates up to 5.5 percent of the market value of the fund each year. In the 2015 session, Chapter 76 appropriated \$46.4 million in FY 2016 from

the trust fund, based on recommendations from the Legislative-Citizen Commission on Minnesota Resources (LCCMR). The LCCMR will have another list of recommended projects for the 2016 legislative session and the Legislature will likely make additional FY 2017 appropriations at that time. Table 2 summarizes the Environment and Natural Resources Trust Fund appropriations enacted in Chapter 76.

Table 2 – Chapter 76 Appropriations from the Environment & Natural Resources Trust Fund and Great Lakes Protection Account <i>(dollars in thousands)</i>	
Category/Project	FY 2016-17
Natural Resources Data & Information (19 Projects)	12,932
Water Resources (9 Projects)	3,065
Environmental Education (5 Projects)	1,004
Aquatic and Terrestrial Invasive Species (4 Projects)	6,071
Air Quality, Climate Change, and Renewable Energy (3 Projects)	2,268
Protect, Restore, & Enhance Land, Water, & Habitat (11 Projects)	4,587
Land Acquisition for Habitat & Recreation (11 Projects)	14,190
Emerging Issues Account	1,000
Administration	<u>1,207</u>
Total from Environment & Natural Resources Trust Fund	46,324
Protect, Restore, & Enhance Land, Water, & Habitat (1 Project)	<u>59</u>
Total from Great Lakes Protection Account	59
TOTAL	46,383

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

	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
<u>Appropriations Changes</u>						
Department of Human Services						
Health Care						
Integrated Care for High Risk Pregnant Women	71	200	271	(16)	(1,304)	(1,320)
Dental Provider Rate Increase	1,066	2,110	3,176	2,262	2,401	4,663
EMA Legal Referral Grants	100	100	200	100	100	200
Behavioral Health Homes	638	4,744	5,382	8,077	15,733	23,810
Health Care Programs Federal Compliance	118	104	222	105	105	210
Telemedicine	45	268	313	530	807	1,337
Periodic Data Matching for Continued Eligibility	1,275	(22,215)	(20,940)	(49,965)	(57,848)	(107,813)
Exempt DME Providers from Medicare Competitive Bidding	2,434	3,172	5,606	3,448	3,738	7,186
Medication Therapy Management Program Updates	(5)	(36)	(41)	(39)	(39)	(78)
Opioid Prescribing Improvement and Monitoring Program	54	(21)	33	(21)	(21)	(42)
Expansion of Minnesota Restricted Recipient Program	(4)	(515)	(519)	(529)	(533)	(1,062)
Inpatient Hospital Payment Changes	2,278	2,818	5,096	3,038	3,175	6,213
Gillette Hospital MA Rate Increase	1,735	2,204	3,939	2,338	2,480	4,818
MA 10% Rate Increase for Physical, Occupational, and Speech Therapies	167	180	347	178	176	354
HCAF Appropriation for MA Expenditures	8,182	(73,406)	(65,224)	(42,034)	(56,843)	(98,877)
Managed Care Administrative Costs Efficiency	(3,608)	(9,166)	(12,774)	(10,251)	(11,122)	(21,373)
Managed Care Payment Delay	-	(135,000)	(135,000)	135,000		135,000
MA Crossover Claims FQHC	105	327	432	335	343	678
Automated Dispensing OTC Drugs in LTC Facilities	-	(2)	(2)	(2)	(2)	(4)
Community Medical Response EMT	16	-	16	-	-	-
Task Force of Health Care Financing	500	-	500	-	-	-
FY 2015 Appropriation for FY 2016 Expenditures	(455,000)	-	(455,000)	-	-	-
Continuing Care						
MA-EPD Program Changes	2,205	2,634	4,839	2,634	2,634	5,268
MA Eligibility 80% FPG Elderly & Disabled	-	3,378	3,378	3,465	3,612	7,077
Deaf and Hard of Hearing Grants	772	825	1,597	-	-	-
State Quality Council	573	600	1,173	600	600	1,200
Treatment of Assets for LTC Eligibility	529	4,695	5,224	7,391	7,786	15,177
Nonemergency Medical Transportation	-	3,726	3,726	6,840	7,728	14,568
HCBS Incentive Pool	-	1,425	1,425	1,574	1,999	3,573
Self-Directed Work Force Negotiations	6,277	9,950	16,227	10,467	11,043	21,510

	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
ABLE Accounts	73	32	105	-	-	-
Nursing Facility Payment Reform	36,380	101,857	138,237	128,353	160,702	289,055
Health Care Workforce Scholarships	538	797	1,335	861	930	1,791
Disability Waiver Rate Setting Modifications	-	-	-	250	(1,670)	(1,420)
Children and Families						
Reduce Basic Sliding Fee Waiting List	5,013	5,014	10,027	5,800	5,800	11,600
Basic Sliding Fee Underspending	(3,017)	-	(3,017)	-	-	-
Child Care Attendance Audit Recoveries	(106)	(100)	(206)	(62)	(38)	(100)
Admin. Simplification-Income Calculation	91	187	278	210	210	420
Family Law Modifications	97	9	106	9	9	18
\$100 Child Support Disregard for MFIP Families	3,438	4,477	7,915	4,503	4,513	9,016
Child Support Working Group	12	-	12	-	-	-
Admin. Simplification-Service Coordination	10	-	10	-	-	-
Child Support Arrears Modifications	58	74	132	38	12	50
Child Protection Oversight	26,128	26,052	52,180	26,072	26,072	52,144
Eliminate Child Support Application Fee	34	-	34	-	-	-
Family Assets for Independence in MN	75	75	150	75	75	150
Stearns Co. GRH Program Admin. Support	85	85	170	85	85	170
Northstar Care Revisions and Corrections	(4,110)	(3,262)	(7,372)	2,314	8,543	10,857
Minnesota Food Assistance Program	287	465	752	649	859	1,508
Hunger Solutions-Mobile Food Shelf	1,000	1,000	2,000	-	-	-
Safe Place for Newborns	350	-	350	-	-	-
Group Residential Housing Reform	90	(665)	(575)	(737)	(809)	(1,546)
Homeless Youth Act	1,000	1,000	2,000	1,000	1,000	2,000
Safe Harbor for Sexually Exploited Youth	800	800	1,600	800	800	1,600
Emergency Support Services	250	250	500	250	250	500
Long Term Homelessness Services and Supports	1,000	1,000	2,000	1,000	1,000	2,000
Chemical and Mental Health & State Operated Services						
Beltrami County MH Services Grant	1,000	1,000	2,000	-	-	-
Suicide Prevention Grants-Text for Life	500	500	1,000	500	500	1,000
Health Disparities Data Analysis	162	162	324	162	162	324
Southeast Asian Veterans MH Grants	100	-	100	-	-	-
School-based Diversion for Students with Co-occurring Disorders	-	65	65	161	161	322
MA Plan for Coverage of Clubhouse Program Services	67	67	134	-	-	-
Services and Supports for First Episode Psychosis	-	260	260	310	375	685
Mental Health Crisis Services	3,826	4,744	8,570	4,744	4,743	9,487
Expansion of Respite Care	282	565	847	500	500	1,000
Dementia Grants	832	823	1,655	824	824	1,648
Certify Behavioral Health Clinics	190	208	398	-	-	-
Build Community Capacity to Address Adverse Childhood Experiences	-	-	-	400	396	796

	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
Psychiatric Residential Treatment Facility Stabilize Mental Health Services Payment Structure	2,124	4,492	6,616	9,801	13,885	23,686
Additional AMRTC Beds	2,696	2,770	5,466	2,835	3,055	5,890
MN Security Hospital Conditional Licensing Corrections	4,108	4,108	8,216	4,108	4,108	8,216
Housing with Supports Grants	6,161	6,272	12,433	6,272	6,272	12,544
Assertive Community Treatment Quality Improvement and Expansion	756	1,350	2,106	3,073	3,073	6,146
CARE Facilities	571	751	1,322	760	745	1,505
Chemical Dependency Provider Rate Increase	9,563	5,726	15,289	5,472	5,491	10,963
Jensen Settlement Administrative Costs	1,495	2,140	3,635	2,262	2,340	4,602
SOS Operating Adjustment	1,989	1,955	3,944	1,955	1,955	3,910
Civil Commitment Reviews	2,663	5,375	8,038	5,375	5,375	10,750
MSOP Operating Adjustment	320	617	937	617	617	1,234
MA Coverage for Social Workers and LMFT	3,941	5,182	9,123	5,182	5,182	10,364
Fetal Alcohol Spectrum Disorder Grants	53	207	260	301	321	622
Chemical Dependency Prevention	250	250	500	250	250	500
Employer Contributions for Permanently Disabled Employees	150	150	300	-	-	-
	-	17	17	34	51	85
Central Office Operations						
Child Support Conformity with ACA	92	-	92	-	-	-
Adult Foster Care and Foster Parent Liability Insurance	333	333	666	333	333	666
Federal Compliance to Document Runaways and Sex-Trafficked Youth from Foster Care	203	20	223	20	20	40
Operating Adjustment	1,431	2,888	4,319	2,888	2,888	5,776
Strengthening Recovery Audit Contract Effectiveness	173	157	330	157	157	314
Improving Third Party Liability Recoveries	58	48	106	48	48	96
Managed Care Audits	<u>358</u>	<u>326</u>	<u>684</u>	<u>326</u>	<u>326</u>	<u>652</u>
Total Department of Human Services	(313,454)	(4,226)	(317,680)	316,665	209,244	525,909
Department of Health						
Greater MN Local Public Health Grants	1,000	1,000	2,000	1,000	1,000	2,000
Evidence Based Family Home Visiting	650	2,000	2,650	2,000	2,000	4,000
Family Planning Special Projects	1,000	1,000	2,000	1,000	1,000	2,000
Positive Alternatives	1,000	1,000	2,000	1,000	1,000	2,000
Safe Harbor for Sexually Exploited Youth	700	700	1,400	700	700	1,400
Violence Against Asian Women Work Group	200	-	200	-	-	-
Advance Care Planning Grant	250	-	250	-	-	-
Health Care Workforce Incentives	2,500	2,500	5,000	2,500	2,500	5,000
MERC Increase	1,000	1,000	2,000	1,000	1,000	2,000
MN Poison Information Center	750	750	1,500	750	750	1,500
Health Care Workplace Violence Prevention	50	-	50	-	-	-
MN Stroke System	350	350	700	350	350	700

	FY 2016	FY 2017	FY 2016-17	FY 2018	FY 2019	FY 2018-19
Organ Donation	200	-	200	-	-	-
Somali Women's Health	110	-	110	-	-	-
Federally Qualified Health Centers	1,000	1,000	2,000	-	-	-
Health Disparities Data Analysis	250	250	500	250	250	500
Epinephrine Access	8	4	12	4	4	8
Early Dental Prevention Initiative	172	140	312	140	140	280
Opiate Antagonist	270	20	290	-	-	-
Suicide Prevention	241	208	449	208	208	416
Vulnerable Adults and State-Owned Facilities	0	1,514	1,514	1,514	1,514	3,028
Operating Adjustment	298	602	900	602	602	1,204
Avian Flu	<u>103</u>	=	<u>103</u>	=	=	=
Total Department of Health	12,102	14,038	26,140	13,018	13,018	26,036
Emergency Medical Services Regulatory Board						
Operating Adjustment	131	265	396	265	265	530
Community Medical Response EMTs	<u>32</u>	<u>31</u>	<u>63</u>	<u>31</u>	<u>31</u>	<u>62</u>
Total EMSRB	163	296	459	296	296	592
Council on Disability						
Operating Adjustment	8	15	23	15	15	30
Ombudsman for Mental Health and Developmental Disabilities						
Operating Adjustment	113	228	341	228	228	456
Ombudsperson for Families						
Operating Adjustment	58	119	177	119	119	238
Total General Fund Spending Changes	(301,010)	10,470	(290,540)	330,341	222,920	553,261

Appendix F

2015 Session Laws Enacting the FY 2016-17 Budget & Supplementing the FY 2014-15 Budget

Chapter Number	File Number	Description
1	HF 6	Federal tax conformity
2	SF 1	Disaster assistance funding
3	SF 174	FY 2014-15 deficiency funding, executive branch compensation statutory changes
12	HF 2225	Avian influenza emergency response funding
45	SF 229	Lawful gaming changes, prohibition on electronic gaming
61	SF 1973	Claims against the state of Minnesota
65	SF 878	Omnibus Judiciary and Public Safety Act
68	SF 1398	Omnibus Pensions Act
69	SF 5	Omnibus Higher Education Act
70	SF 455	Omnibus Elections Act
71	SF 1458	Omnibus Health and Human Services Act
75	SF 1647	Omnibus Transportation and Public Safety Act
76	SF 698	Legislative-Citizen Commission on Minnesota Resources Finance Act
77	SF 888	Omnibus State Government and Veterans Act
1 SpS, 1	HF 3	Omnibus Jobs and Economic Development Act
1 SpS, 2	SF 1	Omnibus Legacy Act
1 SpS, 3	HF1	Omnibus Education Finance Act
1 SpS, 4	HF 3	Omnibus Environment and Agriculture Act
1 SpS, 5	SF 1	Omnibus Capital Investment Act
1 SpS, 6	HF 6	Legislative corrections

Note: All chapter and file numbers are 2015 Regular Session unless indicated.
 For detailed language of each act, please see:
<https://www.revisor.mn.gov/laws/?view=session&year=2015&type=0> (2015 Regular Session) or
<https://www.revisor.mn.gov/laws/?view=session&year=2015&type=1> (2015 First Special Session laws).

